COMPASS
GROUP

Delivering daily

Annual Report 2010

50

We operate in 50 countries

40,000

We provide services in over 40,000 client locations

428,000

We have more than 428,000 great people delivering great service

4 billion

We serve more than 4 billion meals a year

Contents

See this Report and our full Corporate Responsibility Report online at: **www.compass-group.com/annualreport10**

By continuing to improve our online reporting, we want to encourage more shareholders to join the increasing numbers who are choosing to receive all shareholder communications electronically rather than in printed form.

To receive all future shareholder communications electronically, please go to www.capitashareportal.com to register. As a 'thank you', we will dedicate a tree in your name if you opt to receive electronic shareholder communications. Compass Group is working with The CarbonNeutral Company on this project.

We deliver.

Every minute of every hour of every day we provide great food and support services to people around the world.

We combine global capability, local market and sector knowledge and individual client service with a reputation for putting health and safety first in everything we do, delivering to consistently high standards whilst demonstrating innovation and creativity.

05:37
Liverpool, UK

Delivering to the highest standards of health and safety

Our understanding and experience of the specific demands of the healthcare sector, especially in the areas of hygiene and health and safety, enable us to deliver market-leading solutions. We offer a range of support services, including cleaning, housekeeping, reception, security and portering.

07:46

Bay Village, Australia

Delivering in some of the most demanding remote locations

As well as providing full, round-the-clock foodservice, we manage everything from housekeeping, maintenance and transport services to the organisation of recreational activities, all underpinned by our absolute commitment to putting health and safety first in everything we do.

Highlights 2010

Group performance

We have delivered another year of strong performance, despite the challenging economic conditions, with record operating profit of over £1 billion and a return to organic revenue growth. Our ongoing focus on operational efficiency has enabled us to both invest in future growth and deliver another increase in the margin of 40 basis points.

On a constant currency basis, underlying operating profit increased by £92 million (10.1%) from the following key areas:

£38m

from net new business

£24m

from our existing base estate

£20m

of above unit cost savings

£10m

from acquisitions net of disposals and other

Revenues
4.7% revenue growth on a constant currency basis

10	£14,468m
09	£13,444m
08	£11,440m

Total underlying operating profit
A 10.1% increase in underlying operating profit on a constant currency basis

10	£1,003m
09	£884m
08	£662m

Underlying operating margin
A 40 basis point increase in underlying operating margin

10	6.9%
09	6.5%
08	5.8%

Underlying basic earnings per share
A 19.0% increase in underlying basic earnings per share

10	35.7p
09	30.0p
08	22.0p

Dividends per ordinary share
A 32.6% increase in the total dividend per ordinary share

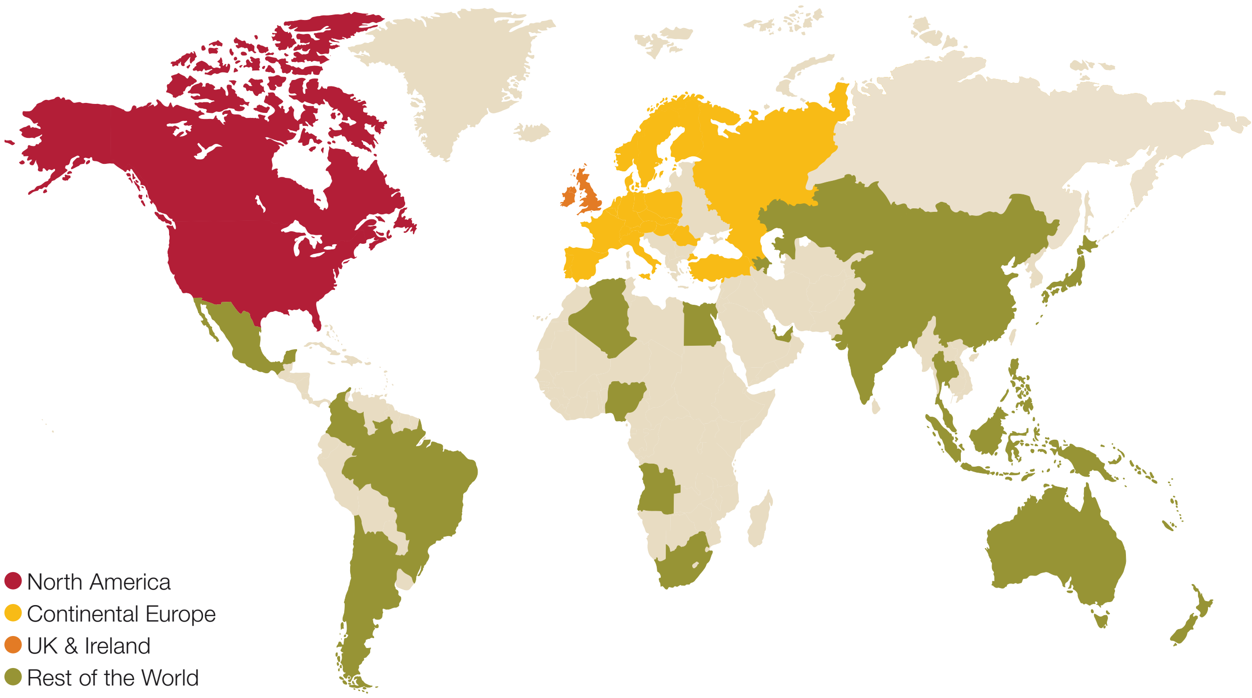
10	17.5p
09	13.2p
08	12.0p

Free cash flow
A 25.5% increase in free cash flow

10	£744m
09	£593m
08	£520m

Operating with scale across 50 countries in both developed and, increasingly, emerging markets, we are well placed to benefit from the growing outsourcing opportunity in food and support services, delivering an efficient and cost-effective solution to the multi-service requirements of our local, regional and multinational clients.

Regional performance



North America

Revenue

£6,369m

(2009: £5,806m)

Underlying operating profit

£491m

(2009: £438m)

% of Group revenue

44%

(2009: 43%)

Continental Europe

Revenue

£3,506m

(2009: £3,429m)

Underlying operating profit

£248m

(2009: £232m)

% of Group revenue

24%

(2009: 25%)

UK & Ireland

Revenue

£1,782m

(2009: £1,829m)

Underlying operating profit

£114m

(2009: £114m)

% of Group revenue

12%

(2009: 14%)

Rest of the World

Revenue

£2,811m

(2009: £2,380m)

Underlying operating profit

£204m

(2009: £151m)

% of Group revenue

20%

(2009: 18%)

1 Constant currency restates the prior year results to 2010's average exchange rates.
2 Total underlying operating profit includes share of profit of associates but excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs and share-based payments expense – minority interest call option.
3 Underlying operating profit by region excludes share of profit of associates, the amortisation of intangibles arising on acquisition, acquisition transaction costs and share-based payments expense – minority interest call option.
4 Underlying operating margin is based on revenue and operating profit excluding share of profit of associates, the amortisation of intangibles arising on acquisition, acquisition transaction costs and share-based payments expense – minority interest call option.
5 Underlying basic earnings per share excludes the amortisation of intangibles arising on acquisition, acquisition transaction costs and share-based payments expense – minority interest call option, hedge accounting ineffectiveness, the change in the fair value of investments and minority interest put options and the tax attributable to these amounts.
6 Organic growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full year in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior year at current year exchange rates) and compares the current year results against the prior year.
7 Unless stated otherwise, all figures in this document relate to the year ended 30 September 2010.
8 The data shown on pages 6, 7 and 16 to 19 relates to the continuing business only.

Delivering across our diverse sectors

Business & Industry

Group revenue 2010

41%

(2009: 43%)

Delivering world-class foodservice and support services to people at work. Our renowned 'customer first' hospitality mindset and reputation for great food are combined with the 'industrial efficiency' of our Compass Service Framework to consistently manage and deliver multiple services to the highest standard, at the best value, on a global scale.

Major sector brands

Education

Group revenue 2010

16%

(2009: 15%)

From kindergarten to college, we provide fun, healthy dining options that help boost concentration and knowledge retention. Our food and nutrition specialists are committed to building strong bodies, sharp minds and establishing the foundation for a long, healthier life.

Major sector brands

We believe that the sectors we operate in have specific requirements and that responding to these and driving innovation and operating efficiency are best addressed by building sector expertise. For our customers this means access to unrivalled experience, global best practice and market-leading innovation, and the specialist skills of our people from award-winning chefs to service 'practice experts'.

Healthcare & Seniors

Group revenue 2010

19%

(2009: 19%)

Delivering with care to the most exacting standards for patients, staff and visitors in the public and private healthcare sector and in the growing senior living market, with services to residential care homes, retirement communities and providing home delivery meal services.

Major sector brands

Medirest
Morrison
Crothall Services Group

Sports & Leisure

Group revenue 2010

11%

(2009: 11%)

With our acclaimed foodservice and unrivalled hospitality and service excellence, we have built up an enviable reputation for providing food and hospitality services at some of the world's most prestigious sporting, leisure and exhibition venues, visitor attractions and major events.

Major sector brands

Levy Restaurants
All Leisure

Defence, Offshore & Remote

Group revenue 2010

13%

(2009: 12%)

We lead the market in providing food and support services to major companies in the oil and gas and mining and construction industries, operating in some of the most demanding environments in the world. To our defence sector clients, we are a partner who understands the challenges of running efficient and cost-effective operations for members of the armed forces outside of areas of conflict.

Major sector brands

ESS
Support Services Worldwide

Delivering value consistently

Our relentless focus on efficiency is enabling us to drive further margin improvement as well as to reinvest in our business and in the exciting opportunities around the world, improving competitiveness and delivering returns for our shareholders.

Sir Roy Gardner
Chairman

I am delighted to report another year in which we have delivered further progress in operating profit, margin improvement, free cash flow generation, and, importantly, a return to organic revenue growth. Excitingly, we have reached record operating profit levels of over £1 billion in 2010.

Our strategy is clear: to deliver value to our shareholders from the significant opportunity in contract foodservice and from the growth in our support services capability. Operating with scale across 50 countries in both developed and, increasingly, emerging markets, we are able to take advantage of the growing outsourcing opportunity, providing local, regional and multinational clients with an efficient and cost-effective solution to their multi-service requirements. I am immensely proud of the world-class service our people continue to deliver to our customers and of their dedication to working to the highest standards whilst maintaining a culture of cost and operational efficiency.

The Management and Performance framework, MAP, which we introduced into the business in 2006, is now embedded across the Group. The relentless focus on efficiency this has engendered is enabling us to drive further margin improvement as well as to reinvest in our business and in the exciting opportunities around the world, improving competitiveness and delivering returns for our shareholders.

The benefit of this investment is evidenced in the acceleration of new business wins over the year as we expanded our sales teams and spread sales and retention best practice across the Group. Within an increasingly competitive market, this is a real achievement.

Whilst we are not yet seeing a return to cyclical growth, globally we are seeing some signs of economic stabilisation. We are, therefore, now taking steps to position ourselves to take advantage of the significant growth opportunities in the food and support services markets in both developed and emerging countries. Whilst organic growth remains our core focus, we have made a number of exciting infill acquisitions in 2010. Within foodservice, we acquired Caterine Restauration S.A.S., a significant player in the Education and Healthcare sectors in France, one of our key markets. We also expanded our operations in India with the acquisition of Tirumala Hospitality Services, a strong regional provider of foodservice in Western India.

In support services, we further strengthened our ability to offer multi-services in North America with the acquisitions of Hurley Corporation in Canada and Southeast Service Corporation in the United States of America. The acquisition of Clean Mall and FB Facility in the first half of the year also marked our entry into the large support services market in Brazil. Our recent acquisition of VSG Group Limited, a leading security services provider in the UK, significantly enhances a key service line in our bundled soft support services offering, increasing cross-selling opportunities across sectors in the UK. Finally, our acquisition of IDA Service A/S in Denmark, a well established operator of both food and support services, complements our existing operations and again, gives us valuable cross-selling potential.

Since the year end, we have continued to make infill acquisitions with the purchase of Reilimpa in Portugal, a support services business, and of Sabora in Spain, a foodservice business operating in the private education sector.

I am delighted to welcome these businesses into the Group and I look forward to more value creating acquisitions as we utilise the strength of our balance sheet to drive our growth plan forward.

Commitment to corporate responsibility

As a Group we remain committed to delivering the highest standards of responsible business practice. Our Corporate Responsibility objectives are integral to achieving our overall strategy, enabling us to offer our clients, consumers and employees a safe, injury free and healthy workplace, serving food that is always safe to eat, nutritional and which minimises our impact on the environment. The values of our MAP framework are embedded in our Corporate Responsibility programme with our focus on reducing energy and waste consumption, operating a more sustainable supply chain and on maintaining a healthy, productive and fully engaged workforce enabling us to operate in a more cost-efficient way and to deliver excellent results to all stakeholders as a result.

We are now into our third year of measuring our performance in this important area and our progress and drive for continuous improvement is set out in the Acting Responsibly section of this Report on pages 35 to 43.

Dividend increase

The strong results we have delivered this year give the Board the confidence to propose a rebasing of the dividend, with a final payment of 12.5 pence per share for payment on 28 February 2011. This brings our total dividend for 2010 to 17.5 pence, a year on year increase of 33%.

Leadership

Tim Parker will be retiring from the Board with effect from 31 December 2010 and I would like to thank him for the contribution he has made to the Board over the years. Tim's experience and business knowledge have been of great value to the Board's deliberations and, on behalf of the Board, I wish him every success for the future.

We have an experienced and diverse Board, supported by strong leadership teams across the Group. We have worked hard to put in place effective succession and development programmes and the excellent results we continue to achieve are a testament to this effort and to the emphasis we have put on what will continue to be an important area of focus for me.

Our people

Our results are a reflection of the quality of our people across the world from the senior management to our teams in the units. On behalf of the Board, I'd like to thank all of my Compass colleagues for their continued contribution and commitment to our clients, our consumers and our values.

Outlook

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

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

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

Sir Roy Gardner
Chairman
24 November 2010

Our strategy

We have a clear, focused strategy that is delivering value for our shareholders and has created a well-balanced and sustainable business model with significant opportunities to deliver continued growth.

- Focus on our contract foodservice business
- Grow our support services business
- Committed to giving our customers superior levels of service
- Focus on driving cost efficiencies

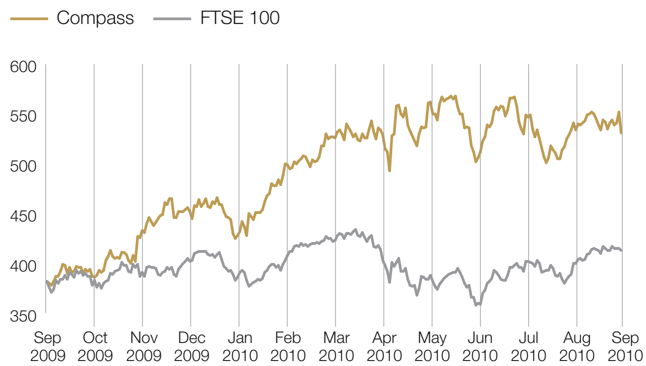
36

Position in the FTSE 100 Index
as at 30 September 2010 (2009: 35)

32.6%

Total dividend up 32.6% to 17.5p
(2009: 13.2p)

Compass Group share price performance vs FTSE 100 Index 2010



The FTSE 100 Index has been rebased to the Compass Group share price on 30 September 2009 (382.30 pence)

Compass Group share price performance vs FTSE 100 Index over the last 3 years

Delivering daily

We're passionate about great food.

Serving over four billion meals a year, our award-winning chefs work around the clock to create the very best menus with the best ingredients, often sourced to our specification direct from the growers, to meet the individual tastes of our millions of consumers around the world.

07:23

13:30

18:45

16:03

20:14

12:43

08:12

20:37

19:38

18:51

14:04

Delivering our strategy

We are excited by the growth opportunities we have around the world. We continue to be relentless in our pursuit of operating efficiency and, in an environment where cost remains high on the agenda, we are well placed to deliver quality food and support services solutions to our clients.

Richard Cousins
Group Chief Executive

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

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

£38 million of net new business growth

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

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

£24 million of base estate profit growth

Like for like growth

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

Cost efficiencies

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

£20 million of above unit cost savings

We have made further solid progress in the area of above unit costs (MAP 5) which, excluding the impact of acquisitions, have been reduced by a further £20 million in the year. In addition to taking cost out, we continue to redeploy resources from back of house to sales and operations, supporting our top line growth. Between 2005 and 2010 we have reduced our above unit costs by over £100 million (around 10%), whilst at the same time growing revenue by over 20%. We continue to strive to remove inefficient processes and to operate with flatter organisational structures.

£10 million from acquisitions net of disposals and other

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

Strategy

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

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

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

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

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

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

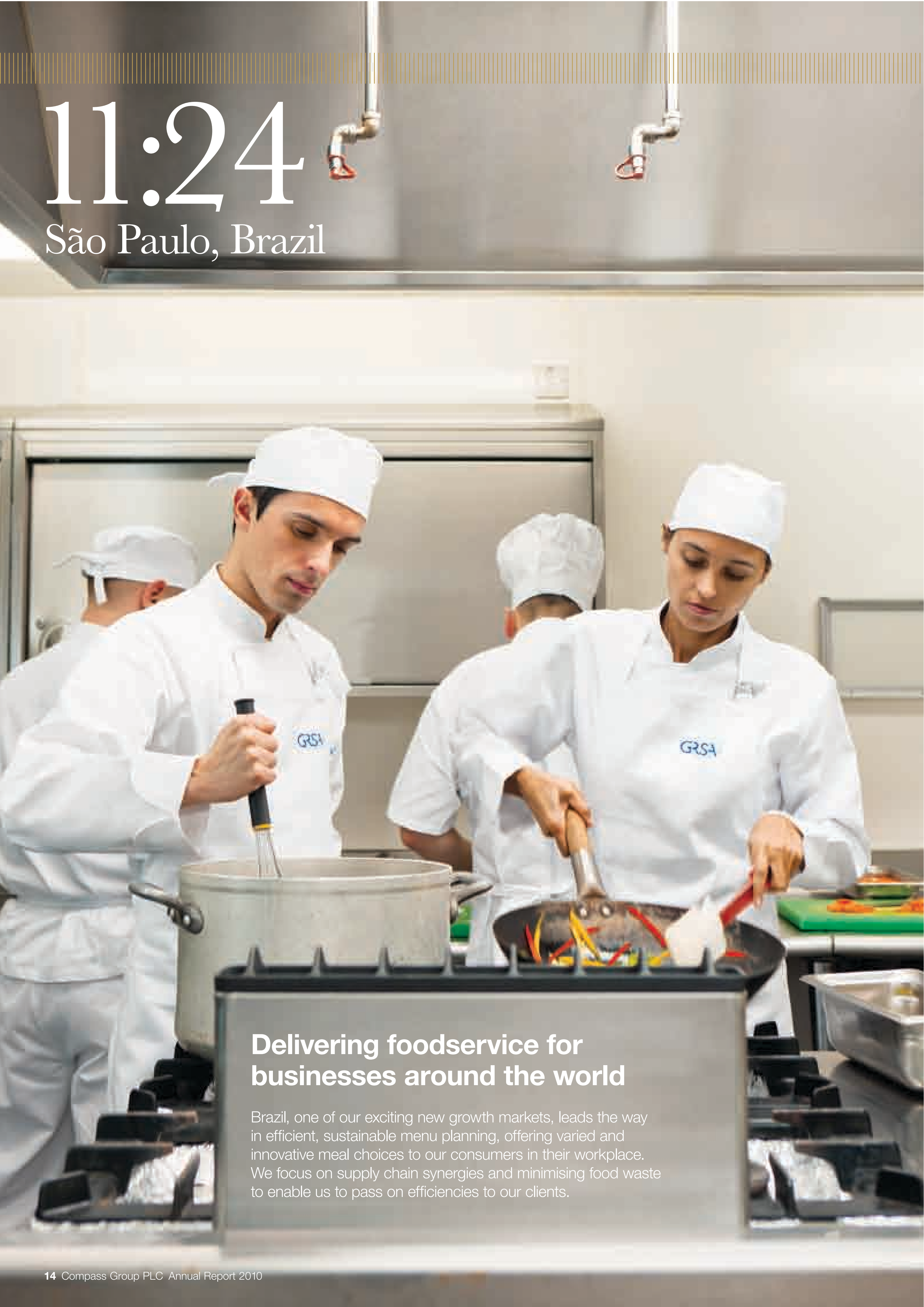
Outlook

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

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

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

Richard Cousins
Group Chief Executive
24 November 2010



11:24
São Paulo, Brazil

Delivering foodservice for businesses around the world

Brazil, one of our exciting new growth markets, leads the way in efficient, sustainable menu planning, offering varied and innovative meal choices to our consumers in their workplace. We focus on supply chain synergies and minimising food waste to enable us to pass on efficiencies to our clients.

12:11

Paris, France

Delivering well-balanced nutrition

Our 'Eat-Learn-Live' philosophy fuels the development of young minds and bodies from kindergarten to college with a nutritious, well-balanced diet. The programme offers healthy menu options, fun activities for educating children about diet and lifestyle and a commitment to sustainability and good environmental practices.

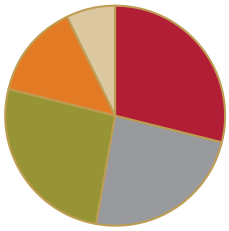


Regional performance
North America

44%
of Group revenue
(2009: 43%)

Revenue by sector

- Business & Industry 29%
- Education 24%
- Healthcare & Seniors 26%
- Sports & Leisure 14%
- Defence, Offshore & Remote 7%



£6,369m	7.7%	£491m	5.8%
Revenue	**Operating margin**	**Operating profit**	**Organic revenue growth**
(2009: £5,806m)	(2009: 7.5%)	(2009: £438m)	(2009: 1.6%)

Our North American business has delivered an excellent performance.

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

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

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

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

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

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

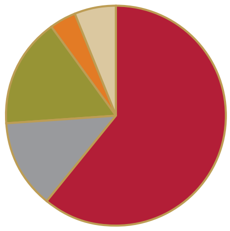
Continental Europe

24%

of Group revenue
(2009: 25%)

Revenue by sector

- Business & Industry 61%
- Education 13%
- Healthcare & Seniors 16%
- Sports & Leisure 4%
- Defence, Offshore & Remote 6%



£3,506m
Revenue
(2009: £3,429m)

7.1%
Operating margin
(2009: 6.8%)

£248m
Operating profit
(2009: £232m)

0.1%
Organic revenue growth
(2009: (1.1)%)

Economic conditions in parts of Continental Europe remained quite challenging during the year.

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

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

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

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

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

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

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

Regional performance

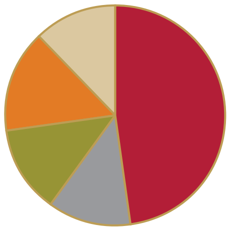
UK & Ireland

12%

of Group revenue
(2009: 14%)

Revenue by sector

- Business & Industry 48%
- Education 12%
- Healthcare & Seniors 13%
- Sports & Leisure 15%
- Defence, Offshore & Remote 12%



£1,782m	6.4%	£114m	(3.3)%
Revenue (2009: £1,829m)	**Operating margin** (2009: 6.2%)	**Operating profit** (2009: £114m)	**Organic revenue growth** (2009: (5.4)%)

Encouragingly, we have seen some progressive improvement in organic revenue trends in the UK & Ireland business, from a 5.7% decline in the first half of the year to only a 1% decline in the second half.

This is despite challenging economic conditions continuing to impact like for like volumes in the Business & Industry and Sports & Leisure sectors. The improvement is driven by a slight acceleration in new business wins and improvement in the rate of retention. Overall, revenues were £1.8 billion (2009: £1.8 billion). We have continued to work hard across the business, moving resources closer to clients and consumers and streamlining back office activities. This has improved margins by 20 basis points. Operating profit remained flat at £114 million (2009: £114 million).

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

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

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

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



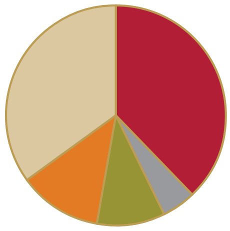
Rest of the World

20%

of Group revenue
(2009: 18%)

Revenue by sector

- Business & Industry 38%
- Education 5%
- Healthcare & Seniors 10%
- Sports & Leisure 12%
- Defence, Offshore & Remote 35%



£2,811m	7.3%	£204m	6.1%
Revenue (2009: £2,380m)	**Operating margin** (2009: 6.3%)	**Operating profit** (2009: £151m)	**Organic revenue growth** (2009: 2.3%)

Our Rest of the World businesses have delivered strong organic revenue growth of 6.1%.

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

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

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

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

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

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

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

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

13:05
London, UK

Delivering culinary excellence

Working in partnership with some of the world's most renowned and innovative chefs, including Albert Roux, Michel Roux Jr, Gary Rhodes, Tom Aikens and Jason Atherton in the UK and Ed Brown, Cary Neff and Wolfgang Puck in the USA, we bring exceptional gastronomic creativity to executive dining rooms and world famous venues.

13:27
Toronto, Canada

Delivering service excellence to clients around the world

We implement standardised processes through our world-leading operating platform for support services, the Compass Service Framework, driving consistency and continuity across multi-site contracts.

Delivering a strong financial performance

We are pleased to have delivered another year of strong financial performance despite challenging economic conditions with record levels of operating profit of over £1 billion, steady margin improvement and good progress on free cash flow.

Andrew Martin
Group Finance Director

Financial summary

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

Segmental performance

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

	Operating profit		Margin	
	2010 £m	2009 £m	2010 %	2009 %
Continuing operations				
North America	**491**	438	**7.7%**	7.5%
Continental Europe	**248**	232	**7.1%**	6.8%
UK & Ireland	**114**	114	**6.4%**	6.2%
Rest of the World	**204**	151	**7.3%**	6.3%
Unallocated overheads	**(60)**	(58)	**–**	–
Excluding associates	**997**	877	**6.9%**	6.5%
Associates	**6**	7	**–**	–
Underlying	**1,003**	884	**6.9%**	6.5%
Amortisation of fair value intangibles	**(7)**	(7)		
Acquisition transaction costs	**(5)**	–		
Share-based payments expense – minority interest call option	**(2)**	–		
Total	**989**	877		

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

Revenue

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

10	**£14,468m**
09	£13,444m
08	£11,440m

Operating profit

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

10	**£1,003m**
09	£884m
08	£662m

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

Operating margin

The underlying operating profit increased by £92 million, or 10.1%, on a constant currency basis. This represents a 40 basis points improvement in margin to 6.9% (2009: 6.5%).

10	**6.9%**
09	6.5%
08	5.8%

North America

44.0% Group revenue (2009: 43.2%)

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

Continental Europe

24.2% Group revenue (2009: 25.5%)

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

UK & Ireland

12.3% Group revenue (2009: 13.6%)

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

Rest of the World

19.5% Group revenue (2009: 17.7%)

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

Regional reviews

Additional information on the performance of each region can be found in the regional reviews on pages 16 to 19.

Unallocated overheads

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

Finance costs

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

Other gains and losses

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

Profit before tax

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

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

Income tax expense

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

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

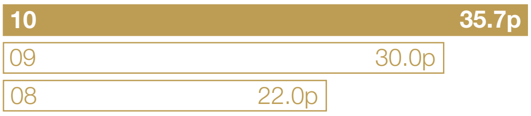
Discontinued operations

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

Basic earnings per share

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

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



	Attributable profit		Basic earnings per share		
	2010 £m	2009 £m	**2010 pence**	2009 pence	Change %
Reported	**675**	586	**36.0**	31.7	14%
Discontinued operations	**(13)**	(40)	**(0.7)**	(2.2)	
Other adjustments	**7**	8	**0.4**	0.5	
Underlying	**669**	554	**35.7**	30.0	19%

Dividends

It is proposed that a final dividend of 12.5 pence per share will be paid on 28 February 2011 to shareholders on the register on 28 January 2011. This will result in a total dividend for the year of 17.5 pence per share (2009: 13.2 pence per share), a year on year increase of 32.6%.

The dividend is covered just over 2 times on an underlying earnings basis and 2.9 times on a free cash basis.

Free cash flow

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

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

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

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

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

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

Acquisition payments

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

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

Disposals

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

Proceeds from issue of share capital

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

Return on capital employed

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

Pensions

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

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

Financial position

The ratio of net debt to market capitalisation of £10,007 million as at 30 September 2010 was 6% (2009: 13%).

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

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

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

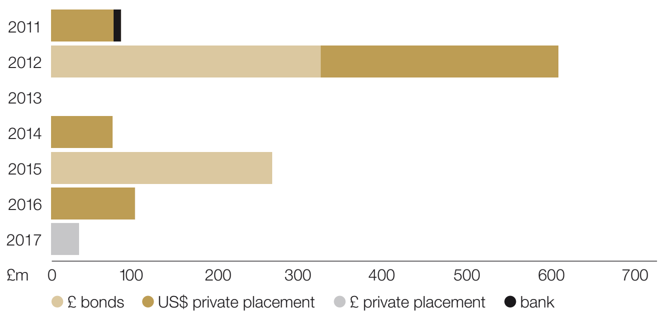
The EBIT to net interest ratio has increased from 5.6 times in 2006 to 12.3 times in 2010 and the EBITDA to net interest has increased from 8.2 times to 15.2 times in the same period. This is adjusted where necessary for covenant definitions and includes share of profits of associates and discontinued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

Liquidity risk

The Group finances its borrowings from a number of sources including banks, the public markets and the private placement markets. The maturity profile of the Group's principal borrowings at 30 September 2010 shows the average period to maturity is 2.7 years.

