COMPASS GROUP

Delivering value consistently

Annual Report 2009

50+

We operate in over 50 countries

40,000

We provide services in over 40,000 client locations

386,000

We have more than 386,000 great people delivering great service

4 billion

We serve more than 4 billion meals a year

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.

See this Report and our full Corporate Responsibility Report online at:
www.compass-group.com/annualreport09

Index to the consolidated financial statements

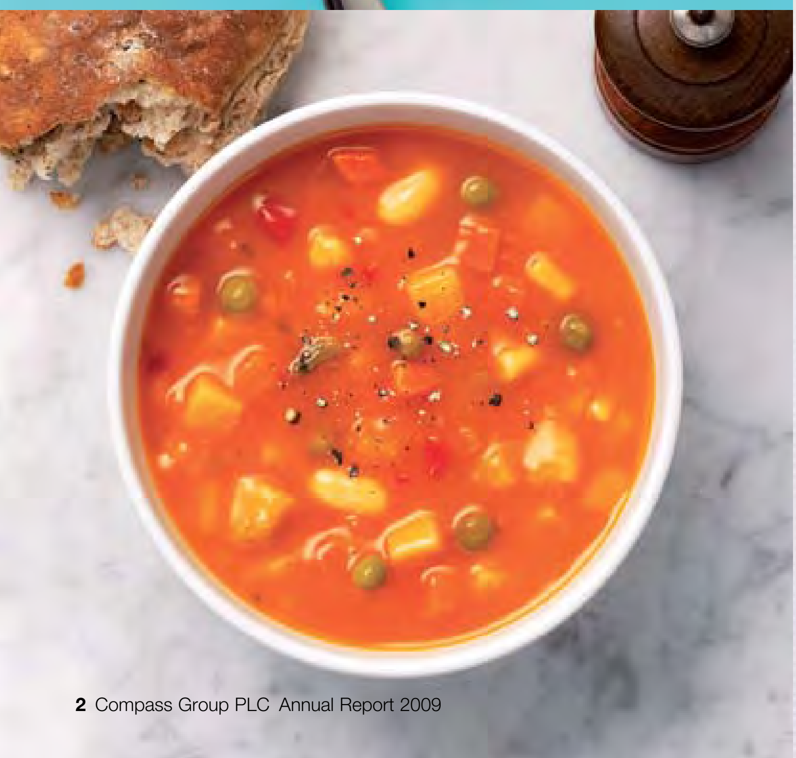
Index to the Parent Company financial statements

Millions of people around the world rely on us every day to provide their breakfasts, lunches and dinners and make their lattes and cappuccinos. We serve their sandwiches, vend their drinks and provide their hospitality services. We deliver great service to people at work, in schools and colleges, in hospitals and retirement homes, at major sporting and entertainment events, in remote mining sites and on offshore platforms. Increasingly, our clients also rely on us to run their reception and office services, clean their desks and undertake their routine maintenance.

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 and demonstrating innovation and creativity.

Rely on us.

Contents







Delivering daily

We're passionate about great food.

We may serve more than 4 billion meals a year, but every one has to meet individual tastes. The recipes and menus our award-winning chefs create, the best ingredients, often sourced direct from the growers to our specification, and the skills of our service teams all come together on that plate, in that sandwich, in that cup of coffee and on that tray of canapés.

Performance highlights

2009

This year we have delivered an excellent performance in a challenging environment. Consistently high levels of net new business and a step change in operating efficiency, generating £161 million of savings, have contributed to a further £100 million of profit growth and 60 basis points of margin growth.

The main drivers of the operating profit growth this year, excluding the impact of acquisitions and disposals and associates, have been:

£27m from net new business

£30m from our existing base estate

£31m of above unit cost savings

Revenues
1.3% revenue growth on a constant currency basis

09	**£13,444m**
08	£11,440m
07	£10,268m

Underlying operating profit
A 13% increase in underlying operating profit on a constant currency basis

09	**£884m**
08	£662m
07	£529m

Underlying operating margin
A 70 basis point increase in underlying margin

09	**6.5%**
08	5.8%
07	5.1%

Underlying basic earnings per share
A 36% increase in underlying basic earnings per share

09	**30.0p**
08	22.0p
07	15.2p

Dividends per share
A 10% increase in the total dividend per ordinary share

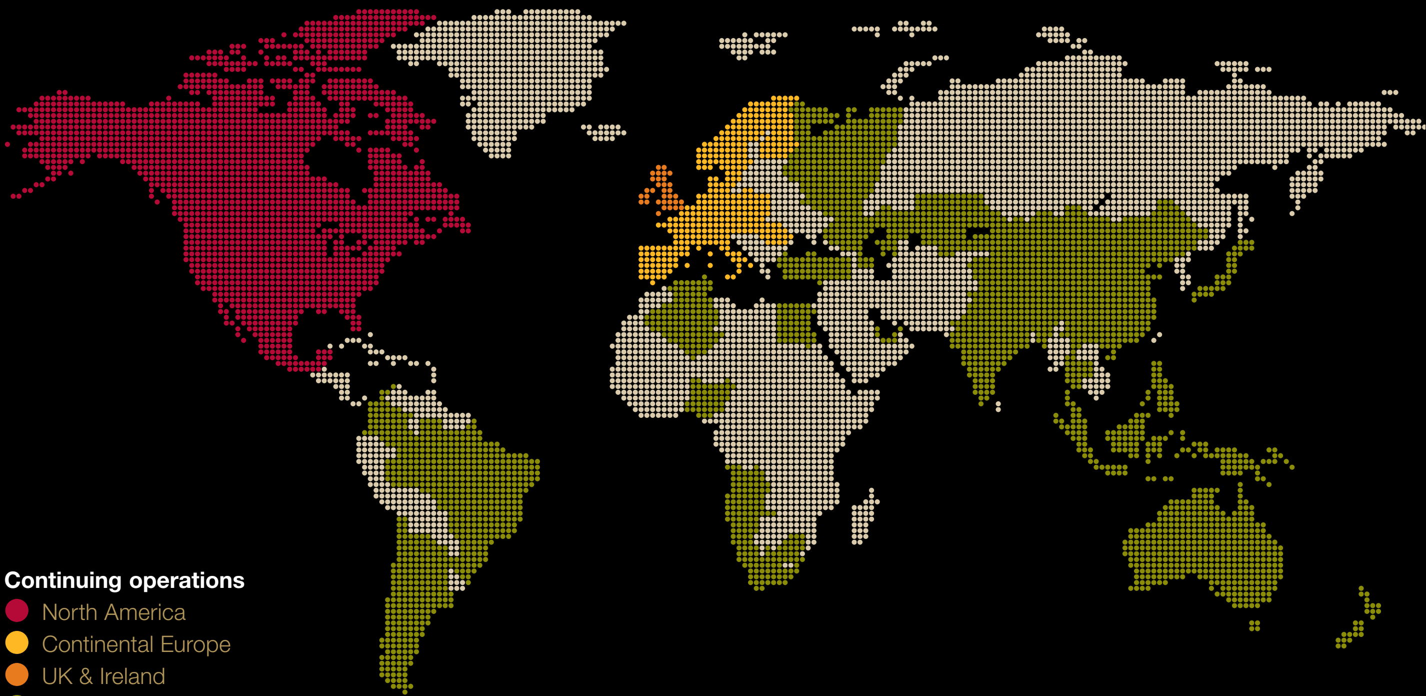
09	**13.2p**
08	12.0p
07	10.8p

Free cash flow
A 14% increase in free cash flow

09	**£593m**
08	£520m
07	£357m

The Group has excellent future revenue growth opportunities. Strong market positions in our key geographies are allowing us to benefit from structural growth in both food and support services.

Regional performance



Continuing operations
- North America
- Continental Europe
- UK & Ireland
- Rest of the World

North America

Revenue
£5,871m
(2008: £4,553m)

Underlying operating profit
£441m
(2008: £311m)

% of Group revenue
44%
(2008: 40%)

Continental Europe

Revenue
£3,429m
(2008: £3,021m)

Underlying operating profit
£232m
(2008: £197m)

% of Group revenue
25%
(2008: 26%)

UK & Ireland

Revenue
£1,829m
(2008: £1,926m)

Underlying operating profit
£114m
(2008: £108m)

% of Group revenue
14%
(2008: 17%)

Rest of the World

Revenue
£2,315m
(2008: £1,940m)

Underlying operating profit
£148m
(2008: £104m)

% of Group revenue
17%
(2008: 17%)

1 Constant currency restates the prior year results to 2009's average exchange rates.
2 Total underlying operating profit includes share of profit of associates but excludes the amortisation of intangibles arising on acquisition.
3 Operating profit by region excludes share of profit of associates and the amortisation of intangibles arising on acquisition.
4 Underlying operating margin is based on revenue and operating profit excluding share of profit of associates and the amortisation of intangibles arising on acquisition.
5 Underlying basic earnings per share excludes the amortisation of intangibles arising on acquisition, 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 2009.
8 The data shown on pages 6, 7 and 18 to 21 relates to the continuing business only.

Sector diversity

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'.

Business & Industry

Group revenue 2009

46%

(2008: 47%)

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

Eurest
Eurest Services
BON APPÉTIT MANAGEMENT COMPANY
F FLIK

Education

Group revenue 2009

15%

(2008: 14%)

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

Chartwells
Scolarest
BON APPÉTIT MANAGEMENT COMPANY
F FLIK

Healthcare & Seniors

Group revenue 2009

19%

(2008: 18%)

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 2009

11%

(2008: 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 2009

9%

(2008: 10%)

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.

Major sector brands

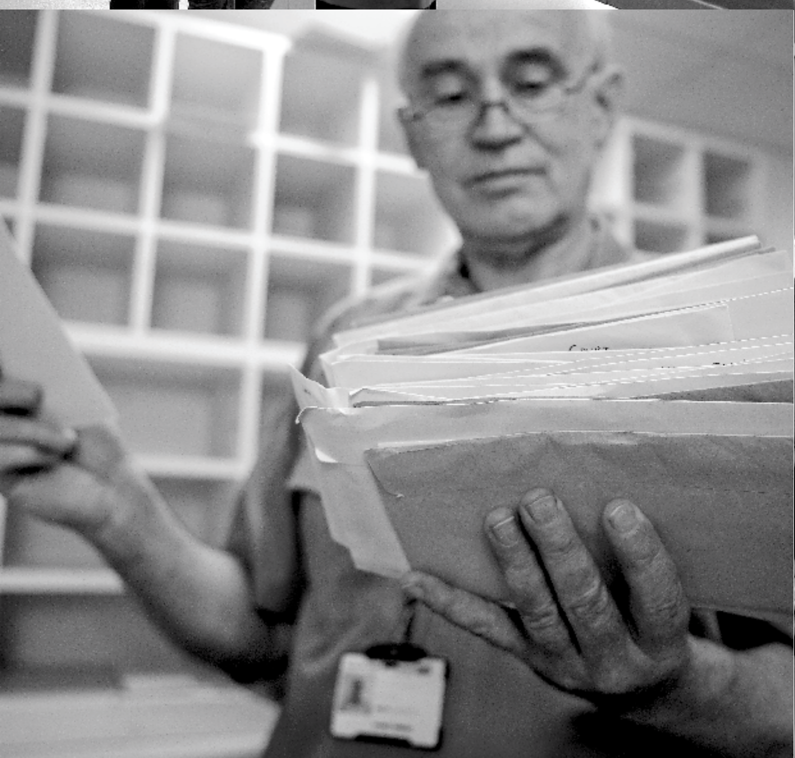
ESS Support Services Worldwide


UNITED

Serving globally

Global reach, local touch.

We bring together the strength of a Group which operates in over 50 countries, combining the benefits of local market and sector knowledge with global reach and market-leading innovation to deliver world-class food and support services to our national and international clients. Our 386,000 great people are committed to delivering to the same consistent, superior standards of service globally, daily and, above all, safely.



Delivering value consistently

Our consistent delivery of shareholder value is testament to the resilience and scope of our business model and to the fundamental attractions of outsourcing.

Sir Roy Gardner
Chairman

I am delighted to report another year of excellent progress delivering further growth in operating profit, margin improvement and free cash flow generation, achieved against the backdrop of challenging economic conditions.

We continue to benefit from the consistent pursuit of the clear strategy we set out three years ago. Our strategy is focused on the significant opportunities in outsourced foodservice and, increasingly, on developing our fast growing support services business. We aim to do this in our core countries and market sectors.

MAP, our Management and Performance framework, continues to drive real efficiency across the Group. By sharing best practice and innovation our people have achieved a real focus on growing and developing our business, whilst embedding a culture of operational efficiency across the Group. As a result, we have driven significant cost efficiency, improving both our financial performance and our competitive advantage as we relentlessly seek to deliver the highest quality to our clients, whilst being the lowest cost and most efficient operator.

I am very encouraged that, whilst operating in a more difficult economic environment, we have continued to win a consistent level of excellent new business and to extend our relationship with existing clients in both food and multi services. In an environment where decision making has been slower than usual, this is a real achievement.

As I talk to clients around the world, they are increasingly looking to us, as they review their cost base, to help simplify and consolidate their existing suppliers. They are seeking to achieve greater efficiency and consistency through standardisation, whilst at the same time ensuring the highest quality service to support their business and meet the highest health, safety and environmental standards.

Our global reach, unrivalled local market and sector knowledge and world-class service capability across food and support services place us in an ideal position to achieve these goals and to deliver the global consistency international organisations demand.

Whilst our organic revenue was flat this year, the main driver of this has been lower client and consumer discretionary spend and fewer people on site within our more cyclical sectors of Business & Industry and Sports & Leisure. The consistently high levels of new business and client retention suggest that the slowdown in organic revenue is due to the short-term effects of the economic cycle and that the fundamental attractions of outsourcing remain. Strong positions in our key geographies are allowing us to benefit from the structural growth in food and support services and, as the global economies recover, we expect to benefit from a cyclical upswing in demand.

Our performance and the steps we have taken to strengthen our balance sheet place us in a strong position to support our growth plans. Whilst our primary focus is on organic revenue growth, we have made a number of excellent acquisitions in 2009. In the USA, we have strengthened our ability to deliver support services to the Business & Industry and Healthcare sectors with our acquisition of Kimco and integration of Medi-Dyn and Professional Services. In Germany, our acquisition of Plural is also bringing a new dimension to growth as clients seek to bundle food and support services.

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

Commitment to Corporate Responsibility
Last year, for the first time, we set out a common set of measures and targets by which key stakeholders can begin to evaluate our progress on our commitment to deliver the highest standards of responsible business practice. I am proud of the enthusiasm with which our teams have pursued these targets, building on the excellent work that, in many instances, was already underway in our businesses. Based on the progress that we have made in the last year, we have set further goals for the year ahead which, along with our progress report, are detailed in the Acting Responsibly section of this Report on pages 34 to 39.

Dividend increase
The Board is proposing a final dividend of 8.8 pence per share for payment on 1 March 2010. This brings our total dividend to 13.2 pence, a year on year increase of 10%.

Leadership
I am delighted to welcome Don Robert to the Board. Don joined the Board in May of this year and is the Chief Executive Officer of Experian plc. I would also like to express my thanks to Sven Kado, who retired from the Board on 5 February 2009, for his contribution over the years.

As I stated when I became Chairman three years ago, strong leadership is the key to the long-term success of any business. The results we have achieved in the last three years and the platform for growth that we created are a testament to the stability and strength of the Board, the Group's Executive Committee, led by our Chief Executive Richard Cousins, and our leadership teams around the world. This will continue to be an important area of focus for me.

Our people
Wherever I go in the world, I continue to be impressed by the dedication, commitment and skills of our people. It is through their efforts that we earn the loyalty of our clients and we drive the performance and growth of our business. On behalf of the Board, I offer my sincere thanks to each and every one of our people for what they continue to achieve.

Outlook
The Group's core strategy remains focused on food and, increasingly, support services. Whilst in the short-term the prevailing economic conditions are likely to continue to impact organic revenue growth, we are encouraged by the strength of the new business pipeline. In the medium-term, the Group is set to enjoy the combination of structural growth in outsourcing and, as the global economies recover, a cyclical upswing in demand. In parallel, the continuing management of the flexible cost base and the ongoing focus on MAP should deliver further cost efficiencies and margin progression. In addition, the strength of the cash flow and balance sheet is enabling us to continue to reward shareholders and to accelerate growth through value creating infill acquisitions.

Sir Roy Gardner
Chairman
25 November 2009

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

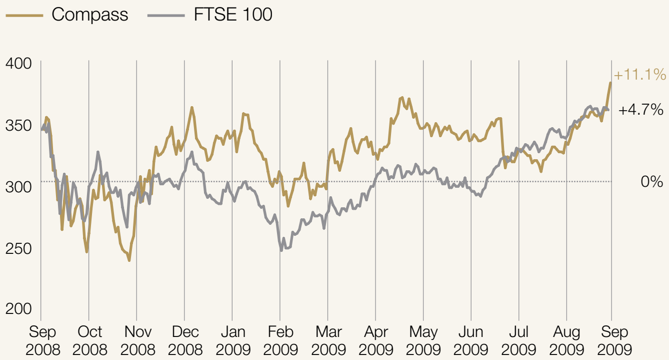
35

Position in the FTSE 100 Index
2009 position as of
30 September 2009
(2008: 34)

10%

Total dividend up 10% to 13.2p
(2008: 12.0p)

Compass Group share price performance vs FTSE 100 Index 2009



The FTSE 100 Index has been rebased to the Compass Group share price on 30 September 2008 (344.00 pence)

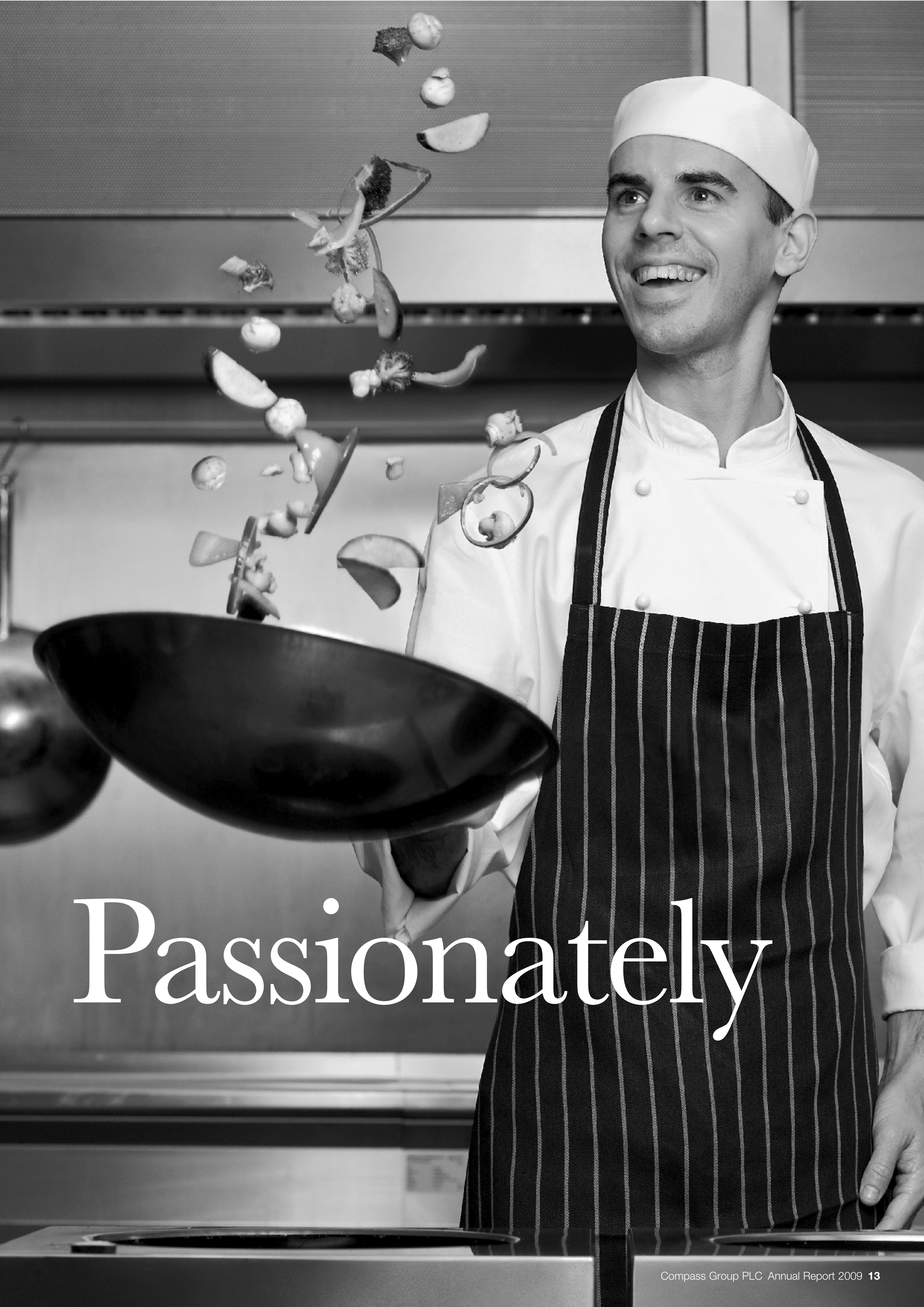
Compass Group share price performance vs FTSE 100 Index
over the last 3 years

We're all about great food and great service. We work with some of the most renowned chefs in the world and employ those we believe to be the best in our industry. Our chef development and training programmes ignite a passion for cooking in the future generations who will continue our fine culinary heritage.