Maturity profile of principal borrowings
as at 30 September 2010

Years ending 30 September



1 Based on borrowings and facilities in place as at 30 September 2010, maturing in the financial year ending 30 September.
2 The average life of the Group's principal borrowings as at 30 September 2010 is 2.7 years (2009: 3.1 years).

The Group's undrawn committed bank facilities at 30 September 2010 were £696 million (2009: £756 million).

Financial instruments

The Group continues to manage its foreign currency and interest rate exposure in accordance with the policies set out below. The Group's financial instruments comprise cash, borrowings, receivables and payables that are used to finance the Group's operations. The Group also uses derivatives, principally interest rate 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.

Foreign currency risk

The Group's policy is to match as far as possible its principal projected cash flows by currency to actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary to implement this policy, forward currency contracts are taken out which, when applied to the actual currency liabilities, convert these to the required currency. A reconciliation of the 30 September 2010 actual currency liabilities to the effective currency borrowed is set out in note 18 of the consolidated financial statements. The borrowings in each currency give rise to foreign exchange differences on translation into Sterling. Where the borrowings are either less than, or equate to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the income statement. Non-Sterling earnings streams are translated at the average rate of exchange for the year. This results in differences in the Sterling value of currency earnings from year to year. The table in note 34 of the consolidated financial statements sets out the exchange rates used to translate the income statements, balance sheets and cash flows of non-Sterling denominated entities.

Interest rate risk

As detailed above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short-term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that at least 80% of its projected net debt is fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.

Other risks and uncertainties

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out in the section headed 'Managing Risk' on pages 28 to 31.

Shareholder return

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 19 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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

Andrew Martin
Group Finance Director
24 November 2010

13:56

New York, USA

Delivering quality, choice and value

We know what's important to our clients and consumers and that's why we offer everything from a nutritious breakfast and delicious lunch to barista-made coffee and grab and go snacks, bringing people back to our restaurants and outlets day in, day out.

16:07
Berlin, Germany

Delivering for business

We offer an extensive range of high quality multi-services to major national and international clients, tailored to meet their specific needs, so that they can focus fully on their core business.

Managing risk

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

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders.

As set out on pages 49 to 50 of the Corporate Governance section, the Group has policies and procedures in place to ensure that risks are properly evaluated and managed at the appropriate level within the business.

The identification of risks and opportunities, the development of action plans to manage the risks and exploit the opportunities, and the continual monitoring of progress against agreed Key Performance Indicators ('KPIs') is an integral part of the business process, and a core activity throughout the Group.

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

This is underpinned by a formal major risk assessment process which is an integral part of the annual business cycle. As part of the process, each of the Group's businesses is required to identify and document major risks and appropriate mitigating activities and controls, and monitor and report to management on the effectiveness of these controls on a biannual basis. Senior managers are also required to sign biannual confirmations of compliance with key procedures and to report any breakdowns in, or exceptions to, these procedures. The results are reviewed by the Executive Committee and the Board.

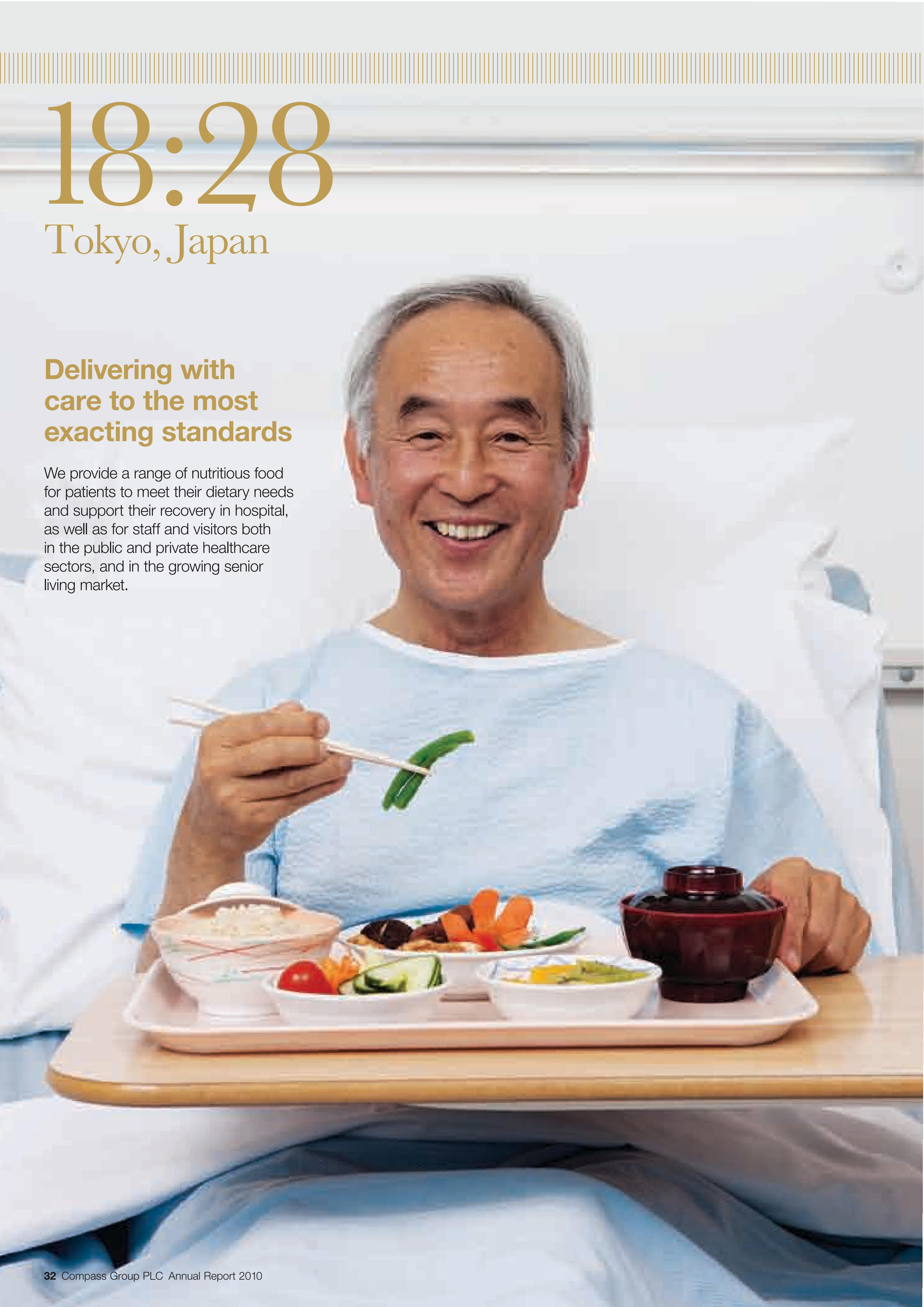
The Group also has formal procedures in place, with clearly designated levels of authority, for approving acquisitions and other capital investments. This is supported by a post-investment review process for selected acquisitions and major items of capital expenditure.

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

Risk		Mitigation
Health, safety and environment	**Food safety**	Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene and safety is paramount. The Group has appropriate policies, processes and training procedures to ensure full compliance with legal obligations.
	Health and safety	Health and safety remains our number one operational priority. All management meetings throughout the Group feature a health and safety update as one of their first agenda items.
	Environment	Every day, everywhere, we look to make a positive contribution to the health and wellbeing of our customers, the communities we work in and the world we live in. Our Corporate Responsibility statement on pages 35 to 43 describes our approach in more detail.
Clients and consumers	**Client retention**	We aim to build long-term relationships with our clients based on quality and value. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.
	Consolidation of food and support services	We have developed a range of support services to complement our existing foodservice offer. These services are underpinned by the Compass Service Framework, our standard operating platform for support services, which gives us the capability to deliver to the same consistent world-class standard globally.
	Bidding risk	The Group's operating companies bid selectively for large numbers of contracts each year and a more limited number of concession opportunities. Tenders are developed in accordance with a thorough process which identifies both the potential risks (including social and ethical risks) and rewards, and are subject to approval at an appropriate level of the organisation.
	Credit risk	There is limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's client base.
	Service delivery and compliance with contract terms and conditions	The Group's operating companies contract with a large number of clients. Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the appropriate contract terms and conditions.
	Changes in consumer preferences	We strive to meet consumer demand for quality, choice and value by developing innovative and nutritious food offers which suit the lifestyle and tastes of our consumers.
People	**People retention and motivation**	The recruitment and retention of skilled employees is a challenge faced by the industry at large. The Group has established training and development, succession planning and performance management programmes which are designed to align rewards with our corporate objectives and to retain and motivate our best people.
Supply chain	**Suppliers**	The Group constantly strives to find the right balance between building long-term supply relationships based on the compatibility of values and behaviour with the requirements of the Group as well as quality and price. The Group seeks to avoid over-reliance on any one supplier.
	Traceability	To reduce risk we are focusing on traceability, clear specification of our requirements to nominated suppliers and the improvement of purchasing compliance by unit managers.

Risk		Mitigation
Economic risk	**Economy**	Around 50% of our business, the Healthcare, Education and Defence, Offshore & Remote site sectors, is less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to the economy and employment levels. However, with the variable and flexible nature of our cost base, it is generally possible to contain the impact of like for like volume declines.
	Food cost inflation	As part of our MAP programme, we seek to manage food price inflation through: cost indexation in our contracts, giving us the contractual right to review pricing with our clients; menu management to substitute ingredients in response to any forecast shortages and cost increases; and continuing to drive greater purchasing efficiencies through supplier rationalisation and compliance.
	Labour cost inflation	Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP programme, we have been deploying tools and processes to optimise labour productivity and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.
Regulatory, political and competitive environment	**Political stability**	Compass is a global company operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability. However, we remain aware of these risks and look to mitigate them wherever possible. We have also taken the strategic decision to withdraw from a number of countries where we consider the risks outweigh the rewards.
	Regulation	Changes to laws or regulations could adversely affect our performance. We engage with governmental and non-governmental organisations directly or through trade associations to ensure that our views are represented.
	Competition	Compass operates in a competitive market place. The level of concentration and outsource penetration varies by country. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by building long-term relationships with our clients based on quality and value.
Acquisitions and investments	**Acquisition risk**	Potential acquisitions are identified by the operating companies and subject to appropriate levels of due diligence and approval by Group management. Post acquisition integration and performance is closely managed and subject to regular review.
	Investment risk	Capital investments are subject to appropriate levels of scrutiny and approval by Group management.
	Joint ventures	In some countries we operate through joint ventures. Procedures are in place to ensure that joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.

Risk	Mitigation
Information technology and infrastructure	The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our customers, suppliers and employees. There is minimal inter-country dependence on IT systems, and all of the Group's major operating companies have appropriate disaster recovery plans in place.
Fraud and compliance	The Group's zero tolerance based Code of Ethics governs all aspects of our relationship with our stakeholders. All alleged breaches of the Code are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.
Litigation	Though we do not operate in a litigious industry, we have in place policies and processes in all of our main operating companies to report, manage and mitigate against third party litigation.
Reputation risk	Our brands are amongst the most successful and best established in our industry. They represent a key element of the Group's overall marketing and positioning. In the event that our brand or reputation is damaged this could adversely impact the Group's performance. The Group's zero tolerance based Code of Ethics is designed to safeguard the Company's assets, brands and reputation.
Financial risk	Compass Group's financial risk management strategy is based upon sound economic objectives and good corporate practice. The main financial risks concern the availability of funds to meet our obligations (liquidity risk), movements in exchange rates (foreign currency risk), movements in interest rates (interest rate risk), and counterparty credit risk. Derivative and other financial instruments are used to manage interest rate and foreign currency risks. Further details of our financial risks and the ways in which we mitigate them are set out on pages 22 to 25.
Pensions risk	The Group's defined benefit pension schemes are closed to new entrants other than for transfers under public sector contracts in the UK where the Company is obliged to provide final salary benefits to transferring employees. Steps have been taken to reduce the investment risk in these schemes. Further information is set out in note 22 of the consolidated financial statements on pages 103 to 107.
Tax risk	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we aim to act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable in estimating our tax liabilities. We exercise our judgment and seek appropriate professional advice in assessing the amounts of tax to be paid and the level of provision required. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate.

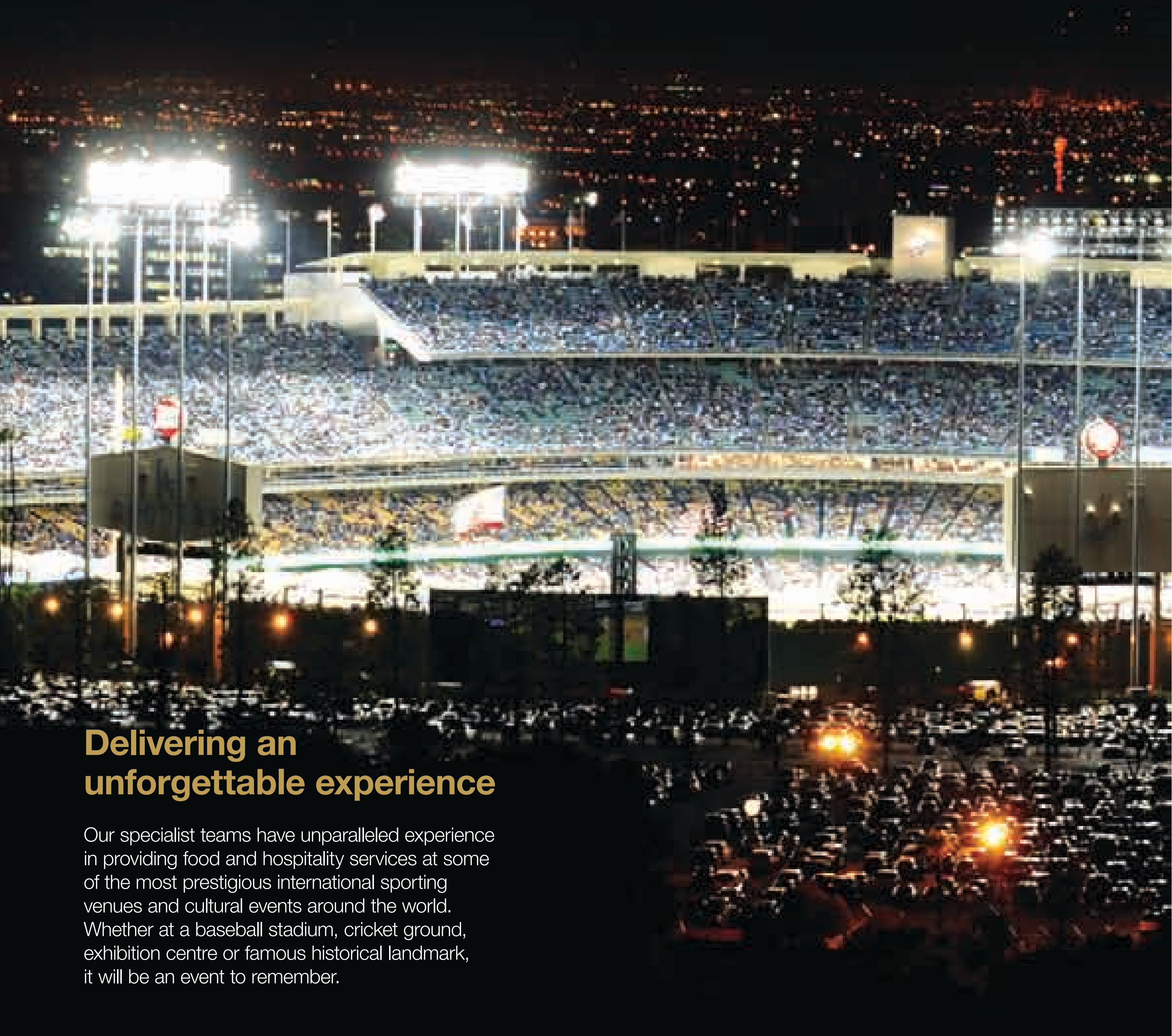


18:28
Tokyo, Japan

Delivering with care to the most exacting standards

We provide a range of nutritious food for patients to meet their dietary needs and support their recovery in hospital, as well as for staff and visitors both in the public and private healthcare sectors, and in the growing senior living market.

20:10
Los Angeles, USA



Delivering an unforgettable experience

Our specialist teams have unparalleled experience in providing food and hospitality services at some of the most prestigious international sporting venues and cultural events around the world. Whether at a baseball stadium, cricket ground, exhibition centre or famous historical landmark, it will be an event to remember.

06:15
Madrid, Spain

Delivering sustainable sourcing

The provenance of the food we buy is very important to us. We work with our suppliers to support national, regional and local sourcing.

Acting responsibly

Corporate Responsibility ('CR') is central to the strategy of our business, and is integral to everything we do. We regard CR as a long-term, sustainable approach to business that seeks benefits for all our stakeholders, whether they are customers, employees, communities, suppliers, the environment, the Company or our shareholders.

Interested?
Find out more online at:
www.compass-group.com/CR10

Our values

- **Openness, trust and integrity**
- **Passion for quality**
- **Win through teamwork**
- **Can-do**
- **Responsibility**

Dow Jones Sustainability Indexes
Member 2010/11

Business in the Community AWARDS 2010
Big Tick re-accreditation

FTSE4Good

Over the past year, we have continued to drive further improvement across our business, particularly in the areas of environmental performance reporting and supply chain. The Board believes that the progressive integration of CR across the Group and the inclusion of broader social and environmental issues into our decision making will help us to achieve our business goals, act as a building block for growth in shareholder value and benefit the communities in which we operate.

In 2010, we undertook a detailed engagement exercise across a range of stakeholders including employees, customers, investors and non-government organisations to capture their views regarding our sustainability strategy and practices. They told us that they would like to see greater consistency in the way in which we implement our CR activity globally, enhanced scope to our performance reporting and better communication of our longer-term CR vision. In 2011, we intend to launch a global CR Framework to articulate our longer-term vision and clearly define the steps we wish our businesses to implement along their CR journey.

CR sits clearly within our overall strategy of disciplined growth, as we strive to provide the highest quality of service to all our customers.

A commitment to develop performance indicators

We continue to enhance the scope of our performance reporting relating to the environment including food waste reduction and additional people related metrics. Our Key Performance Indicators ('KPIs') continue to be relevant to our business strategy and help drive the sustainable development of our business. Since we started our CR journey in 2007, we have seen continued improvement in our sustainability performance against our baseline data. Through the sharing of best practice from our businesses around the world, we have been able to replicate effective initiatives across different markets and develop the scope of our KPIs. Our latest CR performance against published targets is set out on page 36 to 37.

Corporate culture

Governance and ethics

Our structure is underpinned by the highest levels of corporate governance. This empowers our local management teams to manage their businesses to be competitive in their marketplace while operating within a strict corporate framework with clearly defined parameters. Our Code of Ethics sets out our social, ethical and environmental commitment towards each of our stakeholders and the communities in which we operate.

We have a whistle-blowing programme, 'Speak Up', which is managed by an independent company, so that our employees globally can raise, in confidence, any concerns they may have about how we conduct our business. Work continues throughout our business to maintain employee awareness of 'Speak Up' and regular progress reports are provided to the Audit Committee of the Board.

Corporate Responsibility Committee

As part of our overall commitment to good corporate governance, we operate a Corporate Responsibility Committee of the Board. Established in 2007, the Corporate Responsibility Committee continues to provide direction and guidance on all aspects of business practice and responsibility, ensuring consistent application wherever we operate. The Committee's primary responsibilities include: endorsement of CR policies; overseeing occupational health and food safety performance; environmental practices; business conduct; the positive promotion of employee engagement, diversity and community investment. A key focus of the Committee has been to improve the scope of our CR commitments and overall performance measurement.

Our CR commitments and progress

target achieved

target remains work in progress

		Key Performance Indicator	Target 2009-2010	Performance 2009-2010
Environment	**Energy efficiency**	Reduction in energy consumption (gas & electricity) of our corporate offices	3%	
	Vehicle efficiency	Reduction in company vehicle fuel consumption (direct fuel purchased)	3%	
	Water consumption	Reduction in water consumption of our corporate offices	3%	
	General waste reporting	Compliance in waste performance reporting	100%	
	Food waste	**NEW** Implement 'Trim Trax' food waste reduction programme		
Our customers	**Wellness and nutrition**	Improvement in the total number of operating sites providing 'Balanced Choices' (or equivalent healthy eating programme) to their customers	5%	
	Food safety	Improve our global Food Safety Incident Rate (FSIR)	% improvement	
	Supply chain assurance	Implement the new Compass Supplier Assurance Standard (including Corporate Responsibility elements)	100%	
Our people	**Occupational health and safety**	Improve our global Lost Time Injury Rate (LTIR) Report number of fatalities	% improvement	
	Employee retention	Measure employee retention rate for all employees	% retention	
	Diversity	Measure number of women appointed to our global leadership team	% increase	
	Business ethics	Measure total number of concerns reported by employees globally, via 'Speak Up'	100%	
	Employee survey	2011 'Your Voice' survey • Improvement in participation rating • Improvement in engagement rating	 n/a n/a	

Basis for consolidation

Unless otherwise indicated, progress is reported for our 'Top Ten' countries against 2008-2009 performance. 'Top Ten' countries, as at 2007-2008, representing 81% of Group revenue: *Australia, Canada, France, Germany, Italy, Japan, Spain, Netherlands, UK & Ireland and USA*. For 2010-2011, following consultation with key stakeholders including employees, customers, non-governmental organisations ('NGOs') and financial analysts, we are increasing the scope of our environmental reporting to include our 'Top Twenty' countries for greater coverage across the business. Our ultimate goal is to be able to achieve reporting from all countries in which we operate.

Interested?
For full details of our performance, including prior years, please visit our CR site online at:
www.compass-group.com/CR10

Review 2009-2010	Target 2010-2011
The harsh winter during 2009-2010 contributed to the increase in consumption in northern European countries compared to the same period last year, which has led to an overall increase compared to our 2008-2009 performance.	10% reduction by 2012 (against 2007-2008 baseline)
We have met our 2009-2010 target and report a decrease in our vehicle fuel usage this year as a result of promoting responsible driving behaviours and investment in low emission and electric vehicles to reduce fuel emissions.	10% reduction by 2012 (against 2007-2008 baseline)
Although we have not met our 2009-2010 target, we have not increased our consumption compared to last year.	10% reduction by 2012 (against 2007-2008 baseline)
We have made excellent progress this year in improving the accuracy of our waste data, by working in partnership with our waste collection contractors.	100% data capture
NEW We are introducing a new KPI for 2010-2011 to reduce food waste. Our 'Trim Trax' programme enables sites to monitor and record the volume of food waste each day, promoting improved employee awareness and resulting in more efficient food management practices.	100% data capture
We are making good progress with our implementation of healthy eating programmes, which help our customers make informed choices towards maintaining a healthy, balanced diet.	25% by 2012 (against 2007-2008 baseline)
We continue to demonstrate an improved global food safety performance.	Report % improvement
This standard enables us to assess a supplier's performance in areas such as the environment, labour practices and social factors.	100% implementation across 'Top Twenty' countries
We continue to demonstrate an improved global occupational health and safety performance.	Report % improvement
This is our first year of reporting employee retention.	% total employee retention % management retention % site management retention
19.2% of our global leadership team positions are held by women (18.5% in 2008-2009).	Report % increase
All our countries have access to the independently operated 'Speak Up' whistle-blowing programme which enables employees to report material concerns for review and follow up. There is a clear escalation process in place to consider each query raised. Where appropriate a full investigation and remedial actions are taken.	Measure and report concerns
We conduct the 'Your Voice' survey every two years. Our next survey takes place in 2011.	74% participation rating 72% engagement rating

Period of reporting
Up to now we have reported our environmental performance as a stand-alone annual result. Going forward, we have decided to report our environmental performance on a year on year basis from a 2007-2008 baseline through to 2012. This change in reporting will help us realise the efficiency benefits from improving employee environmental behaviour and investing in energy-saving equipment in corporate offices and lower emissions vehicles, thereby demonstrating our commitment to continuous performance improvement.

13,000

employees have completed 'One Compass Welcome': our online induction programme (UK & Ireland)

19.2%

of our global leadership team roles are held by women

Our people

2010 highlights

- 3,000 site level managers take part in our 'Mapping for Action' programme (Global)
- 23 countries take part in 'INSights': our new learning and development programme (Global)
- Springboard Award for the 'Best Initiative to Attract People into Management' ('Compass Academy': UK & Ireland)

We employ more than 428,000 people in 50 countries and are committed to developing an engaged and highly motivated workforce. As a service organisation, our success depends on our people providing the best possible service to our customers. By looking after our people we are looking after our customers.

Developing our people

We use a common management framework, 'People MAP', which details our strategy to attract, retain, develop and engage our people. This simple framework ensures that we have a process in place to manage activities in a consistent way across all of our countries and supports the sharing of best practice. Through our talent management initiatives and various learning and development programmes, developing our people and their careers within the business has been an area of focus for us during 2010.

Global programmes

To retain a productive and motivated workforce we need to harness the skills and abilities of our people and invest in their future with us. In September 2009, we launched a global leadership programme, 'INSights', to develop emerging leaders for both regional and key functional roles. Over 23 countries have already taken part in the programme which features both personal and business leadership skills development, as well as an in-depth overview of the world of Compass. Since participating, a quarter of those who took part have been promoted or moved into a new and more challenging role within the business as a direct result of the programme.

Following on from the success of our global learning and management development programme, 'Mapping for Value', in 2009, we launched an additional initiative, 'Mapping for Action'. Designed to embed our Management and Performance operating framework ('MAP') to site level, around 3,000 site level managers across Compass have already taken part in this highly interactive programme, with representatives from more than 20 countries.

Since its launch in December 2007, the Group's English language training programme has provided more than 1,000 people from over 30 countries with the opportunity to improve their English language skills. A recent user satisfaction survey indicated that the programme achieved an 82% satisfaction rating from users with 92% of users citing that the learning was relevant to their job.

Country led programmes

To complement our global programmes, many of our businesses have developed customised initiatives to address local requirements and challenges. For example, in line with our focus on developing talent and passion for quality, Australia, Canada, Denmark, North America and the UK & Ireland have been operating their own emerging leaders programmes and sharing best practice examples through the Global HR Forum, comprising HR leaders from around the world.

In Japan, we operate an 'escalator' programme which supports the career development of employees with high potential. Individuals have the opportunity to progress through each level of their career journey, from graduate entry up to senior global leadership positions.

Equal opportunities

We value the diversity of our people and strongly believe that a more diverse workforce is a more creative workforce, and one better able to adapt to change. We expect all of our employees to be treated with respect and dignity. The more our employees reflect the diversity of our clients and consumers, the better equipped we are to service their needs.

We have the right policies in place to meet or exceed legal requirements in this area and, as an example of our ongoing commitment, women currently hold 19.2% of global leadership team roles (2008-2009: 18.5%).

Reward

Our remuneration policy seeks to deliver improved performance throughout the business, balancing short-term success with the attainment of our longer-term business goals and shareholder return. We work hard to attract and retain people of proven ability, experience and skills. Under our pay and reward programme, in the year ended 30 September 2010, the Group paid gross salary costs of £6,444 million for the continuing business. Within this figure, social security contributions, pensions and other employee costs amounted to £1,014 million, £76 million and £9 million respectively.



A safe and healthy workplace

2010 highlights
- IFAP/CGU Gold Award for Safety Achievement for second consecutive year (Australia)
- 12.5 million man-hours with zero lost-time injuries (Angola)
- 3 gold medals, 9 gold certificates and 12 silver certificates at the RoSPA Awards (UK & Ireland)

Our number one operational priority remains health, safety and the environment for our employees and the 20+ million consumers who eat and drink with us every day.

All management and board meetings throughout the Group feature a health and safety update as one of their first agenda items. The Board reviews the Occupational Health & Safety and Food Safety policies annually (as well as the latest performance results at each meeting) to ensure that they continue to reflect our aims and aspirations and meet current legislation.

Sharing best practice

Supporting the Board is our internal Health, Safety & Environment Forum ('Global HSE Forum'), comprising technical specialists from around the business, responsible for promoting policy, setting standards, measuring compliance and sharing best practice across the Group.

We believe that everyone at Compass has a moral obligation to safeguard each other, our customers and the environment by operating a safe, injury free and healthy workplace; serving food that is always safe to eat, nutritional and which minimises our impact on the environment. To ensure best practice, we developed a set of policies, minimum operating standards and behaviours in 2007, which have been steadily rolled out across our business. We are pleased to report that, this year, the first phase of the programme has been successfully implemented across 98% of our countries. Our standards are based on the strictest regulatory requirements and industry best practice.

Our number one priority

World-class performance continues to be our goal, seeking over the short- to medium-term to set the benchmark for our industry.

Interested?
Find out more online at:
www.compass-group.com/CR10

This year, in line with our published 2009-2010 commitment, we have worked hard with our internal stakeholders to measure, collate and report on our Lost Time Injury Rate ('LTIR') in a consistent way. All of our countries now report their health and safety and food safety performance in a consistent format every month. Due to the diverse range of business sectors in which we operate, we have further work to do in consolidating our performance data to create one global measurement which we can report publicly. In the meantime, we are pleased to report that in 2009-2010 we recorded a 28% improvement in our LTIR performance compared to 2008-2009.

Health and safety have always had a special focus in our business and particularly for our Offshore & Remote site workplaces, where our customers demand the very highest operational standards. At the Chevron Cabinda Gulf Oil Company site in Angola, our Express Support Services Lda team reached an important safety milestone this year when they achieved more than 12 million man-hours worked with zero days away from work or lost-time injuries. During this time, we provided food and support services for an average of 2,000 residents working at the base and up to 2,500 field-based consumers servicing oil and gas exploration and production. In Abu Dhabi, our ADNH Compass Oil and Gas team has reported zero lost-time injuries in the last eight years, a testament to their continued hard work and commitment.

Recognition

We take great pride when our commitment to health and safety is recognised externally. A long running and highly respected occupational safety body, RoSPA (The Royal Society for the Prevention of Accidents) has been recognising health and safety success across the UK for more than 50 years. In 2010, they awarded our UK & Ireland business a total of 24 medals and certificates: 3 gold medals, 9 gold certificates and 12 silver certificates. A gold medal denotes a significant achievement, awarded for a very high level of performance, a well developed occupational health and safety management system and culture.

Wellness and nutrition

2010 highlights

- 24% increase in the number of sites operating the 'Balanced Choices' healthy eating programme (Global)
- Best Employers for Healthy Lifestyles awarded by the National Business Group on Health (US)
- 800 chefs and 40,000 students nutritionally trained by Compass (UK & Ireland)

As a global foodservice company, we recognise that we have an enormous impact on what our 20+ million daily consumers choose to eat and drink. Our positive contribution to their diet and nutrition is our most significant impact and we are proud of the role we play in promoting health, wellness and nutrition, particularly, as in many of the markets where we operate, the meal we provide may be the only nutritious meal eaten by our consumers that day.

Delivering balanced choices

We are working closely with our clients (and through them with our consumers), suppliers, governments and regulators across the world to respond to public health issues such as those associated with obesity and diet. Our consumers are becoming increasingly sophisticated about the nutritional content of their food choices and during 2010, we have continued to roll out our healthy eating framework, 'Balanced Choices', across the business to enhance nutritional labelling across our food product range, providing consumers with the information that they need to make informed choices. More than 1,300 sites (2009: 830 sites) in the UK and over 2,077 sites (2009: 2,000 sites) in the US are operating 'Balanced Choices'. In the Netherlands, the outstanding success of our 'Puur' brand which offers a 'Balanced Choices' menu promoting fresh, wholesome foods has led to a 52% increase in the number of 'Balanced Choices' sites. Our business in Japan has also shown a marked increase of 67% in the number of 'Balanced Choices' sites they operate.

Encouraging healthy lifestyles

Compass is committed to leading the way in the foodservice industry in understanding the needs of consumers and is at the forefront of providing nutritional information. We take our 'Responsibility' value very seriously, and this year, in response to the growing concern over childhood obesity and the importance of educating school children to adopt healthy eating habits, we have extended our efforts in terms of nutritional labelling to the Education sector; for example, in Portugal, nutritional labelling has been introduced in 92% of our Education sites reaching over 128,000 students.

Chartwells, one of our Education sector brands, is a leading provider of foodservice to schools, colleges and universities across the globe. 2010 has seen the continued implementation of our 'Eat-Learn-Live' programme. The programme promotes awareness of the importance and benefits of healthy eating including practical advice on healthy cooking, nutrition seminars and production of an informative but fun comic book highlighting the potential dangers of overeating and lack of exercise.

'Tastelife', our Australian health and wellness programme, has been shown not only to increase the wellbeing of the individual but help reduce employee absenteeism, increase employee retention and productivity, increase social interaction and reduce injury claim costs. The programme consists of three elements; 'Nutritiouslife', 'Activelife' and 'Healthylife'. 'Nutritiouslife' encapsulates our commitment to healthy eating and currently operates in 355 sites across Australia, New Zealand, Papua New Guinea and offshore in that region. The focus is on fresh, exciting food and enabling consumers to make healthy choices by highlighting nutritionally balanced options and providing clear food labelling. 'Activelife' focuses on physical aspects, challenging ideas around exercise and healthy lifestyle, supported by over 70 full-time instructors across 33 sites. The 'Tastelife' programme has been so successful we are sharing it as a best practice example initiative through our Global HSE Forum.

Interested?
Find out more online at:
www.compass-group.com/CR10

91.8m

cage-free eggs purchased (US)

100%

of beef purchased is British (UK & Ireland)

Responsible supply chain

2010 highlights

- EcoLogo Environmental Stewardship Award in recognition of our high ‘green’ standards (Canada)
- Over 1 million pounds (lbs) reduction in purchase of non-sustainable seafood (US)
- FIA Food and Beverage Industry Award for Environment and Sustainability (Australia)

The provenance and origin of the food we purchase is a key consideration for us. We require that food is purchased only from authorised suppliers and we work closely with our supply partners to ensure that they meet our required supply chain standards.

In 2010, our UK & Ireland business was awarded three more Good Egg Awards, which are given by the leading farm animal welfare charity, Compassion in World Farming, to companies that source cage-free eggs, or are committed to do so by 2012. In our US business, we already use 91.8 million cage-free eggs. Although the move to barn or free-range eggs is a complex process, we are actively working to encourage more sites across Europe to use only cage-free eggs. To continue our working partnership with Compassion in World Farming, the UK & Ireland business will be supporting the newly launched Good Chicken Award in 2011, which is awarded to companies that are making tangible improvements to the lives of chickens reared for consumption.

Partnering with suppliers

Further afield in Angola, our team have been partnering with their local communities to establish a more efficient supply chain for fresh produce between the towns of Tomboco and Soyo in the Zaire province, which is a difficult five hour journey by road. Historically, the fruit growers of Soyo struggled to organise efficient transportation for their produce which restricted their primary source of income until our local business stepped in. By sending weekly transport from Soyo to Tomboco to purchase produce from a number of the local producers, we have enabled more of the local community to benefit from a fair share of the profits to compensate them for the time they spend in the fields.

Another positive example of our business partnering with local growers is that of our US team’s support of the Immokalee tomato producers in Florida. We partnered with the Coalition of Immokalee Workers to pay an additional monetary sum per pound of produce, of which one cent per pound is passed directly from the suppliers to the harvesters. The additional money represents a 64% wage increase for the harvesters who pick tomatoes for the use of our US business. In addition, a ‘Code of Conduct’ was developed which helped to improve their working conditions. The agreement was hailed as ‘a huge victory’ for harvesters by the US Secretary for the Department of Labor.

Sustainability

Innovative environmental practices are also important in our supply chain. Demonstrating true leadership in environmental supply chain practices, our Australian business has been recognised with the FIA Food and Beverage Industry Award for Environment and Sustainability 2010 for its ‘Origin Foods’ programme which reduces food packaging and transportation miles. This prestigious annual award recognises the achievements of organisations which implement environmental sustainability focused strategies.

In many of our businesses across the world, we are successfully recycling used cooking oil generated by our sites. Our UK & Ireland business has further developed its recycling programme. One million litres of cooking oil is now being used to fuel vehicles across the UK.

In 2010, in conjunction with key UK clients, we once again participated in the Supply Chain module of the Carbon Disclosure Project, which is designed to measure carbon risks and liabilities through the supply chain. Feedback from this programme will be used to refine our environmental strategy in relation to the supply chain and collaboration with our suppliers to achieve greater efficiencies in our day-to-day operations.



Environment

2010 highlights

- Green Leadership Award (Canada)
- Forest Footprint Disclosure Participant (Global)
- Restaurant and Catering Association's Award for Excellence in Environmental Sustainability (Australia)

A key driver towards our success is the degree of autonomy which is afforded to local management teams, allowing them to serve local markets in the most appropriate manner. To support their activities, we have developed an environmental policy underpinned by a minimum operating standard and a set of behaviours that are being introduced into all of our operations.

Improving data accuracy

2010 represented our third year of implementing a web-based reporting tool to consistently track and report globally on our greenhouse gas emissions in our 'Top Ten' countries which account for over 81% of total Group revenue. We are pleased that our ability to report our environmental performance accurately, including the quality of data, continues to improve and, as a result, this year we are increasing the scope of our reporting countries from our 'Top Ten' to our 'Top Twenty' countries which account for over 93% of total Group revenue.

Although we have made good progress in collating data relating to our own business operations, we have more work to do in terms of improving the quality of data provided by our suppliers. To help us build a greater awareness of their activities, we have refreshed our supplier assurance programme to include additional focus on environmental practices within our global supply chain. This refreshed programme will gradually be phased in across our businesses from January 2011.

As previously reported in our 2008-2009 Annual Report, our business in the US has created a sustainable waste reduction programme, 'Trim Trax', for building employee awareness of food waste in their workplace and educating them on measures that can be put in place to reduce food waste. The 'Trim Trax' programme is a great example of best practice sharing and, this year, we will introduce 'Trim Trax' in a phased roll-out across our 'Top Ten' countries as part of our overall CR metrics. This programme highlights the alignment between our CR strategy and our corporate strategy of reducing site costs and increasing efficiencies across the business.

Partnering with clients

In the majority of our sites where we are not directly responsible for the procurement or management of utilities, equipment, fuel etc., we are working closely with our clients to consider how best to improve the environmental performance of our operations. During the last year, we have trialled web-based technology in our UK & Ireland business to enable us to track and report energy, water and waste consumption at site level. We will share the lessons learnt from this trial with our wider business and use it to help manage the reporting requirements of the UK Carbon Reduction Commitment for our participating sites.

Successful environmental initiatives that we have implemented in partnership with our clients across different markets include a 'Be a Flexitarian' campaign in different sectors of our US business, which is designed to promote choice and encourage visibility of vegetarian alternatives for vegetarians and meat eaters alike. Based on principles of moderation and balance, the Flexitarian initiative advocates choice by encouraging one meat-free meal per week, for the wellbeing of people and the planet.

In Canada, over 700 sites have switched their chafing fuels to an ethanol gel made from a renewable source, sugar cane, rather than a petrol derivative. When lit, the new chafing fuel has significantly reduced carbon dioxide, carbon monoxide and dioxin emissions, in addition to being packaged in a recyclable container.

Carbon Disclosure Project

In 2010, we were pleased to participate once again in the Carbon Disclosure Project ('CDP') which operates in 66 countries, enabling companies to measure and disclose their greenhouse gas emissions and climate change strategies in order that they can set reduction targets and improve performance. Last year, we were ranked in the top quartile of all 710 respondents. We continue to use the feedback from the CDP to help shape our future environmental strategy and build our CR Framework.

3,000

young chefs have graduated from our Junior Chefs' Academy (since 2003) (UK & Ireland)

£5.8m

donated to charity

Compass in the community

2010 highlights

- £0.5 million raised for charity partner, Cancer Research UK (UK & Ireland)
- Australian Mines and Metals Innovation Award (Australia)
- London Olympics – Team 2012 Appeal Donor

We have a strong track record in community engagement and investment, operating the best community-based initiatives that encourage healthy lifestyles, tackle social exclusion, improve employment chances and promote sustainability and diversity.

The World Health Organization estimates that over 33 million people in the world are currently living with the effects of HIV/Aids. Our business in South Africa has taken a proactive approach to tackling this issue by introducing nutritional guidelines, specifically aimed at this section of the community, which are easily accessible via the Internet. The guidelines suggest ways in which to boost their immune systems by educating them on the benefits of adopting a more healthy diet and lifestyle.

In 2010, the population of Haiti suffered a catastrophic earthquake which, according to reports from the Haitian Government, resulted in an estimated 230,000 fatalities, 300,000 injured and over one million people made homeless. In the weeks following the earthquake, our employees developed innovative ways to help survivors; for example by donating loose change collected from our consumers in US universities. Recognising the importance of initiatives that will bring longer-term relief and benefits to those affected by the disaster, we have also partnered in projects supporting Haitian farmers in replanting programmes which will help to increase the availability of fresh produce for Haitians in the coming years.

Community partnerships

In Australia, our business has forged a partnership with the Australian Indigenous Minority Supplier Council ('AIMSC') which provides a direct business-to-business purchasing link between corporate Australia, government agencies and indigenous-owned businesses. From our work with the AIMSC, we have forged successful working relationships with several indigenous-owned businesses resulting in their listing as approved Compass suppliers in Australia, providing them with a significant opportunity for growth. In recognition of providing employment opportunities to the local indigenous community for more than ten years, our Australian team was awarded the Innovation Award from the Australian Mines and Metals Association for our outstanding community initiatives.

Working with our strategic community coffee partner, Pura Vida, our business in the US has been investing in the coffee-farming communities. For every pound (lb) of Pura Vida coffee purchased, a donation is made to the Create Good Foundation to help support the coffee-growing communities in Latin America and around the world; funding small business development projects, land renovation and health initiatives that create strong and self-reliant communities. Through this partnership, we have raised over $92,000 to date.

In 2010, the Junior Chefs' Academy operated by our UK & Ireland business continued to go from strength to strength. The Academy teaches vital skills about food safety, hygiene and preparation to school children who show an interest in cooking. We hope to ignite a passion for cooking in these young people, who could go on to become our chefs of the future. Since 2003, over 3,000 teenagers nationwide have graduated from the scheme.

We value our membership of Business in the Community ('BITC'), a UK based organisation which seeks to inspire, engage, support and challenge companies to continually improve the impact they have on society and the environment.

As a result of the combined efforts of our UK & Ireland based employees, we are proud to have raised over £0.5 million for our partner Cancer Research UK. The UK & Ireland business will continue to support Cancer Research UK with fundraising initiatives during 2011.

Donations

During the year ended 30 September 2010 charitable donations were £5.8 million (2009: £5.6 million).

Interested?

Find out more online at:
www.compass-group.com/CR10

Our Board

A | Sir Roy Gardner [1, 2] | Chairman Age 65
Appointed Chairman in July 2006 having joined as a Non-executive Director in October 2005. He is a senior advisor to Credit Suisse, Chairman of Plymouth Argyle Football Club, a Non-executive Director of Willis Group Holdings plc and Mainstream Renewable Power Limited, Chairman of the Advisory Board of the Energy Futures Lab of Imperial College London, a member of the International Advisory Board of the IESE Business School at the University of Navarra, President of Carers UK, and Chairman of the Apprenticeship Ambassadors Network. He was formerly Chief Executive of Centrica plc, Chairman of Manchester United plc, Chairman of Connaught plc (May-September 2010) and a Director of British Gas plc, GEC-Marconi Ltd, GEC plc and Laporte plc. He was also Chairman of the British Olympics Appeal Committee for the Beijing Games 2008.

B | Richard Cousins [2, 3, 4, 11] | Group Chief Executive Age 51
Appointed Group Chief Executive in 2006. Richard had previously spent six years as CEO of BPB plc, having held a number of positions with that company. His earlier career was with Cadbury Schweppes plc and BTR plc. He is a Non-executive Director of Reckitt Benckiser Group plc and is a former Non-executive Director of P & O plc and HBOS plc.

C | Andrew Martin [2, 4, 5, 11] | Group Finance Director Age 50
Appointed to the Board in March 2004. He was previously a partner with Arthur Andersen and held senior financial positions with Forte Plc and Granada Group PLC. Following the disposal of the Hotels Division in 2001, Andrew joined First Choice Holidays PLC as Finance Director. He is an Associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Chartered Institute of Taxation.

D | Gary Green [4, 11] | Group Managing Director – USA & Canada Age 53
Appointed to the Board in January 2007. He joined the Group in 1986 in a senior finance role in the UK and became a UK director in 1992. Gary relocated to the USA in 1994 as Chief Finance Officer of the Group's North American business and in 1999 became Chief Executive Officer. He is a chartered accountant and in 2001 received an honorary doctorate from Johnson & Wales University in the USA.

E | Sir James Crosby [3, 7] | Senior Independent Non-executive Director Age 54
Appointed to the Board in February 2007. He is Chairman of Misys plc and a Trustee of Cancer Research (UK). He was formerly Chief Executive of HBOS plc, Deputy Chairman of the Financial Services Authority and a Non-executive Director of ITV plc. He is a Fellow of the Faculty of Actuaries.

F | Steve Lucas [2, 8, 9] | Non-executive Director Age 56
Appointed to the Board in July 2004. He is Finance Director of National Grid plc having been previously Executive Director, Finance of Lattice Group plc. He is a chartered accountant and has held a number of senior finance positions with Shell International Petroleum Company and British Gas. More recently, he was Treasurer at BG Group.

G | Susan Murray [3, 8, 10] | Non-executive Director Age 53
Appointed to the Board in October 2007. She is Non-executive Chairman of Farrow & Ball and a Non-executive Director of Pernod Ricard S.A. (from 10 November 2010), Enterprise Inns Plc and Imperial Tobacco PLC. She is a former Non-executive Director of Aberdeen Asset Management PLC, SSL International PLC and Wm Morrison Supermarkets PLC, former Chief Executive of Littlewoods Stores Limited and former Worldwide President and Chief Executive of The Pierre Smirnoff Company, part of Diageo plc, and a former council member of the Advertising Standards Authority. Susan is a Fellow of the Royal Society of Arts.

H | Tim Parker [6, 8] | Non-executive Director Age 55
Reappointed to the Board in November 2008 having been a Non-executive Director of the Company from February 2007 to May 2008, when he was appointed as First Deputy Mayor of London, a position from which he retired in August 2008. Tim is Chairman and CEO of The Samsonite Corporation, Non-executive Chairman of PBL Media Holdings Pty Ltd and a Director of British Pathe Limited. He is an Industrial Partner of CVC Capital Partners and was formerly Chief Executive of the AA and a Non-executive Director of Boots Group plc. Tim will leave the Board on 31 December 2010.

I | Don Robert [3, 6] | Non-executive Director Age 51
Appointed to the Board in May 2009. He is Chief Executive Officer of Experian plc, having joined the Board of Experian in July 2006 as part of the demerger of GUS plc. He is a Trustee of the Education and Employers Taskforce. Don was formerly Chairman of the Consumer Data Industry Association and previously held positions with First American Corporation, Credco, Inc. and US Bancorp.

J | Sir Ian Robinson [3, 6] | Non-executive Director Age 68
Appointed to the Board in December 2006. He is a former Chairman of Ladbrokes plc, Hilton Group plc and Amey plc, and a former Chief Executive of Scottish Power plc and Non-executive Director of ASDA plc, RMC plc, Scottish & Newcastle plc and Siemens Holdings plc where he remains a member of the Advisory Board. He is a Fellow of the Royal Academy of Engineers, a Fellow of the Institution of Chemical Engineers and a Member of the Takeover Panel.

General Counsel and Company Secretary

K | Mark White [2, 5, 11, 12] | General Counsel and Company Secretary Age 50
A solicitor who joined Compass Group on 1 June 2007. He is Secretary to the Audit, General Business, Nomination and Remuneration Committees and is a member of the Corporate Responsibility Committee. Mark was previously Group Company Secretary and Counsel of Wolseley plc and Company Secretary of Enterprise Oil plc and Rotork plc.

1 Chairman of the Nomination Committee
2 Member of the Corporate Responsibility Committee
3 Member of the Nomination Committee
4 Member of the General Business Committee
5 Member of the Disclosure Committee
6 Member of the Audit Committee
7 Chairman of the Remuneration Committee
8 Member of the Remuneration Committee
9 Chairman of the Audit Committee
10 Chairman of the Corporate Responsibility Committee
11 Member of the Executive Committee
12 Trustee of the Compass Pension Scheme, the Compass Group Pension Plan and the Compass Retirement Income Savings Plan

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Online access

See this Report online at:
www.compass-group.com/annualreport10

Directors' report

The Directors submit their Annual Report and the audited consolidated accounts of the Company and its subsidiaries for the year ended 30 September 2010. The Corporate Governance Report set out on pages 48 to 54 forms part of the Statutory Directors' Report.

Principal activities and business review

Compass Group PLC is a holding company; its subsidiaries are organised into four geographic areas and these are set out on page 5. The principal activities of the Group are the provision of contract foodservice and support services to clients in 50 countries. Details of the development and performance of the Group's businesses during the year and an indication of likely future key performance indicators and information regarding principal risks and uncertainties are set out together with the information that fulfils the requirements of the Business Review on pages 22 to 31 and are incorporated into this Report by reference.

Results and dividends

The Group's consolidated income statement, set out on page 65, shows an increase of 12.8% in Group operating profit from £877 million to £989 million. An analysis of revenue and operating profit is set out on pages 76 to 77 in note 1 to the consolidated financial statements. There have been no significant post balance sheet events.

The 2010 interim dividend of 5.0 pence per share (2009: 4.4 pence) was paid to shareholders on 2 August 2010. The Directors recommend a final dividend of 12.5 pence per share (2009: 8.8 pence) making a total dividend for the year of 17.5 pence per ordinary share, an increase of 32.6% on the 13.2 pence paid in respect of last year. Payment of the recommended final dividend, if approved at the Annual General Meeting ('the AGM'), will be made on 28 February 2011 to shareholders registered at the close of business on 28 January 2011. The shares will be quoted ex-dividend from 26 January 2011.

The Compass Group Employee Share Trust ('ESOP') and The Compass Group Employee Trust Number 2 ('CGET') were established on 13 January 1992 and 12 April 2001 respectively in connection with the Company's share option plans. The Compass Group Long Term Incentive Plan Trust ('LTIPT') was established on 5 April 2001 in connection with The Compass Group Long-Term Incentive Plan ('LTIP'). Details of all incentive plans are set out in the Remuneration Report on pages 55 to 62. The Trustees of the ESOP, LTIPT and CGET hold 344,655 (2009: 674,613), 17,209 (2009: 17,209) and nil (2009: nil) ordinary shares respectively. During the year, the Trustees of each of the trusts waived their rights to receive dividends on any shares held by them. The amount of dividends waived during the year ended 30 September 2010 was £61,168 (2009: £100,490).

During the year, in relation to its Australian share incentive plans, the Compass Group Executive Option Share Trust and the Compass Group Executive Share Trust were also set up. No ordinary shares are held by these trusts.

The Company's Dividend Reinvestment Plan will continue to be available to eligible shareholders. An application form and explanatory booklet are available from the Company's Registrars, Capita Registrars (contact details for the Registrars are given on page 128) or from the Company's website at www.compass-group.com. The latest date for receipt of new applications to participate in respect of the 2010 final dividend is 3 February 2011.

Future development

The Group's strategic focus continues to be on the organic development of its existing core businesses together with appropriate acquisitions.

Share capital

General

At the date of this Report, 1,886,866,329 ordinary shares of 10 pence each have been issued, are fully paid up and are quoted on the London Stock Exchange. In addition, the Company has entered into a Level I American Depositary Receipt programme with BNY Mellon, under which the Company's shares are traded on the over-the-counter market in the form of American Depositary shares.

During the year ended 30 September 2010, options were exercised and awards released pursuant to the Company's share option schemes and LTIP, resulting in the allotment of 32,529,053 new ordinary shares. A further 523,317 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this Report.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the Listing Rules of the Financial Services Authority, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

More detailed information relating to the rights attaching to the Company's ordinary shares is set out on pages 24 and 25 of the Annual Report for the year ended 30 September 2007. The Annual Report is available in the Investor Relations section of the Company's website at www.compass-group.com.

Repurchase of shares

In 2008, the Company announced that it intended to buy back £400 million of ordinary shares in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund further infill acquisitions. During the year ended 30 September 2009, 3,975,000 ordinary shares of 10 pence each of the Company were purchased and cancelled for a consideration of £12.58 million (including expenses). No shares were purchased in the financial year ended 30 September 2010.

Resolution 18 set out in the Notice of Meeting will be proposed as a Special Resolution to renew the Directors' limited authority last granted in 2010 to repurchase ordinary shares in the market. The authority sets the minimum and maximum prices which may be paid and it will be limited to a maximum of 10% of the Company's issued ordinary share capital at the date of this Report. This authority will enable your Directors to reactivate, if appropriate, the £400 million share buy-back programme detailed above.

Furthermore, this authority will enable your Directors to continue to respond promptly should circumstances arise in which they consider such a purchase would result in an increase in earnings per share and would be in the best interests of the Company.

Any purchases of ordinary shares will be by means of market purchases through the London Stock Exchange and any shares so purchased may be cancelled or may be placed into treasury in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. The Company currently holds no shares in treasury but the Regulations allow shares repurchased by the Company to be held as treasury shares that may be subsequently cancelled, sold for cash or used for the purpose of employee share schemes. The Directors consider it desirable for these general authorisations to be available to provide flexibility in the management of the Company's capital resources.

Issue of shares

The Directors propose Resolution 16 set out in the Notice of Meeting to renew the authority granted to them at the AGM held in 2010 to allot equity shares up to an aggregate nominal value of £62,895,500 (representing approximately one-third of the ordinary shares issued at the date of this Report) ('the section 551 authority'). In addition, in accordance with the Association of British Insurers ('ABI') guidelines, the Directors again propose to extend this by a further £62,895,500 (representing approximately a further one-third of the Company's issued share capital) provided that such amount shall only be used in connection with a rights issue. If approved at the forthcoming AGM, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the AGM to be held in 2012, whichever is the sooner.

The limited power granted to the Directors at last year's AGM to allot equity shares for cash other than pro rata to existing shareholders expires no later than 4 May 2011. Subject to the terms of the section 551 authority, your Directors recommend that this authority should be renewed. Resolution 17 set out in the Notice of Meeting will be proposed as a Special Resolution to give your Directors the ability (until the AGM to be held in 2012) to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5% of the ordinary share capital issued at the date of this Report. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non prorated basis over the last three years. Your Directors have no present intention to issue ordinary shares, other than pursuant to the Company's employee share schemes. The Directors recommend that shareholders vote in favour of Resolutions 16 and 17 to maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities should appropriate circumstances arise.

Details of the issues of new shares made during the year are set out in note 23 to the consolidated financial statements on pages 107 to 109, which also contains details of options granted over unissued capital.

Substantial shareholdings

The following major shareholdings have been notified to the Company as at the date of this Report.

	% of issued capital	% of voting rights
Blackrock, Inc	11.02	11.02

Directors

Brief particulars of the Directors in office at the date of this Report are listed on page 44 and further details of the Board's composition are disclosed in the Corporate Governance Report. In accordance with the UK Corporate Governance Code, each Director in office will submit him or herself for annual re-election and will retire and offer him or herself for re-election at the 2011 AGM, and annually thereafter.

Each of the Directors undertook a performance evaluation during the year to ensure that he or she continues to be effective and demonstrates commitment to his or her respective role. It is the view of the Board that each of the Non-executive Directors brings considerable management experience and independent perspective to the Board's discussions and they are considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgment.

Directors' interests in shares

The Directors in office on 30 September 2010 had the following interests in the ordinary shares of the Company.

	30 September 2010	1 October 2009
Richard Cousins	1,034,611	783,046
Sir James Crosby	34,000	34,000
Sir Roy Gardner	219,878	223,878
Gary Green	1,226,669	996,395
Steve Lucas	1,000	1,000
Andrew Martin	620,531	452,822
Susan Murray	7,000	2,500
Tim Parker*	22,271	21,691
Don Robert	30,000	–
Sir Ian Robinson	15,000	6,289
Total number of shares held	**3,210,960**	**2,521,621**
Percentage of issued share capital	**0.17%**	**0.14%**

* Tim Parker will leave the Board on 31 December 2010.

There were no changes to the shareholdings of those Directors in office on 30 September 2010 between 1 October 2010 and 24 November 2010.

Corporate governance

UK Corporate Governance Code compliance

The Board is committed to the highest standards of corporate governance set out in the UK Corporate Governance Code ('the Code') published by the Financial Reporting Council in June 2010. The Board is accountable to the Company's shareholders for good governance and this Report, together with the Director's Remuneration Report set out on pages 55 to 62, describes how the Board has applied the main principles of good governance set out in the Code during the year under review. It is the Board's view that the Company has been fully compliant with the provisions of the Code or its predecessor in force during the year to 30 September 2010.

The Board

As at 30 September 2010 and as at the date of this Report, the Board of Directors was made up of 10 members, comprising the Chairman, three Executive Directors and six Non-executive Directors. On 19 November 2010, the Company announced that Tim Parker will retire from the Board on 31 December 2010. All of the Non-executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Directors brings their own senior level of experience, gained in each of their own fields, mainly in international operations.

Biographical details of the Directors currently in office are shown on page 44. The Company's policy relating to the terms of appointment and the remuneration of both Executive and Non-executive Directors is detailed in the Directors' Remuneration Report on pages 55 to 62.

The Board meets regularly during the year as well as on an ad hoc basis, as required by business need. Each Director also attends the AGM to answer shareholder questions.

The Board manages the business of the Company and may, subject to the Articles of Association and applicable legislation, borrow money, guarantee, indemnify, mortgage or charge the business, property and assets (present and future) and issue debentures and other securities and give security, whether outright or as a collateral security, for any debt, liability or obligation of the Company or of any third party. The Board has a formal schedule of matters reserved for its decision, although its primary role is to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole. In addition, the Board sets the Group's values and standards and ensures that it acts ethically and that its obligations to its shareholders are understood and met. The Board may delegate any of its powers to any Committee consisting of one or more Directors. The Company has delegated day-to-day operational decisions to the Executive Committee referred to on page 51. The Board met eight times during the year and Director attendance for each meeting is shown below:

Name	Attendance*
Richard Cousins	8 of 8
Sir James Crosby	8 of 8
Sir Roy Gardner	8 of 8
Gary Green	8 of 8
Steve Lucas	7 of 8
Andrew Martin	8 of 8
Susan Murray	8 of 8
Tim Parker	8 of 8
Don Robert	7 of 8
Sir Ian Robinson	8 of 8

* Number of meetings attended out of number which each Director was eligible to attend.