The menus and dishes our chefs create and inspire provide a choice of high quality, nutritious and well balanced food to meet people's needs during the day and throughout life, whether it's:

- Refreshing tired minds and refuelling the productivity of people at work;
- Helping boost the concentration of young minds at school and college;
- Meeting dietary needs to help aid recovery in hospital;
- Creating that unforgettable dinner at the event of a lifetime; or
- Providing a taste of home when you're many miles away.

You can taste our passion for food in every dish we serve.



Passionately

Performing consistently

This year we delivered an excellent performance in a challenging environment, driving a step change in operating efficiency.

Richard Cousins
Group Chief Executive

Reported revenue has grown by 17.5% in the year, or 1.3% on a constant currency basis. Adjusting for the impact of acquisitions and disposals, organic revenue growth was flat. Very encouragingly, the Group has continued to win high levels of good quality new business, at levels consistent with last year. As expected, in the more cyclical Business & Industry and Sports & Leisure sectors, like for like volumes continue to be impacted by lower headcounts on site and reduced spend on event catering and corporate hospitality. Like for like volumes in the Education, Healthcare and Defence, Offshore & Remote site sectors have remained solid throughout the year.

The continued application of the MAP framework and our ability to manage our largely variable cost base have enabled us to quickly flex costs in line with changes in demand and to deliver significant underlying profit growth of 34% (13% on a constant currency basis) with an improvement in our underlying operating margin of 70 basis points (60 basis points on a constant currency basis). Excellent operational management through MAP has this year delivered £100 million of constant currency operating profit growth as follows:

£27 million of net new business growth
The continuous investment in our offer and our sales organisation has once again enabled us to secure revenue growth of 8.5% from new business. In addition to the strong growth in foodservice, we have won significant new multi service business. We continue to win new international clients as well as to extend our relationships with existing clients. The pipeline of new business looks encouraging.

While core retention has remained stable, we have had a one percentage point impact from the tougher economy, mainly from a slightly higher level of business and site closures and, as a result, overall retention was 93%.

£30 million of base estate profit growth
We have continued to generate sustainable growth in our base estate. Across the business we have achieved a sensible level of price increases given the input cost inflation we experienced.

Like for like growth
Flat organic revenue has primarily been driven by the reduction in like for like volume, from an increase of 1% in 2008 to a decrease of 3% in 2009. The rate of like for like volume decline evolved quickly over the year, moving from an increase of 1% in the first quarter to a decrease of 5% in the third quarter. However, the volume decline of 6% in the fourth quarter seems to indicate that the pace of decline has slowed significantly and this trend has continued into the new financial year.

We have made good progress with MAP 2 Consumer Sales and Marketing. Our 'Core Concepts' range of menus has been successful in bringing greater choice and consistency to the food offer, whilst targeted promotions, loyalty schemes and our value range have been growing in popularity in a cost conscious consumer environment. Innovations in technology, such as cashless payment systems and desktop ordering, are delivering the speed and convenience increasingly demanded by consumers.

Cost efficiencies
We have delivered unit productivity and efficiency savings estimated at £130 million, £60 million from food cost and £70 million from unit overheads. Over the past four years, despite periods of significant food cost inflation, our focus on MAP 3 Cost of Food has enabled us to deliver a 60 basis point improvement in the gross margin, and there are still considerable opportunities to drive further improvements across all countries. Within the £1.8 billion of unit overheads, we have also started to make some real savings, but this is just the start of a journey.

£31 million of above unit cost savings
We continue to make excellent progress in MAP 5 Above Unit Costs, driven mainly by streamlining back office procedures and processes. This has allowed us to redeploy resources away from administration and more towards investing in operations and growing the business. We have reduced our above unit costs by a further £31 million in the year. Our aspiration is to contain the above unit cost and perhaps even reduce it further, whilst continuing to grow the revenue.

£9 million from acquisitions net of disposals
This relates mainly to the incremental operating profit from the acquisitions of Medi-Dyn and Kimco in the USA, Plural in Germany, the remaining 50% of the shares in GR SA in Brazil and a number of McColls retail outlets in the UK.

Strategy
Our core strategy is to focus on foodservice and to build on the fast growth in our support services business. Our scale within countries enables us to drive efficiencies; our global reach and capability allows us to take advantage of the 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 primary focus is organic revenue growth. Over recent years, the Group has had a consistent track record of around 6% organic revenue growth and it is envisaged that, over time, as economic conditions recover, there should be a return to this trend. The foodservice opportunity is significant, with outsource penetration rates of under 50% and our share of the total market estimated at just 7%. The soft support services market is larger and less penetrated. Combining the two suggests an available global self-operated market of well over £200 billion and we will continue to capitalise on this vast opportunity. Innovation in our consumer offer should position us to benefit from a cyclical upswing in demand and drive increased participation and spend. The roll-out of best practice in retention should result in further improvement in this area.

Support services are becoming an ever more important part of our business. The delivery of multi services, that is bundled food and support services, now accounts for 18% of Group revenues (comprising 5% foodservice and 13% support services). Our support services offer, which originated in the Defence, Offshore & Remote site sector, has now extended to the Healthcare sector and, increasingly, to the Business & Industry sector where the outsourcing of support services is growing quickly. In 2009, we signed over £200 million of new multi service Business & Industry contracts, more than half coming from cross-selling to existing clients. For example, earlier in the year, we extended our international contract with Royal Dutch Shell plc ('Shell') across Europe and we have now further extended our contract to include the Americas. Furthermore, we were delighted that in June, jointly with Shell, we won the 'Partners Across Borders' category of the prestigious European FM Awards. The Compass Service Framework, our platform to deliver support services across all our major countries, is widely acclaimed by our clients. Continuous investment in developing this platform, both organically and through selected acquisitions, should deliver significant future growth.

MAP has brought real discipline to the way we evaluate infill acquisitions. We have a very rigorous process that covers strategic, financial and management criteria. Our recent acquisitions: Professional Services and Medi-Dyn, two healthcare support services businesses in the USA; Kimco, a support services business within Business & Industry in the USA; a number of McColls retail outlets in the UK; and Plural, a support services business in Germany, have been successfully integrated and have delivered (or are on target to deliver) against the Group's strict criteria. We now have increasing financial headroom to acquire both food and support service businesses in our core countries as well as continuing to build on our existing presence in emerging markets.

MAP
MAP is fundamental to driving consistent performance across the Group and the discipline it brings to the way we manage the business puts us in a strong position to meet the challenges in the year ahead.

MAP 1
Client sales and marketing

MAP 2
Consumer sales and marketing

MAP 3
Cost of food

MAP 4
Unit costs

MAP 5
Above unit overheads

Over the past three years we have delivered 200 basis points of margin growth across all five MAP components. We believe we have significant further potential from the continued application of best practice across the business. Whilst we have made good progress to date, there is still much more to go for.

Outlook
The Group's core strategy remains focused on food and, increasingly, support services. Whilst in 2010, the prevailing economic conditions are expected to lead to broadly flat organic revenue growth, we are very encouraged by the pipeline of new business. In the medium-term, the Group is set to enjoy the combination of structural growth in outsourcing and, as the global economies recover, a cyclical upswing in demand. In parallel, the continuing management of the flexible cost base and the ongoing focus on MAP should deliver further cost efficiencies and margin progression. In addition to this, the strength of the cash flow and balance sheet is enabling us to continue to reward shareholders and to accelerate growth through value creating infill acquisitions.

Richard Cousins
Group Chief Executive
25 November 2009

Innovatively

Innovation is what makes us a market leader. It's what our clients buy. We relentlessly pursue delivering the highest quality in the most efficient way. We are constantly looking to find better ways to deliver value to our clients and to satisfy the needs of our consumers and, by doing so, to develop our markets further.

This is embodied by PUUR, a high quality consumer and client offer delivered through more standardised processes and programmes. Developed by our team in the Netherlands, this concept is revolutionising the Business & Industry market.

The PUUR offer includes hot meals, sandwiches, soups, fresh salads made with authentic fresh food, as well as 'grab and go' items. Dishes are prepared on the spot, to order, using standard recipes and menus which are regularly rotated and updated.

A new restaurant layout design provides a modern, atmospheric environment, far removed from the traditional style cafeteria.

Because of the efficient and structured back of house operation and modular format, we can deliver this high quality service with significantly greater efficiency and consistency across multiple client sites. At the same time, this frees up our people to spend more time with our consumers delivering a superior service experience.

Regional performance

North America

44%

North America contributes 44% towards Group revenue
(2008: 40%)

£5,871m
Revenue
(2008: £4,553m)

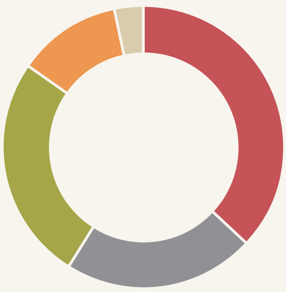
7.5%
Operating margin
(2008: 6.8%)

£441m
Operating profit
(2008: £311m)

1.6%
Organic revenue growth
(2008: 7.1%)

Revenue by sector

- Business & Industry 37%
- Education 22%
- Healthcare & Seniors 26%
- Sports & Leisure 12%
- Defence, Offshore & Remote 3%



Our North American business has delivered an excellent performance

Our North American business (which includes our operations in the USA, Canada and Mexico) has delivered an excellent performance. Revenues were £5.9 billion (2008: £4.6 billion), with organic growth of 1.6%. Operating profit increased by £49 million, or 12.5% on a constant currency basis, to £441 million (2008: £392 million on a constant currency basis). A focus on driving efficiencies, particularly through the purchasing, logistics and production processes and initiatives to reduce overheads, contributed to a full year margin improvement of 60 basis points on a constant currency basis.

The Business & Industry sector has had another year of strong new business gains, including the World Bank Group. Despite the like for like pressures on volume, consumer demand for value offers and 'grab and go' increased. This, together with more focused promotions, has helped drive participation and spend. Tight cost management and further efficiency gains have enabled the sector to deliver another year of strong profit and margin growth. The acquisition of Kimco earlier in the year has enhanced our support services capability in this sector, enabling us to better serve our existing clients by offering a combined food and support services package.

In Healthcare, the ongoing integration of our recent acquisitions of Professional Services and Medi-Dyn, both specialist healthcare support service providers, has strengthened our support services offers and contributed to the delivery of strong revenue growth and excellent retention rates. For example, we have recently been appointed to provide support services to The Mount Sinai Hospital in Manhattan, one of the USA's oldest and largest teaching hospitals.

We have seen good like for like volume growth in Education, driven by increasing enrolments and take up of board plans throughout the year. New business also remained very strong and we have delivered double digit organic revenue growth. We have recently won a contract with The University of North Carolina at Greensboro to provide both dining and vending services as well as contracts with Duval County Public Schools, the University of Pennsylvania and Bowling Green University.

In Levy, our Sports & Leisure business, our ability to quickly flex costs in line with demand and the delivery of further efficiencies have enabled us to improve margins. We continue to see a strong pipeline for new business opportunities and have had some exciting wins including significant contracts with the Palace of Auburn Hills (home to the Detroit Pistons of the NBA) and the United Center (home to the Chicago Bulls and Chicago Blackhawks).

In Canada, we have recently entered into an agreement with Suncor Energy to provide catering and support services to the new Firebag Village site. We have been partnered with Suncor Energy since 1967, when they started their first operations in the Oil Sands.

Continental Europe

25%

Continental Europe contributes 25% towards Group revenue
(2008: 26%)

£3,429m
Revenue
(2008: £3,021m)

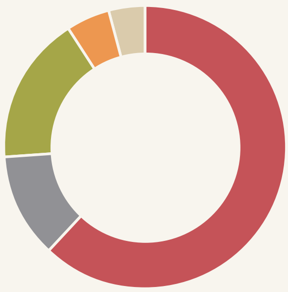
6.8%
Operating margin
(2008: 6.5%)

£232m
Operating profit
(2008: £197m)

(1.1)%
Organic revenue growth
(2008: 5.4%)

Revenue by sector

- Business & Industry 62%
- Education 12%
- Healthcare & Seniors 17%
- Sports & Leisure 5%
- Defence, Offshore & Remote 4%



Managing the flexible cost base and further efficiency gains have resulted in a robust performance

Revenue in Continental Europe totalled £3.4 billion (2008: £3.0 billion), with organic revenue 1.1% lower than last year. However, management of the flexible cost base and further efficiency gains resulted in a robust operating profit performance of £232 million, an increase of 4% on a constant currency basis, and margin improvement of 30 basis points to 6.8%.

Across the geography, we have seen a consistent and encouraging rate of new contract wins. For example, we have extended our relationship with Shell and now provide a wide variety of services across many countries. In Continental Europe, this now includes Germany, Austria, Switzerland and Italy amongst others.

In Germany, we have successfully integrated the recent acquisitions of Plural, a support services specialist, and LPS, and we are already seeing the benefits of new business opportunities through cross-selling. The Education sector has developed significantly this year with our largest ever contract win for public schools in Offenberg, Baden-Wuerttemberg, as well as other exciting new wins in both the public and private sectors.

The Nordic region, where high levels of organic growth have been maintained through the year, has seen strong new business wins in both food and multi services, including AstraZeneca, Sweco and Volvo in Sweden and Statoil in Norway.

The turnaround plan in Italy continues to deliver good results, with solid margin improvement. Following recent wins in support services, such as the large contract with Trenitalia (Italian Railways), we are seeing encouraging signs regarding the cross-selling potential. Our Education business is continuing to generate good levels of new business and like for like growth, with contract wins across the country (including Rome and Turin).

The Spanish business has also performed extremely well and had a particularly strong year in Healthcare, driven by new business gains, with both public and private hospitals (for example, Pius Hospital de Valls) as well as in the senior living market. The management team has simplified the structure to increase efficiency and has improved purchasing and logistics processes, providing a solid base for future growth.

Regional performance

UK & Ireland

14%

UK & Ireland contributes 14% towards Group revenue
(2008: 17%)

£1,829m
Revenue
(2008: £1,926m)

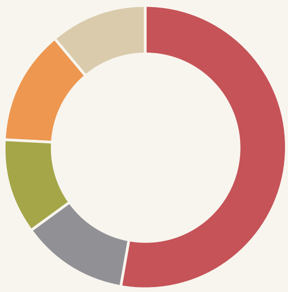
6.2%
Operating margin
(2008: 5.6%)

£114m
Operating profit
(2008: £108m)

(5.4)%
Organic revenue growth
(2008: (0.3)%)

Revenue by sector

- Business & Industry 53%
- Education 12%
- Healthcare & Seniors 11%
- Sports & Leisure 13%
- Defence, Offshore & Remote 11%



In the UK & Ireland we have significantly increased our margins by 60 basis points

Revenues were £1.8 billion (2008: £1.9 billion). We have continued to work hard in the UK & Ireland, streamlining the back office and improving productivity. This has enabled us to significantly improve our margins by 60 basis points, despite the difficult economic conditions, with a good increase in operating profit to £114 million (2008: £108 million).

In the Business & Industry sector we continue to win high quality new business in both food and support services. Notably, Compass has been awarded a contract with the Lloyds Banking Group to provide foodservice to the Group's 78 UK sites for the next five years. The new Royal Institute of Chartered Surveyors contract requires us to provide staff dining, reception services and hospitality catering. During the year we have also won important new business with BSkyB and National Grid as well as renewing contracts with Heinz and JohnsonDiversey. Continued flexing of labour costs in line with demand and tight control of discretionary spend has enabled us to move the margin forward strongly.

Growth in the Healthcare sector has been driven by new business and good like for like volume growth. The newly acquired food and retail outlets from McColls have contributed to the good progress we continue to make in extending our retail offer, with over 55 new outlets opened since the start of the year, taking the total to over 100. We have secured good quality new business such as the Southend NHS Foundation Trust where we have extended our relationship to feed 1,000 patients and 4,000 employees using our advanced Steamplicity concept.

We are making good progress in the Education sector and are really starting to see the benefits of our work over the last few years. We believe we now have the right offer for primary and secondary school meals and are in a strong position to grow this part of the business. We have also recently won new contracts in higher education with Warwick University, the largest university campus in the UK, as well as extending our existing contracts with Oxford Brookes University, Roehampton University and De Montfort University. We have made excellent progress on productivity, where a focus on labour hours and unit overheads has driven margin growth of over 100 basis points compared to the previous year.

We have had success in winning new business in the Sports & Leisure sector. For example, we have won contracts with Hampshire Cricket Club's Rose Bowl and the 2010 Ryder Cup, where we will again provide the hospitality and catering for officials, guests and spectators, as well as our landmark deal with the Jockey Club where we now provide foodservice to all of their 14 racecourses. A focus on flexing labour and other costs has minimised the impact on profit of the decline in hospitality revenues in the sector.

Rest of the World

17%

Rest of the World contributes 17% towards Group revenue
(2008: 17%)

£2,315m

Revenue
(2008: £1,940m)

6.4%

Operating margin
(2008: 5.4%)

£148m

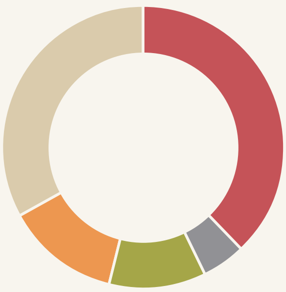
Operating profit
(2008: £104m)

2.3%

Organic revenue growth
(2008: 10.6%)

Revenue by sector

- Business & Industry 38%
- Education 5%
- Healthcare & Seniors 11%
- Sports & Leisure 13%
- Defence, Offshore & Remote 33%



Our Rest of the World businesses have delivered solid organic revenue growth of 2.3%

Operating profit increased by £27 million, or 22% on a constant currency basis, to £148 million (2008: £121 million on a constant currency basis). The acquisition of the remaining 50% of the shares of GR SA in Brazil, completed in March 2008, contributed strongly to this growth. The margin has increased by 100 basis points overall on a constant currency basis to 6.4%.

We are continuing to see good levels of new business wins across most countries in the region, including new contracts with HSBC in both China and Argentina and Coca-Cola in China. In Brazil, we have won Monsanto and Cia Müller de Bebidas, a leading beverage manufacturer. The drive for overhead efficiencies, coupled with restructuring programmes, has contributed to the excellent margin progression.

In Australia, we have seen good organic revenue growth driven by the Defence, Offshore & Remote site sector which comprises the majority of the business. Chevron recently awarded us a very significant contract to provide food and a full range of support services at its facilities in Western Australia. The Healthcare sector grew by nearly 20% in the year and continues to provide excellent opportunities for future growth. Already one of the more efficient businesses in the Group, Australia has delivered further margin improvement by focusing on all areas of cost.

The large Business & Industry and Sports & Leisure sectors in Japan mean that organic revenue growth has been a challenge. However, excellent progress on overhead control and driving efficiencies in the supply chain have delivered a further 100 basis points improvement in the margin, moving Japan a step closer to the Group average.

In Brazil, new business wins have been very strong. They include contracts with Petrobras, Brazil's largest energy company, and Noble, marking our entry into the offshore market there. The management team has been quick to react to market changes by managing the cost base and continuing to deliver cost efficiencies. The margins have increased and the recently strengthened management team is now well placed to grow our business across all sectors in this exciting market.

Our UAE based joint venture has seen strong organic revenue growth and excellent like for like volumes in our Remote site business. We have seen particularly strong growth in support services and the pipeline of new business looks encouraging.

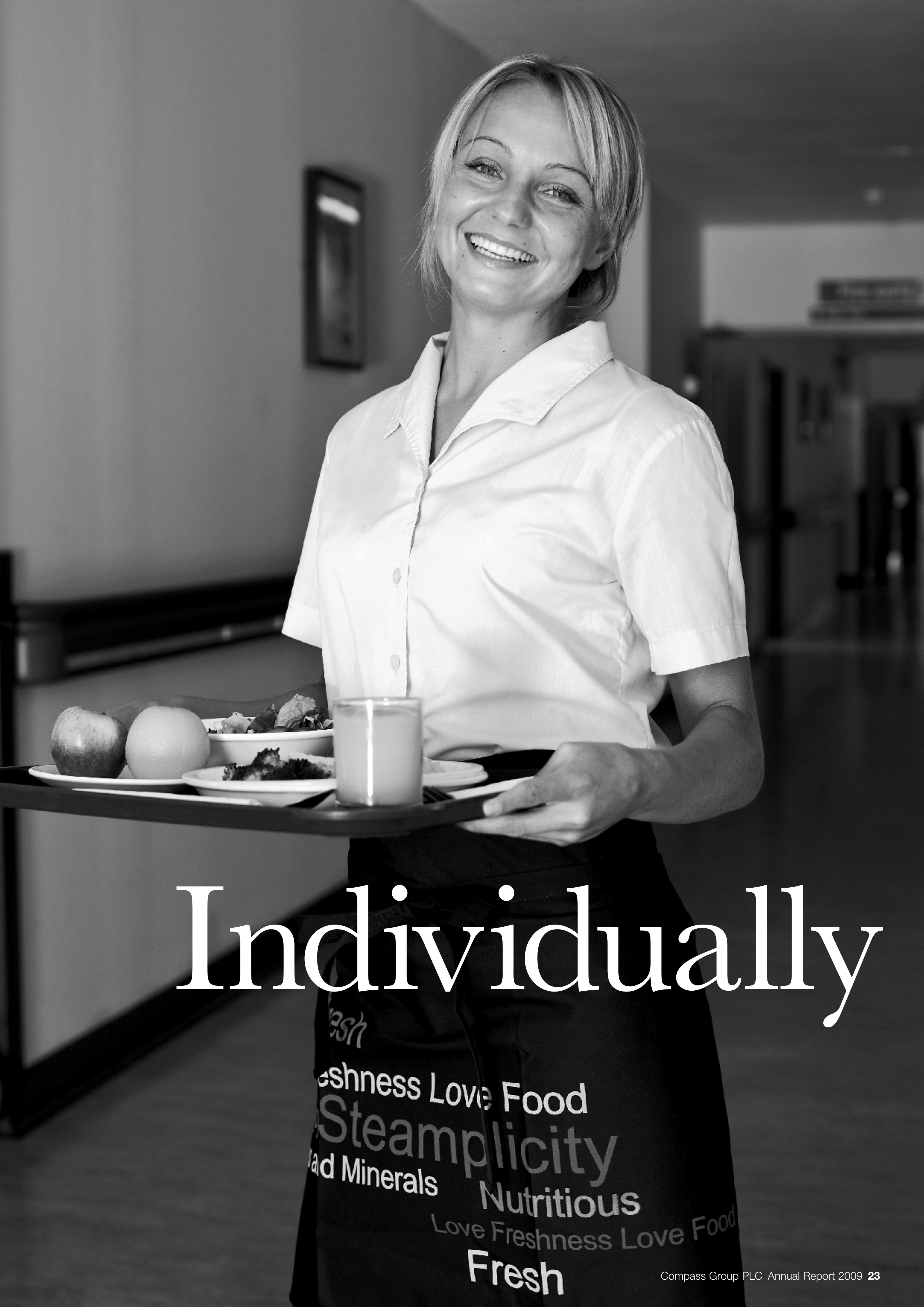
Our businesses serving the energy and extraction sectors have delivered solid double digit organic revenue growth and have excellent retention rates. We continue to benefit from the very high levels of activity in these sectors, particularly the construction of liquid natural gas production, storage and export facilities worldwide.

Every day we create millions of individual experiences through the food we serve and the services we provide.

Our extensive research into consumer eating trends enables us to understand what people eat as their needs change during the day, the week, the year and throughout life. Our development teams of chefs and nutritionists, working with growers and world-leading food producers, use these insights to develop menus, dishes and products to meet all tastes.

This has also led to the introduction of new cooking methods such as Steamplicity, our patented system of steam cooking restaurant quality, fresh, hot meals. This has revolutionised patient feeding in hospitals for example, offering a greater choice of nutritious meals, cooked to order from an extensive personal menu selection that is specially designed to meet individual medical dietary needs.

Above all, it's the warm smile, the explanation of the menu, knowing what you like and what you don't that make every meal we serve personal.



Individually

A strong financial performance

We have demonstrated our ability to manage the cost base, containing the impact on profit of the like for like volume declines and delivering further significant efficiencies. We are in a strong position to support the significant growth opportunities.

Andrew Martin
Group Finance Director

Financial summary

	2009	2008	Increase
Continuing operations			
Revenue			
Constant currency	**£13,444m**	£13,270m	1.3%
Reported	**£13,444m**	£11,440m	17.5%
Total operating profit			
Constant currency	**£884m**	£784m	12.8%
Underlying	**£884m**	£662m	33.5%
Reported	**£877m**	£659m	33.1%
Operating margin			
Constant currency	**6.5%**	5.9%	60bps
Underlying	**6.5%**	5.8%	70bps
Reported	**6.5%**	5.7%	80bps
Profit before tax			
Underlying	**£784m**	£589m	33.1%
Reported	**£773m**	£566m	36.6%
Basic earnings per share			
Underlying	**30.0p**	22.0p	36.4%
Reported	**29.5p**	20.9p	41.1%
Free cash flow			
Reported	**£593m**	£520m	14.0%
Total Group including discontinued operations			
Basic earnings per share	**31.7p**	23.7p	33.8%
Total dividend per ordinary share	**13.2p**	12.0p	10.0%

Segmental performance

	Revenue		Growth		
	2009 £m	2008 £m	Reported	Constant currency	Organic
Continuing operations					
North America	**5,871**	4,553	28.9%	3.6%	1.6%
Continental Europe	**3,429**	3,021	13.5%	0.1%	(1.1)%
UK & Ireland	**1,829**	1,926	(5.0)%	(5.0)%	(5.4)%
Rest of the World	**2,315**	1,940	19.3%	2.9%	2.3%
Total	**13,444**	11,440	17.5%	1.3%	0.0%

	Operating profit		Margin	
	2009 £m	2008 £m	**2009 %**	2008 %
Continuing operations				
North America	**441**	311	**7.5%**	6.8%
Continental Europe	**232**	197	**6.8%**	6.5%
UK & Ireland	**114**	108	**6.2%**	5.6%
Rest of the World	**148**	104	**6.4%**	5.4%
Unallocated overheads	**(58)**	(62)	**–**	–
Excluding associates	**877**	658	**6.5%**	5.8%
Associates	**7**	4	**–**	–
Underlying	**884**	662	**6.5%**	5.8%
Amortisation of intangibles arising on acquisition	**(7)**	(3)		
Total	**877**	659		

1 Constant currency restates the prior year results to 2009's average exchange rates.
2 Operating profit includes share of profit of associates.
3 Underlying operating profit and margin excludes the amortisation of intangibles arising on acquisition.
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.
6 Underlying profit before tax excludes the amortisation of intangibles arising on acquisition, 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, 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 flat, comprising new business of 8.5%, retention of 93% and a like for like decline of 1.5%. Acquisitions less disposals increased revenue by 1.3% and the significant weakening of Sterling, in particular against the Euro and US Dollar, increased reported revenues by 16.2%, resulting in reported revenue growth of 17.5%.

09	**£13,444m**
08	£11,440m
07	£10,268m

Operating profit

Underlying operating profit from continuing operations, including associates but excluding the amortisation of intangibles arising on acquisition, was £884 million (2008: £662 million), an increase of 33.5% on a reported basis over the prior year. Underlying operating profit increased by £100 million, 12.8% on a constant currency basis. This represents a 70 basis points improvement in margin to 6.5% (2008: 5.8%), or 60 basis points on a constant currency basis.

09	**£884m**
08	£662m
07	£529m

Operating profit after the amortisation of intangibles arising on acquisition of £7 million (2008: £3 million) was £877 million (2008: £659 million).

Operating margin

The underlying operating profit increased by £100 million, or 12.8%, on a constant currency basis. This represents a 70 basis points improvement in margin to 6.5% (2008: 5.8%).

09	**6.5%**
08	5.8%
07	5.1%

North America

43.7% Group revenue (2008: 39.8%)

Our North American business (which includes our operations in the USA, Canada and Mexico) has delivered an excellent performance. Revenues were £5.9 billion (2008: £4.6 billion), with organic growth of 1.6%. Operating profit increased by £49 million, or 12.5% on a constant currency basis, to £441 million (2008: £392 million on a constant currency basis). A focus on driving efficiencies, particularly through the purchasing, logistics and production processes and initiatives to reduce overheads, contributed to a full year margin improvement of 60 basis points on a constant currency basis.

Continental Europe

25.5% Group revenue (2008: 26.4%)

Revenue in Continental Europe totalled £3.4 billion (2008: £3.0 billion) with organic revenue 1.1% lower than last year. However, management of the flexible cost base and further efficiency gains resulted in a robust operating profit performance of £232 million, an increase of 4% on constant currency basis, and margin improvement of 30 basis points to 6.8%.

UK & Ireland

13.6% Group revenue (2008: 16.8%)

Revenues were £1.8 billion (2008: £1.9 billion). We have continued to work hard in the UK & Ireland, streamlining the back office and improving productivity. This has enabled us to significantly improve our margins by 60 basis points, despite the difficult economic conditions, with a good increase in operating profit to £114 million (2008: £108 million).

Rest of the World

17.2% Group revenue (2008: 17.0%)

Our Rest of the World businesses have delivered solid organic revenue growth of 2.3%. Operating profit increased by £27 million, or 22% on a constant currency basis, to £148 million (2008: £121 million on a constant currency basis). The acquisition of the remaining 50% of the shares of GR SA in Brazil, completed in March 2008, contributed strongly to this growth. The margin has increased by 100 basis points overall on a constant currency basis to 6.4%.

Regional reviews

Additional information on the performance of each region can be found in the regional reviews on pages 18 to 21.

Unallocated overheads

Unallocated overheads for the year were £58 million (2008: £62 million), reflecting delivery of further efficiencies in the central overhead structure.

Finance costs

Underlying net finance cost, excluding hedge accounting ineffectiveness and the impact of revaluing investments and minority interest put options, was £100 million (2008: £73 million). This reflects the impact of exchange rates on the interest payable on US Dollar and Euro denominated debt and the lower interest rates receivable on cash deposits. It also reflects an increased charge in relation to pensions of £11 million (2008: credit of £2 million). We currently expect the underlying net finance cost for 2010 to be around £85 million at current exchange rates.

Other gains and losses

Other gains and losses include a £7 million (2008: £4 million) cost of hedge accounting ineffectiveness and a £3 million credit (2008: £16 million cost) from revaluing investments and minority interest put options.

Profit before tax

Profit before tax from continuing operations was £773 million (2008: £566 million).

On an underlying basis, excluding the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness and the impact of revaluing investments and minority interest put options, profit before tax from continuing operations increased by 33.1% to £784 million (2008: £589 million).

Income tax expense

Income tax expense from continuing operations was £221 million (2008: £169 million).

On an underlying basis, excluding the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness and the impact of revaluing investments and minority interest put options, the tax charge on continuing operations was £224 million (2008: £171 million), equivalent to an effective tax rate of 29% (2008: 29%). Based on current corporate tax rates applicable to our major countries of operation, we 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 £40 million (2008: £53 million).

Basic earnings per share

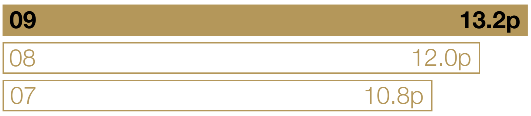
Basic earnings per share, including discontinued operations, were 31.7 pence (2008: 23.7 pence).

On an underlying basis, excluding discontinued operations, the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness, the impact of revaluing investments and minority interest put options, and the tax attributable to these amounts, the basic earnings per share from continuing operations were 30.0 pence (2008: 22.0 pence).

	Attributable profit		Basic earnings per share		
	2009 £m	2008 £m	**2009 pence**	2008 pence	Change %
Reported	**586**	443	**31.7**	23.7	33.8%
Discontinued operations	**(40)**	(53)	**(2.2)**	(2.8)	
Other adjustments	**8**	21	**0.5**	1.1	
Underlying	**554**	411	**30.0**	22.0	36.4%

Dividends

It is proposed that a final dividend of 8.8 pence per share will be paid on 1 March 2010 to shareholders on the register on 29 January 2010. This will result in a total dividend for the year of 13.2 pence per share (2008: 12.0 pence per share), a year on year increase of 10.0%.



The dividend was covered 2.3 times on an underlying earnings basis and 2.6 times on a free cash basis.

Free cash flow

Free cash flow from continuing operations totalled £593 million (2008: £520 million). The major factors contributing to the increase were: £219 million increase in underlying operating profit before associates offset by £93 million higher net capital expenditure and £38 million lower working capital inflow.

Gross capital expenditure of £287 million (2008: £200 million), including amounts purchased by finance lease of £4 million (2008: £8 million), is equivalent to 2.1% of revenues (2008: 1.7% of revenues). We currently expect the level of gross capital expenditure for 2010 to be at a similar level. Proceeds from the sale of assets were £24 million and we expect these will be minimal in 2010.

Working capital continues to be well managed, delivering an overall £8 million working capital inflow in the year. We believe that there remains further scope for improvement.

The cash tax rate for the year was 21% (2008: 25%), based on underlying profit before tax for the continuing operations, benefiting from a few large refunds relating to prior years. We currently expect the cash tax rate to average out towards the 27% level for the short- to medium-term.

The net interest outflow for the year was £100 million (2008: £81 million).

Acquisition payments

The acquisition spend in the year totalled £165 million. This includes £115 million of infill acquisitions (including £52 million on Kimco and £8 million on Lackmann in the USA, £17 million on Plural in Germany and £21 million on McColls retail site leases in the UK) and £35 million on the buyout of minority interests (including £11 million to take our shareholding in Seiyo Foods, our Japanese business, from 95% to 100%).

Disposals

Payments made in respect of businesses disposed or discontinued in prior years totalled £31 million.

Purchase of own shares

The Group spent cash of £12 million (2008: £355 million) on the purchase of its shares in the year.

Return on capital employed

Return on capital employed (ROCE) was 18.7% (2008: 15.2%) based on continuing business before exceptional items, excluding the Group's minority partners' share of total operating profit, net of tax at 28.6% and using an average capital employed for the year of £3,350 million (2008: £3,073 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 2009 was £335 million (2008: £131 million), with the increase principally resulting from lower discount rates. The total pensions charge for defined contribution schemes in the year was £27 million (2008: £28 million) and £34 million (2008: £19 million) for defined benefit schemes. Included in the defined benefit scheme costs was an £11 million charge to net finance costs (2008: £2 million credit).

Financial position

The ratio of net debt to market capitalisation of £7,082 million as at 30 September 2009 was 13% (2008: 16%).

During the year net debt reduced to £943 million (2008: £1,005 million) including a negative impact from foreign exchange translation of £118 million and cash spent on share buy-backs totalling £12 million.

At 30 September 2009, the Group had cash reserves of £588 million. In addition, the Group had an undrawn bank facility of £756 million 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, £200 million of Sterling denominated bonds are due for repayment in January 2010 and it is currently envisaged that this will be paid out of surplus cash. With strong ongoing free cash flow generation, the Group believes that it is in a strong financial position.

The EBIT (earnings before interest and tax) to net interest ratio has increased from 3.2 times in 2006 to 8.8 times in 2009, excluding the amortisation of intangibles arising on acquisition, hedge accounting ineffectiveness, the change in fair value of minority interest put options and discontinued operations. EBITDA (earnings before interest, tax, depreciation and amortisation) to net interest has increased from 5.6 times to 11.1 times in the same period, including discontinued operations but excluding 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.

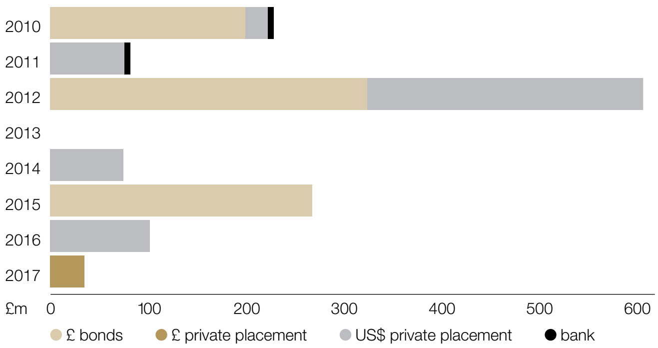
Liquidity risk

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 2009 shows the average period to maturity is 3.1 years.

Maturity profile of principal borrowings
as at 30 September 2009

Years ending 30 September



Borrowings are stated at their nominal value except for the bond redeemable in December 2014 which is recorded at its fair value to the Group on acquisition.

The Group's undrawn committed bank facilities at 30 September 2009 were £756 million (2008: £689 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, currency swaps and forward currency contracts, to manage interest rate and currency risks arising from the Group's operations. The Group does not trade in financial instruments. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks. The Board approves any changes to the policies.

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. To implement this policy, forward currency contracts or currency swaps are taken out which, when applied to the actual currency liabilities, convert these to the required currency. A reconciliation of the 30 September 2009 actual currency liabilities to the effective currency borrowed is set out in note 20 to the consolidated financial statements.

The borrowings in each currency give rise to foreign exchange differences on translation into Sterling. Where the borrowings are either less than, or equate to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the statement of recognised income and expense rather than in the income statement. Non-Sterling earnings streams are translated at the average rate of exchange for the year. This results in differences in the Sterling value of currency earnings from year to year.

The table in note 36 to 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 382.30 pence per share (2008: 344.00 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 this Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 20 includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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

Andrew Martin
Group Finance Director
25 November 2009

Managing risk

The identification of risks and opportunities and the development of action plans to manage the risks and exploit the opportunities is an integral part of the business process, and 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 report on pages 34 to 39 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 lifestyles, tastes and preferences of our consumers.
People	**People retention and motivation**	The recruitment and retention of skilled employees is a challenge faced by the industry at large. The Group has established training and development programmes, succession planning and performance management programmes which are designed to align rewards with our corporate objectives and to retain and motivate our best people.
Supply chain	**Suppliers**	The Group constantly strives to find the right balance between building long-term supply relationships based on the compatibility of values and behaviour with the requirements of the Group as well as quality and price. The Group seeks to avoid over-reliance on any one supplier.
	Traceability	To reduce risk we are focusing on traceability, clear specification of our requirements to nominated suppliers and the improvement of purchasing compliance by unit managers.

Risk		Mitigation
Economic risk	**Economy**	Around 50% of our business, the Healthcare, Education and Defence, Offshore & Remote site sectors, are less susceptible to economic downturns. Revenues in the remaining 50%, the Business & Industry and Sports & Leisure sectors, are more susceptible to economic factors 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 cost 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 marketplace. 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 are subject to appropriate levels of due diligence and approval by Group management. Post-acquisition integration and performance is closely managed and subject to regular review.
	Investment risk	Capital investments are subject to appropriate levels of scrutiny and approval by Group management.
	Joint ventures	In some countries we operate through joint ventures. Procedures are in place to ensure that joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.

Risk	Mitigation
Information technology and infrastructure	The Group relies on a variety of IT systems in order to manage and deliver services and communicate with its customers, suppliers and employees. There is minimal inter-country dependency 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 24 to 27.
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 also been taken to reduce the investment risk in these schemes. Further information is set out in note 23 to the consolidated financial statements on pages 98 to 101.
Tax risk	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we aim to act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable in estimating our tax liabilities. We exercise our judgement, and seek appropriate professional advice, in assessing the amounts of tax to be paid and the level of provision required. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate.

Responsibly

Where possible, we source food and ingredients from growers and producers local to our units, purchase from organic producers and participate in fair trade initiatives. We place great importance on sustainable sourcing and the provenance of the food we use.

In our US business, under our programme, 'It Takes You – Eat Local', sites around the USA feature locally grown produce and provide information about their local farms. Under this initiative, 'buying locally' is defined as food grown within a 150 mile radius, helping to educate consumers about sustainability practices and how buying locally affects the communities in which they live.

Looking ahead, Compass plans to develop partnerships with 2,013 American family-run farms by 2013.

In the UK, our commitment is underlined by our new initiative 'Truly Local', which sets strict criteria such as buying locally directly from growers and producers, often family-run businesses with strong links to the local economy, within a 50 mile radius of our unit.

Acting responsibly

Over the past year, we have continued to build on our Corporate Responsibility ('CR') strategy. Overall, we have made good progress on our CR journey and continue to drive further improvement across our business, particularly in the areas of supply chain and environmental performance. In addition, and in response to feedback from our stakeholders, we have enhanced the scope of our performance reporting relating to people metrics.

Online access
See our full Corporate Responsibility report including the status of our CR performance at:
www.compass-group.com/CR09

We regard CR as a long-term, sustainable approach to business that seeks benefits for all our stakeholders, be they customers, employees, communities, suppliers, the environment or the Company and its shareholders. We support sound CR policies and practices for good business reasons. Our commitment to CR is not simply a response to increased market attention to this area, but acts as a reinforcement of the way that our business operates on a daily basis. 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.

Corporate culture

Our values

Our strong set of values define, collectively, what we believe in and are the basis of everything we do:

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

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 called 'Speak Up' which is managed by an independent company, so that our employees can raise, in confidence, any concerns they may have about how we conduct our business. Following the successful roll-out programme, 'Speak Up' is now available to all of our employees on a global basis. Work continues throughout the business to raise employee awareness and regular progress reports are also 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 CR Committee continues to provide direction and guidance on all aspects of business practice and responsibility ensuring consistent application everywhere we operate. The Committee comprises Susan Murray (Chairman from 1 November 2008), Sir Roy Gardner (Chairman until 31 October 2008), Steve Lucas, Richard Cousins, Andrew Martin, Jane Kingston (Group Human Resources Director) and Mark White. 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 as well as diversity and community investment. A key focus of the Committee has been to improve the scope of our CR commitments and overall performance measurement.