The Board has established a procedure for Directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. This is in addition to the access that every Director has to the General Counsel and Company Secretary, who is charged with ensuring that Board procedures are followed and that good corporate governance and compliance is implemented within the Group. Together with the Group Chief Executive and the General Counsel and Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved to it. Board papers and other information are distributed at times to allow Directors to be properly briefed in advance of meetings. In accordance with the Company's Articles of Association, Directors have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and officers.

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

In accordance with best practice, the Chairman addresses the developmental needs of the Board as a whole, with a view to developing its effectiveness as a team and ensures that each Director refreshes and updates his or her individual skills, knowledge and expertise. During 2010, the Board conducted an evaluation of its own performance and that of the Audit, Nomination and Remuneration Committees.

The evaluation focused on several areas, including Board structure, functionality, objectives, meetings (and their content), administration, risk management, access to management and governance. The results of the evaluation were considered and discussed by the Board.

Performance evaluations, including the skills brought to the Board and the contributions each Director made to it, were carried out for each Director. Executive Directors' performance has been assessed by the Chairman and the Group Chief Executive. The Group Chief Executive's performance was evaluated by the Chairman and the Non-executive Directors. The Senior Independent Non-executive Director led the review of the Chairman's performance in consultation with the Executive and Non-executive Directors. The Non-executive Directors' performance was considered by the Chairman and by the Group Chief Executive, as well as by the Board as a whole. Consideration has also been given to whether Directors have sufficient time to effectively discharge their responsibilities.

It is envisaged that an independent formal external evaluation of the Board will be carried out in 2011.

Meetings between the Non-executive Directors, both with and without the presence of the Group Chief Executive, are scheduled in the Board's annual programme. The Board has also arranged to hold Board meetings at Group business locations to help all Board members gain a deeper understanding of the business. This also provides senior managers from across the Group with the opportunity to present to the Board as well as to meet the Directors on more informal occasions.

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

A Director has a duty under the Companies Act 2006 ('the CA 2006') to avoid a situation in which he has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. This duty is in addition to the duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The CA 2006 allows Directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to that effect. The Company's Articles of Association include provisions giving the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. The Board has a procedure when deciding whether to authorise a conflict or potential conflict of interest. Firstly, only independent Directors (i.e. those who have no interest in the matter under consideration) will be able to take the relevant decision. Secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Any authorities given are reviewed at least every 15 months. The Board considered and authorised each Director's reported potential and actual conflicts of interest at its July and September 2010 Board meetings.

Succession planning is a matter for the whole Board rather than for a Committee. The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election at the AGM every three years. However, all Directors will now submit themselves for annual election by shareholders at the Company's AGM in accordance with the Code. Additionally, new Directors may be appointed by the Board but are subject to election by shareholders at the first opportunity after their appointment. The Articles of Association limit the number of Directors to not less than two and not more than 20 save where shareholders decide otherwise. It is Board policy that Non-executive Directors are normally appointed for an initial term of three years which is then reviewed and extended for a further three-year period. It is also Board policy that Non-executive Directors should not generally serve on the Board for more than nine years.

Following their appointment, a formal comprehensive and tailored induction is given to all Non-executive Directors, including visits to key locations within the Group and meetings with members of the Executive Committee and other key senior executives. The induction also covers a review of the Group's governance policies, structures and business, including details of the risks and operating issues facing the Group. All of the Directors being proposed for re-election at the AGM have been subject to a performance evaluation during the year ended 30 September 2010 and the Board is content that each has continued to be effective and has demonstrated his or her commitment to their respective role and has sufficient time to meet their commitment to the Company.

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

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. Sir James Crosby is the Company's Senior Independent Non-executive Director. The Board believes that Sir James Crosby continues to have the appropriate experience, knowledge and independence to continue in this role.

The formal terms of reference for the main Board Committees, approved by the Board and complying with the Code, to assist in the discharge of its duties, are available from the General Counsel and Company Secretary and can also be found on the Company's website at www.compass-group.com. Terms of reference of the main Board Committees are reviewed annually, and updated where necessary. During the year, revised terms of reference of the Audit Committee were adopted to reflect best practice. Membership of the various Committees is shown on pages 49 to 51. The General Counsel and Company Secretary acts as secretary to all Board Committees.

Audit Committee

Members of the Audit Committee ('the Committee') are appointed by the Board following recommendations by the Nomination Committee and the Committee's membership is reviewed by the Nomination Committee and as part of the annual Board performance evaluation.

The current membership of the Audit Committee and attendance at meetings during the year were as follows:

Name	Attendance*
Steve Lucas (Chairman)	3 of 4
Tim Parker	4 of 4
Don Robert	4 of 4
Sir Ian Robinson	4 of 4

* Number of meetings attended out of number which each Director was eligible to attend.

Each member of the Committee brings relevant financial experience from senior executive levels. The expertise and experience of the members of the Committee are summarised on page 44. The Board considers that each member of the Committee is independent within the definition set out in the Code. Steve Lucas is considered by the Board to have significant, recent and relevant financial experience as Finance Director of National Grid plc.

All members of the Committee receive an appropriate induction, which is in addition to the induction which all new Directors receive and includes an overview of the business, its financial dynamics and risks. Audit Committee members are expected to have an understanding of the principles of, and developments in, financial reporting, including the applicable accounting standards and statements of recommended practice, key aspects of the Company's policies, financing, internal control mechanisms, and matters that require the use of judgment in the presentation of accounts and key figures as well as the role of internal and external auditors. Members of the Committee undertake ongoing training as required.

The Committee meets regularly throughout the year and its agenda is linked to events in the Company's financial calendar. Each member of the Committee may require reports on matters of interest in addition to the regular items.

Corporate governance

The Committee invites Sir Roy Gardner, the Group Chief Executive, the Group Finance Director, the Group Financial Controller and the Director of Internal Audit, together with senior representatives of the external Auditors, to attend each meeting although, from time to time, it reserves time for discussions without invitees being present. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

The Chairman of the Audit Committee attends the AGM to respond to any shareholder questions that might be raised on its activities. The remuneration of the members of the Committee is set out on page 57 and the policy with regard to the remuneration of the Non-executive Directors is set out on page 62.

The Committee assists the Board to fulfil its responsibilities related to external financial reporting and associated announcements. During the year, the Committee reviewed the interim and annual financial statements; the interim and annual announcements made to the London Stock Exchange; significant accounting issues including the consideration of any goodwill impairment assessments; operation of 'Speak Up', the whistle-blowing policy, and the Group's internal audit function; litigation and contingent liabilities and tax matters, including compliance with statutory tax reporting obligations.

The Committee is also responsible for the development, implementation and monitoring of the Company's policy on external audit. The Committee reserves oversight responsibility for monitoring the Auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements. The Committee recommends the appointment, reappointment and removal of the Company's external Auditors, and considers the risks associated with their withdrawal from the market in its risk evaluation and planning. The Committee also reviews the terms, areas of responsibility and scope of the audit as set out in the external Auditors' engagement letter; the overall work plan for the forthcoming year, together with the associated fee proposal and cost-effectiveness of the audit; any major issues which arise during the course of the audit and their resolution; key accounting and audit judgments; the level of errors identified during the audit; the recommendations made to management by the Auditors and management's response; and the Auditors' overall performance. The Committee also ensures that key partners within the external Auditors are rotated from time to time in accordance with applicable UK rules. The Committee also monitors the extent of non-audit work which the external Auditors can perform, to ensure that the provision of those non-audit services that can be undertaken by the external Auditors falls within the agreed policy and does not impair their objectivity or independence. In this respect the Committee has agreed that, unless there is no other competent and available provider, the external Auditors should be excluded from providing the Company with general consultancy and all other non-audit and non-tax-related services.

Within the constraints of applicable UK rules, the external Auditors undertake some due diligence reviews and provide assistance on tax matters given their in-depth knowledge of the Group's business, although assistance on tax matters is also obtained from other firms. The provision of non-audit services within such constraints and the agreed policy is assessed on a case-by-case basis so that the best-placed advisor is retained.

Deloitte LLP were appointed as Auditors to the Company on its incorporation, and are reappointed annually by shareholders. To ensure objectivity, key members of the Audit Team rotate off the Company's audit. During the year, the Committee reviewed Deloitte LLP's fees, effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The Committee also considered its robustness and the degree to which Deloitte LLP was able to assess key accounting and audit judgments and the content of the management letter. The Committee concluded that the audit was effective and that the relationship and effectiveness of the external Auditor be kept under review. Deloitte LLP also audits significant subsidiaries of the Group.

The total fees paid to Deloitte LLP in the year ended 30 September 2010 were £5.4 million (2009: £4.9 million) of which £1.8 million (2009: £1.5 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 30 September 2010 can be found in note 2 to the consolidated financial statements on page 80.

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

The Committee also reviews the integrity of material financial statements made by the Company. The Committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices and compliance controls as well as the Company's statements on internal control before they are agreed by the Board for each year's annual report. The Board retains overall responsibility for internal control and the identification and management of business risk.

The Company's 'Speak Up' policy (which is an extension of the Code of Ethics) sets out arrangements for the receipt, in confidence, of complaints on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the Committee, and 'Speak Up' is a standard review item on all internal work programmes. A copy of the Code of Ethics is available on the Company's website at www.compass-group.com. The Committee also receives regular updates on bribery and fraud trends and activity in the business, if any, at least twice each year with individual updates being given to the Committee, as needed, in more serious cases of alleged bribery, fraud or related activities. The Group's anti-fraud policies are a subset of the Code of Ethics which does not tolerate any activity involving fraud, dishonesty or deception. These policies, for which the Committee retains overall responsibility, set out how allegations of fraud or bribery are dealt with, such as by the local human resources or finance team and the frequency of local reporting which feeds into the regular updates which are presented to the Committee. Reporting of these matters to the Committee is managed and overseen by internal audit. The 'Speak Up' policy operates when the complaint is received through the whistle-blowing channel and that policy will redirect the alleged fraud or bribery for investigation by the most appropriately placed person, who may, on occasion, for example, be the Committee itself or a member of a local human resources team.

Each year the Committee reviews critically its own performance and considers where improvements can be made.

Nomination Committee

The Nomination Committee meets on an as needed basis. The current membership and attendance at meetings during the year were as follows:

Name	Attendance*
Sir Roy Gardner (Chairman)	2 of 2
Richard Cousins	2 of 2
Sir James Crosby	2 of 2
Susan Murray	2 of 2
Don Robert	2 of 2
Sir Ian Robinson	2 of 2

* Number of meetings attended out of number which each Director was eligible to attend.

The Nomination Committee reviews the structure, size and composition of the Board and its committees and makes recommendations with regard to any changes that are considered necessary, both in the identification and nomination of new Directors and appointment of members to the Board's committees, and the continuation of existing Directors in office to ensure that there is a balanced Board in terms of skills, knowledge and experience. The Nomination Committee retains external search consultants as appropriate and reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace. The Nomination Committee also advises the Board on succession planning for executive board appointments although the Board itself is responsible for succession generally.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations on remuneration to the Board. The Director's Remuneration Report is set out on pages 55 to 62.

The Chairman of the Remuneration Committee attends the AGM to respond to any shareholder questions that might be raised on the Remuneration Committee's activities.

The current membership of the Remuneration Committee and attendance at meetings during the year were as follows:

Name	Attendance*
Sir James Crosby (Chairman)	4 of 4
Steve Lucas	3 of 4
Susan Murray	4 of 4
Tim Parker	4 of 4

* Number of meetings attended out of number which each Director was eligible to attend.

All of the members of the Remuneration Committee are independent within the definition set out in the Code.

General Business Committee

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

Corporate Responsibility Committee

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

The current membership of the Corporate Responsibility Committee and attendance at meetings during the year were as follows:

Name	Attendance*
Susan Murray (Chairman)	3 of 3
Sir Roy Gardner	3 of 3
Richard Cousins	3 of 3
Jane Kingston	3 of 3
Steve Lucas	3 of 3
Andrew Martin	3 of 3
Mark White	3 of 3

* Number of meetings attended out of number which each Director/member was eligible to attend.

Disclosure Committee

The Disclosure Committee meets as required to deal with all matters relating to public announcements of the Company and the Company's obligations under the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority.

The Disclosure Committee comprises Andrew Martin, Mark White, the Group Financial Controller and the Director of Corporate Strategy, Media and Investor Relations.

Executive Committee

The Executive Committee is the key management committee and comprises the Executive Directors of the Company, the General Counsel and Company Secretary, the Group Human Resources Director and the Group Managing Directors. The Committee normally meets monthly and is responsible for developing the Group's strategy and capital expenditure and investment budgets and reporting on these areas to the Board for approval, implementing Group policy, monitoring financial, operational and customer quality of service performance, health and safety, purchasing and supply chain issues, succession planning, and day-to-day management of the Group.

Internal audit

The internal audit function is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the business. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Director of Internal Audit to KPMG LLP as appropriate. A policy has been established regarding the recruitment of staff from Deloitte LLP. The Audit Committee reviews internal audit reports and considers the effectiveness of the function.

Corporate governance

Internal control

In a highly decentralised Group, where local management have considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investments and the Company's assets. The Directors acknowledge that they have overall responsibility for the Group's systems of internal control and for reviewing the effectiveness of those controls. In accordance with the guidance set out in the Turnbull Report, 'Internal Control: Guidance for Directors on the Combined Code', and the Code, an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group. This process has been in place for the full financial year and up to the date on which the financial statements were approved.

The systems are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, safeguard the Group's assets against material loss, fairly report the Group's performance and position and to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. The systems provide reasonable, not absolute, assurance against material misstatement or loss. Such systems are reviewed by the Board to deal with changing circumstances.

A summary of the key financial risks inherent in the Group's business is given on pages 22 to 31. Risk assessment and evaluation is an integral part of the annual planning cycle. Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control. As part of the review, each significant business and function has been required to identify and document each substantial risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls. Senior managers are also required to sign biannual confirmations of compliance with key procedures and to report any breakdowns in, or exceptions to, these procedures. Summarised results have been presented to senior management (including to the Executive Committee) and to the Board. These processes have been in place throughout the financial year ended 30 September 2010 and have continued to the date of this Report. The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out below.

Control environment

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

Control procedures

The Board reviews its strategic plans and objectives on an annual basis and approves Group company budgets and strategies in light of these. Control is exercised at Group and business level through the Group's Management and Performance ('MAP') framework and monthly monitoring of performance by comparison with budgets, forecasts and cash targets and by regular visits to Group businesses by the Group Chief Executive and the Group Finance Director. Group businesses approve and submit risk reports for the Board on a biannual basis, summarising the key risks facing their businesses and the controls in place to manage those risks. These reports, together with reports on internal control and departures, if any, from established Group procedures prepared by the internal and external auditors, are reviewed by the Group Finance Director and the Audit Committee. The Group companies also submit biannual risk and internal control assurance letters to the Group Finance Director on internal control and risk management issues, with comments on the control environment within their operations. The Group Finance Director summarises these submissions for the Audit Committee and the Chairman of the Audit Committee reports to the Board on any matters that have arisen from the Committee's review of the way in which risk management and internal control processes have been applied.

The Board has formal procedures in place for approval of investment and acquisition projects, with designated levels of authority, supported by post investment review processes for selected acquisitions and major capital expenditure. The Board considers social, environmental and ethical matters in relation to the Group's business and assesses these when reviewing the risks faced by the Group. The Board is conscious of the effect such matters may have on the short- and long-term value of the Company. The external Auditors of the Company and the Director of Internal Audit attend Audit Committee meetings and receive its papers. The report of the Audit Committee is set out on pages 49 to 50 and the Audit Committee members meet regularly with the Director of Internal Audit and the external Auditors without the presence of executive management.

There were no changes to the Company's internal control over financial reporting that occurred during the year ended 30 September 2010 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

Compliance statement

The Company applied all of the principles set out in the Code and its predecessor for the period under review and has, throughout the year, complied with the detailed provisions set out therein.

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

Communication with shareholders

The Company places considerable importance on communication with its shareholders, including its employee shareholders. The Group Chief Executive and the Group Finance Director are closely involved in investor relations and a senior executive has day-to-day responsibility for such matters. The views of the Company's major shareholders are reported to the Board by the Group Chief Executive and the Group Finance Director as well as by the Chairman (who remains in contact with the 10 largest shareholders) and discussed at its meetings. The Annual Report and Accounts are available to all shareholders either in paper form or electronically and can be accessed via the Company's website at www.compass-group.com.

There is regular dialogue with institutional shareholders and this has been extended to include private shareholders through the AGM and meetings with the United Kingdom Shareholders' Association. Contact with institutional shareholders (and with financial analysts, brokers and the media) is controlled by written guidelines to ensure the protection of share price sensitive information that has not already been made generally available to the Company's shareholders. Contact is also maintained, when appropriate, with shareholders to discuss overall remuneration plans and policies. The Group's annual and interim results, as well as all announcements issued to the London Stock Exchange, are published on the Company's website at www.compass-group.com. The Company issues regular trading updates and interim management statements to the market and these, together with copies of interviews and presentations by the Group Chief Executive and Group Finance Director, are posted on the Company's website.

The Notice of AGM is circulated to all shareholders at least 20 working days before such meeting and it is Company policy not to combine resolutions to be proposed at general meetings. All shareholders are invited to the Company's AGM at which they have the opportunity to put questions to the Board and it is standard practice to have the Chairmen of the Audit, Nomination and Remuneration Committees available to answer questions. The results of proxy voting for and against each resolution, as well as abstentions, are announced to the London Stock Exchange and are published on the Company's website shortly after the meeting.

Donations

The Company's Corporate Responsibility Report is set out on pages 35 to 43. The Group's charitable donations in 2010 totalled £5.8 million (2009: £5.6 million).

At each AGM held since 2004, shareholders have passed a resolution, on a precautionary basis, to approve donations to EU political organisations and to incur EU political expenditure (as such terms were defined under the then relevant legislation) not exceeding £125,000 per annum. The Board has consistently confirmed that it operates a policy of not giving any cash contribution to any political party in the ordinary meaning of those words and that it has no intention of changing that policy. The Directors, however, propose to seek renewed authority for the Group to make political donations and incur political expenditure (as such terms are defined in sections 362 to 365 of the CA 2006) of not more than £125,000 in total until the Company's next AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006 and which would not amount to 'donations' in the ordinary sense of the word. The authority sought by Resolution 15 in the Notice of Meeting will last until the Company's next AGM.

Awards under employee share schemes

In May 2010, options were granted over 4,102,900 ordinary shares (2009: 5,564,975) to senior employees of the Group at an option price of 557.50 pence per share. The 2010 grant was the first award made under the Compass Group Share Option Plan 2010 which was approved by shareholders at the 2010 AGM and replaced the Compass Group Management Share Option Plan, the rules of which will expire in February 2012. The Company also operates an all employee share incentive plan approved by HM Revenue & Customs under which UK employees can purchase the Company's shares at market price. No Director or Person Discharging Managerial Responsibility participates in such plan. Further details regarding the plans, including the total number of options outstanding, are set out in notes 23 and 24 to the consolidated financial statements on pages 107 to 112. Shareholders also approved The Compass Group PLC Long Term Incentive Plan 2010 ('2010 LTIP') at its February 2010 AGM for Directors and senior executives, which replaced the Compass Group Long-Term Incentive Plan, the rules of which expired during the year. Conditional awards over 264,912 shares were made to executives under the 2010 LTIP in May 2010 (2009: nil). Awards to Directors during the year were made under the Compass Group Long-Term Incentive Plan. Details of these, and the total number of LTIP awards outstanding as at 30 September 2010, are set out on page 59 of the Directors' Remuneration Report.

Employee policies and involvement

The Group places particular importance on the involvement of its employees, keeping them regularly informed through informal bulletins and other in-house publications, meetings and the Company's internal websites, on matters affecting them as employees and on the issues affecting their performance. Those Compass businesses in the European Economic Area which have domestic information and consultation processes in place, such as works councils, are able to select representatives to participate in the Compass European Council, which has been in operation since 1996 and provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues. At the date of this Report there are 23 employee representatives from 13 countries on the Compass European Council.

Permanent UK employees are usually invited to join either the Company's defined contribution scheme ('CRISP') or the Company's stakeholder pension arrangement. However, those UK employees who transfer from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006 will be eligible to join the Compass Group Pension Plan ('the Plan'), a defined benefit arrangement which is otherwise closed to new entrants. CRISP has a corporate Trustee. The Chairman, Tony Allen, is independent. The other six Trustee Directors are UK-based employees of the Group, three of whom have been nominated by CRISP members. The Plan has a corporate Trustee. The Chairman, Peter Morriss, is independent. There are a further seven Trustee Directors and they are UK-based employees or former employees of the Group, four of whom have been nominated by Plan members (although one of these positions is vacant). The other main UK pension arrangement, the Compass Pension Scheme ('the Scheme') is a closed defined benefit arrangement. As with the Plan and CRISP, the Scheme has a corporate Trustee. The Chairman, David Bishop, is independent. The remaining six Trustee Directors are UK-based employees or former employees of the Group, three of whom have been nominated by Scheme members.

Corporate governance

Permanent employees outside of the UK are usually offered membership of local pension arrangements if and where they exist or limited global arrangements where it is appropriate to have company sponsored arrangements.

Employees are offered a range of benefits depending on the local environment, such as private medical cover. Priority is given to the training of employees and the development of their skills is of prime importance. Employment of disabled people is considered on merit with regard only to the ability of any applicant to carry out the function required. Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so. An employee becoming disabled would, where appropriate, be offered retraining. The Group continues to operate on a decentralised basis. This provides the maximum encouragement for the development of entrepreneurial flair, balanced by a rigorous control framework exercised by a small head office team. Local management teams are responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision making.

Creditor payment policy

All Group companies are responsible for establishing terms and conditions with their suppliers and it is Group policy that payments are made within such agreed terms and conditions. The amount of trade creditors for the Group as at 30 September 2010 was equivalent to 63 days (2009: 58 days) of trade purchases.

Shareholder services

The Share Portal is a service offered by our Registrars, Capita Registrars, which allows shareholders online access to a range of shareholder information. The Share Portal provides access to details of shareholdings in the Company and practical help on transferring shares and updating personal details. It enables shareholders to register to receive shareholder communications electronically, rather than by post and it also enables shareholders to appoint proxies to attend and vote at general meetings of the Company. To register, shareholders simply need to log on to www.capitashareportal.com and follow the instructions to register. Shareholders registering for the Share Portal will need to have their investor code to hand which is shown on share certificates and on the Form of Proxy sent with this Report.

The Company's ordinary shares can be traded through most banks, building societies, stockbrokers or 'share shops' in the UK and, in addition, Capita Registrars provides a share dealing service (maximum deal size £25,000) which is available to shareholders resident in the UK. This is a simple and convenient way to buy and sell shares over the telephone and on the Internet without the need to pre-register and complete application forms. To use this service either log on to www.capitadeal.com or call Freephone 0800 280 2545 (Monday to Friday between 8.00 a.m. and 4.30 p.m.).

Further general shareholder information is set out on pages 128 to 129 and on the Company's website at www.compass-group.com.

CREST

The Company's ordinary shares and Sterling Eurobonds are in CREST, the settlement system for stocks and shares.

Auditors

Deloitte LLP are willing to continue as Auditors of the Company and Resolution 13 in the Notice of Meeting concerning their reappointment and Resolution 14 in the Notice of Meeting concerning the determination of their remuneration are to be proposed at the AGM. The Directors confirm that, so far as they are each aware, there is no relevant audit information of which Deloitte LLP are unaware and each Director has taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that Deloitte LLP are aware of that information.

AGM

The Notice of Meeting setting out the resolutions to be proposed at the AGM to be held on 3 February 2011, together with explanatory notes, is set out on pages 130 to 136 of this Annual Report and is also available on the Company's website at www.compass-group.com.

On behalf of the Board

Mark J White
General Counsel and Company Secretary
24 November 2010

Compass Group PLC
Registered in England and Wales No. 4083914

Directors' Remuneration Report

The Board presents its Remuneration Report, which has been prepared on the recommendation of the Remuneration Committee ('the Committee') and in accordance with the requirements of the Companies Act 2006 ('the CA 2006'). Shareholders will be invited to approve the Report at the Annual General Meeting ('the AGM') on 3 February 2011. The Report covers the following matters:

- Executive remuneration policy for the year ended 30 September 2010 and the intended policy for the year ending 30 September 2011; and
- Directors' remuneration, incentive plan participation and pension provision.

With the exception of the annual performance-related award, service agreement details, disclosure of remuneration of other senior executives and external directorships, the information set out on pages 55 to 62 of this Remuneration Report represents the auditable disclosures referred to in the Auditors' Report on page 64 as specified by the UK Listing Authority and under Regulation 11 of and Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

Role of the Committee

The Board sets the Company's remuneration policy and the Committee is responsible, within the authority delegated by the Board, for determining specific remuneration packages and the terms and conditions of employment for the members of the Executive Committee, which comprises the Executive Directors and other senior executives. The Committee ensures that the members of the Executive Committee are provided with the appropriate incentives to enhance the Group's performance and to reward them for their personal contribution to the success of the business. The Committee reviews the remuneration arrangements for Group employees whose salaries exceed a specified level and administers the Company's share incentive plans. The Committee also determines the Chairman's remuneration although the Board itself determines the level of fees paid to the Non-executive Directors. No Directors are involved in deciding their own remuneration.

The Committee also maintains an active dialogue with shareholder representatives and its full terms of reference are set out on the Company's website at www.compass-group.com.

Membership of the Committee

The Committee consists entirely of independent Non-executive Directors, as defined in the UK Corporate Governance Code ('the Code'). During the year the Committee comprised the following Non-executive Directors:

Sir James Crosby
(Chairman, Senior Independent Non-executive Director)
Steve Lucas
Susan Murray
Tim Parker

Biographical details of the current members of the Committee are set out on page 44. The General Counsel and Company Secretary acts as the Secretary to the Committee. The Committee met on four occasions during the year. Attendance details are shown on page 51.

Non-executive Directors who are not members of the Committee are entitled to receive the papers discussed at meetings and the minutes of the same.

Advisors to the Committee

The Committee has access to detailed external information and research on market data and trends from independent consultants. During the year, PricewaterhouseCoopers LLP (who also provide expatriate assignment advice) was engaged by the Committee to advise on general human resource and compensation related matters (including the design of incentive arrangements). Alithos Limited provided information for the testing of the total shareholder return ('TSR') performance conditions for the Company's long-term incentive plans.

The Chairman and the Group Chief Executive together with Jane Kingston, Group Human Resources Director, and Andrew Richards, Director of Group Reward, are normally invited to attend each Committee meeting and provide advice and guidance to the Committee (other than in respect of their own remuneration).

Summary of activity during the year

During the year, the Committee conducted its annual review of remuneration philosophy and reviewed the Company's remuneration practice to ensure that the overall remuneration structure continues to promote the Company's business strategy. The Chairman's pay and benefits, and the Executive Directors' reward packages were reviewed. The performance targets of the Company's bonus and share incentive plans were considered, and the vesting amounts of maturing awards approved. The Committee also considered the headroom available in issued share capital before the making of share plan awards, approved the launch of an HM Revenue & Customs approved UK share incentive plan (in which no Executive Director or Person Discharging Managerial Responsibility ('PDMR') will participate), reviewed its Director shareholding guidelines, considered developments in best practice and engaged with shareholder representatives and advisory bodies.

Remuneration policy and components

The Committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's business objectives, in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

The Committee intends that base salary and total remuneration of Executive Directors should be in line with the market. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for each element of remuneration at par performance levels. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance trends when assessing the level of salaries and remuneration packages of Executive Directors and other members of the Executive Committee. Save for promotional increases awarded to Group

Directors' Remuneration Report

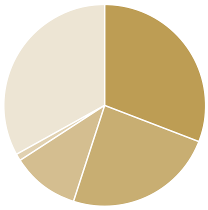
Managing Directors, percentage increases to basic salary awards for Executive Directors and other members of the Executive Committee during the year ended 30 September 2010 were in line with those awarded to other employees in the Group working in the same country in that period.

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

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

The following chart shows the average proportions of salary, target (or par) bonus, pension, benefits and the expected value of long-term incentives granted to each of the Executive Directors during the year ended 30 September 2010. This is the same for each Executive Director.

Executive Directors' remuneration package elements
Year ended 30 September 2010



Details of each individual element of the remuneration package are given below.

Salary

Base salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as individual performance and effectiveness. Consideration is also given to prevailing market and economic conditions and to governance trends, as well as to salary levels throughout the organisation. The Group Chief Executive's salary is reviewed annually by the Committee with any increase taking effect on 1 July of each year. Other executives' salaries are subject to annual review with any increases taking effect on 1 January of each year. It is not envisaged that remuneration elements for Executive Directors for the year ending 30 September 2011 will be substantially different to those in place in the financial year ended 30 September 2010.