A commitment to develop performance indicators

We are making good progress along our CR journey and we want to update our stakeholders on the progress we are making. As reported in 2008, we made a commitment to further develop our existing set of key CR related Key Performance Indicators ('KPIs') and targets to our stakeholders. This year, following consultation with key stakeholders, we have increased the scope of our CR metrics to include an additional People KPI, which we believe is relevant to our business model and will help drive our sustainability performance. Our 2009-2010 commitments are set out on page 35.

See full details of our CR metrics and performance in our latest online CR report at www.compass-group.com/CR09.

Our CR commitments and progress

We measure and report internally on our performance against each Key Performance Indicator ('KPI') and performance is reviewed by the CR Committee quarterly.

2008-2009 target achieved

2008-2009 target remains as work in progress

	KPI	Target 2008-2009	Our performance	Target 2009-2010	Comment
Energy efficiency	Reduce energy consumption (gas & electricity) of our corporate offices of our 'Top Ten' countries by 3% against a baseline of 2007-2008	3% reduction		3% reduction against 2008-2009 baseline	For full details of greenhouse gas emissions for the year 2008-2009, please look online at www.compass-group.com/CR09
Vehicle efficiency	Achieve a 3% reduction in the annual company vehicle fuel (direct fuel purchased) consumption of the 'Top Ten' countries against a baseline of 2007-2008	3% reduction		3% reduction against 2008-2009 baseline	For full details of greenhouse gas emissions for the year 2008-2009, please look online at www.compass-group.com/CR09
Waste reporting	Achieve 100% compliance in environmental performance reporting of the 'Top Ten' countries against a baseline of 2007-2008	100% compliance		100% compliance against 2008-2009 baseline	We continue to work with our waste collection contractors to improve the accuracy of data relating to our waste consumption
Water consumption	Reduce water consumption of our corporate offices of our 'Top Ten' countries by 3% against a baseline of 2007-2008	3% reduction		3% reduction against 2008-2009 baseline	For full details of our performance for the year 2008-2009, please look online at www.compass-group.com/CR09
Occupational health & safety and food safety	Reduce our Lost Time Injury Rate (LTIR) and Food Safety Incident Rate (FSIR) across our 'Top Ten' countries	Assign target		Reduced LTIR and FSIR compared to 2008-2009 baseline	2008-2009 performance represents our baseline data against which we will measure our future performance
Health and wellness	Achieve a 5% improvement in the total number of operating units providing 'Balanced Choices' (or equivalent healthy eating programme) to their customers by October 2009 across our 'Top Ten' countries	5% increase		5% increase against 2008-2009 baseline or be running 'Balanced Choices' (or a similar programme) in at least 75% of eligible businesses	We are making good progress with our implementation of healthy eating programmes, to help our customers choose healthy food
Employee engagement	Achieve a 63% participation rating in the 2009 'Your Voice' survey	63% participation		N/A	We will conduct the next 'Your Voice' survey globally in 2011
	Achieve a 65% employee engagement rating in the 2009 'Your Voice' survey	65% engagement		N/A	We will conduct the next 'Your Voice' survey globally in 2011
Diversity	Measure and report the number of women appointed to our Global Leadership Team compared to 2007-2008	Increase against 2007-2008 baseline		Increase against 2008-2009 baseline	Our talent management programmes continue to have a positive impact in the workplace
Responsible supply chain	Implement the Compass Sustainable Purchasing Guidelines globally by October 2009	100% compliance with Guidelines		N/A	We continue to make good progress in ensuring that our supply partners operate their businesses responsibly
Business ethics	Measure and report the total number of concerns reported by employees globally, via 'Speak Up'	100% compliance		100% compliance	
New KPIs	**KPI**				
People	Measure and report the global labour turnover rate for above unit and in-unit employees, across our 'Top Ten' countries				
Supply chain	Implement the new Compass Supplier Assurance Standard (including Corporate Responsibility elements) across our 'Top Ten' countries by October 2010				

Our Guiding Principles

- Health, safety and environment first
- Delivering for clients and consumers
- Developing our people and valuing diversity
- Profitable growth
- Constant focus on performance and efficiency

Business in the Community AWARDS 2009 Big Tick re-accreditation

Dow Jones Sustainability Indexes Member 2009/10

FTSE4Good

Indices

Like many listed companies, Compass' CR performance is rated by independent organisations that assess the extent to which companies effectively manage social, environmental and ethical matters.

As a signatory to the United Nations Global Compact, we are also committed to taking action to support and uphold each of the principles it describes in relation to business integrity, human rights and the environment.

The Dow Jones Sustainability Index ('DJSI') assesses companies' corporate responsibility strategies in terms of corporate governance, economic performance and impact on the environment. The results of the 2009 DJSI assessment praised Compass for an improvement in the scope of our quantitative reporting in such areas as environmental reporting.

Since 2005, we have continued to meet the criteria for inclusion in the UK's FTSE4Good Index. The FTSE4Good Index aims to measure the performance of companies that meet globally recognised CR standards and to facilitate investment in those companies where such issues are a deciding factor for investors.

Our people

We employ more than 386,000 people in over 50 countries. As a service organisation, our success is linked to having an engaged workforce and giving people the opportunity to voice their opinion on the business, our processes and practices.

Over the last five years, we have conducted a number of employee surveys to help us better understand how we can maximise employee commitment, retention and discretionary effort, in other words 'engagement'. In May 2009, we conducted our 'Your Voice' survey, which gave over 120,000 employees from 39 of our largest businesses (representing over 95% of total Group revenue) the opportunity to participate. As part of our 2008-2009 CR commitments, we set specific improvement targets regarding employee participation and engagement rates in our 'Your Voice' survey. The results of this year's survey were very encouraging and we achieved a participation rate of 71% (published target 63%) and an engagement rate of 69% (published target 65%), both significantly ahead of our performance since the last survey which was conducted in 2007. Employees reported a substantial increase in confidence regarding our corporate reputation, and an improved view of the learning and development opportunities offered by the organisation. Managers feel the Group is making the right changes to be successful, has a clear sense of direction and is successfully focusing on both long-term strategies and short-term results.

Our positive 'can-do' attitude means our people are motivated to go the extra mile and the results show that our Guiding Principles feature as a part of everyday life at Compass.

Our next global 'Your Voice' survey is planned for 2011 and we will set specific improvement targets as part of our CR metrics, which will be communicated to stakeholders.

Developing our people

Through our global employment brand, talent management and various learning and development programmes, helping our people develop their skills and further their careers within the business has been an area of focus during 2009.

Training and development programmes for all employees are important both for our employees to fulfil their potential and to the ability of our business to achieve its goals. The development of leadership skills of senior managers is also a key objective and, during 2009, we fully implemented a global learning and development programme called 'Mapping for Value', designed to embed our MAP operating framework deeper into the organisation. This highly interactive programme enables our business leaders to equip themselves with the knowledge and tools to help them accelerate the development and delivery of their MAP plans. About 2,000 senior employees have now attended the 'Mapping for Value' programme. Following on from the success of this programme, we have developed an additional initiative called 'Mapping for Action', to be rolled out to around 4,000 site level employees across the Compass globe.

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. Our equal opportunity policy is designed to ensure that both current and potential employees are offered the same opportunity to do a job regardless of sex, race, colour, religion, nationality, ethnic origin, age, sexual orientation, marital status or disability. The more our employees reflect the diversity of our clients and consumers, the better equipped we are to service their needs. We believe we have the right policies in place to meet or exceed legal requirements in this area and, as an example of our ongoing commitment, we have seen a 3.5% increase in the number of women appointed to leadership team positions in the last 12 months and women now hold 18.5% of global leadership team roles.

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 to 30 September 2009, the Group paid gross salary costs of £5,968 million for the continuing business. Within this figure, social security contributions, pensions and other employee costs amounted to £925 million, £50 million and £4 million respectively.

A safe and healthy workplace

Our number one operational priority remains health, safety and the environment for 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 to ensure that they each continue to reflect our aims and aspirations and to meet with current legislation. Supporting the Board is our internal Health, Safety & Environment Forum, made up of technical specialists from around the Compass globe, 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 95% of our countries. Our standards are based on the strictest regulatory requirements and industry best practice. Indeed, world-class performance continues to be our aim, seeking over the short- to medium-term to set the benchmark for our industry.

This year, in line with our published 2008 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 across all of our countries. This data forms the baseline from which to benchmark our 2009-2010 performance and we will update stakeholders on our progress in our 2010 CR Report.

Seiyo Food – Compass Group, our business in Japan, has been awarded an 'Excellent Lifesaving Certification' by the Tokyo Fire Department in recognition of our commitment to health and safety. 'Excellent Lifesaving Certification' is an initiative set up by the Japanese government to establish an effective emergency help system within private businesses. Seiyo Food – Compass Group has been actively encouraging employees to take the basic lifesaving certification and, to date, more than 730 employees have received the certification.

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. A good example of our success was receiving an award at the European FM Awards in June 2009, when our Eurest Services team won the 'Partners Across Borders' category with international client, Shell. In arriving at their decision, the judges took into consideration the strength of the partnership between Eurest Services and Shell and the joint commitment to achieve the client's goals of health and safety excellence, consistent service quality and sustainable cost reduction.

At the Porto Trombetas bauxite mine in the state of Pará, the Amazon Rainforest region, GR SA, our business in Brazil, reached an important safety milestone at their site when they achieved more than six million man-hours worked with no lost-time injuries. At this site, we serve more than 4,000 meals and provide support services to over 6,500 workers every day.

Diet and nutrition

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.

We are working closely with our clients (and through them with our consumers), suppliers, governments and regulators across the globe 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 2009 we have continued to roll out our healthy eating framework, 'Balanced Choices', to enhance nutritional labelling across our food product range, providing consumers with the information that they need to make informed choices. More than 830 units (2008: 750 units) in the UK and over 2,000 units (2008: over 1,750 units) in the US are now qualified to operate 'Balanced Choices'.

Compass is already committed to lead the way in the foodservice industry in understanding the needs of consumers and is at the forefront of providing nutritional information. This year, our UK business has pledged support for the UK Food Standard Agency's programme of introducing calorie labelling at the point of consumer choice. Since January 2009, point of sale material for our 'Core Concepts' menu range has provided calorific values per meal, as well as information on sugar, fat, saturates and salt in an easy to understand Guideline Daily Amounts ('GDA')/traffic light combination, in over 1,300 workplaces. In addition, the UK business has developed its own range of sandwiches and other bakery products with levels of saturated fat and salt that meet the UK Food Standard Agency's targets. By working with suppliers, our UK business has reduced the amount of saturated fats in its own label cooking sauces by 80%, and has also sourced a new cooking oil which is virtually free of trans fatty acids.

£5.6m Worldwide charitable donations in the year to 30 September 2009

Responsible supply chain

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. In 2009, we were awarded four more 'Good Egg' Awards, which are given by the leading farm animal welfare charity, Compassion in World Farming, to companies who source cage-free eggs, or are committed to do so by 2012. Our UK business uses 39 million eggs a year and, although the move to barn or free-range eggs is a complex process, we are actively working to encourage more sites to use only cage-free eggs and to increase our current participation rate of 27%.

Increasingly, we work with our suppliers to support national, regional and local sourcing initiatives and our UK business will source all of its fresh beef from Britain. They currently purchase more than 2,000 tonnes of fresh beef every year and spend in the region of £6 million per annum supplying their 7,000 sites.

In our 2008 CR Report, we reported details of the sustainable fish and seafood sourcing initiative led by our US team in partnership with the Monterey Bay Aquarium. The team has made significant progress during the course of 2009 and has exceeded its target by eliminating 1.5 million pounds of unsustainable seafood from our supply chain, with an overall purchasing rate of 70% sustainable products. In addition, it has removed nearly 300,000 pounds of Atlantic cod from the supply chain, decreased shrimp purchases by 835,000 pounds and unsustainable salmon by 49%, and increased sustainable seafood purchases by 5.5 million pounds. As part of their own sustainable fish programme, our Canadian business is in the process of moving over to wild salmon, thereby removing approximately 50,000 pounds of unsustainable farmed salmon from their menus each year. Finally, our UK and other European businesses have all made marked improvements in their drive to move to more sustainable sources of fish and seafood.

In 2009, in conjunction with key UK clients, we participated in the Supply Chain module of the Carbon Disclosure Project ('CDP'), 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 further collaborate with our suppliers to achieve environmental efficiencies in our day-to-day operations.

Environment

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 supported by a minimum operating standard and a set of behaviours that are being introduced into all our operations.

2009 represented our second year of implementation of a web-based reporting tool to track and report globally in a consistent manner, on our greenhouse gas emissions in our 'Top Ten' countries. Overall, we are delighted to report an improvement in our environmental performance this year and achievement of our 2008-2009 environmental targets. However, whilst our ability to report our performance accurately has improved, this continues to be a challenging data collection exercise for us and we still have more work to do in terms of improving the quality of data provided by our suppliers, particularly in the area of waste. This year, we will continue to work with our 'Top Ten' countries to optimise the quality of information available, to enable us to report our progress.

In the majority of our locations where we are not directly responsible for the procurement of utilities, equipment, fuel etc., we are working closely with our clients to consider how best to improve the environmental performance of our operations. Initiatives to support this activity include the launch of an e-learning tool in the UK to educate our employees on practical steps that they can take to reduce the impact on the environment in their day-to-day operations.

This year, our Australian business achieved internationally recognised ISO certifications for the environment, safety and quality across the whole business, becoming the first company in Australia to achieve this recognition.

Across all of our countries, we are working hard to reduce the impact of food waste. In many countries, food waste accounts for more than 15% of the materials being sent to landfill sites and the food degradation process produces methane, a greenhouse gas that is more potent than carbon dioxide. In addition, there is also a significant economic impact in the disposal of food waste. Compass has created a sustainable programme for building awareness and minimising the impact of food waste called 'Trim Trax'. An important element of the programme is to track, measure and minimise food waste at site level, giving our front line employees the tools, perspective and ownership that they need to 'trim' and 'track' food waste during the production process. Implementing 'Trim Trax' can reduce the cost and footprint of food waste disposal and has lead to improvements in the way we work and a more sustainable future. The 'Trim Trax' programme has been successfully implemented in our North American business, with phased roll-outs planned into our other regions such as the UK, Continental Europe and South America.

Reducing the amount of 'food miles' within our business makes sense from both a commercial and environmental perspective. This year, we have successfully implemented improved logistics models to reduce the number of deliveries required to each site on a daily basis by consolidating all the volume into a 'one stop shop'. For example, in Ireland, we have removed about 2.2 million kilometres from our deliveries, saving 2,000 tonnes of CO_2 per annum. In France, we have reduced delivery kilometres by 20% since 2002 and, in the United Arab Emirates, the new logistics platform is expected to reduce deliveries by around 600,000 kilometres this year.

In 2009, we were pleased to participate in the Carbon Disclosure Project ('CDP') which operates in 66 countries around the world, enabling companies to measure and disclose their greenhouse gas emissions and climate change strategies in order that they can set reduction targets and make performance improvements. We are using the feedback from the CDP to help shape our future environmental strategy.

Compass in the community

We have a strong track record in community engagement and investment, operating the best community-based initiatives that promote healthy lifestyles, tackle social exclusion, improve employment chances and promote sustainability and diversity. Whilst it is not possible to list here all the projects with which Compass has been involved, outlined below are just a few of the many good news stories from 2009. Further examples can be viewed online at www.compass-group.com/CR09.

Our Canadian business and Hydro Quebec have entered into a partnership agreement which offers the local indigenous peoples of the Innu Pakua Shipi and Unamen Shipu the opportunity to work alongside the culinary and facilities management teams of Compass Canada. The programme provides practical vocational training, experience and mentorship in areas such as foodservice, housekeeping and facilities management, which will serve to maximise employment opportunities with Hydro Quebec and projects underway on their traditional lands.

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.

We were delighted that our UK based Junior Chefs' Academy programme has retained its Big Tick in the education category for 2009, awarded by BITC. The award recognises businesses that have demonstrated significant impact and high quality management of their responsible business practices and who can demonstrate a positive impact on both society and the business. The highly successful Junior Chefs' Academy, which attracts, develops and trains new talent for the hospitality industry, has been in operation since 2003 and now includes 47 courses run in 20 colleges across the UK and Ireland. In 2009, Compass expanded the Academy to focus on three different skill levels, linked the Academy to its apprenticeship scheme and started on the path to NVQ accreditation. By the end of 2009, more than 3,600 young people will have experienced a flavour of the hospitality industry.

As a result of the combined efforts of our UK based employees, this year we are proud to have raised over £250,000 for our partner Cancer Research UK. Fundraising initiatives have included a charity cricket match at The Brit Oval cricket ground in London, supported by clients and suppliers, as well as employee sponsorship as part of the J P Morgan Challenge sponsored run held in London. We will continue to support Cancer Research UK with fundraising initiatives during 2010.

Donations

During the year to 30 September 2009 charitable donations were £5.6 million (2008: £1.5 million).

Consistently

Our clients and consumers rely on us to deliver to the highest quality standards, whatever the time of day, wherever they are in the world.

Increasingly, our clients trust us to deliver more for them. More services, from food to retail convenience, from cleaning to office services and, for multinational clients, realising the economies of scale of outsourcing to us across more countries.

Our well recognised 'customer first' hospitality mindset is blended with the 'industrial efficiency' necessary to manage and deliver multiple services to the highest standard at the best value – consistently and measurably, on a global scale.

The Compass Service Framework ('CSF'), our world-leading operating platform, drives consistency and continuity, whether for single site, national or international multi-site contracts. It enables us to deliver world-class services in the most efficient way, consistently, globally, daily and, above all, safely.

Our global team of service delivery experts have developed the CSF using industry leading best practice and procedures tested in some of the most challenging and complex business environments.

For our clients, this means that service excellence comes as standard.

Our Board

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

A | Sir Roy Gardner [1, 2] | Chairman Age 64
Appointed Chairman in July 2006 having been appointed to the Board as senior independent 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 Limited 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 is a former Chief Executive of Centrica plc, Chairman of Manchester United plc, Finance Director of British Gas plc, Managing Director of GEC-Marconi Ltd and a Director of GEC plc and a former non-executive director of Laporte plc. He was also Chairman of the British Olympics Appeal Committee for the Beijing Games 2008. Sir Roy received his Knighthood in 2002 for services to the gas and electricity industries.

B | Richard Cousins [2, 3, 4, 11] | Group Chief Executive Age 50
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 49
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 & Mexico Age 52
Appointed to the Board in January 2007. 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 53
Appointed to the Board in February 2007. He is Chairman of Misys plc, a non-executive director of ITV plc and a trustee of Cancer Research (UK). He was formerly Chief Executive of HBOS plc and Deputy Chairman of the Financial Services Authority. He is a Fellow of the Faculty of Actuaries.

F | Steve Lucas [2, 8, 9] | Non-executive director Age 55
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 52
Appointed to the Board in October 2007. She is non-executive Chairman of Farrow & Ball and a non-executive director of Enterprise Inns Plc, Wm Morrison Supermarkets PLC and Imperial Tobacco PLC. She is a former non-executive director of Aberdeen Asset Management PLC and SSL International PLC, a 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 54
Re-appointed 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 Executive Chairman of The Samsonite Corporation, non-executive Chairman of PBL Media Holdings Pty Ltd and a director of British Pathe Limited. He was formerly Chief Executive of the AA and a non-executive director of Boots Group plc until its merger to become Alliance Boots plc.

I | Don Robert [3, 6] | Non-executive director Age 50
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. Don is a director of First Advantage Corporation and is former 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 67
Appointed to the Board in December 2006. He was a former Chairman of Ladbrokes plc (formerly Hilton Group plc) and of 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. Sir Ian received his Knighthood in 2000 for services to the electricity industry.

Company Secretary

K | Mark White [2, 5, 11, 12] | General Counsel & Company Secretary Age 49
A solicitor who joined Compass Group on 1 June 2007. He is secretary to the Audit, General Business, Nomination and Remuneration Committees. Mark was previously Group Company Secretary and Counsel of Wolseley plc and Company Secretary of Enterprise Oil plc and Rotork plc.

Report

Governance

Consolidated financial statements

Parent Company financial statements

Shareholder information

Index to the financial statements

Online access

See this Report online at:
www.compass-group.com/annualreport09

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 2009. The Corporate Governance Report set out on pages 46 to 51 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 over 50 countries around the world. 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 24 to 31 and are incorporated into this Report by reference.

Results and dividends

The Group's consolidated income statement, set out on page 61 shows an increase of 33.1% in Group operating profit from £659 million to £877 million. An analysis of revenue and operating profit is set out on pages 70 to 71 in note 1 to the consolidated financial statements. There have been no significant post balance sheet events.

The 2009 interim dividend of 4.4 pence per share (2008: 4.0 pence) was paid to shareholders on 3 August 2009. The directors recommend a final dividend of 8.8 pence per share (2008: 8.0 pence) making a total dividend for the year of 13.2 pence per ordinary share, an increase of 10% on the 12.0 pence paid in respect of last year. Payment of the recommended final dividend, if approved at the Annual General Meeting, will be made on 1 March 2010 to shareholders registered at the close of business on 29 January 2010. The shares will be quoted ex-dividend from 27 January 2010.