The annual base salaries of the Executive Directors are:

Richard Cousins	£910,350 (effective 1 July 2010, increased by 2% from £892,500)
Gary Green	US$1,092,420 (effective 1 January 2010, increased by 2% from $1,071,000)
Andrew Martin	£546,210 (effective 1 January 2010, increased by 2% from £535,500)

Benefits

These comprise healthcare insurance for Executive Directors and their dependents, limited financial advice, life assurance and car benefit. Benefits for Executive Directors and their dependents for the year ending 30 September 2011 will not be substantially different to those offered in the financial year ended 30 September 2010.

Pensions

The Group's policy is not to offer defined benefit arrangements to new employees at any level (save where required by applicable legislation). Incoming Executive Directors are invited either to join the Company's money purchase arrangement or to take a fixed salary supplement, calculated as a percentage of base salary, which is excluded from any bonus calculation.

At 30 September 2010 there were no Executive Directors actively participating in any Compass Group defined benefit pension arrangements and none of the Executive Directors is accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as Executive Directors.

As reported in previous years, Richard Cousins and Gary Green receive a salary supplement equal to 35% of their basic salaries in lieu of pension; and, as reported in 2006, Andrew Martin has received a salary supplement from 6 April 2006, equal to 35% of basic salary and has waived all rights to his final salary pension, money purchase pension and unfunded unapproved pension relating to his employment prior to that date.

Annual bonus

The annual bonus is earned by the achievement of performance targets set by the Committee at the start of each financial year and is delivered in cash. The target (or par) award for the year ended 30 September 2010 was 75% of base salary, with a further maximum of 75% of base salary available for superior performance.

For the year ended 30 September 2010, the bonus measures for the Executive Directors were as follows:

Measure	Richard Cousins	Gary Green	Andrew Martin
Profit Before Interest and Tax ('PBIT')	55%[1]	55%[2]	55%[1]
Group Free Cash Flow ('GFCF')	15%		15%
12 Month Average Working Capital Balance ('AWCB')		15%[3]	
Revenue Growth ('RG')	15%[4]	15%[5]	15%[4]
Personal Targets ('PT')	15%	15%	15%
Total	**100%**	**100%**	**100%**

1 PBIT on a Group-wide basis.
2 PBIT split between Group PBIT (15%) and Local PBIT (USA, Canada (and Mexico to 1 July 2010)) (40%).
3 12 Month AWCB (USA, Canada (and Mexico to 1 July 2010)).
4 RG on a Group-wide basis.
5 RG for USA, Canada (and Mexico to 1 July 2010).

Bonus measures dependent on GFCF are subject to the caveat that GFCF should not be affected by Board approved capital expenditure or other unusual or irregular timing differences. PBIT and RG targets will be adjusted to take account of acquisitions and disposals. A supplementary financial underpin will apply such that the amount payable pursuant to the achievement of the non-PBIT measures may not exceed the on-target payment unless the threshold Group PBIT measure is achieved.

The percentages of base salary shown below were paid to the Directors, by way of annual bonus, for the year ended 30 September 2010:

	Actual bonus paid (% of base salary)
Richard Cousins	144.0%
Gary Green	144.0%
Andrew Martin	145.5%

The Committee continues to be satisfied that the performance targets are challenging and promote the Company's business strategy.

The Committee has agreed that, for the year ending 30 September 2011, to more closely align performance conditions with current strategy, a RG performance target should continue to be incorporated in the annual bonus to the extent that personal targets and RG targets each represent 15% of the bonus measures, the PBIT measures represent 55% and the GFCF and AWCB measures 15% respectively. Achievement of non-PBIT measures may not exceed on-target (par) payment unless the threshold Group PBIT measure is achieved.

Emoluments

The aggregate remuneration of the Directors who served during the financial year ended 30 September 2010 was as follows:

Directors' remuneration

Name of Director	Salary and fees £000	Salary supplement[1] £000	Annual performance-related bonus £000	Benefits[3] £000	2010 Total £000	2009 Total £000
Chairman						
Sir Roy Gardner	**426**	**–**	**–**	**51**	**477**	463
Executive Directors						
Richard Cousins	**897**	**314**	**1,311**	**38**	**2,560**	2,361
Gary Green[2]	**697**	**246**	**1,009**	**40**	**1,992**	1,824
Andrew Martin	**544**	**190**	**795**	**22**	**1,551**	1,460
Non-executive Directors						
Sir James Crosby	**110**	**–**	**–**	**–**	**110**	110
Steve Lucas	**90**	**–**	**–**	**–**	**90**	90
Susan Murray	**77**	**–**	**–**	**–**	**77**	77
Tim Parker	**70**	**–**	**–**	**–**	**70**	64
Don Robert	**70**	**–**	**–**	**–**	**70**	28
Sir Ian Robinson	**70**	**–**	**–**	**–**	**70**	70
Former Directors						
Directors who left during the previous year	**–**	**–**	**–**	**–**	**–**	30
Total	**3,051**	**750**	**3,115**	**151**	**7,067**	6,577

1 A supplement of 35% of basic salary is paid in monthly instalments in lieu of pension participation.
2 Gary Green's salary of US$1.087 million and other emoluments are given in Sterling using an exchange rate of US$1.5596/£1 (2009: US$1.5610/£1).
3 Benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.

Directors' Remuneration Report

Long Term Incentive Plan 2010

A new long-term incentive plan, The Compass Group PLC Long Term Incentive Plan 2010 ('the 2010 LTIP'), was approved by shareholders at the Company's AGM in February 2010. The first award to Executive Directors under the 2010 LTIP will be made in the year ending 30 September 2011. Under the 2010 LTIP, executives may receive a conditional award of shares which may vest after a single three-year performance period, based on the achievement of stretching performance conditions. Awards will not exceed 200% of base salary and are made by reference to the share price at the date of award. Awards may be settled in shares or cash, if required (for example, because of securities laws) at any time up to the release of an award, subject to the discretion of the Committee.

50% of any award is based on GFCF over the three-year performance period and 50% on the Company's TSR over the same period relative to the companies comprising the TSR comparator group at the start of the performance period. The precise GFCF target for each award is linked to the Group's wider business targets and is set by the Committee at the time of award based on Group projections and market expectations. The GFCF measure is set by the Committee subject to the caveat that GFCF should not be affected by Board approved capital expenditure or other unusual or irregular timing differences.

No shares vest unless the Group achieves threshold performance. 25% of the portion of the award based on GFCF vests on the achievement of threshold performance. Awards vest on a straight-line basis between 25% and 100% where GFCF is between threshold and maximum performance.

TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three-year performance period). The averaging period for the determination of the TSR performance condition is three months. 100% of the portion of the award based on TSR will vest if performance is in the top quartile and 25% of the award will vest if performance is at the median. Where performance is between the median and top quartile, awards will vest on a straight-line basis between the median and top quartile. No shares will be released if the Company's TSR performance is below the median.

The Committee must also be satisfied that the underlying financial performance of the Group justifies the vesting of an award. Calculations of the achievement of the targets are independently performed and are approved by the Committee.

The Committee considers TSR and GFCF as the performance conditions which most closely align the interests of participants with those of shareholders. The 2010 LTIP rewards the achievement of GFCF targets (which are key business targets for the Group) as well as the Company's relative TSR outperformance against a defined list of comparator companies.

If a participant ceases to be an employee, unvested awards will normally lapse unless the Committee determines in its absolute discretion, in which case it shall permit awards to continue and be satisfied, subject to the achievement of the performance condition. In such circumstances, any shares vesting will be prorated based on the period of service unless otherwise determined by the Committee. In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportionment basis.

In the case of intended fraud or misconduct by a participant which contributes to an error in financial information that materially affects the Company's share value, the Company will be entitled to recover the value of any shares released or the payment of cash equivalents under the 2010 LTIP. Benefits under the 2010 LTIP are not pensionable.

Long-Term Incentive Plan 2000

The last award under the Compass Group Long-Term Incentive Plan ('the 2000 LTIP') was made to Executive Directors in December 2009. No further awards can be made under the 2000 LTIP which expired in July 2010, and was replaced by the 2010 LTIP.

Under the 2000 LTIP, executives received a conditional award of shares of up to an annual maximum of 200% of base salary which would vest after a single three-year performance period, subject to the achievement of stretching performance conditions. Awards made in the year ended 30 September 2010 were equal to 150% of basic salary.

50% of any award made under the 2000 LTIP was based on GFCF and 50% on the Company's TSR in the same manner as under the 2010 LTIP, with the following exceptions:

- The averaging period for the determination of the TSR performance condition is six months;
- For awards made during the financial years ended 30 September 2008 to 30 September 2010 the financial services constituents of the FTSE 100 are excluded for the purpose of the TSR target;
- For awards made up to the financial year ended 30 September 2007, the TSR comparator group was the entire FTSE 100;
- The target for the awards made in the years ended 30 September 2009 and 30 September 2010 were subject to the caveat that GFCF should not be affected by Board approved strategic capital expenditure; and
- Awards made since 2004 do not benefit from retesting.

For awards made in the year ended 30 September 2006 and subsequent years, any vesting of an award at the end of the performance period is conditional upon the Committee being satisfied that the underlying financial performance of the Group justifies such vesting.

Extant awards remain subject to the achievement of performance conditions following a participant's agreed retirement date and vesting is determined at the end of the performance period.

The following table sets out the percentage of each award made to Directors within the last five years which has vested and the percentage of each extant award, had it vested on 30 September 2010:

Long-Term Incentive Plan performance

Year of award	Maturity date	Performance conditions	TSR position	Percentage vested on maturity or indicative vesting percentage
2005–2006	1 October 2008	TSR/GFCF[1]	23	100%
2006–2007	1 October 2009	TSR/GFCF[1]	5	100%
2007–2008	1 October 2010	TSR/GFCF	5	100%
2008–2009	1 October 2011	TSR/GFCF	13 (performance after 24 months)	100% (performance after 24 months)
2009–2010	1 October 2012	TSR/GFCF	8 (performance after 12 months)	100% (performance after 12 months)

1 As reported in 2008, following the sale of the Selecta vending business in July 2007, the GFCF targets were adjusted in order to maintain those originally set in respect of the remaining business.

Directors' interests in the Long-Term Incentive Plan

Details of existing awards as at the date of this Report and awards conditionally made under the 2000 LTIP to the Executive Directors in office during the year ended 30 September 2010 are shown in the table below:

Name of Director	As at 30 Sep 2009: number of shares	Awarded during the year: number of shares	Released during the year: number of shares	Lapsed during the year: number of shares	As at 30 Sep 2010: number of shares	Market price at date of award: pence	Performance conditions	Date of award	Maturity date
Richard Cousins	419,384	–	419,384	–	–	312.00	TSR/GFCF[1]	8 Mar 2007	1 Oct 2009
	529,800	–	–	–	529,800	322.75	TSR/GFCF[2]	20 Dec 2007	1 Oct 2010
	381,540	–	–	–	381,540	306.25	TSR/GFCF[2]	28 Nov 2008	1 Oct 2011
	–	350,182	–	–	350,182	440.00	TSR/GFCF[2]	1 Dec 2009	1 Oct 2012
	1,330,724	**350,182**	**419,384**	**–**	**1,261,522**				
Gary Green	298,706	–	298,706	–	–	312.00	TSR/GFCF[1]	8 Mar 2007	1 Oct 2009
	323,522	–	–	–	323,522	322.75	TSR/GFCF[2]	20 Dec 2007	1 Oct 2010
	256,856	–	–	–	256,856	306.25	TSR/GFCF[2]	28 Nov 2008	1 Oct 2011
	–	269,198	–	–	269,198	440.00	TSR/GFCF[2]	1 Dec 2009	1 Oct 2012
	879,084	**269,198**	**298,706**	**–**	**849,576**				
Andrew Martin	279,588	–	279,588	–	–	312.00	TSR/GFCF[1]	8 Mar 2007	1 Oct 2009
	331,126	–	–	–	331,126	322.75	TSR/GFCF[2]	20 Dec 2007	1 Oct 2010
	228,924	–	–	–	228,924	306.25	TSR/GFCF[2]	28 Nov 2008	1 Oct 2011
	–	210,108	–	–	210,108	440.00	TSR/GFCF[2]	1 Dec 2009	1 Oct 2012
	839,638	**210,108**	**279,588**	**–**	**770,158**				

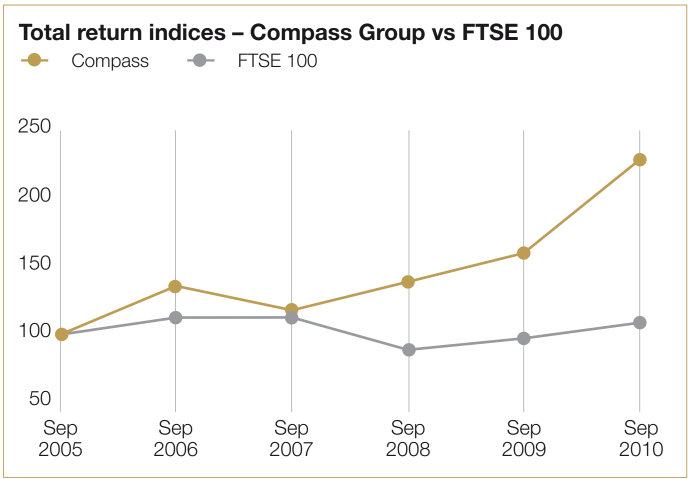
1 50% of the award is based on a three-year GFCF target, and 50% of the award is based on growth in the Company's TSR relative to the FTSE 100.
2 50% of the award is based on a three-year GFCF target, and 50% of the award is based on growth in the Company's TSR relative to the FTSE 100, excluding its financial services constituents.

Aggregate gross gains realised by Messrs Cousins, Green and Martin were £4,297,996 in the year ended 30 September 2010. The share price at the time of release of their awards was 440.00 pence per share.
The highest mid-market price of the Company's ordinary shares during the year was 567.25 pence and the lowest was 377.80 pence. The year end price was 530.50 pence.
The market price on 18 November 2010, the provisional date of vesting of the award made on 20 December 2007, was 535.50 pence.
All awards were granted for nil consideration.

Directors' Remuneration Report

Total shareholder return

The performance graph below shows the Company's TSR performance against the performance of the FTSE 100 over the five-year period to 30 September 2010. The FTSE 100 Index has been chosen as a broad equity market index of which the Company has been a constituent member throughout the period.



Suspended plans

The LTIP has been the primary form of equity-based incentive for the year ended 30 September 2010, and this will continue to be the policy for the year ending 30 September 2011.

Awards prior to 2005 were made under the Compass Group Bonus Matching Shares Plan ('MSP') and the Compass Group Share Option Plan ('CSOP'). Further details of the plans may be found in prior years' Annual Reports. No further awards can be made under the CSOP which expired on 27 July 2010. Shareholder approval will be sought should the Company wish to make any further awards to Executive Directors under the MSP.

There are no outstanding awards under the MSP. Existing rights under the CSOP remain and may result in the vesting of further shares in the capital of the Company. Under the CSOP, Executive Directors were eligible to receive awards equating to an annual maximum of 200% of basic salary, at an exercise price not lower than the market value of the Company's shares on the day prior to grant. Options would normally be exercisable on a sliding scale between the third and tenth anniversaries of the date of grant, subject to satisfaction of an earnings per share performance condition, after which they lapse.

The table below shows the number of options and awards held by the Directors in office during the year under the CSOP:

Directors' interests in share options

Name of Director	At 30 Sep 2009: number of shares	Exercised during the year: number of shares	Lapsed during the year: number of shares	At 30 Sep 2010: number of shares	Exercise price: pence	Normal exercise period	Notes
Gary Green	458,750	458,750	–	–	371.60	13 Sep 2003–12 Sep 2010	1,4
	350,000	–	–	350,000	430.00	19 Sep 2004–18 Sep 2011	4
	350,000	–	–	350,000	422.00	23 May 2005–22 May 2012	4
	129,500	129,500	–	–	292.50	30 Sep 2005–29 Sep 2012	1,4
	500,000	500,000	–	–	320.00	28 May 2006–27 May 2013	2,4
	300,000	300,000	–	–	316.25	03 Aug 2007–02 Aug 2014	1,4
	450,000	450,000	–	–	229.25	01 Dec 2007–30 Nov 2014	2,4
	2,538,250	1,838,250	–	700,000			
Andrew Martin	650,000	650,000	–	–	333.50	07 Jun 2007–06 Jun 2014	3,4
	365,000	365,000	–	–	229.25	01 Dec 2007–30 Nov 2014	3,4
	1,015,000	1,015,000	–	–			

1 The market value at the date of exercise was 498.3170 pence per share.
2 The market value at the date of exercise was 492.6768 pence per share.
3 The market value at the date of exercise was 503.3472 pence per share.
4 If average earnings per share growth is at least 6% over a three-year period between grant and exercise, one-third of shares under option become exercisable. Options are exercisable in full at 12% growth and on a straight-line basis in between.

The aggregate gross gains realised by Messrs Green and Martin were £4,684,482 in the year ended 30 September 2010.
No awards or options were granted under any of the suspended share plans during the year ended 30 September 2010.
Earnings per share measures have been adjusted for awards made prior to 2005 to achieve consistency between IFRS and UK GAAP reporting.
The highest mid-market price of the Company's ordinary shares during the year was 567.25 pence and the lowest was 377.80 pence. The year end price was 530.50 pence.

All-employee share schemes

During the year the Company introduced an HM Revenue & Customs UK approved share purchase scheme, under which UK employees can invest up to a limit of £125 per month to buy shares at market value in Compass Group PLC. The scheme is not subject to performance conditions. No Executive Directors or PDMRs will participate.

The UK and overseas all-employee save as you earn schemes expired on 27 July 2010. No further awards can be made under these schemes.

Dilution limits

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

The Committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of options or share awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were utilised in the year ended 30 September 2010.

As at 30 September 2010, the Company's headroom position, which remains within current ABI Guidelines, was as shown in the chart below.

Scheme limits headroom

10% in 10 years
- Headroom 4.28%
- ESOP 3.03%
- LTIP 0.64%
- All-Employee 2.05%

5% in 10 years
- Headroom 1.33%
- ESOP 3.03%
- LTIP 0.64%

Executive Directors' service agreements

It is the Company's policy that service contracts for the Executive Directors have no fixed term but are capable of termination on 12 months' notice from the Company and six months' notice from the Director (12 months for Richard Cousins). The Company also retains the right to terminate the contract immediately by making a payment in lieu of notice equal to 12 months' pay, on-target bonus, pension supplement and an amount equal to 10% of basic pay in respect of benefits, to be paid in monthly instalments, subject to an obligation on the Director to mitigate his loss, such that payments may either reduce or cease completely in circumstances where the departing Executive Director gains new employment. No special provisions apply in the event of a change of control.

Directors' service agreements were reviewed by the Committee in 2007. The Committee is sensitive to shareholders' concerns regarding bonus payments to Directors during their notice period. It believes the obligation to mitigate adequately addresses the issue and has also confirmed that future contracts for Executive Directors should not include an element of bonus in respect of the notice period.

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

The Executive Directors hold service agreements as set out below:

	Date of contract
Richard Cousins	22 November 2007
Gary Green	27 November 2007
Andrew Martin	27 November 2007

External appointments

Executive Directors may take up one Non-executive Directorship outside of the Group, provided that such appointment is not likely to lead to a conflict of interest, subject to the Board's approval. It is recognised that non-executive duties can broaden experience and knowledge which can benefit the Company. Richard Cousins received a fee of £79,673, which he was permitted to retain, during the year in respect of his Directorship of Reckitt Benckiser Group plc.

Share ownership guidelines

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

The share ownership guidelines were reviewed with effect from 1 October 2010. Under the revised guidelines, the Chief Executive is required to hold a personal shareholding equal to twice his basic salary. Other Executive Directors are required to hold a personal shareholding equal to one and a half times their basic salary, and members of the Executive Committee one times their basic salary. Non-executive Directors are required to hold a personal shareholding equal to one times their basic fee.

For Executive Directors and members of the Executive Committee, the guideline shareholding may be achieved by retaining shares received as a result of participating in the Company's share plans. The programme specifically excludes the need to make a personal investment should awards not vest. Non-executive Directors are expected to purchase shares to a minimum value of one-third of their net of tax fee each year until the guideline is met. The required level of shareholding should be expected to be achieved within a four-year period, commencing on 1 October 2010 or on the date of appointment to the Board or the Executive Committee.

The Committee reviewed and noted that both the current and revised guidelines were satisfied by all Executive Directors during the year. All Directors' current shareholdings are set out on page 47.

Directors' Remuneration Report

Chairman

The fee for the Chairman is reviewed annually by the Committee each June with any increase taking effect on 1 July. The Chairman's fee was set at £432,806 per annum, with effect from 1 July 2010 (increased by 2% from £424,320). The Chairman has a letter of engagement for a period of three years, which is renewable at three-year intervals by mutual consent and which is terminable without compensation on six months' notice from the Company or from the Chairman.

The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. He is entitled to the provision of life and medical insurance for himself and his spouse, financial planning assistance and car benefit.

Policy on remuneration of Non-executive Directors

The fees for the Non-executive Directors are reviewed and determined by the Board each year. The base fee for the year ended 30 September 2010 was £70,000 per annum, with an additional fee of £20,000 per annum, £15,000 per annum or £7,500 per annum payable where a Non-executive Director acts as chairman of either the Audit, Remuneration or Corporate Responsibility Committee respectively. An additional fee of £25,000 per annum is also payable for the Director nominated as Senior Independent Non-executive Director. Non-executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements.

Non-executive Directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable at three-year intervals by mutual consent. In accordance with the Code, all Directors will submit themselves for re-election by shareholders at the February 2011 AGM and, thereafter, on an annual basis. Details of their appointments, which are terminable without compensation, are set out in the table opposite.

Non-executive Director	Original date of appointment	Letter of engagement	Total length of service at 30 Sep 2010
Sir Roy Gardner	1 Oct 2005	15 Sep 2005 (rev. 8 May 2009)	5 years
Sir James Crosby	17 Feb 2007	16 Feb 2007 (rev. 21 Sep 2009)	3 years, 7 months
Steve Lucas	7 Jul 2004	17 Jun 2004 (rev. 16 Mar 2010)	6 years, 2 months
Susan Murray	11 Oct 2007	11 Oct 2007 (rev. 16 Mar 2010)	3 years
Tim Parker*	1 Nov 2008	1 Nov 2008	1 year, 11 months
Don Robert	8 May 2009	8 May 2009	1 year, 5 months
Sir Ian Robinson	1 Dec 2006	1 Dec 2006 (rev. 21 Sep 2009)	3 years, 10 months

* On 19 November 2010 the Company announced that Tim Parker will retire from the Board on 31 December 2010.

Other senior executives and management

There are a number of senior executives, who, with the Executive Directors, comprise the Executive Committee. These key management roles influence the ability of the Group to meet its strategic targets. The Committee has regard to the remuneration level and structure of this group whose total remuneration including salary and other short-term benefits, target (or par) bonus and the expected value of long-term incentives is summarised in the following table:

Total remuneration for the year ended 30 September 2010 £000	Number in band (2009 in brackets)
501–1,000	5 (2)
1,001–1,500	3 (4)
1,501–2,000	1 (–)

On behalf of the Board

Sir James Crosby
Chairman of the Remuneration Committee
24 November 2010

Consolidated financial statements

Directors' responsibilities

The Annual Report and Accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

The Annual Report and Accounts is the responsibility of, and has been approved by, the Directors.

We confirm that to the best of our knowledge:

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

On behalf of the Board

Mark J White
General Counsel and Company Secretary
24 November 2010

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

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

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

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

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

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

Independent auditors' report to the members of Compass Group PLC

Introduction

We have audited the Group financial statements of Compass Group PLC for the year ended 30 September 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the accounting policies and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:
- give a true and fair view of the state of the Group's affairs as at 30 September 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement contained within the Business Review in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the Parent Company financial statements of Compass Group PLC for the year ended 30 September 2010.

Ian Waller

Ian Waller (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 November 2010

Consolidated income statement

for the year ended 30 September 2010

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

Analysis of operating profit

for the year ended 30 September 2010

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

Consolidated statement of comprehensive income

for the year ended 30 September 2010

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

Consolidated statement of changes in equity

for the year ended 30 September 2010

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

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

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

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

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

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

Consolidated statement of changes in equity

for the year ended 30 September 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Minority interests £m	Total £m
	Attributable to equity shareholders of the Company							
At 1 October 2008	184	178	44	(4)	4,401	(2,616)	19	2,206
Profit for the period	–	–	–	–	93	586	6	685
Other comprehensive income	–	–	–	–	–	(145)	4	(141)
Total comprehensive income for the year	–	–	–	–	93	441	10	544
Issue of shares (for cash)	1	27	–	–	–	–	–	28
Fair value of share-based payments	–	–	–	–	4	–	–	4
Settled in new shares (issued by the Company)	–	10	–	–	(10)	–	–	–
Settled in cash or existing shares (purchased in the market)	–	–	–	–	(1)	–	–	(1)
Share buy-back	–	–	–	–	–	(13)	–	(13)
Transfer on exercise of put options	–	–	–	–	3	20	–	23
Equity adjustment for grant of put option	–	–	–	–	(1)	–	–	(1)
Buy-out of minority interests	–	–	–	–	–	–	(17)	(17)
Other changes	–	–	–	–	–	2	–	2
	185	215	44	(4)	4,489	(2,166)	12	2,775
Dividends paid to Compass shareholders (note 8)	–	–	–	–	–	(229)	–	(229)
Dividends paid to minority interests	–	–	–	–	–	–	(3)	(3)
(Increase)/decrease in own shares held for staff compensation schemes[1]	–	–	–	2	–	–	–	2
At 30 September 2009	185	215	44	(2)	4,489	(2,395)	9	2,545

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

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

Consolidated balance sheet

as at 30 September 2010

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

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

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

Richard J Cousins, Director
Andrew D Martin, Director

Consolidated financial statements

Consolidated cash flow statement

for the year ended 30 September 2010

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

1 Net of cash acquired or disposed and payments received or made under warranties and indemnities.
2 Share buy-back and increase/(decrease) in own shares held to satisfy employee share-based payments.

Reconciliation of free cash flow from continuing operations

for the year ended 30 September 2010

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

Accounting policies

for the year ended 30 September 2010

Introduction

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

A Accounting convention and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union that are effective for the year ended 30 September 2010. They have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 25.

In the current financial year, the Group has adopted IAS 1 'Presentation of Financial Statements' (revised 2007), IFRS 3 'Business Combinations' (revised 2008), IAS 27 'Consolidated and Separate Financial Statements' (revised 2008), IAS 23 'Borrowing Costs' (revised 2007) and IFRIC 12 'Service Concession Arrangements'.

IAS 1 'Presentation of Financial Statements' requires that the Group presents a 'consolidated statement of comprehensive income' and a 'consolidated statement of changes in equity' as additional primary statements. The standard is concerned with disclosure only and has no impact on the reported results or financial position of the Group.

IFRS 3 'Business Combinations' (revised 2008) and IAS 27 'Consolidated and Separate Financial Statements' (revised 2008) have not had a material effect on the financial statements of the Group except for the treatment of business combinations. The most significant changes from the Group's previous policies for business combinations are as follows:

- acquisition transaction costs which would previously have been included in the cost of a business combination are expensed through the income statement as they are incurred; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement.

IFRS 3 has been applied prospectively to acquisitions made by the Group in 2010 which are shown in note 25. There is no requirement to restate comparative data relating to acquisitions made on or before 30 September 2009.

The only significant impact on the Group's financial statements in the year to 30 September 2010 has been that £5 million of acquisition transaction costs has been expensed through the income statement.

IAS 23 'Borrowing Costs' (revised 2007) requires borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. This has not had a significant impact on the Group's financial statements for the year ended 30 September 2010.

IFRIC 12 'Service Concession Arrangements' addresses the accounting for service concession contracts operated within a framework of services to the public. The Group has assessed the impact of this interpretation and has concluded that it does not have a significant impact on the Group's financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2010 or later periods. The Group has identified IFRS 9 'Financial Instruments' as being relevant to its business but the Group has not adopted this standard early as certain aspects of it remain under discussion. The Group does not anticipate that any of these standards or interpretations will have a material impact on the Group's financial statements.

B Use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results for the year and the respective income tax and deferred tax provisions in the year in which such determination is made.

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M below. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. The key assumptions used for the value in use calculations are set out in note 9 to the financial statements.

Post-employment benefits

Defined benefit schemes are reappraised annually by independent actuaries based on actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. The principal assumptions used are described in note 22 to the financial statements.

C Basis of consolidation

The consolidated financial statements consist of the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's share of interests in joint ventures and associates made up to 30 September each year.

Accounting policies

for the year ended 30 September 2010

D Subsidiaries, associates and joint ventures

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control.

Joint ventures

Joint ventures are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and other venturers under a contractual agreement. The Group's share is accounted for using the proportionate consolidation method. The consolidated income statement and balance sheet include the Group's share of the income, expenses, assets and liabilities.

Associates

Associates are undertakings that are not subsidiaries or joint ventures over which the Group has significant influence and can participate in financial and operating policy decisions. Investments in associated undertakings are accounted for using the equity method. The consolidated income statement includes the Group's share of the profit after tax of the associated undertakings. Investments in associates include goodwill identified on acquisition and are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value.

Adjustments

Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used in line with those used by the Group.