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 Compass Group PLC 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 54 to 57. The trustees of the ESOP, LTIPT and CGET hold 674,613 (2008: 1,259,062), 17,209 (2008: 17,209) and nil (2008: 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 2009 was £100,490 (2008: £97,989).

The Company's dividend reinvestment plan will continue to be available to eligible shareholders. Shareholders who do not currently participate in the plan and wish to do so can obtain an application form and explanatory booklet from the Company's Registrars, Capita Registrars (contact details for the Registrars are given on page 125) 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 2009 final dividend is 4 February 2010.

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, 1,855,854,883 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 2009, options were exercised and awards released pursuant to the Company's share option schemes and LTIP, resulting in the allotment of 15,856,225 new ordinary shares. A further 2,040,924 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 published in the Investor Relations section of the Company's website at www.compass-group.com and is available from the Company on request.

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. This followed buy-back programmes in 2007 and 2008 which had taken place following the disposals of Select Service Partner and the Selecta vending business in 2006 and 2007 respectively. During the year ended 30 September 2009 3,975,000 ordinary shares of 10 pence each of the Company (representing 0.216% of the ordinary shares in issue on 1 October 2008) were purchased and cancelled for a consideration of £12.58 million (including expenses), representing all of the ordinary shares purchased to date.

Resolution 12 set out in the Notice of Meeting will be proposed as a Special Resolution to renew the directors' limited authority last granted in 2009 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 announced in 2008. 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 10 set out in the Notice of Meeting to renew the authority granted to them at the Annual General Meeting held in 2009 to allot equity shares up to an aggregate nominal value of £61,800,000 (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 propose to extend this by a further £61,800,000 (representing 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 Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2011, whichever is the sooner.

The limited power granted to the directors at last year's Annual General Meeting to allot equity shares for cash other than pro rata to existing shareholders expires no later than 4 May 2010. Subject to the terms of the section 551 authority, your directors recommend that this authority should be renewed. Resolution 11 set out in the Notice of Meeting will be proposed as a Special Resolution to give your directors the ability (until the Annual General Meeting to be held in 2011) 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 pro rated 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 10 and 11 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 cancellations of existing shares and issues of new shares are set out in note 24 to the consolidated financial statements on pages 103 to 104, 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 Compass Group PLC's voting rights
Legal & General Group Plc	5.99	5.99
Blackrock, Inc	5.01	5.01

Directors

Brief particulars of the directors in office at the date of this Report are listed on page 42 and further details of the Board composition are disclosed in the Corporate Governance report. Don Robert was appointed as a non-executive director on 8 May 2009 and he will stand for election at the Annual General Meeting. The directors standing for re-election at the Annual General Meeting are Gary Green, Sir Ian Robinson and Steve Lucas. Each of these three directors, being eligible, offers himself for re-election and each, following a performance evaluation during the year, continues to be effective and demonstrates commitment to his 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 judgement. Sven Kado retired from the Board on 5 February 2009.

Directors' interests in shares

The directors in office on 30 September 2009 had the following interests in the ordinary shares of the Company.

	30 September 2009	1 October 2008 (or on appointment)
Richard Cousins	783,046	300,000
Sir James Crosby	34,000	34,000
Sir Roy Gardner	223,878	200,000
Gary Green	996,395	630,457
Steve Lucas	1,000	1,000
Andrew Martin	452,822	158,559
Susan Murray	2,500	2,500
Tim Parker	21,691	20,878
Don Robert[1]	–	–
Sir Ian Robinson	6,289	6,289

1 Don Robert was appointed as a non-executive director on 8 May 2009. On 25 November 2009, Don Robert purchased 30,000 ordinary shares in the capital of the Company. The shares are registered in the name of The Robert Family Trust.

With the exception of Don Robert, there were no changes to the shareholdings of those directors in office on 30 September 2009 between 1 October 2009 and 25 November 2009.

Half-yearly reporting

With effect from 20 January 2007, the Listing Rules and Disclosure and Transparency Rules ('DTR') were amended and updated by the Financial Services Authority to implement a new reporting regime set out in the EU Transparency Directive. One of the changes brought about by the Transparency Directive was to remove the requirement for companies to either send out half-yearly reports to all shareholders or to advertise the content in a national newspaper.

Half-yearly reports ceased to be sent directly to shareholders from June 2009. These are, however, available on the Company's website at www.compass-group.com.

Corporate governance

including the report of the Audit Committee

Combined Code compliance

The Board is committed to the highest standards of corporate governance set out in the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the 'Code'). 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 52 to 58, 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.

The Board

As at 30 September 2009 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. Tim Parker was re-appointed as a non-executive director on 1 November 2008, following his retirement on 23 May 2008 and Don Robert was appointed as a non-executive director on 8 May 2009. Sven Kado retired from the Board on 5 February 2009. 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 judgement. 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 42. 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 52 to 58.

The Board meets regularly during the year as well as on an ad hoc basis, as required by business need. 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, 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 49. The Board met eight times during the year and director attendance for each meeting is shown in the table on page 49. 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.

The Chairman has addressed the developmental needs of the Board as a whole, with a view to developing its effectiveness as a team and assists in the development of individual skills, knowledge and expertise. During 2008, the Board conducted a detailed evaluation of its own performance and that of the Audit, Nomination and Remuneration committees by means of a written questionnaire. 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 and the results have been used to re-assess effectiveness during the year. One specific requirement which was identified in 2008 was the need to widen the non-executive experience on the Board with an individual who had suitable international and strategic experience. This led to the appointment of Don Robert in May 2009.

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, which re-assessed the results of the questionnaires referred to above.

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 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 an 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 the effectiveness of the Board 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 that 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 2009 Board meeting.

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 Annual General Meeting every three years. 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, 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. With the exception of Don Robert, all of the directors being proposed for election or re-election at the Annual General Meeting have been subject to a performance evaluation during the year ended 30 September 2009 and the Board is content that each has continued to be effective and has demonstrated his commitment to his respective role.

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. Membership of the various committees is shown on pages 47 to 49. The General Counsel and Company Secretary acts as secretary to all Board committees.

Audit Committee

At the date of this Report, the Audit Committee comprises Steve Lucas (Chairman), Tim Parker (from 1 November 2008), Sir Ian Robinson and Don Robert (from 21 July 2009). The committee's membership is reviewed by the Nomination Committee and as part of the annual Board performance evaluation. Members of the committee are appointed by the Board following recommendations by the Nomination Committee.

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 42. 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 he is currently Finance Director of National Grid plc.

All members of the committee receive 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 judgement 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. The committee met four times during the year and members' attendance at the meetings is set out in the table on page 49.

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 Annual General Meeting to respond to any shareholder questions that might be raised on the committee's activities. The remuneration of the members of the committee is set out on page 54 and the policy with regard to the remuneration of the non-executive directors is set out on page 58.

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 preliminary announcements made to the London Stock Exchange; significant accounting issues including the consideration of any goodwill impairment assessments; operation of 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, re-appointment 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 judgements; 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.

Corporate governance

including the report of the Audit Committee

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 re-appointed annually by shareholders. 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 judgements 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 2009 were £4.9 million (2008: £5.3 million) of which £1.5 million (2008: £2.1 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 30 September 2009 can be found in note 2 to the consolidated financial statements on page 74.

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, where practicable, all proposed announcements to be made by the Company to the extent that they contain material financial information. 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 whistle-blowing or '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. 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 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, will 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 feed 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 and at the date of this Report is comprised of Sir Roy Gardner (Chairman), Sir James Crosby, Richard Cousins, Susan Murray, Sir Ian Robinson and Don Robert (from 21 July 2009). The 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 committee retains external search consultants as appropriate (and did so with respect to the appointment of Don Robert) and reviews the leadership needs of the Group to enable it to compete effectively in the marketplace. The committee also advises the Board on succession planning for executive board appointments although the Board itself is responsible for succession generally. The committee met twice during the year and director attendance for such meetings is shown in the table on page 49.

Remuneration Committee

At the date of this Report the Remuneration Committee comprises Sir James Crosby (Chairman), Steve Lucas, Tim Parker (from 1 November 2008) and Susan Murray (from 21 July 2009), all of whom are independent within the definition set out in the Code. The committee met four times during the year and director attendance for each meeting is shown in the table on page 49. The committee is responsible for making recommendations on remuneration to the Board. The Director's Remuneration report is set out on pages 52 to 58.

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

General Business Committee

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

Corporate Responsibility Committee

The Corporate Responsibility Committee comprises Susan Murray (Chairman from 1 November 2008), Sir Roy Gardner (Chairman to 31 October 2008), Richard Cousins, Andrew Martin, Steve Lucas, Mark White and the Group Human Resources Director. The committee's primary responsibilities include; health, safety and environment practices, business conduct, the promotion of employee engagement and diversity and community investment.

Disclosure Committee

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

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.

Meetings attendance

The following table shows the attendance of directors in office at 30 September 2009 at meetings of the Board, Audit, Remuneration and Nomination Committees during the year:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Richard Cousins	8	8	–	–	–	–	2	2
Sir James Crosby	8	8	–	–	4	4	2	2
Sir Roy Gardner	8	8	–	–	–	–	2	2
Gary Green	8	8	–	–	–	–	–	–
Steve Lucas	8	8	4	4	4	4	–	–
Andrew Martin	8	8	–	–	–	–	–	–
Susan Murray	8	8	–	–	1	1	2	2
Tim Parker[1]	8	8	4	4	3	4	–	–
Don Robert[2]	3	3	1	1	–	–	1	1
Sir Ian Robinson	8	8	4	4	–	–	2	2

This table shows only those meetings which each director attended as a member rather than as an invitee.
1 Tim Parker was re-appointed as a director of the Company on 1 November 2008.
2 Don Robert was appointed as a director of the Company on 8 May 2009.

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.

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', an ongoing process had 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 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 24 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 significant 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 2009 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.

Corporate governance

including the report of the Audit Committee

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') process 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 47 to 48 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 2009 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 section 1 of the Code 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.

Communications 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 Annual General Meeting 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 presentations and interviews with the Group Chief Executive and Group Finance Director, are and will be posted on the Company's website. The Notice of Annual General Meeting 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 Annual General Meeting 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 proxy votes for and against each resolution, as well as abstentions (which may be recorded on the proxy form accompanying the Notice of Meeting), are counted before the Annual General Meeting and the results will be made available at the meeting after shareholders have voted on each resolution on a show of hands. The results are also 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 34 to 39. The Group's charitable donations in 2009 totalled £5.6 million (2008: £1.5 million).

At each Annual General Meeting 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 CA 2006) of not more than £125,000 in total until the Company's next Annual General Meeting, which they might otherwise be prohibited from making or incurring under the terms of 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 Annual General Meeting.

Awards under employee share schemes

In March 2009 options were granted under the Compass Group Management Share Option Plan over 5,377,627 ordinary shares (March 2008: 4,670,990) to senior employees of the Group at an option price of 319.0 pence per share. In September 2009 further options were granted under the Compass Group Management Share Option Plan over 187,348 ordinary shares (September 2008: 207,309) to senior employees of the Group at an option price of 372.4 pence per share. There are also rules in place for a discretionary share option plan for senior employees and all-employee share plans in the UK and overseas. No grants were made under any of these plans during the year ended 30 September 2009 (2008: nil). Further details regarding the plans, including the total number of options outstanding, are set out in notes 24 and 26 to the consolidated financial statements on pages 103 to 104 and 106 to 110. Details of awards made to directors of the Company under the LTIP are set out on page 55. The LTIP is described in more detail in the Directors' Remuneration report on pages 54 to 55 which shows the total number of LTIP awards outstanding as at 30 September 2009.

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 18 employee representatives on the Compass European Council from eight countries.

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 five trustee directors are UK-based employees of the Group, two 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, three of whom have been nominated by Plan members. The other main UK pension arrangement, the Compass Pension Scheme (the 'Scheme') is a closed defined benefit scheme. 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. 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 highly 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 2009 was equivalent to 54 days (2008: 53 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 who live 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 125 to 126 or 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 8 in the Notice of Meeting concerning their re-appointment and Resolution 9 in the Notice of Meeting concerning the determination of their remuneration are to be proposed at the Annual General Meeting. 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.

Annual General Meeting

The Notice of Meeting setting out the resolutions to be proposed at the Annual General Meeting to be held on 5 February 2010, together with explanatory notes, is set out on pages 127 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
25 November 2009

Compass Group PLC
Registered in England and Wales No. 4083914

Directors' remuneration report

including the statement of remuneration policy for the year ended 30 September 2009

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 ('CA 2006'). Shareholders will be invited to approve the Report at the Annual General Meeting on 5 February 2010. The Report covers the following matters:

- executive remuneration policy for the year ended 30 September 2009 and the intended policy for the year ending 30 September 2010; and
- directors' remuneration, incentive plan participation and pension provision.

With the exception of the annual performance-related award, service agreement details, the first shareholder return graph on page 56, disclosure of remuneration to other senior executives and external directorships, the information set out on pages 52 to 58 of this Report represents the auditable disclosures referred to in the Auditors' report on page 60 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 Code). During the year the committee comprised the following non-executive directors:

Sir James Crosby
(Chairman, senior independent non-executive director)
Sven Kado (to 5 February 2009)
Steve Lucas
Susan Murray (from 21 July 2009)
Tim Parker (from 1 November 2008)

Biographical details of the current members of the committee are set out on page 42. 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 49.

Non-executive directors who are not members of the committee are entitled to receive the papers discussed at meetings and the minutes.

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 the design of incentive arrangements and general human resource and compensation related matters. Alithos Limited provided information for the testing of the total shareholder return performance conditions for the Company's Long-Term Incentive Plan ('LTIP').

The Chairman and the Group Chief Executive together with Jane Kingston, the Group Human Resources Director, and David Walker, 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 performance targets of all the Company's share plans were reviewed, as was the headroom available in issued share capital before each grant was made. The committee also reconfirmed that no bonus matching awards or share option grants would be made to executive directors without seeking shareholder approval.

During the year, the committee formally reviewed the LTIP and Management Share Option Plan ('MSOP') which are due to end in July 2010 and February 2012 respectively. The Company proposes to replace the LTIP and MSOP and details of the principal terms and conditions of the replacement plans can be found in the Notice of Annual General Meeting on pages 131 to 133. The structure, shape and quantum of any future awards under the proposed new rules will remain broadly similar to those under the existing rules. Any proposed amendments have been drafted to take account of current governance and shareholder guidelines.

Directors are not eligible to receive grants under the current MSOP and this principle will also apply to the proposed new plan.

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. 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. Percentage increases to basic salary awards for executive directors and other members of the Executive Committee during the year ended 30 September 2009 were in line with those awarded to other employees in the Group working in the same country in that period.

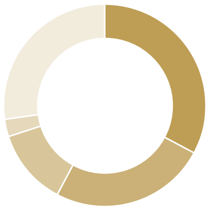
The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's key objectives, such that a significant portion of total 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.

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 2009. This is the same for each executive director.

Executive directors' remuneration package elements

Year ended 30 September 2009

- Salary 33%
- Annual bonus 25%
- Pension 12%
- Benefits 3%
- LTIP 27%



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 Group directors for the year ending 30 September 2010 will be substantially different to those in place in the financial year ended 30 September 2009.

The annual base salaries of the executive directors are:

Richard Cousins	£892,500 (effective 1 July 2009, increased by 2% from £875,000)
Gary Green	US$1,071,000 (effective 1 January 2009, increased by 2% from $1,050,000)
Andrew Martin	£535,500 (effective 1 January 2009, increased by 2% from £525,000)

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 2010 will not be substantially different to those offered in the financial year ended 30 September 2009.

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 2009 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.

Richard Cousins and Gary Green receive a salary supplement equal to 35% of their basic salaries in lieu of pension as reported in previous years. 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 2009 was 75% of base salary, with a further maximum of 75% of base salary available for superior performance.

For the year ended 30 September 2009, the bonus measures for Messrs Cousins and Martin were Group profit before interest and tax ('PBIT') – 60%, Group free cash flow ('GFCF') – 20% and a personal target ('PT') – 20%, with a supplementary financial underpin such that the amount payable pursuant to the achievement of the GFCF and PT measures would be halved unless the threshold PBIT measure was achieved. In addition to Mr Green's personal target representing 20% of bonus, his targets of PBIT – 60%, and free cash flow – 20% are split between Group and his area of responsibility in the USA, Canada and Mexico as follows: PBIT – 20% Group / 40% local, and 5% GFCF / 15% local operating cash. Bonus measures dependent on GFCF are subject to the caveat that GFCF should not be affected by Board approved strategic capital expenditure.

The percentages of base salary shown below were paid to the directors, by way of annual bonus, for the year ended 30 September 2009:

	Actual bonus paid (% of base salary)
Richard Cousins	127.5%
Gary Green	126.0%
Andrew Martin	129.0%

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 2010, to more closely align performance conditions with current strategy, a revenue growth ('RG') performance target be incorporated in the annual bonus, to the extent that personal targets and RG targets each represent 15% of the bonus measures and that the PBIT and free cash flow measures represent 55% and 15% respectively. Achievement of the free cash flow, PT and RG measures may not exceed on-target (par) payment unless the threshold PBIT measure is achieved.

Directors' remuneration report

including the statement of remuneration policy for the year ended 30 September 2009

Emoluments

The aggregate remuneration of the directors who served during the financial year ended 30 September 2009 was as follows:

Directors' Remuneration

Name of director	Salary and fees £000	Salary supplement[1] £000	Annual performance-related bonus £000	Benefits[6] £000	2009 Total £000	2008 Total £000
Chairman						
Sir Roy Gardner	418	–	–	45	463	451
Executive directors						
Richard Cousins	879	308	1,138	36	2,361	2,334
Gary Green[2]	682	239	864	39	1,824	1,422
Andrew Martin	533	187	691	49	1,460	1,480
Non-executive directors						
Sir James Crosby	110	–	–	–	110	100
Steve Lucas	90	–	–	–	90	75
Susan Murray	77	–	–	–	77	58
Tim Parker[3]	64	–	–	–	64	45
Don Robert[4]	28	–	–	–	28	–
Sir Ian Robinson	70	–	–	–	70	60
Former directors						
Sven Kado[5]	30	–	–	–	30	68
Directors who left during the previous year	–	–	–	–	–	5
Total	2,981	734	2,693	169	6,577	6,098

1 A supplement of 35% of basic salary is paid in monthly instalments in lieu of pension participation.
2 Gary Green's salary of $1.065 million and other emoluments are given in Sterling using an exchange rate of $1.5610/£1 (2008: $1.9744/£1).
3 Tim Parker was a director of the Company to 23 May 2008 and from 1 November 2008.
4 Don Robert was appointed a director of the Company on 8 May 2009.
5 Sven Kado resigned as a director of the Company on 5 February 2009. The figure shown for Mr Kado includes a pro-rated fee of €10,000 per annum in respect of his non-executive directorship of Compass Group Deutschland GmbH.
6 Benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.

Long-Term Incentive Plan

The Company currently operates a LTIP under which 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. Prior to each year end the committee agrees the LTIP awards to be made on the basis of the share price as at the year end. Because each LTIP award also depends on financial information only available after the year end LTIP grants are not normally made until some weeks after the year end. Both total shareholder return ('TSR') and GFCF have been selected since 2006 as the performance conditions which are considered to align the interests of participants with those of the shareholders. The 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 (which aligns the interests of participants with those of shareholders). In 2007 the committee reviewed the TSR comparator group and determined that the financial services constituents of the FTSE 100 should be excluded for the purpose of the TSR target for awards made in the years after the financial year ended 30 September 2008. For awards made prior to this date, the TSR comparator group was the entire FTSE 100.

50% of any LTIP 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 target for the award made in the year ended 30 September 2009 was, and for the year ending 30 September 2010 will be, subject to the caveat that GFCF should not be affected by Board approved strategic capital expenditure.

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. Calculations of the achievement of the targets are independently performed and are approved by the committee.

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). 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.

Awards made since 2004 do not benefit from retesting. In addition, 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.

Awards are discretionary and may be granted up to an annual maximum of 200% of base salary. Awards made in the year ended 30 September 2009 were equal to 150% of basic salary.

The following table sets out the percentage of each award made within the last five years which has vested and the percentage of each extant award, had it vested on 30 September 2009:

Long-Term Incentive Plan Performance

Year of award	Maturity date	Performance conditions	TSR position	Percentage vested on maturity or indicative vesting percentage
2004–2005	1 October 2007	TSR	96	0%
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	10 (performance after 24 months)	100% (performance after 24 months)
2008–2009	1 October 2011	TSR/GFCF	26 (performance after 12 months)	77.5% (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.

No awards can be made under the existing LTIP after July 2010 and a new plan will be submitted to shareholders for approval at the Annual General Meeting. The Committee considers that TSR and GFCF performance conditions continue to be appropriate measures for the LTIP as they align the interests of participants with those of the shareholders. The terms of the proposed new plan will remain broadly similar to those of the existing rules as outlined above, such that awards will continue to be subject to primary performance conditions of TSR and GFCF and the maximum annual opportunity will not exceed 200% of base salary. The proposed new plan rules have been drafted to take account of current governance guidelines. Key proposed amendments include the ability to settle awards in shares or cash (if required), a reduction in the averaging period for determination of the TSR performance condition from six months to three months and implementation of a recoupment policy in the event of material fraud or misconduct by the recipient. The principal terms and conditions can be found in the Notice of General Meeting on pages 131 to 132.

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 LTIP to the executive directors in office during the year ended 30 September 2009 are shown in the table below:

Name of director	As at 30 Sep 2008: 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 2009: number of shares	Market price at date of award: pence	Performance conditions	Date of award	Vesting date
Richard Cousins	727,272	–	727,272	–	–	206.25	TSR/GFCF[2]	14 Jun 2006	1 Oct 2008
	419,384	–	–	–	419,384	312.00	TSR/GFCF[2]	8 Mar 2007	1 Oct 2009
	529,800	–	–	–	529,800	322.75	TSR/GFCF[3]	20 Dec 2007	1 Oct 2010
	–	381,540	–	–	381,540	306.25	TSR/GFCF[3]	28 Nov 2008	1 Oct 2011
	1,676,456	**381,540**	**727,272**	**–**	**1,330,724**				
Gary Green	104,896	–	–	104,896	–	371.75	TSR[1]	19 Dec 2003	1 Oct 2008[4]
	365,938	–	365,938	–	–	206.25	TSR/GFCF[2]	14 Jun 2006	1 Oct 2008
	298,706	–	–	–	298,706	312.00	TSR/GFCF[2]	8 Mar 2007	1 Oct 2009
	323,522	–	–	–	323,522	322.75	TSR/GFCF[3]	20 Dec 2007	1 Oct 2010
	–	256,856	–	–	256,856	306.25	TSR/GFCF[3]	28 Nov 2008	1 Oct 2011
	1,093,062	**256,856**	**365,938**	**104,896**	**879,084**				
Andrew Martin	460,606	–	460,606	–	–	206.25	TSR/GFCF[2]	14 Jun 2006	1 Oct 2008
	279,588	–	–	–	279,588	312.00	TSR/GFCF[2]	8 Mar 2007	1 Oct 2009
	331,126	–	–	–	331,126	322.75	TSR/GFCF[3]	20 Dec 2007	1 Oct 2010
	–	228,924	–	–	228,924	306.25	TSR/GFCF[3]	28 Nov 2008	1 Oct 2011
	1,071,320	**228,924**	**460,606**	**–**	**839,638**				

1 100% of the award is based on growth in the Company's TSR relative to the FTSE 100 subject to the achievement of a supplementary financial underpin whereby average increase in earnings per share must be greater than the increase in RPI over a three-year period.
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.
3 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.
4 Awards made prior to 2004 were subject to retesting. The date shown is the final vesting date for this award. After 2004, all awards have only one vesting date as shown.

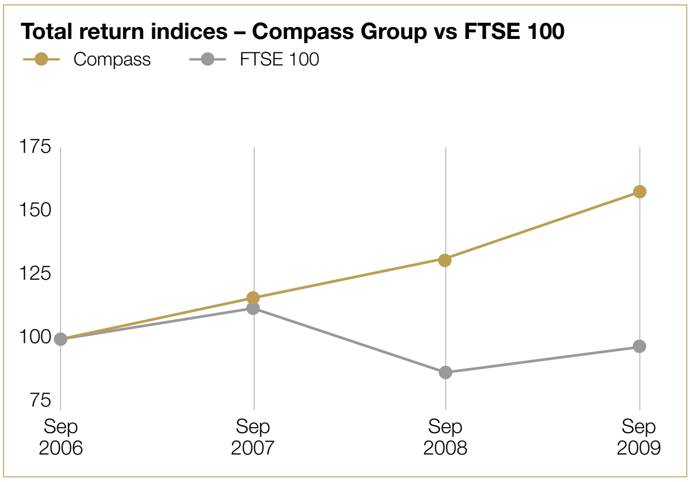
Aggregate gross gains realised by Messrs Cousins, Martin and Green were £4,598,901 in the year ended 30 September 2009. The share price at the time of release of their awards was 291.5 pence, 291.5 pence and 310.5 pence per share respectively.
The highest mid-market price of the Company's ordinary shares during the year was 382.3 pence and the lowest was 237.5 pence. The year end price was 382.3 pence.
The market price on 20 November 2009, the provisional date of vesting of the award made on 14 June 2006, was 399.7 pence.
All awards were granted for nil consideration.

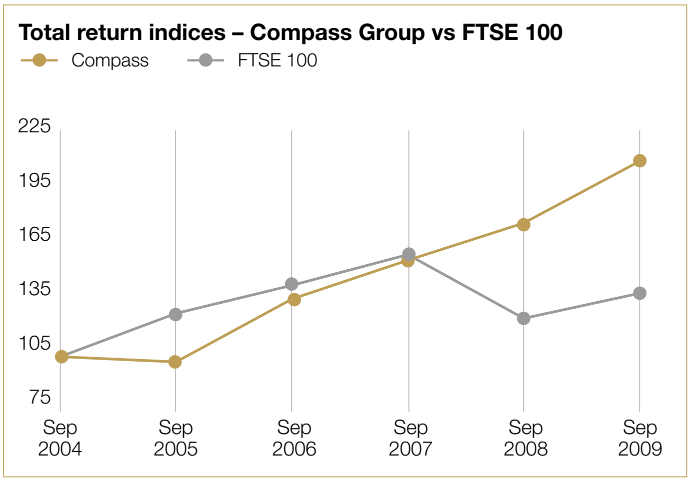
Directors' remuneration report

including the statement of remuneration policy for the year ended 30 September 2009

Total shareholder return

The performance graphs below show the Company's TSR performance against the performance of the FTSE 100 over the three- and five-year periods to 30 September 2009. 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 2009, and this will continue to be the policy for the year ending 30 September 2010.

Awards prior to 2005 were made under the Compass Group Bonus Matching Shares Plan and the Compass Group Share Option Plan. Further details of the plans may be found in prior years' Annual Reports. Shareholder approval will be sought should the Company wish to make any further awards to executive directors under either plan.

Existing rights under the Group Share Option Plan remain and may result in the vesting of further shares in the capital of the Company. Under the Compass Group Share Option Plan, 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 EPS performance condition, after which they lapse.

The Company also has in place UK and overseas all-employee plans in which executive directors may participate. However, no grants have been made under these plans since 2005. Further details of the plans may be found in prior years' Annual Reports.

The table below shows the number of options and awards held by the directors in office during the year under the suspended share incentive plans:

Directors' interests in share options

Name of director	At 30 Sep 2008: number of shares	Exercised during the year: number of shares[1]	Lapsed during the year: number of shares	At 30 Sep 2009: number of shares	Exercise price: pence	Performance conditions (see notes below)	Normal exercise period
Gary Green							
Share Option Plan	467,925	467,925	–	–	316.10	2	29 Sep 2002–28 Sep 2009
	458,750	–	–	458,750	371.60	3	13 Sep 2003–12 Sep 2010
	350,000	–	–	350,000	430.00	3	19 Sep 2004–18 Sep 2011
	350,000	–	–	350,000	422.00	3	23 May 2005–22 May 2012
	129,500	–	–	129,500	292.50	3	30 Sep 2005–29 Sep 2012
	500,000	–	–	500,000	320.00	3	28 May 2006–27 May 2013
	300,000	–	–	300,000	316.25	3	03 Aug 2007–02 Aug 2014
	450,000	–	–	450,000	229.25	3	01 Dec 2007–30 Nov 2014
	3,006,175	467,925	–	2,538,250			
Andrew Martin							
Share Option Plan	650,000	–	–	650,000	333.50	3	07 Jun 2007–06 Jun 2014
	365,000	–	–	365,000	229.25	3	01 Dec 2007–30 Nov 2014
	1,015,000	–	–	1,015,000			

1 The market value at the date of exercise was 358.4 pence per share.
2 Options were awarded under the Compass Group 1999 Executive Share Option Plan. The performance targets on these grants ceased to apply following the Granada Compass Merger in 2000.
3 Options were awarded under the Compass Group Share Option Plan. 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.

No awards or options were granted under any of the suspended share plans during the year ended 30 September 2009.
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 382.3 pence and the lowest was 237.5 pence. The year end price was 382.3 pence.

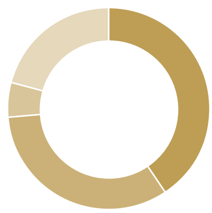
Dilution limits

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.

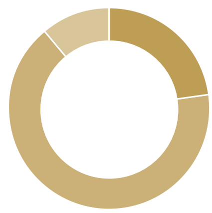
The committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of options or share awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were utilised in the year ended 30 September 2009.

As at 30 September 2009, the Company's headroom position, which remains within current ABI Guidelines, was as shown in the chart opposite:

Scheme limits headroom



10% in 10 years
- Headroom 4.06%
- ESOP 3.31%
- LTIP 0.55%
- SAYE 2.08%



5% in 10 years
- Headroom 1.14%
- ESOP 3.31%
- LTIP 0.55%

Directors' remuneration report

including the statement of remuneration policy for the year ended 30 September 2009

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 and believes the obligation to mitigate adequately addresses the issue.

The 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, subject to the Board's approval. Richard Cousins received a fee of £29,740, which he was permitted to retain, during the year in respect of his directorship of HBOS plc, from which he resigned on 16 January 2009. On 1 October 2009 he was appointed as a non-executive director of Reckitt Benckiser Group plc.

Share ownership policy

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 of at least 100% of gross base salary. New directors will undertake to build up their shareholding within four years of their appointment.

The committee reviewed and noted that these targets were achieved by all executive directors during the year. Directors' current shareholdings are set out on page 45.

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 £424,320 per annum, with effect from 1 July 2009 (increased by 2% from £416,000). 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 2009 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. They are appointed for an initial period of three years, after which the appointment is renewable at three-year intervals by mutual consent. Details of their appointments, which are terminable without compensation, are set out in the table below.

Non-executive director	Original date of appointment	Letter of engagement	Total length of service at 30 Sep 2009
Sir Roy Gardner	1 Oct 2005	15 Sep 2005 (rev. 8 May 2009)	4 years
Sir James Crosby	17 Feb 2007	16 Feb 2007 (rev. 21 Sep 2009)	2 years, 7 months
Steve Lucas	7 Jul 2004	17 Jun 2004 (rev. 25 Jun 2007)	5 years, 2 months
Susan Murray	11 Oct 2007	11 Oct 2007	2 years
Tim Parker[1]	1 Nov 2008	1 Nov 2008	11 months
Don Robert	8 May 2009	8 May 2009	5 months
Sir Ian Robinson	1 Dec 2006	1 Dec 2006 (rev. 21 Sep 2009)	2 years, 10 months

1 Tim Parker was a non-executive director from 17 February 2007 to 23 May 2008 and from 1 November 2008.

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 2009 £000	Number in band (2008 in brackets)
501-1,000	2 (–)
1,001-1,500	4 (5)
1,501-2,000	– (3)

On behalf of the Board

Sir James Crosby
Chairman of the Remuneration Committee
25 November 2009

Consolidated financial statements

Directors' responsibilities

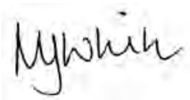
The annual report and accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

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
25 November 2009

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 2009 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, the accounting policies and the related notes 1 to 37. 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 sections 495 and 496 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 2009 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 2009.

Martin Eadon (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 November 2009

Consolidated income statement

for the year ended 30 September 2009

	Notes	2009 £m	2008 £m
Continuing operations			
Revenue	1	**13,444**	11,440
Operating costs	2	**(12,574)**	(10,785)
Operating profit	1	**870**	655
Share of profit of associates	1,13	**7**	4
Total operating profit	1	**877**	659
Finance income	4	**14**	27
Finance costs	4	**(114)**	(100)
Hedge accounting ineffectiveness	4	**(7)**	(4)
Change in the fair value of investments and minority interest put options	4	**3**	(16)
Profit before tax		**773**	566
Income tax expense	5	**(221)**	(169)
Profit for the year from continuing operations	1	**552**	397
Discontinued operations			
Profit for the year from discontinued operations	6	**40**	53
Continuing and discontinued operations			
Profit for the year		**592**	450
Attributable to			
Equity shareholders of the Company		**586**	443
Minority interests		**6**	7
Profit for the year		**592**	450
Basic earnings per share (pence)			
From continuing operations	8	**29.5p**	20.9p
From discontinued operations	8	**2.2p**	2.8p
From continuing and discontinued operations	8	**31.7p**	23.7p
Diluted earnings per share (pence)			
From continuing operations	8	**29.4p**	20.8p
From discontinued operations	8	**2.2p**	2.8p
From continuing and discontinued operations	8	**31.6p**	23.6p

Analysis of operating profit

for the year ended 30 September 2009

	2009 £m	2008 £m
Continuing operations		
Operating profit before associates and amortisation of intangibles arising on acquisition	**877**	658
Share of profit of associates	**7**	4
Operating profit before amortisation of intangibles arising on acquisition	**884**	662
Amortisation of intangibles arising on acquisition	**(7)**	(3)
Total operating profit	**877**	659

Consolidated statement of recognised income and expense

for the year ended 30 September 2009

	Notes	Movements in equity: Retained earnings £m	Revaluation reserve £m	Translation reserve £m	Minority interests £m	Total 2009 £m	Total 2008 £m
Net income/(expense) recognised in equity							
Currency translation differences		–	–	85	4	89	67
Actuarial gains/(losses) on post-retirement employee benefits	23	(206)	–	–	–	(206)	15
Tax on items taken directly to equity	5	61	–	9	–	70	5
Other		–	(1)	–	–	(1)	(1)
Net income/(expense) recognised directly in equity		(145)	(1)	94	4	(48)	86
Profit for the year							
Profit for the year		586	–	–	6	592	450
Total recognised income and expense for the year	25	441	(1)	94	10	544	536
Attributable to							
Equity shareholders of the Company		441	(1)	94	–	534	526
Minority interests		–	–	–	10	10	10
Total recognised income and expense for the year	25	441	(1)	94	10	544	536

Consolidated balance sheet

as at 30 September 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Goodwill	10	**3,580**	3,290
Other intangible assets	11	**493**	393
Property, plant and equipment	12	**530**	463
Interests in associates	13	**32**	28
Other investments	14	**32**	17
Trade and other receivables	16	**64**	66
Deferred tax assets*	5	**300**	256
Derivative financial instruments**	20	**60**	19
Non-current assets		**5,091**	4,532
Current assets			
Inventories	17	**230**	213
Trade and other receivables	16	**1,680**	1,577
Tax recoverable*		**25**	19
Cash and cash equivalents**	18	**588**	579
Derivative financial instruments**	20	**27**	1
Current assets		**2,550**	2,389
Total assets		**7,641**	6,921
Current liabilities			
Short-term borrowings**	19	**(323)**	(382)
Derivative financial instruments**	20	**(15)**	(4)
Provisions	22	**(123)**	(113)
Current tax liabilities*		**(260)**	(234)
Trade and other payables	21	**(2,378)**	(2,235)
Current liabilities		**(3,099)**	(2,968)
Non-current liabilities			
Long-term borrowings**	19	**(1,277)**	(1,212)
Derivative financial instruments**	20	**(3)**	(6)
Post-employment benefit obligations	23	**(335)**	(131)
Provisions	22	**(342)**	(341)
Deferred tax liabilities*	5	**(11)**	(24)
Trade and other payables	21	**(29)**	(33)
Non-current liabilities		**(1,997)**	(1,747)
Total liabilities		**(5,096)**	(4,715)
Net assets		**2,545**	2,206
Equity			
Share capital	24,25	**185**	184
Share premium account	25	**215**	178
Capital redemption reserve	25	**44**	44
Less: Own shares	25	**(2)**	(4)
Other reserves	25	**4,489**	4,401
Retained earnings	25	**(2,395)**	(2,616)
Total equity shareholders' funds		**2,536**	2,187
Minority interests	25	**9**	19
Total equity		**2,545**	2,206

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

Approved by the Board of Directors on 25 November 2009 and signed on their behalf by

Richard J Cousins, Director
Andrew D Martin, Director

Consolidated cash flow statement

for the year ended 30 September 2009

	Notes	2009 £m	2008 £m
Cash flow from operating activities			
Cash generated from operations	28	**1,114**	915
Interest paid		**(111)**	(104)
Interest element of finance lease rentals		**(3)**	(2)
Tax received		**22**	16
Tax paid		**(188)**	(165)
Net cash from/(used in) operating activities of continuing operations		**834**	660
Net cash from/(used in) operating activities of discontinued operations	29	**(1)**	2
Net cash from/(used in) operating activities		**833**	662
Cash flow from investing activities			
Purchase of subsidiary companies and investments in associated undertakings[1]	27	**(165)**	(181)
Proceeds from sale of subsidiary companies and associated undertakings – discontinued activities[1]	6	**(34)**	(17)
Proceeds from sale of subsidiary companies and associated undertakings – other activities[1]		**–**	12
Tax on profits from sale of subsidiary companies and associated undertakings		**3**	45
Purchase of intangible assets and investments		**(117)**	(73)
Purchase of property, plant and equipment		**(166)**	(119)
Proceeds from sale of property, plant and equipment / intangibles		**24**	26
Purchase of other investments		**(3)**	–
Proceeds from sale of other investments		**5**	1
Dividends received from associated undertakings		**4**	5
Interest received		**14**	25
Net cash from/(used in) investing activities by continuing operations		**(435)**	(276)
Net cash from/(used in) investing activities by discontinued operations	29	**–**	–
Net cash from/(used in) investing activities		**(435)**	(276)
Cash flow from financing activities			
Proceeds from issue of ordinary share capital	25	**28**	58
Purchase of own shares[2]		**(12)**	(355)
Net increase/(decrease) in borrowings – excluding new leases / repayments	30	**(178)**	(141)
Repayment of obligations under finance leases	30	**(15)**	(11)
Equity dividends paid	9,25	**(229)**	(209)
Dividends paid to minority interests	25	**(3)**	(4)
Net cash from/(used in) financing activities by continuing operations		**(409)**	(662)
Net cash from/(used in) financing activities by discontinued operations	29	**–**	–
Net cash from/(used in) financing activities		**(409)**	(662)
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents	30	**(11)**	(276)
Cash and cash equivalents at beginning of the year	30	**579**	839
Currency translation gains/(losses) on cash and cash equivalents	30	**20**	16
Cash and cash equivalents at end of the year	30	**588**	579

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 2009

	2009 £m	2008 £m
Net cash from operating activities of continuing operations	**834**	660
Purchase of intangible assets and investments	**(117)**	(73)
Purchase of property, plant and equipment	**(166)**	(119)
Proceeds from sale of property, plant and equipment / intangibles	**24**	26
Purchase of other investments	**(3)**	–
Proceeds from sale of other investments	**5**	–
Dividends received from associated undertakings	**4**	5
Interest received	**14**	25
Dividends paid to minority interests	**(3)**	(4)
Other	**1**	–
Free cash flow from continuing operations	**593**	520

Accounting policies

for the year ended 30 September 2009

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 2009. 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 27.

In the current financial year, the Group has adopted IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance, and is effective for accounting periods beginning on or after 1 January 2009. The Group has elected to adopt this Standard early. In contrast, the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of segments. The Group has determined in accordance with IFRS 8 that its reported operating segments will be based on geographies which are the segments reviewed by the chief operating decision maker (and were the basis of its primary operating segments under IAS 14) and the segmental information set out in note 1 is presented on this basis. IFRS 8 also requires the disclosure of information about products and services. The Group has determined that it is appropriate to provide such information by sector (enhancing the previous disclosure made under IAS 14). Comparative data has been restated accordingly.

The Group has also adopted IFRIC 13 'Customer Loyalty Programmes'. The adoption of this Interpretation has not led to any material change in the Group's accounting policies.

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 2009 or later periods. The Group has identified IFRS 3 (Revised) 'Business Combinations', IFRIC 12 'Service Concession Arrangements', IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', IFRIC 18 'Transfers of Assets from Customers', as well as amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 23 'Borrowing Costs' and IAS 39 'Financial Instruments: Recognition and Measurement' as being relevant to its business but the Group has not adopted these early. 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 judgements, 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 judgement 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 10 to the financial statements.

Post-employment benefits

Defined benefit schemes are reappraised annually by independent actuaries based on actuarial assumptions. Significant judgement is required in determining these actuarial assumptions. The principal assumptions used are described in note 23 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.

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.

Accounting policies

for the year ended 30 September 2009

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 plus costs directly attributable to the acquisition.

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 equity, in which case they are also recognised in equity.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward 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 are recognised in the income statement in the period in which they are incurred.

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 equity, in which case it is recognised in equity.

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 on assets over their expected useful lives. Intangible assets include client investments.

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 2–20 years.

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.

Accounting policies

for the year ended 30 September 2009

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 foreign 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 exchange 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 foreign exchange 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 of other 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 statement of recognised income and expense.

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 statement of recognised income and expense.

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 were invested at 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.