Acquisitions and disposals

The results of subsidiaries, associates or joint ventures acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group subsidiary transacts with a joint venture of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant joint venture.

E Acquisitions

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued.

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale which are recognised and measured at fair value less costs to sell.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

F Foreign currency

The consolidated financial statements are prepared in pounds Sterling, which is the functional currency of the Company.

In preparing the financial statements of individual companies within the Group, transactions in currencies other than pounds Sterling are recorded at the rates of exchange on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates on the balance sheet date. Gains and losses arising on retranslation are included in the income statement for the period, except for where they arise on items taken directly to other comprehensive income, in which case they are also recognised in the consolidated statement of comprehensive income.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward currency contracts (see section Q below for the Group's accounting policies in respect of derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations (expressed in their functional currencies, being the currency of the primary economic environment in which each entity operates) are translated at the exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

G Revenue

Revenue is recognised in the period in which services are provided in accordance with the terms of the contractual relationships with third parties. Revenue represents the fair value of the consideration received or receivable for goods and services provided in the normal course of business, excluding trade discounts, value added tax and similar sales taxes.

Management fee contracts

Revenue from management fee contracts comprises the total of sales made to consumers, the subsidy charged to clients, together with the management fee charged to clients.

Fixed price contracts

Revenue from fixed price contracts is recognised in proportion to the volume of services that the Group is contracted to supply in each period.

Inter-segment transactions

There is little or no intra-group trading between the reported business segments. Where such trading does take place it is on similar terms and conditions to those available to third parties.

H Rebates and other amounts received from suppliers

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume-related rebates.

Income from value and volume-related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period.

Agreed discounts relating to inventories are credited to the income statement as the goods are consumed.

Rebates relating to items purchased but still held at the balance sheet date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Rebates received in respect of plant and equipment are deducted from the costs capitalised.

I Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

J Operating profit

Operating profit is stated before the share of results of associates, investment revenue and finance costs.

K Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

L Tax

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except where it relates to items taken directly to the consolidated statement of comprehensive income or equity, in which case it is recognised in the consolidated statement of comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

M Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business. This is generally the total business for a country. However, in some instances, where there are distinct separately managed business activities within a country, particularly if they fall within different secondary business segments, the CGU is identified at this lower level.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment is immediately recognised in the income statement and an impairment loss recognised for goodwill is not subsequently reversed.

On disposal, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent gain or loss on disposal.

Other intangible assets

Intangible assets acquired separately are capitalised at cost or, if acquired as part of a business combination, are capitalised at fair value as at the date of the acquisition. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful lives of the assets.

The following rates applied for the Group:

- Contract-related intangible assets: the life of the contract; and
- Computer software: 6% to 33% per annum.

The typical life of contract-related intangibles is 2 to 20 years.

Accounting policies

for the year ended 30 September 2010

Contract-related intangible assets arising on acquisition of a business are recognised at fair value and amortised over the life of the contract. Underlying operating profit and underlying earnings per share exclude the amortisation of contract-related intangible assets arising on acquisition of a business as it is not considered to be relevant to the underlying trading performance of the Group.

N Property, plant and equipment

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. Freehold land is not depreciated. All other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation is provided on a straight-line basis over the anticipated useful lives of the assets.

The following rates applied for the Group:

- Freehold buildings and long-term leasehold property: 2% per annum;
- Short-term leasehold property: the life of the lease;
- Plant and machinery: 8% to 33% per annum; and
- Fixtures and fittings: 8% to 33% per annum.

When assets are sold, the difference between sales proceeds and the carrying amount of the assets is dealt with in the income statement.

O Assets held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification. These assets are measured at the lower of carrying value and fair value less costs to sell.

P Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using either the weighted average price or the first in, first out method as appropriate to the circumstances. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Q Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities, including derivative financial instruments, denominated in foreign currencies are translated into Sterling at period-end exchange rates. Gains and losses are dealt with through the income statement, unless hedge accounting treatment is available.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are recognised initially at the proceeds received, net of direct issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of direct issue costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method, unless included in a fair value hedge.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Liabilities in respect of option agreements

Option agreements that allow minority shareholders to require the Group to purchase the minority interest are treated as derivatives over equity instruments. These are recorded in the balance sheet at fair value which is re-evaluated at each period end. Fair value is based on the present value of expected cash outflows. The movement in fair value is recognised as income or expense within the income statement.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge the risks associated with changes in foreign exchange rates and interest rates. Such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors that provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity.

When fair value hedge accounting is discontinued, any adjustment to the carrying amount of the hedged item for the designated risk for interest-bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted.

The Group's policy is to convert a proportion of its floating rate debt to fixed rates, using floating to fixed interest rate swaps. The Group designates these as cash flow hedges of interest rate risk.

In relation to cash flow hedges (forward currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost and carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in the period.

R Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Payments made under operating leases are charged to income on a straight-line basis over the period of the lease. Any incentives to enter into an operating lease are also spread on a straight-line basis over the lease term.

S Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material.

T Employee benefits

Pension obligations

Payments made to defined contribution pension schemes are charged as an expense when they fall due. Payments made to state-managed schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

For defined benefit pension schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The pension obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other post-employment obligations

Some Group companies provide other post-employment benefits. The expected costs of these benefits are accrued over the period of employment using a similar basis to that used for defined benefit pension schemes. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. In accordance with the requirements of IFRS 2 'Share-based Payments', the Group has applied IFRS 2 to all equity-settled share options granted after 7 November 2002 that had vested before 1 January 2005. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Holiday pay

Paid holidays and similar entitlements are regarded as an employee benefit and are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not taken.

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for the year ended 30 September 2010

1 Segmental reporting

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

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

1 There is no inter-segmental trading.
2 Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £1,709 million (2009: £1,749 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £12,759 million (2009: £11,695 million).
3 Mexico was transferred from North America to the Rest of the World during the year. The comparatives have been restated accordingly.
4 The correctional business was transferred from the Business & Industry sector to the Defence, Offshore & Remote sector during the year. The comparatives have been restated accordingly.

1 Segmental reporting continued

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

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for the year ended 30 September 2010

1 Segmental reporting continued

Balance sheet	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Unallocated Current and deferred tax £m	Net debt £m	Total £m
As at 30 September 2010								
Total assets	**2,663**	**1,136**	**2,239**	**1,148**	**7**	**327**	**734**	**8,254**
Total liabilities	**(1,186)**	**(943)**	**(510)**	**(638)**	**(261)**	**(288)**	**(1,355)**	**(5,181)**
Net assets/(liabilities)	**1,477**	**193**	**1,729**	**510**	**(254)**	**39**	**(621)**	**3,073**
Total assets include:								
Interests in associates	**6**	**–**	**26**	**–**	**–**	**–**	**–**	**32**
Non-current assets	**1,964**	**504**	**1,993**	**656**	**8**	**297**	**80**	**5,502**
As at 30 September 2009								
Total assets	2,435	1,106	2,136	953	11	325	675	7,641
Total liabilities	(988)	(958)	(446)	(522)	(293)	(272)	(1,617)	(5,096)
Net assets/(liabilities)	1,447	148	1,690	431	(282)	53	(942)	2,545
Total assets include:								
Interests in associates	4	–	28	–	–	–	–	32
Non-current assets	1,818	429	1,904	570	10	300	60	5,091

1 Non-current assets in the UK, the Group's country of domicile, were £1,989 million (2009: £1,913 million). Non-current assets in all foreign countries in which the Group holds assets were £3,136 million (2009: £2,818 million).
2 Mexico was transferred from North America to Rest of the World during the year. The comparatives have been restated accordingly.

Additions to other intangible assets	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Total £m
Year ended 30 September 2010						
Total additions to other intangible assets	**85**	**10**	**23**	**4**	**–**	**122**
Year ended 30 September 2009						
Total additions to other intangible assets	91	3	18	5	–	117

1 Segmental reporting continued

Additions to property, plant and equipment	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Total £m
Year ended 30 September 2010						
Total additions to property, plant and equipment[1]	**69**	**53**	**36**	**54**	**–**	**212**
Year ended 30 September 2009						
Total additions to property, plant and equipment[1]	56	50	35	28	1	170

Amortisation of other intangible assets	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Total £m
Year ended 30 September 2010						
Total amortisation of other intangible assets[2]	**68**	**10**	**10**	**8**	**1**	**97**
Year ended 30 September 2009						
Total amortisation of other intangible assets[2]	66	6	9	9	6	96

Depreciation of property, plant and equipment	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Total £m
Year ended 30 September 2010						
Total depreciation of property, plant and equipment	**54**	**40**	**26**	**27**	**1**	**148**
Year ended 30 September 2009						
Total depreciation of property, plant and equipment	45	42	22	23	4	136

Other non-cash expenses	Geographical segments North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Total £m
Year ended 30 September 2010						
Total other non-cash expenses[3]	**2**	**1**	**1**	**2**	**3**	**9**
Year ended 30 September 2009						
Total other non-cash expenses[3]	1	–	–	–	3	4

1 Includes leased assets of £3 million (2009: £4 million) and creditor for capital creditors of £2 million (2009: £nil).
2 Including the amortisation of intangibles arising on acquisition.
3 Other non-cash expenses are mainly comprised of share-based payments.

Notes to the consolidated financial statements

for the year ended 30 September 2010

2 Operating costs

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

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

Audit and non-audit services	2010 £m	2009 £m
Audit services		
Fees payable to the Company's Auditors for the audit of the Company's annual financial statements	**0.4**	0.4
Fees payable to the Company's Auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries and joint ventures pursuant to legislation	**3.2**	3.0
Total audit fees	**3.6**	3.4
Non-audit services		
Other services supplied pursuant to legislation	**0.1**	0.1
Other services relating to tax	**1.4**	1.4
All other services	**0.3**	–
Total non-audit fees	**1.8**	1.5
Total audit and non-audit services		
Total audit and non-audit services	**5.4**	4.9

3 Employees

Average number of employees, including directors and part-time employees	2010 Number	2009 Number (restated)
North America[1,3]	**174,734**	164,491
Continental Europe	**86,633**	84,537
UK & Ireland	**59,380**	62,809
Rest of the World[3]	**107,455**	97,205
Total continuing operations	**428,202**	409,042
Discontinued operations	**–**	2
Total continuing and discontinued operations	**428,202**	409,044

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

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

The remuneration of Directors and key management personnel[2] is set out below. Additional information on Directors' and key management remuneration, share options, long-term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' Remuneration Report on pages 55 to 62 and forms part of these accounts.

Remuneration of key management personnel	2010 £m	2009 £m
Salaries	**7.1**	5.3
Other short-term employee remuneration	**7.3**	6.0
Share-based payments	**5.3**	3.8
Termination benefits	**3.1**	–
Pension	**1.8**	1.6
Total	**24.6**	16.7

1 North America has been restated to re-align the comparative to current year's definition.
2 Key management personnel is defined as the Board of Directors and the members of the Executive Committee. Since 2009, four new members have been appointed to the Executive Committee and one position is no longer applicable.
3 Mexico was transferred from North America to the Rest of the World during the year. The comparatives have been restated accordingly.
4 Reclassification from wages and salaries to pension costs.

Notes to the consolidated financial statements

for the year ended 30 September 2010

4 Financing income, costs and related gains/losses

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

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

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

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge the risks associated with changes in foreign currency exchange rates and interest rates. As explained in section Q of the Group's accounting policies, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

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

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

1 Categorised as 'fair value through profit or loss' (IAS 39).
2 Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
3 Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 22.

5 Tax

Recognised in the income statement: Income tax expense on continuing operations	2010 £m	2009 £m
Current tax		
Current year	**229**	202
Adjustment in respect of prior years	**(14)**	(9)
Current tax expense/(credit)	**215**	193
Deferred tax		
Current year	**37**	24
Impact of changes in statutory tax rates	**3**	–
Adjustment in respect of prior years	**(9)**	4
Deferred tax expense/(credit)	**31**	28
Total income tax		
Income tax expense/(credit) on continuing operations	**246**	221

The income tax expense for the year is based on the United Kingdom statutory rate of corporation tax for the period of 28% (2009: 28%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions. The impact of the changes in statutory rates relates principally to the reduction of the UK corporation tax rate from 28% to 27% from 1 April 2011. This change has resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

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

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

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

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for the year ended 30 September 2010

5 Tax continued

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

Net short-term temporary differences relate principally to provisions and other liabilities of overseas subsidiaries.

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

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

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

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

6 Discontinued operations

Year ended 30 September 2010

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

Year ended 30 September 2009

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

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

1 The trading activity in the years ended 30 September 2009 and 30 September 2010 relates to the final run-off of activity in businesses earmarked for closure.
2 Released surplus provisions of £16 million in the year ended 30 September 2010.
3 Released surplus provisions of £23 million and the release of surplus accruals of £20 million, total £43 million, in the year ended 30 September 2009.

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

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6 Discontinued operations continued

Net assets disposed and disposal proceeds	2010 £m	2009 £m
Increase/(decrease) in retained liabilities[1,2]	(23)	(79)
Profit/(loss) on disposal before tax	16	45
Consideration, net of costs	(7)	(34)
Consideration deferred to future periods	(2)	–
Cash disposed of	–	–
Cash inflow/(outflow) from current year disposals	(9)	(34)
Deferred consideration and other payments relating to previous disposals	–	–
Cash inflow/(outflow) from disposals	(9)	(34)

1 Including the release of surplus provisions of £16 million and the utilisation of accruals/provisions in respect of purchase price adjustments, warranty claims and other indemnities of £7 million in the year ended 30 September 2010. Total £23 million.
2 Including the release of surplus provisions of £23 million and surplus accruals of £20 million, and the utilisation of accruals/provisions in respect of purchase price adjustments, warranty claims and other indemnities of £36 million in the year ended 30 September 2009. Total £79 million.

7 Earnings per share

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

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

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

7 Earnings per share continued

	2010 Earnings per share pence	2009 Earnings per share pence
Basic earnings per share (pence)		
From continuing and discontinued operations	**36.0**	31.7
From discontinued operations	**(0.7)**	(2.2)
From continuing operations	**35.3**	29.5
Amortisation of intangible assets arising on acquisition (net of tax)	**0.3**	0.3
Acquisition transaction costs (net of tax)	**0.2**	–
Share-based payments expense – minority interest call option (net of tax)	**0.1**	–
Hedge accounting ineffectiveness (net of tax)	**(0.2)**	0.3
Change in the fair value of investments and minority interest put options (net of tax)	**–**	(0.1)
From underlying continuing operations	**35.7**	30.0
Diluted earnings per share (pence)		
From continuing and discontinued operations	**35.8**	31.6
From discontinued operations	**(0.7)**	(2.2)
From continuing operations	**35.1**	29.4
Amortisation of intangible assets arising on acquisition (net of tax)	**0.3**	0.3
Acquisition transaction costs (net of tax)	**0.2**	–
Share-based payments expense – minority interest call option (net of tax)	**0.1**	–
Hedge accounting ineffectiveness (net of tax)	**(0.2)**	0.3
Change in the fair value of investments and minority interest put options (net of tax)	**(0.1)**	(0.1)
From underlying continuing operations	**35.4**	29.9

8 Dividends

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

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

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

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9 Goodwill

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

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

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

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

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a CGU is determined from value in use calculations. The key assumptions for these calculations are long-term growth rates and pre-tax discount rates and use cash flow forecasts derived from the most recent financial budgets and forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long-term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

9 Goodwill continued

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

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

10 Other intangible assets

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

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

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11 Property, plant and equipment

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

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

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

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

12 Interests in associates

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

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

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

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

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

13 Other investments

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

1 Categorised as 'available for sale' financial assets (IAS 39).
2 Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 22.
3 As per the fair value hierarchies explained in note 19, the investment in Au Bon Pain is Level 3, other investments are Level 1 and the life insurance policies are Level 2.

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14 Joint ventures

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

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

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

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

15 Trade and other receivables

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

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

15 Trade and other receivables continued

Trade receivables

The book value of trade and other receivables approximates to their fair value due to the short-term nature of the majority of the receivables.

Credit sales are only made after credit approval procedures have been satisfactorily completed. The policy for making provisions for bad and doubtful debts varies from country to country as different countries and markets have different payment practices, but various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

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

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

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

	2010					
Trade receivables	**Not yet due £m**	**0-3 months overdue £m**	**3-6 months overdue £m**	**6-12 months overdue £m**	**Over 12 months overdue £m**	**Total £m**
Gross trade receivables	**1,291**	**282**	**35**	**18**	**22**	**1,648**
Less: Provision for impairment of trade receivables	**(8)**	**(10)**	**(21)**	**(18)**	**(22)**	**(79)**
Net trade receivables	**1,283**	**272**	**14**	**–**	**–**	**1,569**

	2009					
Trade receivables	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	Total £m
Gross trade receivables	1,169	272	41	17	20	1,519
Less: Provision for impairment of trade receivables	(5)	(6)	(21)	(14)	(20)	(66)
Net trade receivables	1,164	266	20	3	–	1,453

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

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

At 30 September 2010, trade receivables of £286 million (2009: £289 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the receivable, and all unprovided for amounts are considered to be recoverable.

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16 Inventories

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

17 Cash and cash equivalents

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

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

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

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

18 Short-term and long-term borrowings

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

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

Bank overdrafts principally arise as a result of uncleared transactions. Interest on bank overdrafts is at the relevant money market rates.

All amounts due under bonds, loan notes and bank facilities are shown net of unamortised issue costs.

18 Short-term and long-term borrowings continued

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

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

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

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

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

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

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The table below shows the fair value of borrowings excluding accrued interest:

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

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18 Short-term and long-term borrowings continued

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

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

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

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

19 Derivative financial instruments

Capital risk management

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 17; debt, which includes the borrowings disclosed in note 18; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Financial management

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

Liquidity risk

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

19 Derivative financial instruments continued

Foreign currency risk

The Group's policy is to match as far as possible its principal projected cash flows by currency to actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary, to implement this policy, forward currency contracts are taken out which, when applied to the actual currency liabilities, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into Sterling. Where the borrowings are either less than, or equate to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the income statement.

Non-Sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given and will continue to give rise to translation differences. The Group is only partially protected from the impact of such differences through the matching of cash flows to currency borrowings.

The Group has minimal exposure to the foreign currency risk of trade receivables and payables as operations within individual countries have little cross-border activity which might give rise to translation risks on trade-related balances.

The main currencies to which the Group's reported Sterling financial position is exposed are the US Dollar, the Euro and the Japanese Yen. As set out above, the Group seeks to hedge its exposure to currencies by matching debt in currency against the cash flows generated by the Group's foreign operations in such currencies.

The effect on profit after tax and equity of a 10% strengthening of Sterling against these currencies on the Group's financial statements is shown below. A 10% weakening would result in an equal and opposite impact on the profit or loss and equity of the Group. This table shows the impact on the financial instruments in place on 30 September and has been prepared on the basis that the 10% change in exchange rates occurred on the first day of the financial year and applied consistently throughout the year.

	2010			2009		
Financial instruments: Impact of Sterling strengthening by 10%	**Against US Dollar £m**	**Against Euro £m**	**Against Japanese Yen £m**	Against US Dollar £m	Against Euro £m	Against Japanese Yen £m
Increase/(decrease) in profit for the year (after tax)	**1**	**–**	**–**	1	–	–
Increase/(decrease) in total equity	**40**	**12**	**5**	59	20	10

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short-term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.

The sensitivity analysis given below has been determined based on the derivative and non-derivative financial instruments the Group had in place at the year end date only.

The effect of a 1% increase in interest rates prevailing at the balance sheet date on the Group's cash and cash equivalents and debt subject to variable rates of interest at the balance sheet date would be a loss of £1 million (2009: loss of £2 million) over the course of a year. A similar 1% decrease in interest rates would result in an equal and opposite effect over the course of a year.

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19 Derivative financial instruments continued

Interest rate sensitivity analysis	2010 Sterling £m	US Dollar £m	Euro £m	Japanese Yen £m	Other £m	Total £m
Increase in interest rate	**+1%**	**+1%**	**+1%**	**+1%**	**+1%**	**n/a**
Floating rate exposure – cash/(debt)	**7**	**(69)**	**(104)**	**(13)**	**(2)**	**(181)**
Increase/(decrease) in profit for the year (after tax)	**–**	**–**	**(1)**	**–**	**–**	**(1)**

Interest rate sensitivity analysis	2009 Sterling £m	US Dollar £m	Euro £m	Japanese Yen £m	Other £m	Total £m
Increase in interest rate	+1%	+1%	+1%	+1%	+1%	n/a
Floating rate exposure – cash/(debt)	16	(215)	(16)	(26)	–	(241)
Increase/(decrease) in profit for the year (after tax)	–	(2)	–	–	–	(2)

These changes are the result of the exposure to interest rates from the Group's floating rate cash and cash equivalents and debt. The sensitivity gains and losses given above may vary because cash flows vary throughout the year and interest rate and currency hedging may be implemented after the year end date in order to comply with the treasury policies outlined above.

Credit risk

The Group's policy is to minimise its exposure to credit risk from the failure of any single financial counterparty by spreading its risk across a portfolio of financial counterparties and managing the aggregate exposure to each against certain pre-agreed limits. Exposure to counterparty credit risk arising from deposits, derivative and forward currency contracts is concentrated at the Group centre where possible. Financial counterparty limits are derived from the long- and short-term credit ratings, and the balance sheet strength of the financial counterparty. All financial counterparties are required to have a minimum short-term credit rating from Moodys of P-1 or equivalent from another recognised agency.

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

Hedging activities

The following section describes the derivative financial instruments the Group uses to apply the interest rate and foreign currency hedging strategies described above.

Fair value hedges

The Group uses interest rate swaps to hedge the fair value of fixed rate borrowings. These instruments swap the fixed interest payable on the borrowings into floating interest rates and hedge the fair value of the borrowings against changes in interest rates. These interest rate swaps all qualify for fair value hedge accounting as defined by IAS 39.

Cash flow hedges

The Group uses interest rate swaps to hedge the cash flows from floating rate borrowings. These instruments swap floating interest payable on these borrowings into fixed interest rates and hedge against cash flow changes caused by changing interest rates. The cash flows and income statement impact hedged in this manner will occur between one and three years of the balance sheet date.

These interest rate swaps do not qualify for cash flow hedge accounting as defined by IAS 39 because the Group creates synthetic floating rate foreign currency borrowings (see net investment hedges below) through the use of forward currency contracts which IAS 39 prohibits from being designated as a hedged item.

These interest rate swaps are an effective economic hedge against the exposure of the Group's floating rate borrowings to interest rate risk.

Net investment hedges

The Group uses foreign currency denominated debt and forward currency contracts to partially hedge against the change in Sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The fair value of debt in a net investment hedge was £885 million (2009: £1,132 million).

19 Derivative financial instruments continued

Derivatives not in a hedging relationship

The Group has a number of derivative financial instruments that do not meet the criteria for hedge accounting. These include some interest rate swaps and some forward currency contracts.

Fair value measurement

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments are shown at fair value in the balance sheet. The fair values have been determined by reference to Level 2 techniques in the hierarchy described above. The fair values of derivative financial instruments represent the maximum credit exposure.

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

1 Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
2 Derivatives carried at 'fair value through profit or loss' (IAS 39).

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

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

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for the year ended 30 September 2010

19 Derivative financial instruments continued

Gross debt maturity analysis	2010 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Fixed interest							
£200m Eurobond 2010	–	–	–	–	–	–	–
£325m Eurobond 2012	–	325	–	–	–	–	325
£250m Eurobond 2014	–	–	–	–	250	–	250
US private placements	77	285	–	76	–	138	576
Bank loans	7	–	–	–	–	–	7
Total fixed interest	84	610	–	76	250	138	1,158
Cash flow swaps (fixed leg)	192	197	–	–	–	–	389
Fair value swaps (fixed leg)	(157)	(452)	–	(67)	(200)	(80)	(956)
Fixed interest (asset)/liability	119	355	–	9	50	58	591
Floating interest							
Bank loans	14	5	2	–	2	2	25
Overdrafts	39	–	–	–	–	–	39
Total floating interest	53	5	2	–	2	2	64
Cash flow swaps (floating leg)	(192)	(197)	–	–	–	–	(389)
Fair value swaps (floating leg)	157	452	–	67	200	80	956
Floating interest (asset)/liability	18	260	2	67	202	82	631
Other							
Finance lease obligations	11	8	6	4	4	9	42
Fair value adjustments to borrowings[2]	–	30	–	5	37	7	79
Swap monetisation[2]	–	5	–	–	–	–	5
Other (asset)/liability	11	43	6	9	41	16	126
Gross debt excluding derivatives	148	658	8	85	293	156	1,348
Derivative financial instruments							
Derivative financial instruments[2]	(7)	(36)	–	(7)	(27)	(10)	(87)
Forward currency contracts[1]	3	–	–	–	–	–	3
Gross debt	144	622	8	78	266	146	1,264

1 Non-cash item (changes in the value of this non-cash item are reported via the foreign exchange caption in note 28).
2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 28).

Principal and interest maturity analysis	2010 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Gross debt	144	622	8	78	266	146	1,264
Less: Overdrafts	(39)	–	–	–	–	–	(39)
Less: Fees and premiums capitalised on issue	–	–	–	–	–	–	–
Less: Other non-cash items	4	1	–	2	(10)	3	–
Repayment of principal	109	623	8	80	256	149	1,225
Interest cash flows on debt and derivatives (settled net)	85	80	33	31	28	6	263
Settlement of forward currency contracts – payable leg	454	–	–	–	–	–	454
Settlement of forward currency contracts – receivable leg	(450)	–	–	–	–	–	(450)
Repayment of principal and interest	198	703	41	111	284	155	1,492

19 Derivative financial instruments continued

Gross debt maturity analysis	2009 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Fixed interest							
£200m Eurobond 2010	200	–	–	–	–	–	200
£325m Eurobond 2012	–	–	324	–	–	–	324
£250m Eurobond 2014	–	–	–	–	–	250	250
US private placements	23	76	281	–	75	137	592
Bank loans	7	6	–	–	–	–	13
Total fixed interest	230	82	605	–	75	387	1,379
Cash flow swaps (fixed leg)	243	240	–	–	–	–	483
Fair value swaps (fixed leg)	(450)	(163)	(451)	–	(66)	(160)	(1,290)
Fixed interest (asset)/liability	23	159	154	–	9	227	572
Floating interest							
Bank loans	4	8	–	–	–	–	12
Overdrafts	71	–	–	–	–	–	71
Total floating interest	75	8	–	–	–	–	83
Cash flow swaps (floating leg)	(243)	(240)	–	–	–	–	(483)
Fair value swaps (floating leg)	450	163	451	–	66	160	1,290
Floating interest (asset)/liability	282	(69)	451	–	66	160	890
Other							
Finance lease obligations	14	10	6	6	3	14	53
Fair value adjustments to borrowings[2]	4	5	33	–	3	29	74
Swap monetisation[2]	–	–	11	–	–	–	11
Other (asset)/liability	18	15	50	6	6	43	138
Gross debt excluding derivatives	323	105	655	6	81	430	1,600
Derivative financial instruments							
Derivative financial instruments[2]	(20)	(2)	(38)	–	(4)	(12)	(76)
Forward currency contracts[1]	7	–	–	–	–	–	7
Gross debt	310	103	617	6	77	418	1,531

1 Non-cash item (changes in the value of this non-cash item are reported via the foreign exchange caption in note 28).
2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 28).

Principal and interest maturity analysis	2009 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Gross debt	310	103	617	6	77	418	1,531
Less: Overdrafts	(71)	–	–	–	–	–	(71)
Less: Fees and premiums capitalised on issue	–	–	2	–	–	–	2
Less: Other non-cash items	9	(3)	(6)	–	1	(17)	(16)
Repayment of principal	248	100	613	6	78	401	1,446
Interest cash flows on debt and derivatives (settled net)	108	82	77	33	31	34	365
Settlement of forward currency contracts – payable leg	687	–	–	–	–	–	687
Settlement of forward currency contracts – receivable leg	(678)	–	–	–	–	–	(678)
Repayment of principal and interest	365	182	690	39	109	435	1,820

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20 Trade and other payables

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

1 Categorised as 'other financial liabilities' (IAS 39).
2 Categorised as 'fair value through profit or loss' (IAS 39).
3 Of this balance, £299 million (2009: £288 million) is categorised as 'other financial liabilities' (IAS 39).

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

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

21 Provisions

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

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

21 Provisions continued

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

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

Provisions in respect of discontinued and disposed businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received. Surplus provisions of £16 million (2009: £23 million) were credited to the discontinued operations section of the income statement in the year.

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

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

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

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

22 Post-employment benefit obligations

Pension schemes operated

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 3% to 35% of pensionable salaries.

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

UK schemes

Within the UK there are three main arrangements:

(i) Compass Group Pension Plan ('the Plan');
(ii) Compass Pension Scheme ('the Scheme'); and
(iii) Compass Retirement Income Savings Plan ('CRISP').

CRISP was launched on 1 February 2003. This has been the main vehicle for pension provision for new joiners in the UK since that date but existing members of the Plan and the Scheme had continued to accrue benefits under those arrangements up until 5 April 2010. CRISP is a contracted-in money purchase arrangement whereby the Group will match employee contributions up to 6% of pay (minimum 3%). Within CRISP a new defined contribution section was established from April 2006 known as the Compass Higher Income Plan ('CHIP'). Senior employees who contribute to CRISP will receive an additional employer-only contribution into CHIP. The amount of contribution and eligibility for CHIP are decided annually at the Company's discretion. The payment towards CHIP may be taken as a cash supplement instead of a pension contribution.