Notes to the consolidated financial statements

for the year ended 30 September 2009

1 Segmental reporting

Revenues	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Intra-Group £m	Total £m
	Geographical segments					
Year ended 30 September 2009						
External revenue	**5,871**	**3,429**	**1,829**	**2,318**	**–**	**13,447**
Less: Discontinued operations	**–**	**–**	**–**	**(3)**	**–**	**(3)**
External revenue – continuing	**5,871**	**3,429**	**1,829**	**2,315**	**–**	**13,444**
Year ended 30 September 2008						
External revenue	4,553	3,021	1,926	1,947	–	11,447
Less: Discontinued operations	–	–	–	(7)	–	(7)
External revenue – continuing	4,553	3,021	1,926	1,940	–	11,440

Revenues	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	Total £m
	Products and services: Sectors					
Year ended 30 September 2009						
External revenue	**6,153**	**2,038**	**2,529**	**1,449**	**1,278**	**13,447**
Less: Discontinued operations	**–**	**–**	**–**	**–**	**(3)**	**(3)**
External revenue – continuing	**6,153**	**2,038**	**2,529**	**1,449**	**1,275**	**13,444**
Year ended 30 September 2008						
External revenue	5,432	1,632	1,997	1,194	1,192	11,447
Less: Discontinued operations	–	–	–	–	(7)	(7)
External revenue – continuing	5,432	1,632	1,997	1,194	1,185	11,440

1 There is no inter-segmental trading.

2 Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £1,749 million (2008: £1,855 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £11,695 million (2008: £9,585 million).

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 2009						
Total operating profit before associates and amortisation of intangibles arising on acquisition	**441**	**232**	**114**	**147**	**(58)**	**876**
Less: Discontinued operations	**–**	**–**	**–**	**1**	**–**	**1**
Operating profit before associates and amortisation of intangibles arising on acquisition – continuing	**441**	**232**	**114**	**148**	**(58)**	**877**
Less: Amortisation of intangibles arising on acquisition	**(1)**	**–**	**(1)**	**(4)**	**(1)**	**(7)**
Operating profit before associates – continuing	**440**	**232**	**113**	**144**	**(59)**	**870**
Add: Share of profit of associates	**3**	**–**	**4**	**–**	**–**	**7**
Operating profit – continuing	**443**	**232**	**117**	**144**	**(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**
Year ended 30 September 2008						
Total operating profit before associates and amortisation of intangibles arising on acquisition	311	197	108	103	(62)	657
Less: Discontinued operations	–	–	–	1	–	1
Operating profit before associates and amortisation of intangibles arising on acquisition – continuing	311	197	108	104	(62)	658
Less: Amortisation of intangibles arising on acquisition	–	–	–	(3)	–	(3)
Operating profit before associates – continuing	311	197	108	101	(62)	655
Add: Share of profit of associates	2	–	2	–	–	4
Operating profit – continuing	313	197	110	101	(62)	659
Finance income						27
Finance costs						(100)
Hedge accounting ineffectiveness						(4)
Change in the fair value of investments and minority interest put options						(16)
Profit before tax						566
Income tax expense						(169)
Profit for the year from continuing operations						397

Notes to the consolidated financial statements

for the year ended 30 September 2009

1 Segmental reporting continued

Balance sheet	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Current and deferred tax £m	Net debt £m	Total £m
	Geographical segments					Unallocated		
As at 30 September 2009								
Total assets	**2,453**	**1,106**	**2,136**	**935**	**11**	**325**	**675**	**7,641**
Total liabilities	**(1,004)**	**(958)**	**(446)**	**(506)**	**(293)**	**(272)**	**(1,617)**	**(5,096)**
Net assets/(liabilities)	**1,449**	**148**	**1,690**	**429**	**(282)**	**53**	**(942)**	**2,545**
Total assets include:								
Interests in associates	**4**	**–**	**28**	**–**	**–**	**–**	**–**	**32**
Non-current assets	**1,822**	**429**	**1,904**	**566**	**10**	**300**	**60**	**5,091**
As at 30 September 2008								
Total assets	2,100	960	2,124	855	8	275	599	6,921
Total liabilities	(855)	(837)	(308)	(489)	(364)	(258)	(1,604)	(4,715)
Net assets/(liabilities)	1,245	123	1,816	366	(356)	17	(1,005)	2,206
Total assets include:								
Interests in associates	1	–	27	–	–	–	–	28
Non-current assets	1,523	348	1,864	502	20	256	19	4,532

1 Non-current assets arising in the UK, the Group's country of domicile, were £1,913 million (2008: £1,884 million). Non-current assets arising in all foreign countries in which the Group holds assets were £2,818 million (2008: £2,373 million).

Additions to other intangible assets	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 2009						
Total additions to other intangible assets	**92**	**3**	**18**	**4**	**–**	**117**
Year ended 30 September 2008						
Total additions to other intangible assets	64	2	4	3	1	74

1 Segmental reporting continued

Additions to property, plant and equipment	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 2009						
Total additions to property, plant and equipment[1]	**58**	**50**	**35**	**26**	**1**	**170**
Year ended 30 September 2008						
Total additions to property, plant and equipment[1]	40	42	20	23	1	126

1 Includes leased assets of £4 million (2008: £8 million).

Amortisation of other intangible assets	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 2009						
Total amortisation of other intangible assets[1]	**66**	**6**	**9**	**9**	**6**	**96**
Year ended 30 September 2008						
Total amortisation of other intangible assets[1]	56	10	10	6	2	84

1 Including the amortisation of intangibles arising on acquisition.

Depreciation of property, plant and equipment	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 2009						
Total depreciation of property, plant and equipment	**45**	**42**	**22**	**23**	**4**	**136**
Year ended 30 September 2008						
Total depreciation of property, plant and equipment	43	38	24	17	3	125

Other non-cash expenses	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 2009						
Total other non-cash expenses[1]	**1**	**–**	**–**	**–**	**3**	**4**
Year ended 30 September 2008						
Total other non-cash expenses[1]	4	3	2	1	4	14

1 Other non-cash expenses are mainly comprised of share-based payments.

Notes to the consolidated financial statements

for the year ended 30 September 2009

2 Operating costs

Operating costs	2009 £m	2008 £m
Cost of food and materials:		
Cost of inventories consumed	**4,415**	3,776
Labour costs:		
Employee remuneration (note 3)	**5,968**	5,083
Overheads:		
Depreciation – owned property, plant and equipment	**125**	115
Depreciation – leased property, plant and equipment	**11**	10
Amortisation – owned intangible assets	**89**	81
Property lease rentals	**61**	50
Other occupancy rentals – minimum guaranteed rent	**56**	39
Other occupancy rentals – rent in excess of minimum guaranteed rent	**12**	10
Other asset rentals	**77**	58
Audit and non-audit services (see below)	**5**	5
Other expenses	**1,748**	1,555
Operating costs before amortisation of intangibles arising on acquisition	**12,567**	10,782
Amortisation – intangible assets arising on acquisition	**7**	3
Total continuing operations	**12,574**	10,785

1 Impairment of goodwill and inventories and net foreign exchange gains / losses recorded in income statement £nil (2008: £nil).

Audit and non-audit services	2009 £m	2008 £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	**3.0**	2.8
Total audit fees	**3.4**	3.2
Non-audit services		
Other services supplied pursuant to legislation	**0.1**	0.1
Other services relating to tax	**1.4**	1.8
All other services	**–**	0.2
Total non-audit fees	**1.5**	2.1
Total audit and non-audit services		
Total audit and non-audit services	**4.9**	5.3

3 Employees

Average number of employees, including directors and part-time employees	2009 Number	2008 Number
North America	**145,591**	136,853
Continental Europe	**84,537**	78,570
UK & Ireland	**62,809**	64,146
Rest of the World	**93,231**	108,591
Total continuing operations	**386,168**	388,160
Discontinued operations	**2**	21
Total continuing and discontinued operations	**386,170**	388,181

Aggregate remuneration of all employees including directors	2009 £m	2008 £m
Wages and salaries	**4,989**	4,297
Social security costs	**925**	723
Share-based payments	**4**	14
Pension costs – defined contribution plans	**27**	28
Pension costs – defined benefit plans	**23**	21
Total continuing operations	**5,968**	5,083
Discontinued operations	**–**	1
Total continuing and discontinued operations	**5,968**	5,084

In addition to the pension cost shown in operating costs above, there is a pensions-related net charge to finance costs of £11 million (2008: credit of £2 million).

The remuneration of directors and key management personnel[1] 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 52 to 58 and forms part of these financial statements.

Remuneration of key management personnel	2009 £m	2008 £m
Salaries	**5.3**	5.0
Other short-term employee benefits	**6.0**	5.9
Share-based payments	**3.8**	5.3
Pension	**1.6**	1.3
Total	**16.7**	17.5

1 Key management personnel is defined as the Board of Directors and the members of the Executive Committee.

Notes to the consolidated financial statements

for the year ended 30 September 2009

4 Financing and other 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	2009 £m	2008 £m
Finance income		
Bank interest	**14**	25
Expected return on pension scheme assets net of amount charged to scheme liabilities (note 23)	**–**	2
Total finance income	**14**	27
Finance costs		
Bank loans and overdrafts	**8**	14
Other loans	**90**	84
Finance lease interest	**3**	2
Interest on bank loans, overdrafts, other loans and finance leases	**101**	100
Unwinding of discount on put options held by minority shareholders	**1**	–
Unwinding of discount on provisions	**1**	–
Amount charged to pension scheme liabilities net of expected return on scheme assets (note 23)	**11**	–
Total finance costs	**114**	100
Finance costs by defined IAS 39[1] category		
Fair value through profit and loss (unhedged derivatives)	**13**	4
Derivatives in a fair value hedge relationship	**(22)**	7
Derivatives in a net investment hedge relationship	**–**	(10)
Other financial liabilities	**110**	99
Interest on bank loans, overdrafts, other loans and finance leases	**101**	100
Fair value through profit or loss (put options held by minority interests)	**2**	–
Outside of the scope of IAS 39 (pension scheme charge)	**11**	–
Total finance costs	**114**	100

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

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge the risks associated with changes in foreign 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 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 recognised as income or expense within the income statement.

Other (gains)/losses	2009 £m	2008 £m
Hedge accounting ineffectiveness		
Unrealised net (gains)/losses on unhedged derivative financial instruments[1]	**6**	4
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge[2]	**(59)**	(11)
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	**60**	11
Unhedged translation losses on foreign currency borrowings	**–**	–
Total hedge accounting ineffectiveness (gains)/losses	**7**	4
Change in the fair value of investments and minority interest put options		
Change in the fair value of investments[1,3]	**–**	–
Change in fair value of minority interest put options (credit)/charge[1]	**(3)**	16
Total	**(3)**	16

1 Categorised as 'fair value through profit or loss' (IAS 39).
2 Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
3 Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 23.

5 Tax

Recognised in the income statement: Income tax expense on continuing operations	2009 £m	2008 £m
Current tax		
Current year	**202**	176
Adjustment in respect of prior years	**(9)**	(3)
Current tax expense/(credit)	**193**	173
Deferred tax		
Current year	**24**	(8)
Impact of changes in statutory tax rates	**–**	(1)
Adjustment in respect of prior years	**4**	5
Deferred tax expense/(credit)	**28**	(4)
Total income tax		
Income tax expense/(credit) on continuing operations	**221**	169

The income tax expense for the year is based on the United Kingdom statutory rate of corporation tax for the period of 28% (2008: 29%). In 2008 the effective rate resulted from the reduction in the UK corporation tax rate from 30% to 28% with effect from 1 April 2008. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of the income tax expense on continuing operations	2009 £m	2008 £m
Profit before tax from continuing operations before exceptional items	**773**	566
Notional income tax expense at the UK statutory rate of 28% (2008: 29%) on profit before tax	**216**	164
Effect of different tax rates of subsidiaries operating in other jurisdictions	**39**	22
Impact of changes in statutory tax rates	**–**	(1)
Permanent differences	**(4)**	3
Impact of share-based payments	**(1)**	(5)
Tax on profit of associates	**(1)**	(1)
Losses and other temporary differences not previously recognised	**(29)**	(25)
Unrelieved current year tax losses	**6**	11
Prior year items	**(5)**	2
Other	**–**	(1)
Income tax expense on continuing operations	**221**	169

Tax credited/(charged) to equity	2009 £m	2008 £m
Deferred tax credit/(charge) on actuarial gains/losses on post-employment benefits	**61**	(5)
Other current and deferred tax credits	**–**	2
Total tax credit/(charge) on actuarial gains/losses and other items recognised in equity	**61**	(3)
Current and deferred tax credits on foreign exchange movements recognised in equity	**9**	8
Tax credit/(charge) on items recognised in equity	**70**	5

Consolidated financial statements

Notes to the consolidated financial statements

for the year ended 30 September 2009

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 2007	17	(22)	96	9	30	105	235
Credit/(charge) to income	28	(19)	(25)	(4)	7	13	–
Credit/(charge) to equity	–	(7)	(5)	–	–	1	(11)
Transfer from/(to) current tax	–	–	–	–	–	–	–
Business acquisitions	–	(17)	–	–	–	5	(12)
Business disposals	–	9	–	–	–	–	9
Other movements	–	(1)	1	–	–	(2)	(2)
Exchange adjustment	(2)	(7)	7	2	5	8	13
30 September 2008	43	(64)	74	7	42	130	232
At 1 October 2008	**43**	**(64)**	**74**	**7**	**42**	**130**	**232**
Credit/(charge) to income	**(7)**	**(21)**	**(19)**	**(5)**	**5**	**11**	**(36)**
Credit/(charge) to equity	**–**	**(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**

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	2009 £m	2008 £m
Deferred tax assets	**300**	256
Deferred tax liabilities	**(11)**	(24)
Net deferred tax asset/(liability)	**289**	232

Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £67 million (2008: £56 million). Of the total, tax losses of £21 million will expire at various dates between 2010 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 will be largely exempt from UK tax but may be subject to foreign withholding taxes. The un-remitted earnings of those overseas subsidiaries affected by such taxes is £174 million (2008: £2,616 million as calculated under the previous rules prior to the change in legislation). 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 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 year disposals, additional proceeds of £2 million and a loss after tax from trading activities of £1 million.

Year ended 30 September 2008

The profit for the year from discontinued operations of £53 million is comprised of the profit arising on the sale of two properties formerly occupied by Selecta, the European vending business, which was disposed of in July 2007, of £nil; an adjustment to deferred tax liabilities forming part of the net assets of businesses disposed of in prior years of £9 million; the release of surplus provisions of £38 million and accruals relating to prior year disposals of £11 million; and a loss after tax from trading activities of £1 million.

Net assets disposed and disposal proceeds	2009 £m	2008 £m
Property, plant and equipment	–	2
Gross assets disposed of	–	2
Tax	–	(9)
Gross liabilities disposed of	–	(9)
Net assets/(liabilities) disposed of	–	(7)
Increase/(decrease) in retained liabilities[1, 2]	(79)	(68)
Profit/(loss) on disposal before tax	45	58
Consideration, net of costs	(34)	(17)
Consideration deferred to future periods	–	–
Cash disposed of	–	–
Cash inflow/(outflow) from current year disposals	(34)	(17)
Deferred consideration and other payments relating to previous disposals	–	–
Cash inflow/(outflow) from disposals	(34)	(17)

1 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.

2 Including the release of surplus provisions of £38 million; and surplus accruals of £11 million; the utilisation of provisions in respect of purchase price adjustments; warranty claims and other indemnities of £25 million and the collection of other amounts totalling £6 million in the year ended 30 September 2008. Total £68 million.

Notes to the consolidated financial statements

for the year ended 30 September 2009

6 Discontinued operations continued

Financial performance of discontinued operations	2009 £m	2008 £m
Trading activities of discontinued operations[1]		
External revenue	**3**	7
Total revenue	**3**	7
Operating costs	**(4)**	(8)
Trading activities of discontinued operations before exceptional costs	**(1)**	(1)
Exceptional operating costs (note 7)	**–**	–
Loss before tax	**(1)**	(1)
Income tax (expense)/credit	**–**	–
Loss after tax	**(1)**	(1)
Exceptional items: Disposal of net assets and other adjustments relating to discontinued operations		
Profit on disposal of net assets of discontinued operations	**2**	9
Release of surplus provisions and accruals related to discontinued operations[2,3]	**43**	49
Profit on disposal before tax	**45**	58
Income tax (expense)/credit	**(4)**	(4)
Total profit after tax	**41**	54
Profit for the year from discontinued operations		
Profit/(loss) for the year from discontinued operations	**40**	53

1 The trading activity in the years ended 30 September 2008 and 30 September 2009 relates to the final run-off of activity in businesses earmarked for closure.
2 Released surplus provisions of £23 million and surplus accruals of £20 million, total £43 million, in the year ended 30 September 2009.
3 Released surplus provisions of £38 million and the release of surplus accruals of £11 million, total £49 million, in the year ended 30 September 2008.

Income tax from discontinued operations	2009 £m	2008 £m
Exceptional items: Income tax on disposal of net assets and other adjustments relating to discontinued operations		
Current tax	**4**	–
Deferred tax	**(8)**	(4)
Income tax (expense)/credit on disposal of net assets of discontinued operations	**(4)**	(4)
Total income tax from discontinued operations		
Total income tax (expense)/credit from discontinued operations	**(4)**	(4)

7 Exceptional items

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

All of the exceptional items occurring in both the current and the prior year relate to discontinued operations and are described in more detail in note 6.

Exceptional items	2009 £m	2008 £m
Continuing operations		
Continuing operations	**–**	–
Discontinued operations		
Profit on disposal of net assets and other adjustments relating to discontinued operations net of tax (note 6)	**41**	54
Discontinued operations	**41**	54
Continuing and discontinued operations		
Total	**41**	54

8 Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the year. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued operations, the amortisation of intangible assets arising on acquisition, 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	2009 Attributable profit £m	2008 Attributable profit £m
Profit for the year attributable to equity shareholders of the Company	**586**	443
Less: Profit for the year from discontinued operations	**(40)**	(53)
Attributable profit for the year from continuing operations	**546**	390
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	**6**	2
Add back: Loss/(profit) from hedge accounting ineffectiveness (net of tax)	**5**	3
Add back: Change in the fair value of investments and minority interest put options (net of tax)	**(3)**	16
Underlying attributable profit for the year from continuing operations	**554**	411

Average number of shares (millions of ordinary shares of 10p each)	2009 Ordinary shares of 10p each millions	2008 Ordinary shares of 10p each millions
Average number of shares for basic earnings per share	**1,848**	1,868
Dilutive share options	**7**	13
Average number of shares for diluted earnings per share	**1,855**	1,881

	2009 Earnings per share pence	2008 Earnings per share pence
Basic earnings per share (pence)		
From continuing and discontinued operations	**31.7**	23.7
From discontinued operations	**(2.2)**	(2.8)
From continuing operations	**29.5**	20.9
Amortisation of intangible assets arising on acquisition (net of tax)	**0.3**	0.1
Hedge accounting ineffectiveness (net of tax)	**0.3**	0.2
Change in the fair value of investments and minority interest put options (net of tax)	**(0.1)**	0.8
From underlying continuing operations	**30.0**	22.0
Diluted earnings per share (pence)		
From continuing and discontinued operations	**31.6**	23.6
From discontinued operations	**(2.2)**	(2.8)
From continuing operations	**29.4**	20.8
Amortisation of intangible assets arising on acquisition (net of tax)	**0.3**	0.1
Hedge accounting ineffectiveness (net of tax)	**0.3**	0.2
Change in the fair value of investments and minority interest put options (net of tax)	**(0.1)**	0.8
From underlying continuing operations	**29.9**	21.9

Notes to the consolidated financial statements

for the year ended 30 September 2009

9 Dividends

A final dividend in respect of 2009 of 8.8 pence per share, £163 million in aggregate[1], has been proposed giving a total dividend in respect of 2009 of 13.2 pence per share (2008: 12.0 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 5 February 2010 and has not been included as a liability in these financial statements.

Dividends on ordinary shares of 10p each	2009 Dividends per share pence	2009 £m	2008 Dividends per share pence	2008 £m
Amounts recognised as distributions to equity shareholders during the year:				
Final dividend for the prior year	**8.0p**	**148**	7.2p	135
Interim dividend for the current year	**4.4p**	**81**	4.0p	74
Total dividends	**12.4p**	**229**	11.2p	209

1 Based on the number of shares in issue at 30 September 2009.

10 Goodwill

During the year the Group made a number of acquisitions. See note 27 for more details.

Goodwill	£m
Cost	
At 1 October 2007	3,092
Additions	155
Reclassified	(2)
Business disposals – other activities	(2)
Currency adjustment	154
At 30 September 2008	3,397
At 1 October 2008	**3,397**
Additions	**104**
Reclassified	**–**
Business disposals – other activities	**(1)**
Currency adjustment	**187**
At 30 September 2009	**3,687**
Impairment	
At 1 October 2007	107
Impairment charge recognised in the year	–
At 30 September 2008	107
At 1 October 2008	**107**
Impairment charge recognised in the year	**–**
At 30 September 2009	**107**
Net book value	
At 30 September 2008	3,290
At 30 September 2009	**3,580**

10 Goodwill continued

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	2009 £m	2008 £m
USA	**1,124**	939
Rest of North America	**102**	93
Total North America	**1,226**	1,032
Continental Europe	**214**	170
UK & Ireland	**1,739**	1,734
Rest of the World	**401**	354
Total	**3,580**	3,290

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

	2009		2008	
Growth and discount rates	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	**2.5%**	**7.9%**	4.6%	11.8%
Rest of North America	**2.5%**	**8.4%**	2.4%	9.6%
Continental Europe	**2.5-7.3%**	**6.8-10.6%**	2.4-4.5%	8.5-12.6%
UK & Ireland	**2.5%**	**10.1%**	3.8%	10.3%
Rest of the World	**2.5-7.1%**	**7.7-23.3%**	1.7-11.5%	9.4-20.6%

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. In the United Kingdom, an increase in the discount factor of 1.4% and a decrease in the long-term growth rate of 1.8% would eliminate any headroom under each scenario. There are no other CGUs that are sensitive to changes in key assumptions.