The Plan and the Scheme are defined benefit arrangements. They have been closed to new entrants since 2003 other than for transfers under public sector contracts where the Group is obliged to provide final salary benefits to transferring employees. Such transferees enter into the GAD sections of the Plan ('GAD members').

On 5 April 2010, the Plan and Scheme closed to future accrual for all existing members, other than those within the special sections of the Plan and Scheme for GAD members. The affected members were offered membership of CRISP from 6 April 2010.

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22 Post-employment benefit obligations continued

The Plan and the Scheme are operated on a pre-funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. Formal actuarial valuations of the Plan and the Scheme are carried out every three years. The most recent valuations were as at 5 April 2010. The final results revealed a worsening in the funding positions since the previous valuations, although the effects of poor investment returns during the intervening period were lessened by the cautious investment strategy that has been set for these schemes. Under the funding schedule agreed with the Plan and Scheme Trustees, the Group aims to eliminate the current deficit over the next eight years. The next triennial valuation is due to be completed as at 5 April 2013. The Plan and the Scheme are re-appraised annually by independent actuaries in accordance with IAS 19 'Employee Benefits' requirements.

The Company, together with the relevant Trustees, is considering the possibility of merging the Plan and the Scheme in order to remove the duplication of effort and create cost efficiencies in the administration of the arrangements. The potential target date for a merger is 5 April 2011.

CRISP has a Corporate Trustee. The Chairman, Tony Allen, is independent. The other six Trustee Directors are UK-based employees of the Group, three of whom have been member-nominated. The Plan has a Corporate Trustee. The Chairman, Peter Morriss, is independent. There are a further seven Trustee Directors who are UK-based employees or former employees of the Group, four of whom have been member-nominated (although one of these positions is vacant). The Scheme is a closed defined benefit arrangement and also has a Corporate Trustee. The Chairman, David Bishop, is independent. The remaining six Trustee Directors are UK-based employees or former employees of the Group, three of whom have been member-nominated.

Overseas schemes

In the USA, the main plan is a defined benefit plan. The funding policy, in accordance with government guidelines, is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. In Canada, Norway and Switzerland the Group also participates in funded defined benefit arrangements.

In other countries, Group employees participate primarily in state arrangements to which the Group makes the appropriate contributions.

Other than where required by local regulation or statute, the defined benefit schemes are closed to new entrants. For these schemes the current service cost will increase under the projected unit credit method as the members of the schemes approach retirement.

In addition, the Group contributes to a number of multi-employer union sponsored pension plans, primarily in the USA. These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans. The Group made total contributions of £7 million in the year (2009: £3 million) to these arrangements.

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

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

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

22 Post-employment benefit obligations continued

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

Life expectancy at 65	UK schemes Male non-pensioner years	UK schemes Male pensioner years	UK schemes Female non-pensioner years	UK schemes Female pensioner years	USA schemes Male years	USA schemes Female years
As at 30 September 2010	**22.1**	**20.6**	**24.9**	**23.4**	**18.4**	**20.6**
As at 30 September 2009	21.8	20.8	24.7	23.8	18.4	20.6

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

2010	UK schemes		USA schemes		Other schemes		
Fair value of plan assets	**Expected return**	**£m**	**Expected return**	**£m**	**Expected return**	**£m**	**Total £m**
Equity instruments	**7.2%**	**398**	**7.6%**	**113**	**8.4%**	**21**	**532**
Debt instruments	**3.9%**	**881**	**4.3%**	**52**	**3.3%**	**29**	**962**
Other	**6.6%**	**69**	**3.0%**	**9**	**4.4%**	**67**	**145**
Total plan assets	**5.0%**	**1,348**	**6.4%**	**174**	**4.8%**	**117**	**1,639**

2009	UK schemes		USA schemes		Other schemes		
Fair value of plan assets	Expected return	£m	Expected return	£m	Expected return	£m	Total £m
Equity instruments	7.6%	389	10.1%	101	8.7%	23	513
Debt instruments	4.3%	807	5.5%	47	4.4%	50	904
Other	7.0%	67	3.5%	8	4.5%	33	108
Total plan assets	5.5%	1,263	8.4%	156	5.4%	106	1,525

2008	UK schemes		USA schemes		Other schemes		
Fair value of plan assets	Expected return	£m	Expected return	£m	Expected return	£m	Total £m
Equity instruments	7.8%	321	9.1%	82	8.4%	20	423
Debt instruments	5.3%	823	5.7%	38	4.6%	35	896
Other	7.5%	60	3.8%	7	4.7%	33	100
Total plan assets	6.1%	1,204	7.8%	127	5.5%	88	1,419

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

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22 Post-employment benefit obligations continued

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

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

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

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

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

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

22 Post-employment benefit obligations continued

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

Experience adjustments	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience adjustments on plan liabilities – gain/(loss)	**19**	(3)	5	(15)	(14)
Experience adjustments on plan assets – (loss)/gain	**49**	(7)	(189)	22	39

The actuarial gain/loss reported in the consolidated statement of comprehensive income can be reconciled as follows:

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

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

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

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

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

23 Called up share capital

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

	2010		2009	
Authorised and allotted share capital	Number of shares	£m	Number of shares	£m
Authorised:				
Ordinary shares of 10p each	**3,000,010,000**	**300**	3,000,010,000	300
Allotted and fully paid:				
Ordinary shares of 10p each	**1,886,343,012**	**189**	1,853,813,959	185

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

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23 Called up share capital continued

At 30 September 2010, employees held options over a total of 32,897,278 ordinary shares under the Group's Executive and Management Share Option Plans and UK and International Sharesave Plans as follows:

Executive and Management Share Option Plans	Exercisable	Number of shares	Option price per share (pence)
Date of grant:			
28 May 2001	28 May 2004 – 27 May 2011	130,000	524.50
19 September 2001	19 September 2004 – 18 September 2011	2,458,750	430.00
23 May 2002	23 May 2005 – 22 May 2012	2,714,800	422.00
30 September 2002	30 September 2005 – 29 September 2012	421,453	292.50
4 December 2002	4 December 2005 – 3 December 2012	332,900	313.75
28 May 2003	28 May 2006 – 27 May 2013	2,361,100	320.00
3 December 2003	3 December 2006 – 2 December 2013	39,000	356.00
3 December 2003	3 December 2006 – 2 December 2013	773,050	356.00
3 August 2004	3 August 2007 – 2 August 2014	125,000	316.25
3 August 2004	3 August 2007 – 2 August 2014	2,502,690	316.25
1 December 2004	1 December 2007 – 30 November 2014	100,000	229.25
1 December 2004	1 December 2007 – 30 November 2014	2,905,925	229.25
14 December 2005	14 December 2008 – 13 December 2015	1,470,860	210.00
12 June 2006	12 June 2009 – 11 June 2016	10,000	234.50
30 March 2007	30 March 2010 – 29 March 2017	2,155,624	335.75
28 September 2007	28 September 2010 – 27 September 2017	144,407	310.75
28 March 2008	28 March 2011 – 27 March 2018	4,231,260	321.50
30 September 2008	30 September 2011 – 29 September 2018	176,007	331.25
31 March 2009	31 March 2012 – 30 March 2019	4,918,595	319.00
30 September 2009	30 September 2012 – 29 September 2019	187,348	372.40
13 May 2010	13 May 2013 – 12 May 2020	4,091,544	557.50
		32,250,313	

UK Sharesave Plan	Exercisable	Number of shares	Option price per share (pence)
Date of grant:			
4 July 2003	1 September 2010 – 28 February 2011	2,793	290.20
1 July 2004	1 September 2011 – 28 February 2012	32,843	266.80
1 July 2005	1 September 2010 – 28 February 2013	320,739	179.20
		356,375	

1 The options vest over a three-, five- and seven-year period. The range of exercisable dates reflects the options outstanding at the balance sheet date.

International Sharesave Plan	Exercisable	Number of shares	Option price per share (pence)
Date of grant:			
18 July 2005	1 October 2010 – 31 March 2011	290,590	179.20
		290,590	

1 The options vest over a three-, five- and seven-year period. The range of exercisable dates reflects the options outstanding at the balance sheet date.
2 Options granted under the International Sharesave Plan represent appreciation rights over the number of shares shown. In the event of exercise, holders will receive a number of shares calculated by reference to the increase in the market price at the time of exercise over the option price.

23 Called up share capital continued

In addition, shares are also awarded under The Compass Group Long Term Incentive Plan 2010 ('LTIP 2010') and the Compass Group Long-Term Incentive Plan ('LTIP'):

Long-Term Incentive Plan	Maturity date	Number of shares	Performance conditions
Date of award:			
20 December 2007	1 October 2010	2,563,978	50% TSR/50% GFCF
28 November 2008	1 October 2011	1,834,184	50% TSR/50% GFCF
1 December 2009	1 October 2012	1,606,550	50% TSR/50% GFCF
13 May 2010	1 October 2012	264,912	50% TSR/50% GFCF
		6,269,624	

1 The performance and vesting conditions are described in more detail in note 24.

24 Share-based payments

Share options

Full details of The Compass Group Share Option Plan 2010 ('Option Plan 2010'), the Compass Group Share Option Plan ('Option Plan'), the Management Share Option Plan ('Management Plan') (collectively the 'Executive and Management Share Option Plans') and the UK and International Sharesave Plans are set out in the Directors' Remuneration Report on pages 55 to 62.

The following tables illustrate the number and weighted average exercise prices of, and movements in, share options during the year:

	2010		2009	
Executive and Management Share Option Plans	**Number of share options**	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at 1 October	**59,669,846**	**325.03**	70,722,458	322.07
Granted	**4,102,900**	**557.50**	5,564,975	320.80
Exercised	**(29,486,748)**	**322.38**	(10,115,506)	275.57
Expired	**–**	**–**	(117,902)	312.80
Lapsed	**(2,035,685)**	**340.88**	(6,384,179)	367.11
Outstanding at 30 September	**32,250,313**	**356.02**	59,669,846	325.03
Exercisable at 30 September	**18,645,559**	**329.48**	45,237,613	325.02

The balance above includes options over 2,588,750 shares (2009: 11,237,450 shares) that were granted on or before 7 November 2002 and had vested by 1 October 2004. These options had not been subsequently modified and therefore did not need to be accounted for in accordance with IFRS 2.

	2010		2009	
UK Sharesave Plan	**Number of share options**	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at 1 October	**1,348,873**	**191.22**	2,069,298	196.73
Exercised	**(916,724)**	**187.63**	(360,650)	209.51
Lapsed	**(75,774)**	**249.16**	(359,775)	204.57
Outstanding at 30 September	**356,375**	**188.14**	1,348,873	191.22
Exercisable at 30 September	**95,179**	**182.46**	92,143	289.44

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24 Share-based payments continued

International Sharesave Plan	2010 Number of share options	2010 Weighted average exercise price (pence)	2009 Number of share options	2009 Weighted average exercise price (pence)
Outstanding at 1 October	**603,048**	**217.82**	4,866,539	187.99
Exercised	**(83,611)**	**254.60**	(2,190,609)	180.24
Lapsed	**(228,847)**	**253.43**	(2,072,882)	187.51
Outstanding at 30 September	**290,590**	**179.20**	603,048	217.82
Exercisable at 30 September	**290,590**	**179.20**	265,886	266.80

Options granted under the International Sharesave Plan represent appreciation rights over the number of shares shown. When exercised, holders receive a number of shares calculated by reference to the increase in the market price at the time of exercise over the option price (as shown in the table above). Any remaining share appreciation rights are shown in the table above as lapsed.

Information relating to all option schemes

The weighted average share price at the date of exercise for share options exercised during the year was 487.67 pence (2009: 326.22 pence).

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.5 years (2009: 4.8 years) for executive and management options and 1.2 years (2009: 1.5 years) for employee schemes.

In the year, options were granted on 13 May 2010 under the terms of the Option Plan 2010. The estimated fair value of options granted on this date was 159.60 pence. In 2009, options were granted on 31 March 2009 and 30 September 2009. The estimated fair value of these options was 76.40 pence and 100.62 pence respectively.

Fair values for the executive and management schemes were calculated using a binomial distribution option pricing model so that proper allowance is made for the presence of performance conditions and the possibility of early exercise. In addition, a Monte Carlo simulation model was used to estimate the probability of performance conditions being met. Fair values for options granted under employee savings-related schemes are calculated using the Black-Scholes option pricing model. The inputs to the option pricing models are reassessed for each grant.

The expected volatility is calculated with reference to weekly movements in the Compass share price over the three years prior to the grant date.

The following assumptions were used in calculating the fair value of options granted under executive schemes:

Assumptions – options	2010	2009
Expected volatility	**37.0%**	35.1%
Risk free interest rate	**2.8%**	2.6%
Dividend yield	**2.5%**	3.7%
Expected life	**6.0 years**	6.0 years
Weighted average share price at date of grant	**559.00p**	321.69p
Weighted average option exercise price	**557.50p**	321.27p

Vesting of options awarded from October 2005 onwards depends on the achievement of the Group Free Cash Flow ('GFCF') target. For options granted after 30 September 2006, 25% of the awards will vest if the threshold GFCF target is met and 100% of the awards will vest if the maximum GFCF target is met. Awards vest on a straight-line basis for GFCF between these two points.

24 Share-based payments continued

Executive and Management Share Option Plans	Performance period	Target Threshold £m	Threshold GFCF % of award	Maximum £m	Maximum GFCF % of award
Granted on:					
28 March 2008 and 30 September 2008	1 October 2007 – 30 September 2010	1,146	25%	1,270	100%
31 March 2009 and 30 September 2009	1 October 2008 – 30 September 2011	1,419	25%	1,490	100%
13 May 2010	1 October 2009 – 30 September 2012	1,822	25%	1,913	100%

Performance targets applying to earlier grants under the Executive and Management Share Option Plans have been met in full. No performance targets apply to the UK or International Sharesave Plans.

Long Term Incentive Plans

Full details of The Compass Group PLC Long Term Incentive Plan 2010 ('LTIP 2010') and the Compass Group Long-Term Incentive Plan ('LTIP') can be found in the Directors' Remuneration Report.

The following table shows the movement in share awards during the year:

Long Term Incentive Plans	**2010 Number of shares**	2009 Number of shares
Outstanding at 1 October	**6,440,102**	8,123,977
Awarded	**1,871,462**	1,834,184
Released	**(2,041,940)**	(3,189,460)
Lapsed	**–**	(328,599)
Outstanding at 30 September	**6,269,624**	6,440,102
Exercisable at 30 September	**–**	–

Vesting of 50% of LTIP awards made from 1 October 2005 onwards is dependent on the Group's total shareholder return ('TSR') performance relative to a comparator group of companies included within the FTSE 100 Index. The comparator group used for the award for the year commencing 1 October 2006 comprised all companies within the FTSE 100 Index, whereas, for subsequent years, only non-financial companies have been included. This performance condition is treated as a market-based condition for valuation purposes and an assessment of the vesting probability is built into the grant date fair value calculations. This assessment was calculated using a Monte Carlo simulation option pricing model.

The remaining 50% of LTIP awards made from 1 October 2005 onwards depends on the achievement of the GFCF target. 25% of that part of the award will vest if the threshold GFCF target is met and 100% of that part of the award will vest if the maximum GFCF target is met. Awards vest on a straight-line basis between these two points.

Long Term Incentive Plans	Performance period	Target Threshold GFCF £m	Threshold % of award	Maximum GFCF £m	Maximum % of award
Awarded year commencing:					
1 October 2007	1 October 2007 – 30 September 2010	1,146	25%	1,270	100%
1 October 2008	1 October 2008 – 30 September 2011	1,419	25%	1,490	100%
1 October 2009	1 October 2009 – 30 September 2012	1,822	25%	1,913	100%

The fair value of awards subject to GFCF performance targets was calculated using the Black-Scholes option pricing model, the vesting probability being assessed based on a simulation model of the GFCF forecast. The GFCF performance targets relating to LTIP awards made in the years commencing 1 October 2005 and 2006 were met in full and the maximum number of shares available were released to the participants.

The element of awards made in the years commencing 1 October 2005 and 1 October 2006 dependent upon TSR performance targets also vested in full and the maximum number of shares available were released to participants as the Company's TSR performance was within the top quartile of the comparator group. The weighted average share price at the date of release for LTIP awards released during 2010 was 433.79 pence (2009: 309.93 pence).

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24 Share-based payments continued

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2009 1.1 years).

For year ended 30 September 2010, LTIP awards were made on 1 December 2009 and 13 May 2010 for which the estimated fair value was 278.68 pence and 358.63 pence respectively. The award made on 13 May 2010 was under the terms of the LTIP 2010. For year ended 30 September 2009, LTIP awards were made on 28 November 2008 for which the estimated fair value was 209.87 pence.

The inputs to the option pricing model are reassessed for each award. The following assumptions were used in calculating the fair value of LTIP awards made during the year:

Assumptions – Long Term Incentive Plan	2010	2009
Expected volatility	**36.0%**	33.4%
Risk free interest rate	**1.6%**	3.0%
Dividend yield	**2.9%**	3.9%
Expected life	**2.8 years**	2.8 years
Weighted average share price at date of grant	**456.84p**	306.25p

Long-Term Bonus Plan

Certain executives participating in the Long-Term Bonus Plan in prior years received an award of deferred Compass Group PLC shares. The award of bonus shares is subject to performance conditions and matching shares may be released by the Company following the completion of a further period of service. The terms of the Plan require that these shares are purchased in the market, rather than being issued by the Company. The shares are purchased and distributed by the ESOP and LTIPT.

The following table illustrates the movement in the number of awards during the year:

Long-Term Bonus Plan	2010 Number of shares	2009 Number of shares
Outstanding at 1 October	**871,486**	1,600,195
Released	**(316,811)**	(584,449)
Lapsed (cash settled)	**–**	(105,336)
Forfeited	**(11,224)**	(38,924)
Outstanding at 30 September	**543,451**	871,486

The fair value of bonus shares awarded is calculated using the Black-Scholes option pricing model; however, no new awards were made in either 2010 or 2009.

The weighted average share price at the date of exercise for share bonus awards released during 2010 was 476.89 pence (2009: 330.98 pence). The share bonus awards have all vested, although certain executives have elected to defer taking their entitlements for a further period of up to 7.3 years (2009: 8.3 years), the weighted average deferral period being 3.8 years (2009 3.9 years).

Income statement expense and carrying value

The Group recognised expenses of £9 million (2009: £4 million) for continuing operations in respect of equity-settled share-based payment transactions.

25 Business combinations

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

In France, the Group strengthened its position by acquiring 100% of Caterine Restauration, a provider of foodservice in the Education and Healthcare sectors for £45 million on 30 April 2010.

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

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

25 Business combinations continued

	Acquisitions		Adjustments[1]	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired				
Contract-related and other intangibles arising on acquisition	9	25	1	26
Property, plant and equipment	19	19	2	21
Inventories	3	3	–	3
Trade and other receivables	53	53	–	53
Cash and cash equivalents	20	20	–	20
Deferred tax asset	3	3	–	3
Other assets	1	1	–	1
Trade and other payables	(66)	(66)	(2)	(68)
Deferred tax liabilities	(6)	(6)	–	(6)
Minority interest	5	5	–	5
Other liabilities	(48)	(48)	(1)	(49)
Fair value of net assets acquired	(7)	9	–	9
Goodwill arising on acquisition		205	12	217
Total consideration		214	12	226
Satisfied by				
Cash consideration		191	12	203
Deferred consideration		23	–	23
		214	12	226
Cash flow				
Cash consideration		191	12	203
Cash acquired		(20)	–	(20)
Acquisitions transaction costs		5	–	5
Net cash outflow arising on acquisition		176	12	188
Deferred consideration and other payments relating to previous acquisitions				17
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings				205

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

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

The goodwill arising on the acquisition of the businesses represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. Of the goodwill arising, an amount of £8 million is expected to be deductible for tax purposes.

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

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

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

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26 Reconciliation of operating profit to cash generated by operations

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

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

27 Cash flow from discontinued operations

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

28 Reconciliation of net cash flow to movement in net debt

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

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

Other non-cash movements are comprised as follows:

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

Notes to the consolidated financial statements

for the year ended 30 September 2010

29 Contingent liabilities

Performance bonds, guarantees and indemnities[1]	2010 £m	2009 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings)[1]	**354**	330

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

Performance bonds, guarantees and indemnities

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

Eurest Support Services

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

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

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

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

Other litigation

The Group is also involved in various other legal proceedings incidental to the nature of its business and maintains insurance cover to reduce financial risk associated with claims related to these proceedings. Where appropriate, provisions are made to cover any potential uninsured losses.

Outcome

Although it is not possible to predict the outcome of these proceedings, or any claim against the Group related thereto, in the opinion of the Directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group.

Minimum profits guarantee

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

30 Capital commitments

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

The majority of capital commitments are for intangible assets.

31 Operating lease and concessions commitments

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

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

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

32 Related party transactions

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

Subsidiaries

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

Joint ventures

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

Associates

The balances with associated undertakings are shown in notes 15 and 20. There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of Directors and key management personnel is set out in note 3. During the year there were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Notes to the consolidated financial statements

for the year ended 30 September 2010

33 Post balance sheet events

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

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

34 Exchange rates

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

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

35 Details of principal subsidiary companies

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

Principal subsidiaries	Country of incorporation	Principal activities
North America		
Compass Group Canada Ltd	Canada	Foodservice and support services
Bon Appétit Management Co	USA	Foodservice
Compass Group USA Investments, Inc	USA	Holding company
Compass Group USA, Inc	USA	Foodservice and support services
Crothall Services Group	USA	Support services to the healthcare market
Flik International Corp	USA	Fine dining facilities
Foodbuy LLC	USA	Purchasing services in North America
Levy Restaurants LP	USA	Fine dining and foodservice at sports and entertainment facilities
Morrison Management Specialists, Inc	USA	Foodservice to the healthcare and senior living market
Restaurant Associates Corp	USA	Fine dining facilities
Wolfgang Puck Catering & Events, LLC (90%)	USA	Fine dining facilities
Continental Europe		
Compass Group France Holdings SAS	France	Holding company
Compass Group France	France	Foodservice and support services
Compass Group Deutschland GmbH	Germany	Holding company
Medirest GmbH & Co OHG	Germany	Foodservice to the healthcare and senior living market
Eurest Deutschland GmbH	Germany	Foodservice to business and industry
Eurest Services GmbH	Germany	Support services to business and industry
Eurest Sports & Food GmbH	Germany	Foodservice to the sports and leisure market
Compass Group Italia S.P.A	Italy	Foodservice, support services and prepaid meal vouchers
Compass Group International BV	Netherlands	Holding company
Compass Group Nederland BV	Netherlands	Foodservice and support services
Compass Group Nederland Holding BV	Netherlands	Holding company
Eurest Services BV	Netherlands	Foodservice and support services
Compass Group Holdings Spain, S.L.	Spain	Holding company
Eurest Colectividades S.L.	Spain	Foodservice and support services
Compass Group (Schweiz) AG	Switzerland	Foodservice and support services
Restorama AG	Switzerland	Foodservice
UK & Ireland		
Compass Contract Services (UK) Ltd	England & Wales	Foodservice and support services
Compass Group Holdings PLC	England & Wales	Holding company and corporate activities
Compass Group, UK & Ireland Ltd	England & Wales	Holding company
Compass Group Procurement Ltd[2]	England & Wales	Purchasing services throughout the world
Compass Purchasing Ltd	England & Wales	Purchasing services in the UK and Ireland
Compass Services UK Ltd	England & Wales	Foodservice and support services
Hospitality Holdings Ltd[1]	England & Wales	Intermediate holding company
Letheby & Christopher Ltd	England & Wales	Foodservice for the UK sports and events market
Scolarest Ltd	England & Wales	Foodservice for the UK education market
VSG Group Ltd	England & Wales	Security and support services
Rest of the World		
Compass Group (Australia) Pty Ltd	Australia	Foodservice and support services
GR SA	Brazil	Foodservice and support services
Seiyo Food – Compass Group, Inc	Japan	Foodservice and support services
Compass Group Southern Africa (Pty) Ltd (97.5%)	South Africa	Foodservice and support services

1 Held directly by the Parent Company.
2 Formerly known as Compass International Purchasing Ltd.

Parent Company financial statements

Directors' responsibilities

The Annual Report and Accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

The Annual Report and Accounts is the responsibility of, and has been approved by, the Directors.

We confirm that to the best of our knowledge:

- the accounts of the Company have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company.

On behalf of the Board

Mark J White
General Counsel and Company Secretary
24 November 2010

The Directors are required by law to prepare separate financial statements for the Company in accordance with the Companies Act 2006. The Directors have chosen to prepare these financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Compass Group PLC

Introduction

We have audited the Parent Company financial statements of Compass Group PLC for the year ended 30 September 2010 which comprise the Parent Company balance sheet, the accounting policies and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:
- give a true and fair view of the state of the Parent Company's affairs as at 30 September 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Compass Group PLC for the year ended 30 September 2010.

Ian Waller

Ian Waller (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 November 2010

Parent Company balance sheet

as at 30 September 2010

Compass Group PLC	Notes	2010 £m	2009 £m
Fixed assets			
Investments	2	**958**	960
Current assets			
Debtors: Amounts falling due within one year	3	**6,149**	6,708
Debtors: Amounts falling due after more than one year	3	**81**	70
Cash at bank and in hand		**433**	424
Current assets		**6,663**	7,202
Creditors: Amounts falling due within one year			
Creditors: Amounts falling due within one year	4	**(5,129)**	(5,631)
Net current assets			
Net current assets		**1,534**	1,571
Total assets less current liabilities			
Total assets less current liabilities		**2,492**	2,531
Creditors: Amounts falling due after more than one year			
Creditors: Amounts falling due after more than one year	4	**(1,146)**	(1,216)
Net assets			
Net assets		**1,346**	1,315
Capital and reserves			
Share capital	7,8	**189**	185
Share premium account	8	**317**	215
Capital redemption reserve	8	**44**	44
Share-based payment reserve	8	**145**	146
Profit and loss reserve	8	**651**	725
Total equity		**1,346**	1,315

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

Richard J Cousins, Director
Andrew D Martin, Director

Parent Company accounting policies

for the year ended 30 September 2010

Introduction

The significant accounting policies adopted in the preparation of the separate financial statements of the Company are set out below:

A Accounting convention and basis of preparation

These financial statements have been prepared in accordance with applicable UK Generally Accepted Accounting Practice (UK GAAP) and the Companies Act 2006 using the historical cost convention modified for the revaluation of certain financial instruments.

B Exemptions

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2010. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The Company has also taken advantage of the exemption from presenting a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of Compass Group.

The Compass Group PLC consolidated financial statements for the year ended 30 September 2010 contain financial instrument disclosures which comply with FRS 29 'Financial Instruments: Disclosures'. Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures for the Company.

C Change in accounting policies

The Company has not applied any additional accounting standards for the first time in the year ended 30 September 2010.

D Investments in subsidiary undertakings

Investments are stated at cost less provision for any impairment. In the opinion of the Directors, the value of each investment is not less than shown at the balance sheet date.

E Foreign currency

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the year end. Gains and losses arising on retranslation are included in the profit and loss account for the period.

F Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Borrowings that are part of a fair value hedge accounting relationship are measured at amortised cost plus or minus the fair value attributable to the risk being hedged.

G Derivatives and other financial instruments

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. Derivative instruments utilised include interest rate swaps and forward currency contracts. The Company and Group policy is disclosed in the accounting policies to the consolidated financial statements.

H Dividends

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's shareholders. Interim dividends are recognised when paid.

I Deferred tax

Deferred tax is provided at the anticipated rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

J Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions. An addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds. For details of the charge see note 24 to the consolidated financial statements.

Notes to the Parent Company financial statements

for the year ended 30 September 2010

1 Profit and loss account disclosures

The Company profit on ordinary activities after tax was £184 million (2009: £232 million).

The fee for the audit of the Company's annual financial statements was £0.4 million (2009: £0.4 million).

The Company had no direct employees in the course of the year (2009: none).

2 Investments in subsidiary undertakings

Investments in subsidiary undertakings	2010 £m	2009 £m
Cost		
At 1 October	**960**	949
Additions	**1**	11
Share-based payments to employees of subsidiaries	**9**	4
Recharged to subsidiaries during the year	**(10)**	(3)
Settlement of share-based payments by subsidiaries	**(1)**	(1)
At 30 September	**959**	960
Provisions		
At 1 October	**–**	–
Additions	**1**	–
At 30 September	**1**	–
Net book value		
At 30 September	**958**	960

The principal subsidiary undertakings are listed in note 35 to the consolidated financial statements.

3 Debtors

	2010			2009		
Debtors	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m
Amounts owed by subsidiary undertakings	**6,139**	**–**	**6,139**	6,682	–	6,682
Derivative financial instruments (note 6)	**10**	**80**	**90**	26	60	86
Deferred taxation	**–**	**1**	**1**	–	10	10
Total	**6,149**	**81**	**6,230**	6,708	70	6,778

4 Creditors

Creditors	2010 Falling due within 1 year £m	2010 Falling due after more than 1 year £m	2010 Total £m	2009 Falling due within 1 year £m	2009 Falling due after more than 1 year £m	2009 Total £m
Bank overdrafts	**222**	**–**	**222**	155	–	155
Bank loans	**7**	**–**	**7**	7	6	13
Bank overdrafts and loans (note 5)	**229**	**–**	**229**	162	6	168
Loan notes	**77**	**521**	**598**	23	588	611
Bonds	**–**	**623**	**623**	204	619	823
Loan notes and bonds (note 5)	**77**	**1,144**	**1,221**	227	1,207	1,434
Derivative financial instruments (note 6)	**5**	**2**	**7**	15	3	18
Accruals and deferred income	**50**	**–**	**50**	55	–	55
Amounts owed to subsidiary undertakings	**4,768**	**–**	**4,768**	5,172	–	5,172
Total	**5,129**	**1,146**	**6,275**	5,631	1,216	6,847

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

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

The Company also has Sterling denominated Eurobonds totalling £575 million at interest rates of between 6.375% and 7.0%. The carrying value of these bonds is £623 million. The £200 million Eurobond was redeemed in January 2010.

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

Notes to the Parent Company financial statements

for the year ended 30 September 2010

5 Maturity of financial liabilities, other creditors and derivative financial instruments

The maturity of financial liabilities, other creditors and derivative financial instruments as at 30 September is as follows:

	2010				2009			
Maturity	**Banks overdrafts and loans (note 4) £m**	**Loan notes and bonds (note 4) £m**	**Other[1] (note 6) £m**	**Total £m**	Banks overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Other[1] (note 6) £m	Total £m
Between 1 and 2 years	**–**	**646**	**(35)**	**611**	6	81	(2)	85
Between 2 and 5 years	**–**	**353**	**(33)**	**320**	–	728	(42)	686
In more than 5 years	**–**	**145**	**(10)**	**135**	–	398	(13)	385
In more than 1 year	**–**	**1,144**	**(78)**	**1,066**	6	1,207	(57)	1,156
Within 1 year, or on demand	**229**	**77**	**(5)**	**301**	162	227	(11)	378
Total	**229**	**1,221**	**(83)**	**1,367**	168	1,434	(68)	1,534

1 Other includes the debtor and creditor amounts associated with derivative financial instruments (note 6).

Bank loans	**2010 £m**	2009 £m
Amounts repayable by instalments falling due between 1 and 5 years	**–**	6
Amounts repayable by instalments falling due within 1 year	**7**	7
Amounts repayable by instalments falling due within 5 years	**7**	13
Fees and premiums capitalised on issue	**–**	–
Bank loans	**7**	13

6 Derivative financial instruments

	2010		2009	
Derivative financial instruments	**Financial assets (note 3) £m**	**Financial liabilities (note 4) £m**	Financial assets (note 3) £m	Financial liabilities (note 4) £m
Interest rate swaps				
Fair value hedges	**89**	**–**	85	–
Not in a hedging relationship	**–**	**(3)**	–	(10)
Other				
Forward currency contracts	**1**	**(4)**	1	(8)
Derivative financial instruments	**90**	**(7)**	86	(18)

7 Share capital

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 23 and 24 to the consolidated financial statements.

8 Capital and reserves

Capital and reserves	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share-based payment reserve £m	Profit and loss reserve £m	Total £m
At 1 October 2008	184	178	44	153	735	1,294
Issue of shares	1	27	–	–	–	28
Repurchase of ordinary share capital	–	–	–	–	(13)	(13)
Fair value of share-based payments	–	–	–	4	–	4
Settled in new shares	–	10	–	(10)	–	–
Settled in cash or existing shares[1]	–	–	–	(1)	–	(1)
Dividends paid to Compass shareholders	–	–	–	–	(229)	(229)
Profit for the financial year	–	–	–	–	232	232
At 30 September 2009	185	215	44	146	725	1,315
At 1 October 2009	**185**	**215**	**44**	**146**	**725**	**1,315**
Issue of shares	**4**	**93**	**–**	**–**	**–**	**97**
Repurchase of ordinary share capital	**–**	**–**	**–**	**–**	**–**	**–**
Fair value of share-based payments	**–**	**–**	**–**	**9**	**–**	**9**
Settled in new shares	**–**	**9**	**–**	**(9)**	**–**	**–**
Settled in cash or existing shares[1]	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Dividends paid to Compass shareholders	**–**	**–**	**–**	**–**	**(258)**	**(258)**
Profit for the financial year	**–**	**–**	**–**	**–**	**184**	**184**
At 30 September 2010	**189**	**317**	**44**	**145**	**651**	**1,346**

1 Purchased in the market.

9 Contingent liabilities

Contingent liabilities	2010 £m	2009 £m
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	**331**	341

Details regarding certain contingent liabilities which involve the Company are set out in note 29 to the consolidated financial statements.

General shareholder information

Registrars and transfer office

All matters relating to the administration of shareholdings in the Company should be directed to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA; telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 20 7763 0041; email: ssd@capitaregistrars.com.

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by Capita Registrars at www.capitashareportal.com. Shareholders registering for the Share Portal will require their investor code which is shown on share certificates. The service enables shareholders to:

- check their shareholdings in Compass Group PLC 24 hours a day;
- register their email and mailing preference (post or electronic) for future shareholder mailings;
- gain easy access to a range of shareholder information including indicative valuation and payment instruction details; and
- use the Internet to appoint a proxy to attend general meetings of Compass Group PLC.

Published information

If you would like to receive a copy of this Report in an alternative format such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Electronic communications

The Company can, at shareholders' request, send shareholders an email notification each time a new shareholder report or other shareholder communication is placed on its website. This enables shareholders to read and/or download the information at their leisure. Shareholders can still request paper copies of the documents if they so wish.

To encourage shareholders to convert to e-communications, the Company will arrange for a tree to be planted in the UK for each shareholder who chooses to receive all future communications electronically. There are no particular software requirements to view these documents, other than those described and available on our website at www.compass-group.com.

The provision of a facility to communicate with shareholders electronically does not discriminate between registered shareholders of the same class. The facility is available to all registered shareholders on equal terms and participation is made as simple as possible. Please note that it is the shareholder's responsibility to notify our Registrars (through www.capitashareportal.com or by post) of any change to their email address. Before electing for electronic communication, shareholders should ensure that they have the appropriate computer capabilities. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out, but cannot accept any responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Please note that any electronic communication sent by a shareholder to the Company or the Registrars containing a computer virus will not be accepted.

The Company's obligation is satisfied when it transmits an electronic message. It cannot be held responsible for a failure in transmission beyond its control. In the event that the Company becomes aware that an electronic transmission is not successful, a paper notification will be sent to the shareholder at their registered address. Shareholders wishing to continue to receive shareholder information in the traditional paper format should take no action, or may confirm this via www.capitashareportal.com.

Cash dividends

Holders of ordinary shares can have cash dividends paid in the form of a cheque. Alternatively, UK resident ordinary shareholders can have their dividends paid directly into a bank or building society account. Ordinary shareholders resident outside the UK can also have any dividends in excess of £25 paid into their bank account directly via the Company's Registrars' global payments service. Details and terms and conditions may be viewed at www.capitaregistrars.com/international.

Dividend Reinvestment Plan ('DRIP')

A DRIP service is provided by Capita IRG Trustees Limited. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding. Additional information, including details of how to sign up, can be obtained from the Company's website at www.compass-group.com and from Capita IRG Trustees Limited, telephone within the UK: Freephone 0800 280 2545 and from overseas: +44 20 7763 0041; email: shares@capitaregistrars.com.

The latest date for receipt of new applications to participate in respect of the 2010 final dividend is 3 February 2011.

Share price information

The current price of the Company's shares is available on the Company's website at www.compass-group.com. This is supplied with a 15-minute delay to real time.

The Company's share price is also available in a number of national newspapers, e.g. The Financial Times and from the voice activated FT Cityline service, telephone within the UK: 0905 8171 690. Calls will be charged at 75 pence per minute at all times from a BT landline. Average call duration will be one minute for one stock quote. The cost from other networks and mobile phones may be higher.

Share dealing

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, the Company's Registrars, Capita Registrars, offer online and telephone dealing services to buy or sell Compass Group PLC shares. Full details can be obtained from www.capitadeal.com or by telephoning Freephone 0800 280 2545. The service is only available to personal shareholders aged 18 and over, resident in the UK.

ShareGift

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It is particularly useful for those shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. Further information can be obtained from ShareGift's website at www.sharegift.org, telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737, or from the Registrars.

American Depositary Receipts ('ADRs')

Information about the Company's ADR programme is available on the Company's website at www.compass-group.com.

Warning about unsolicited investment contacts

Many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive and in May 2010 the Financial Services Authority ('FSA') reported that the average amount lost by investors from 'boiler room' scams is around £20,000.

More detailed information on this or similar activity can be found on the FSA website at www.moneymadeclear.fsa.gov.uk and on the Company's website at www.compass-group.com.

Unsolicited mail

The Company is legally obliged to make its Register of Members available, subject to a proper purpose test, to the public. As a consequence of this, some shareholders might receive unsolicited mail. UK shareholders wishing to limit the amount of such mail should refer to the Mailing Preference Service website at www.mpsonline.org.uk.

Identity theft – protecting an investment

Criminals may steal shareholders' personal information, putting a holding at risk. Advice on protecting a shareholding is available on the Company's website at www.compass-group.com.

Financial calendar

Annual General Meeting:
3 February 2011

Results announcements:
Half year – May*
Full year – November*

Dividend payments:
Interim – August*
Final – February*

* Expected

Directors

Chairman
Sir Roy Gardner

Executive directors

Group Chief Executive
Richard Cousins

Group Finance Director
Andrew Martin

Group Managing Director – USA & Canada
Gary Green

Non-executive directors

Sir James Crosby (Senior Independent Non-executive Director)
Steve Lucas
Susan Murray
Tim Parker*
Don Robert
Sir Ian Robinson

General Counsel & Company Secretary
Mark White

Key committee membership

Audit Committee
Steve Lucas (Chairman)
Tim Parker*
Don Robert
Sir Ian Robinson

Corporate Responsibility Committee
Susan Murray (Chairman)
Sir Roy Gardner
Richard Cousins
Jane Kingston
Steve Lucas
Andrew Martin
Mark White

Nomination Committee
Sir Roy Gardner (Chairman)
Richard Cousins
Sir James Crosby
Susan Murray
Don Robert
Sir Ian Robinson

Remuneration Committee
Sir James Crosby (Chairman)
Steve Lucas
Susan Murray
Tim Parker*

* Tim Parker will leave the Board on 31 December 2010

Notice of meeting

This document is important and requires your immediate attention.
If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Compass Group PLC, please send this Notice and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Online access
See this Report online at:
www.compass-group.com/annualreport10

Notice is hereby given that the tenth Annual General Meeting of Compass Group PLC ('the Company') will be held in the Churchill Auditorium at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Thursday, 3 February 2011 at 12 noon in order to transact the following business:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 17 to 19 will be proposed as special resolutions and all other Resolutions will be proposed as ordinary resolutions.

1. To receive and adopt the Directors' Annual Report and Accounts and the Auditors' Report thereon for the financial year ended 30 September 2010.

2. To receive and adopt the Directors' Remuneration Report contained within the Annual Report and Accounts for the financial year ended 30 September 2010.

3. To declare a final dividend of 12.5 pence per ordinary share in respect of the financial year ended 30 September 2010.

4. To re-elect Sir Roy Gardner as a Director of the Company.

5. To re-elect Richard Cousins as a Director of the Company.

6. To re-elect Gary Green as a Director of the Company.

7. To re-elect Andrew Martin as a Director of the Company.

8. To re-elect Sir James Crosby as a Director of the Company.

9. To re-elect Steve Lucas as a Director of the Company.

10. To re-elect Susan Murray as a Director of the Company.

11. To re-elect Don Robert as a Director of the Company.

12. To re-elect Sir Ian Robinson as a Director of the Company.

13. To re-appoint Deloitte LLP as the Company's Auditors until the conclusion of the next Annual General Meeting of the Company.

14. To authorise the Directors to agree the Auditors' remuneration.

15. To authorise the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this Resolution relates to:

    15.1 make donations to political parties or independent election candidates; and
    15.2 make donations to political organisations other than political parties; and
    15.3 incur political expenditure,

    during the period commencing on the date of this Resolution and ending on the date of the Company's next Annual General Meeting, provided that any such donations and expenditure made by the Company, or by any such subsidiary, shall not exceed £125,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £125,000.

    Any terms used in this Resolution which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution 15.

16. To renew the power conferred on the Directors by Article 12 of the Company's Articles of Association for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, 2 May 2012; for that period the section 551 amount shall be £62,895,500 and, in addition, the section 551 amount shall be increased by £62,895,500, provided that the Directors' power in respect of such latter amount shall only be used in connection with a rights issue:

    (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

    and that the Directors may impose any limits or restriction and make any arrangements which they consider necessary to deal with fractional entitlements, legal or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, any territory, or any matter whatsoever.

Special Resolutions

17. To renew, subject to the passing of Resolution 16 above, the power conferred on the Directors by Article 13 of the Company's Articles of Association, such authority to apply until the conclusion of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, 2 May 2012 and for that period the section 561 amount is £9,434,331.

18. To generally and unconditionally authorise the Company, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of 10 pence each in the capital of the Company subject to the following conditions:

    18.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 188,686,632;
    18.2 the minimum price (exclusive of expenses) which may be paid for each ordinary share is 10 pence;
    18.3 the maximum price (exclusive of expenses) which may be paid for each ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and
    18.4 this authority shall expire, unless previously renewed, varied or revoked by the Company, at the conclusion of the next Annual General Meeting of the Company or 2 August 2012, whichever is the earlier (except in relation to the purchase of ordinary shares, the contract for which was concluded prior to the expiry of this authority and which will or may be executed wholly or partly after the expiry of this authority).

19. To authorise the Directors to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution.

Voting on all Resolutions will be by way of a poll.

By Order of the Board
Mark J White
General Counsel and Company Secretary
22 December 2010

Registered Office:
Compass House
Guildford Street
Chertsey
Surrey KT16 9BQ

Registered in England and Wales No. 4083914

Notice of meeting

Explanatory notes to the Resolutions

Resolution 1 – Annual Report and Accounts

The Directors are required to present to the Annual General Meeting ('AGM') ('the Meeting') the audited accounts and the Directors' and Auditors' Reports for the financial year ended 30 September 2010.

Resolution 2 – Directors' Remuneration Report

In accordance with section 439 of the Companies Act 2006 ('the CA 2006'), shareholders are requested to approve the Directors' Remuneration Report. This Resolution is advisory and does not affect the actual remuneration paid to any individual Director. It serves to provide shareholder feedback to the Remuneration Committee.

The Directors' Remuneration Report is set out on pages 55 to 62 of the Annual Report and Accounts for 2010 ('Annual Report 2010') and includes the Company's policy on Directors' remuneration for the next financial year and for the years subsequent to that, details of the Directors' emoluments for the year, and the Total Shareholder Return ('TSR') of the Company and that of the FTSE 100 Index since 1 October 2005.

Resolution 3 – Final Dividend

The final dividend for the year ended 30 September 2010 will be paid on 28 February 2011 to shareholders on the register at the close of business on 28 January 2011, subject to approval by shareholders.

Resolutions 4 to 12 – Re-election of Directors

Biographical details of all the Directors standing for re-election appear on page 44 of the Annual Report 2010.

Under the Company's Articles of Association, one-third of the Directors are required to retire by rotation each year and, in addition, no Director may serve for more than three years without being re-elected by shareholders. However, in accordance with the UK Corporate Governance Code, all the Directors will submit themselves for annual re-election by shareholders. The Chairman is satisfied that, following individual formal performance evaluations, the performance of the Directors standing for re-election continues to be effective and to demonstrate commitment to the role.

Resolutions 13 and 14 – Auditors

Auditors are appointed at every general meeting at which accounts are presented to shareholders. The current appointment of Deloitte LLP as the Company's Auditors will end at the conclusion of the AGM and it has advised its willingness to stand for re-appointment. It is normal practice for a company's directors to be authorised to agree how much the Auditors should be paid and Resolution 14 grants this authority to the Directors.

Resolution 15 – Donations to Political Parties

It is not Group policy to make donations to political parties. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries might unintentionally fall within the wide definition of matters constituting political donations and expenditure in the CA 2006. Any expenditure that is regulated under the CA 2006 must first be approved by shareholders and will be disclosed in next year's Annual Report. This Resolution, if passed, will renew the Directors' authority until the AGM to be held in 2012 (when the Directors intend to renew this authority) to make donations and incur expenditure which might otherwise be caught by the terms of the CA 2006, up to an aggregate amount of £125,000 for the Company and for subsidiary companies.

Resolution 16 – Directors' Authority to Allot Shares

The purpose of Resolution 16 is to renew the Directors' power to allot shares. The first part of Resolution 16 seeks to grant the Directors authority to allot, pursuant to Article 12 of the Company's Articles of Association and section 551 of the CA 2006, relevant securities with a maximum nominal amount of £62,895,500. This represents 628,955,000 ordinary shares of 10 pence each in the capital of the Company, which is approximately one-third of the Company's issued ordinary share capital as at 24 November 2010 (being the last practicable date prior to the publication of this Notice). The Company does not currently hold any shares as treasury shares. The authority would, unless previously renewed, revoked or varied by shareholders, remain in force up to the conclusion of the AGM of the Company to be held in 2012, or 2 May 2012, whichever is earlier.

In accordance with the Association of British Insurers Guidelines, the second part of Resolution 16 seeks to grant the Directors authority to allot approximately a further one-third of the Company's issued ordinary share capital in connection with a rights issue in favour of ordinary shareholders with a nominal value of up to £62,895,500 (representing 628,955,000 ordinary shares of 10 pence each).

The total authorisation sought by Resolution 16 is equal to approximately two-thirds of the issued ordinary share capital of the Company (excluding treasury shares) as at 24 November 2010, being the last practicable date prior to publication of this Notice.

Resolutions 1 to 16 will be proposed as ordinary resolutions and require that more than half of the votes cast must be in favour of a resolution for it to be passed.

Resolution 17 – Disapplication of Pre-emption Rights

If the Company issues new shares, or sells treasury shares, for cash (other than in connection with an employee share scheme), it must first offer them to existing shareholders in proportion to their existing holdings. In accordance with investor guidelines, approval is sought by the Directors to issue a limited number of ordinary shares for cash without offering them to existing shareholders.

Resolution 17 seeks to renew the Directors' authority to issue equity securities of the Company for cash without application of pre-emption rights pursuant to Article 13 of the Company's Articles of Association and section 561 of the CA 2006. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution would be limited to a maximum nominal amount of £9,434,331. This represents 94,343,310 ordinary shares of 10 pence each in the capital of the Company, which is approximately 5% of the Company's issued ordinary share capital as at 24 November 2010 (being the last practicable date prior to the publication of this Notice). The authority would, unless previously renewed, revoked or varied by shareholders, expire at the conclusion of the AGM of the Company to be held in 2012 or on 2 May 2012 if earlier.

Save for issues of shares in respect of various employee share schemes and any share dividend alternatives, the Directors have no current plans to utilise either of the authorities sought by Resolutions 16 and 17 although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years and the Board confirms its intention to follow best practice set out in the Pre-emption Group's Statement of Principles which provides that usage of this authority in excess of 7.5% of the Company's issued share capital in a rolling three-year period would not take place without prior consultation with shareholders.

Resolution 18 – Purchase of own Shares

This Resolution authorises the Directors to make limited on-market purchases of the Company's ordinary shares. The power is limited to a maximum of 188,686,632 shares (just under 10% of the issued ordinary share capital as at 24 November 2010, being the last practicable date prior to the publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this Resolution will expire at the conclusion of the Company's next AGM or 18 months from the passing of this Resolution, whichever is the earlier.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003. These regulations allow shares repurchased by the Company to be held as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of employee share schemes. The authority to be sought by this Resolution is intended to apply equally to shares to be held by the Company as treasury shares. No dividends will be paid on shares which are held as treasury shares and no voting rights will be attached to them. Shares held as treasury shares will be treated as if cancelled.

Beyond the share buy-back programme referred to on page 46 of the Annual Report 2010, the Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but they consider it desirable to provide maximum flexibility in the management of the Company's capital resources. The Directors would only purchase shares if, in their opinion, the expected effect would be to result in an increase in earnings per share and would benefit shareholders generally.

As at 24 November 2010 (being the last practicable date prior to the publication of this Notice), there were options outstanding over approximately 32,000,000 ordinary shares in the capital of the Company which represent 1.7% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 1.9% of the Company's issued ordinary share capital (excluding treasury shares).

Resolution 19 – Notice of Meetings other than Annual General Meetings

The Company's Articles of Association allow the Directors to call general meetings other than annual general meetings on 14 clear days' notice. However, the Companies (Shareholders' Rights) Regulations 2009 ('the Regulations') require that all general meetings be held on 21 days' notice, unless shareholders agree to a shorter notice period, and the Company has met the requirements for electronic voting under the Regulations. This Resolution seeks to renew the authority granted by shareholders at last year's AGM which preserved the Company's ability to call general meetings, other than AGMs, on 14 clear days' notice, such authority to be effective until the Company's next AGM, when a similar resolution will be proposed.

Resolutions 17 to 19 will be proposed as special resolutions and require that at least three-quarters of the votes cast must be in favour of a resolution for it to be passed.

Recommendation

The Directors consider that each of the Resolutions is in the best interests of the Company and the shareholders as a whole and, accordingly, recommend all shareholders to vote in favour of all Resolutions, as the Directors intend to do in respect of their own holdings.

Notice of meeting

Important information

Proxies

(i) A shareholder entitled to attend and vote at the 2011 AGM may appoint a proxy or proxies (who need not be a shareholder of the Company) to exercise all or any of his rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

Proxies may only be appointed by:

- completing and returning the Form of Proxy enclosed with this Notice to PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- going to www.capitashareportal.com and following the instructions for electronic submission provided there; or
- by having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members). Please refer to the CREST manual on the Euroclear website (www.euroclear.com/CREST) for further information.

Return of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person. However, if you do attend the Meeting, any proxy appointment will be treated as revoked.

The electronic addresses provided in this Notice are provided solely for the purpose of enabling shareholders to register the appointment of a proxy or proxies for the Meeting or to submit their voting directions electronically. You may not use any electronic address provided in the Notice of this Meeting to communicate with the Company for any other purposes other than those expressly stated.

(ii) To be effective the Form of Proxy must be completed in accordance with the instructions and received by the Registrars of the Company by 12 noon on Tuesday, 1 February 2011.

To appoint a proxy or to give an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID RA10) by 12 noon on Tuesday, 1 February 2011. Please note, however, that proxy messages cannot be sent through CREST on weekends, bank holidays or after 8.00 p.m. on any other day. For the purpose of this deadline, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST personal members or other CREST sponsored members and those CREST members that have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the CA 2006, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 1 February 2011, or in the event that the Meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6.00 p.m. on 1 February 2011 or, in the event that the Meeting is adjourned, less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

Nominated persons

Any person to whom a copy of this Notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note (i) above does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

AGM business

Under section 338A of the CA 2006, shareholders may request the Company to include in the business to be dealt with at annual general meetings any matter (other than a proposed Resolution) which may be properly included in the business, provided that it is not defamatory, frivolous or vexatious. The Company will include such matter if sufficient requests have been received in accordance with section 338A(3) of the CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average of 1,000 ordinary shares each or shareholders holding at least 5% of the Company's issued share capital to make the request, and submitted in the manner detailed in section 338A of the CA 2006.

Right to ask questions

Under section 319A of the CA 2006, shareholders have the right to ask questions at the AGM relating to the business of the meeting and for these to be answered, unless such answer would interfere unduly with the business of the meeting, involve the disclosure of confidential information, if the answer has already been published on the Company's website or if it is not in the interests of the Company or the good order of the meeting that the question be answered.

Website publication of audit concerns

Under section 527 of the CA 2006, shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's accounts (including the Auditors' Report and the conduct of the audit) that are to be submitted to the Meeting or any circumstances connected to the Company's Auditors who ceased to hold office since the last AGM. The Company will publish the statement if sufficient requests have been received in accordance with section 527(2) of the CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average of 1,000 ordinary shares each or shareholders holding at least 5% of the Company's issued ordinary share capital to make the request. The Company may not require the members requesting any such website publication to pay its expenses in complying with such request. Where a statement is published, the Company will forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the CA 2006 to publish on its website.

Voting at AGM

The Company proposes that all Resolutions to be proposed at the AGM will be put to the vote on a poll. This will result in a more accurate reflection of the views of all of the Company's shareholders by ensuring that every vote is recognised, including the votes of shareholders who are unable to attend the Meeting but who have appointed a proxy for the Meeting. On a poll, each shareholder has one vote for each share held.

The voting results, which will include all votes cast for and against each Resolution at the Meeting, and all proxies lodged prior to the Meeting, will be announced at the Meeting and published on the Company's website as soon as practicable after the Meeting. The Company will also disclose the number of votes withheld.

Documents available for inspection

Copies of the service agreements of the Executive Directors, the letters of appointment of the Non-executive Directors, the Directors' deeds of indemnity and the Register of Directors' Interests will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and will also be made available at the Meeting for a period of 15 minutes prior to and during the continuance of the Meeting.

Total voting rights

As at 24 November 2010 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprised 1,886,866,329 ordinary shares. The holders of ordinary shares are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote. On a vote by poll every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share held. It is proposed that all votes on the Resolutions at the AGM will be taken by way of a poll.

The total voting rights in the Company as at 24 November 2010 were 1,886,866,329.

Information available on website

The following information is available on the Company's website at www.compass-group.com:

(i) The matters set out in this Notice of Meeting;
(ii) The total voting rights and number and shares of each class in respect of which shareholders are entitled to exercise voting rights at the AGM;
(iii) Shareholders' rights to include business to be dealt with at the AGM; and
(iv) Shareholders' statements, Resolutions and matters of business received by the Company after 22 December 2010.

AGM information

Time of the Meeting

The doors of The Queen Elizabeth II Conference Centre will be open at 10.30 a.m. and the AGM will start promptly at 12 noon.

If you are planning to attend the AGM, The Queen Elizabeth II Conference Centre is located in the City of Westminster and a map is printed on the Attendance Card attached to the Form of Proxy, which accompanies this Notice.

Attending the AGM

If you are coming to the AGM, please bring your attendance card with you. It authenticates your right to attend, speak and vote at the AGM and will speed your admission. You may also find it useful to bring this Notice of AGM and the Annual Report 2010 so that you can refer to them at the AGM. All joint shareholders may attend and speak at the AGM. However, only the first shareholder listed on the Register of Members is entitled to vote. At the discretion of the Company, and subject to sufficient seating capacity, a shareholder may enter with one guest, provided that the shareholder and their guest register to enter the AGM at the same time.

Questions

All shareholders or their proxies will have the opportunity to ask questions at the AGM. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. A question may not be answered at the Meeting if it is considered not to be in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of sensitive information. The Chairman may also nominate a representative to answer a specific question after the Meeting or refer the question to the Company's website.

Online access
See this Report online at:
www.compass-group.com/annualreport10

Notice of meeting

Voting
It is proposed that voting on all Resolutions will be by way of a poll, rather than a show of hands, so that all votes tendered are taken into account. If you come to the AGM, you will be given a hand held voting device. After each Resolution is put to the Meeting, you will be asked to cast your vote by pressing a button on your device. All of the votes of the shareholders present will be counted, and added to those received by proxy, and the provisional final votes will be displayed on a screen at the front of the Meeting. If you have already voted by proxy, you will still be able to vote at the Meeting and your vote on the day will replace your previously lodged proxy vote.

Not attending the AGM
Whoever you appoint as a proxy can vote or abstain from voting as he or she decides on any other business, which may validly come before the AGM. This includes proxies appointed using the CREST service. Details of how to complete the appointment of a proxy either electronically or on paper are given in the notes to this Notice and on the accompanying Form of Proxy.

Venue arrangements
For security reasons, all hand baggage may be subject to examination. Please note that laptop computers, recording equipment, cameras and similar such equipment may not be brought into the AGM. Briefcases, umbrellas and other bulky items should be deposited in the cloakroom, situated on the ground floor.

Smoking is not permitted inside The Queen Elizabeth II Conference Centre.

Please ensure that mobile telephones and other electronic equipment such as BlackBerries are switched off throughout the AGM.

Tea and coffee will be available in the reception area before the AGM. Light refreshments will be served after the AGM.

The following facilities will be available at The Queen Elizabeth II Conference Centre:

- sound amplification/hearing loop;
- wheelchair access; and
- sign language interpreters.

Anyone accompanying a shareholder in need of assistance will be admitted to the AGM. If any shareholder with a disability has any question regarding attendance at the AGM, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ by 20 January 2011.

Security
Security staff will be on duty to assist shareholders. The Company will not permit behaviour that may interfere with another person's security, safety or the good order of the AGM.

Enquiries
Capita Registrars maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA.

BNY Mellon maintains the Company's American Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary shares, you should contact BNY Mellon, Shareholder Services, PO Box 358516, Pittsburgh, PA 15252-8516, USA.

Data protection statement
Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Published information
If you would like to receive this Notice and/or a copy of the Annual Report 2010 in an appropriate alternative format, such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Forward looking statements

This Report 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, 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.

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Some photographs in this Report are indicative of the services we provide in those countries.

Designed and produced by CONRAN DESIGN GROUP

Index to the consolidated financial statements

Index to the Parent Company financial statements

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