Notes to the consolidated financial statements

for the year ended 30 September 2009

11 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 2007	150	–	363	513
Additions	15	–	59	74
Disposals	(25)	–	(45)	(70)
Business acquisitions	3	65	–	68
Reclassified	3	–	3	6
Currency adjustment	14	–	48	62
At 30 September 2008	160	65	428	653
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**
Amortisation				
At 1 October 2007	71	–	141	212
Charge for the year	24	3	57	84
Disposals	(25)	–	(41)	(66)
Business acquisitions	1	–	–	1
Reclassified	2	–	–	2
Currency adjustment	7	–	20	27
At 30 September 2008	80	3	177	260
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**
Net book value				
At 30 September 2008	80	62	251	393
At 30 September 2009	**89**	**93**	**311**	**493**

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

12 Property, plant and equipment

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 October 2007	210	531	400	1,141
Additions[1]	17	69	40	126
Disposals	(19)	(57)	(47)	(123)
Business acquisitions	–	9	8	17
Business disposals – discontinued activities	(2)	–	–	(2)
Business disposals – other activities	–	(1)	(2)	(3)
Reclassified	2	(1)	–	1
Currency adjustment	27	64	34	125
At 30 September 2008	235	614	433	1,282
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 – discontinued activities	**–**	**–**	**–**	**–**
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**
Depreciation				
At 1 October 2007	97	366	242	705
Charge for the year	17	66	42	125
Disposals	(10)	(47)	(42)	(99)
Business acquisitions	–	3	3	6
Business disposals – discontinued activities	–	–	–	–
Business disposals – other activities	–	(1)	(1)	(2)
Reclassified	13	(28)	18	3
Currency adjustment	13	46	22	81
At 30 September 2008	130	405	284	819
At 1 October 2008	**130**	**405**	**284**	**819**
Charge for the year	**19**	**67**	**50**	**136**
Disposals	**(11)**	**(52)**	**(32)**	**(95)**
Business acquisitions	**–**	**–**	**–**	**–**
Business disposals – discontinued activities	**–**	**–**	**–**	**–**
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**
Net book value				
At 30 September 2008	105	209	149	463
At 30 September 2009	**112**	**256**	**162**	**530**

1 Includes leased assets of £4 million (2008: £8 million).

Notes to the consolidated financial statements

for the year ended 30 September 2009

12 Property, plant and equipment continued

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 2008	2	32	5	39
At 30 September 2009	**5**	**26**	**4**	**35**

13 Interests in associates

	Country of incorporation	**2009 % ownership**	2008 % 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	**2009 £m**	2008 £m
Net book value		
At 1 October	**28**	25
Additions	**–**	4
Share of profits less losses (net of tax)	**7**	4
Dividends received	**(4)**	(5)
Reclassified to investments (note 14)	**–**	(1)
Currency and other adjustments	**1**	1
At 30 September	**32**	28

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

Associates	**2009 £m**	2008 £m
Share of revenue and profits		
Revenue	**27**	25
Expenses / taxation[1]	**(20)**	(21)
Profit after tax for the year	**7**	4
Share of net assets		
Goodwill	**25**	26
Other	**7**	2
Net assets	**32**	28
Share of contingent liabilities		
Contingent liabilities	**–**	–

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

14 Other investments

Other investments	2009 £m	2008 £m
Net book value		
At 1 October	**17**	12
Additions	**3**	–
Disposals	**(3)**	(1)
Business acquisitions	**–**	1
Reclassified from interests in associates (note 13)	**–**	1
Reclassified from trade and other receivables	**17**	–
Currency and other adjustments	**(2)**	4
At 30 September	**32**	17
Comprised of		
Investment in Au Bon Pain[1]	**7**	7
Other investments[1]	**6**	10
Life insurance policies[2]	**19**	–
Total	**32**	17

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 23.

15 Joint ventures

Principal joint ventures	Country of incorporation	2009 % ownership	2008 % 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.

Notes to the consolidated financial statements

for the year ended 30 September 2009

15 Joint ventures continued

The share of the revenue, profits, assets and liabilities of the joint ventures (including the revenues and profits of the Brazilian and Indian joint ventures up to the point the Group purchased the remaining shareholding or disposed of its share in 2008) included in the consolidated financial statements is as follows:

Joint ventures	2009 £m	2008 £m
Share of revenue and profits		
Revenue	**264**	301
Expenses	**(241)**	(288)
Profit after tax for the year	**23**	13
Share of net assets		
Non-current assets	**14**	13
Current assets	**90**	81
Non-current liabilities	**(10)**	(13)
Current liabilities	**(64)**	(62)
Net assets	**30**	19
Share of contingent liabilities		
Contingent liabilities	**18**	12

16 Trade and other receivables

	2009			2008		
Trade and other receivables	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Net book value						
At 1 October	**1,577**	**66**	**1,643**	1,343	47	1,390
Net movement	**(82)**	**(12)**	**(94)**	88	12	100
Currency adjustment	**185**	**10**	**195**	146	7	153
At 30 September	**1,680**	**64**	**1,744**	1,577	66	1,643
Comprised of						
Trade receivables	**1,515**	**4**	**1,519**	1,418	4	1,422
Less: Provision for impairment of trade receivables	**(66)**	**–**	**(66)**	(54)	–	(54)
Net trade receivables[1]	**1,449**	**4**	**1,453**	1,364	4	1,368
Other receivables	**50**	**41**	**91**	57	49	106
Less: Provision for impairment of other receivables	**(8)**	**–**	**(8)**	(5)	–	(5)
Net other receivables	**42**	**41**	**83**	52	49	101
Accrued income	**90**	**–**	**90**	75	–	75
Prepayments	**93**	**17**	**110**	79	12	91
Amounts owed by associates[1]	**6**	**2**	**8**	7	1	8
Trade and other receivables	**1,680**	**64**	**1,744**	1,577	66	1,643

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

Trade receivables

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

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

16 Trade and other receivables continued

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 2009 were 47 days (2008: 50 days).

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

	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**

	2008					
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	1,102	253	34	16	17	1,422
Less: Provision for impairment of trade receivables	(4)	(8)	(17)	(8)	(17)	(54)
Net trade receivables	1,098	245	17	8	–	1,368

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

	2009			2008		
Provision for impairment of trade and other receivables	**Trade £m**	**Other £m**	**Total £m**	Trade £m	Other £m	Total £m
At 1 October	**54**	**5**	**59**	47	5	52
Charged to income statement	**36**	**3**	**39**	19	–	19
Credited to income statement	**(1)**	**–**	**(1)**	(6)	–	(6)
Utilised	**(13)**	**–**	**(13)**	(9)	–	(9)
Reclassified	**(14)**	**–**	**(14)**	–	–	–
Currency adjustment	**4**	**–**	**4**	3	–	3
At 30 September	**66**	**8**	**74**	54	5	59

At 30 September 2009, trade receivables of £289 million (2008: £270 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor, and all unprovided for amounts are considered to be recoverable.

17 Inventories

Inventories	**2009 £m**	2008 £m
Net book value		
At 1 October	**213**	179
Net movement	**(6)**	12
Currency adjustment	**23**	22
At 30 September	**230**	213
Comprised of		
Food and beverage inventories	**175**	164
Other inventories	**55**	49
Total	**230**	213

Consolidated financial statements

Notes to the consolidated financial statements

for the year ended 30 September 2009

18 Cash and cash equivalents

Cash and cash equivalents	2009 £m	2008 £m
Cash at bank and in hand	**181**	111
Short-term bank deposits	**407**	468
Cash and cash equivalents[1]	**588**	579

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

Cash and cash equivalents by currency	2009 £m	2008 £m
Sterling	**427**	464
US Dollar	**17**	5
Euro	**21**	19
Japanese Yen	**4**	1
Other	**119**	90
Cash and cash equivalents	**588**	579

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

19 Short-term and long-term borrowings

	2009			2008		
Short-term and long-term borrowings	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	**71**	**–**	**71**	29	–	29
Bank loans	**11**	**14**	**25**	18	17	35
Loan notes	**23**	**588**	**611**	84	354	438
Bonds	**204**	**636**	**840**	237	802	1,039
Borrowings (excluding finance leases)	**309**	**1,238**	**1,547**	368	1,173	1,541
Finance leases	**14**	**39**	**53**	14	39	53
Borrowings (including finance leases)[1]	**323**	**1,277**	**1,600**	382	1,212	1,594

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

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

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

The Group has fixed term, fixed interest private placements totalling US$889 million (£558 million) at interest rates between 5.11% and 7.955%. The carrying value of these loan notes is £576 million. It also has a Sterling denominated private placement of £35 million.

Loan notes	Nominal value	Redeemable	Interest
US$ private placement	$36m	May 2010	6.53%
US$ 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 £775 million at interest rates of between 6.375% and 7.125%. The carrying value of these bonds is £840 million. The bond redeemable in December 2014 is recorded at its fair value to the Group on acquisition. The €300 million Eurobond was redeemed in May 2009.

Bonds	Nominal value	Redeemable	Interest
Sterling Eurobond	£200m	Jan 2010	7.125%
Sterling Eurobond	£325m	May 2012	6.375%
Sterling Eurobond	£250m	Dec 2014	7.0%

19 Short-term and long-term borrowings continued

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

Maturity profile of borrowings (excluding finance leases)	2009 £m	2008 £m
Within 1 year, or on demand	309	368
Between 1 and 2 years	95	226
Between 2 and 3 years	649	73
Between 3 and 4 years	–	588
Between 4 and 5 years	78	2
In more than 5 years	416	284
Borrowings (excluding finance leases)	1,547	1,541

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

Carrying value / fair value of borrowings (excluding finance leases)	2009 Carrying value £m	2009 Fair value £m	2008 Carrying value £m	2008 Fair value £m
Bank overdrafts	71	71	29	29
Bank loans	25	25	35	35
Loan notes	611	644	438	438
€300m Eurobond May 2009	–	–	237	236
£200m Eurobond Jan 2010	202	203	199	200
£325m Eurobond May 2012	355	349	330	318
£250m Eurobond Dec 2014	283	279	273	251
Bonds	840	831	1,039	1,005
Borrowings (excluding finance leases)	1,547	1,571	1,541	1,507

Gross / present value of finance lease liabilities	2009 Gross £m	2009 Present value £m	2008 Gross £m	2008 Present value £m
Finance lease payments falling due:				
Within 1 year	16	14	16	14
In 2 to 5 years	28	25	33	30
In more than 5 years	15	14	11	9
	59	53	60	53
Less: Future finance charges	(6)	–	(7)	–
Present value of finance lease liabilities	53	53	53	53

Borrowings by currency	2009 Borrowings £m	2009 Finance leases £m	2009 Total £m	2008 Borrowings £m	2008 Finance leases £m	2008 Total £m
Sterling	894	–	894	812	–	812
US Dollar	618	19	637	454	24	478
Euro	8	25	33	242	21	263
Japanese Yen	13	1	14	15	–	15
Other	14	8	22	18	8	26
Total	1,547	53	1,600	1,541	53	1,594

1 Forward currency contracts of £6 million at 30 September 2008 were included within short-term borrowings.

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	2009 £m	2008 £m
Expiring between 2 and 5 years	756	689

Notes to the consolidated financial statements

for the year ended 30 September 2009

20 Derivative financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern with an optimal balance of debt and equity. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 18; debt, which includes the borrowings disclosed in note 19; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 25.

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.

Foreign currency risk

The Group's policy is to match 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. The objective is to achieve an effective foreign currency hedge in real economic terms for the period of the currency loans. Where necessary, to implement this policy, forward currency contracts are taken out which, when applied to the actual currency liabilities, convert these to an effective amount borrowed by currency.

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

Non-Sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given and will continue to give rise to translation differences. The Group is 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 giving rise to translation risks on trade-related balances.

The main currencies to which the Group's financial position is exposed are the US Dollar, the Euro and the Japanese Yen. As explained 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 of a 10% strengthening of Sterling against these currencies 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.

	2009			2008		
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	1	–
Increase/(decrease) in reserves	**59**	**20**	**10**	60	9	8

20 Derivative financial instruments continued

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 adverse 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 the Group's projected debt is 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 variable rate cash and cash equivalents and debt at the balance sheet date would be a loss of £2 million (2008: £nil) over the course of a year. A similar decrease in interest rates would result in an equal and opposite effect over the course of a year.

	2009					
Interest rate sensitivity analysis	**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)**

	2008					
Interest rate sensitivity analysis	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)	(64)	(255)	160	(17)	95	(81)
Increase/(decrease) in profit for the year (after tax)	–	(2)	1	–	1	–

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 foreign currency contracts is concentrated at the Group centre where possible. Financial counterparty limits are derived from the long- and short-term credit ratings, and the balance sheet strength of the financial counterparty. All financial counterparties are required to have a minimum short-term credit rating from Moodys of P-1 or equivalent from another recognised agency.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 16.

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.

Notes to the consolidated financial statements

for the year ended 30 September 2009

20 Derivative financial instruments continued

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 foreign exchange 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 foreign exchange 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 £1,132 million (2008: £1,028 million).

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 foreign exchange contracts.

All derivative financial instruments are shown at fair value in the balance sheet. The fair values have been determined by reference to prices available from the markets on which the instruments are traded. All other fair values shown below have been calculated by discounting cash flows at prevailing interest rates. The fair values of derivative financial instruments represents the maximum credit exposure.

	2009				2008			
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]	**25**	**60**	**–**	**–**	1	19	(1)	(6)
Not in a hedging relationship[2]	**–**	**–**	**(7)**	**(3)**	–	–	(3)	–
Other derivatives:								
Forward currency contracts[3]	**1**	**–**	**(8)**	**–**	–	–	–	–
Others	**1**	**–**	**–**	**–**	–	–	–	–
Total	**27**	**60**	**(15)**	**(3)**	1	19	(4)	(6)

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).
3 Forward currency contracts of £6 million at 30 September 2008 were included within short-term borrowings.

	2009		2008	
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	**1,025**	**–**	1,025	–
US Dollar	**252**	**110**	197	174
Euro	**–**	**155**	99	103
Japanese Yen	**13**	**105**	20	79
Other	**–**	**113**	–	123
Total	**1,290**	**483**	1,341	479

	2009			2008		
Effective currency denomination of borrowings after the effect of derivatives	**Gross borrowings £m**	**Forward contracts £m**	**Effective currency of borrowings £m**	Gross borrowings £m	Forward contracts £m	Effective currency of borrowings £m
Sterling	**894**	**(383)**	**511**	806	(245)	561
US Dollar	**637**	**48**	**685**	478	222	700
Euro	**33**	**138**	**171**	263	(142)	121
Japanese Yen	**14**	**75**	**89**	15	77	92
Other	**22**	**129**	**151**	26	94	120
Total	**1,600**	**7**	**1,607**	1,588	6	1,594

20 Derivative financial instruments continued

Gross debt maturity analysis	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
	2009						
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)
Foreign 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 30).
2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 30).

Principal and interest maturity analysis	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
	2009						
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 foreign currency swaps (settled gross)	7	–	–	–	–	–	7
Repayment of principal and interest	363	182	690	39	109	435	1,818

Notes to the consolidated financial statements

for the year ended 30 September 2009

20 Derivative financial instruments continued

Gross debt maturity analysis	2008 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							
€300m Eurobond 2009	237	–	–	–	–	–	237
£200m Eurobond 2010	–	200	–	–	–	–	200
£325m Eurobond 2012	–	–	–	324	–	–	324
£250m Eurobond 2014	–	–	–	–	–	250	250
US private placements	83	20	68	252	–	8	431
Bank loans	5	5	5	–	–	–	15
Total fixed interest	325	225	73	576	–	258	1,457
Cash flow swaps (fixed leg)	273	206	–	–	–	–	479
Fair value swaps (fixed leg)	(184)	(450)	(170)	(437)	–	(100)	(1,341)
Fixed interest (asset)/liability	414	(19)	(97)	139	–	158	595
Floating interest							
Bank loans	7	5	–	–	2	–	14
Overdrafts	29	–	–	–	–	–	29
Total floating interest	36	5	–	–	2	–	43
Cash flow swaps (floating leg)	(273)	(206)	–	–	–	–	(479)
Fair value swaps (floating leg)	184	450	170	437	–	100	1,341
Floating interest (asset)/liability	(53)	249	170	437	2	100	905
Other							
Finance lease obligations	14	13	8	6	3	9	53
Fair value adjustments to borrowings[2]	(1)	(6)	–	–	–	25	18
Swap monetisation[2]	2	2	–	12	–	1	17
Foreign currency contracts[1]	6	–	–	–	–	–	6
Other (asset)/liability	21	9	8	18	3	35	94
Gross debt excluding derivatives	382	239	81	594	5	293	1,594
Derivative financial instruments							
Derivative financial instruments[2]	3	(10)	–	–	–	(3)	(10)
Gross debt	385	229	81	594	5	290	1,584

1 Non-cash item (changes in the value of this non-cash item are reported via the foreign exchange caption in note 30).
2 Non-cash item (changes in the value of this non-cash item are reported via the other non-cash movements caption in note 30).

Principal and interest maturity analysis	2008 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	385	229	81	594	5	290	1,584
Less: Overdrafts	(29)	–	–	–	–	–	(29)
Less: Fees and premiums capitalised on issue	(1)	–	–	1	–	–	–
Less: Other non-cash items	(10)	14	–	(12)	–	(23)	(31)
Repayment of principal	345	243	81	583	5	267	1,524
Interest cash flows on debt and derivatives (settled net)	92	70	52	57	16	29	316
Settlement of foreign currency swaps (settled gross)	6	–	–	–	–	–	6
Repayment of principal and interest	443	313	133	640	21	296	1,846

21 Trade and other payables

Trade and other payables	2009 Current £m	2009 Non-current £m	2009 Total £m	2008 Current £m	2008 Non-current £m	2008 Total £m
Net book value						
At 1 October	**2,235**	**33**	**2,268**	1,833	36	1,869
Net movement	**(105)**	**(8)**	**(113)**	216	(8)	208
Currency adjustment	**248**	**4**	**252**	186	5	191
At 30 September	**2,378**	**29**	**2,407**	2,235	33	2,268
Comprised of						
Trade payables[1]	**967**	**4**	**971**	856	4	860
Amounts owed to associates[1]	**1**	**–**	**1**	2	–	2
Social security and other taxes	**213**	**–**	**213**	218	–	218
Other payables	**133**	**16**	**149**	161	15	176
Deferred consideration on acquisitions[1]	**14**	**7**	**21**	10	4	14
Liability on put options held by minority equity partners[2]	**6**	**2**	**8**	18	10	28
Accruals[3]	**871**	**–**	**871**	805	–	805
Deferred income	**173**	**–**	**173**	165	–	165
Trade and other payables	**2,378**	**29**	**2,407**	2,235	33	2,268

1 Categorised as 'other financial liabilities' (IAS 39).
2 Categorised as 'fair value through profit or loss' (IAS 39).
3 Of this balance £288 million (2008: £300 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 2009 were 54 days (2008: 53 days).

22 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 2007	112	200	46	71	8	437
Reclassified[1]	–	4	1	9	6	20
Expenditure in the year	(6)	(25)	(9)	(5)	(6)	(51)
Charged to income statement	22	–	12	20	5	59
Credited to income statement	–	(38)	(8)	(6)	(3)	(55)
Fair value adjustments arising on acquisitions	–	–	7	19	–	26
Business disposals – other activities	–	–	–	(2)	–	(2)
Unwinding of discount on provisions	–	–	–	–	–	–
Currency adjustment	15	1	1	2	1	20
At 30 September 2008	143	142	50	108	11	454
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 (note 27)	**–**	**–**	**1**	**–**	**–**	**1**
Business disposals – other activities	**–**	**–**	**–**	**–**	**–**	**–**
Unwinding of discount on provisions	**–**	**–**	**1**	**–**	**–**	**1**
Currency adjustment	**14**	**–**	**2**	**8**	**2**	**26**
At 30 September 2009	**163**	**89**	**49**	**127**	**37**	**465**

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

Notes to the consolidated financial statements

for the year ended 30 September 2009

22 Provisions continued

Provisions	2009 £m	2008 £m
Current	**123**	113
Non-current	**342**	341
Total provisions	**465**	454

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 £23 million (2008: £38 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.

23 Post-employment benefit obligations

Pension schemes operated

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

The contributions payable for defined contribution schemes of £27 million (2008: £28 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 is the main vehicle for pension provision for new joiners in the UK but existing members of the Plan and the Scheme will continue to accrue benefits under those arrangements. CRISP is a contracted-in money purchase arrangement whereby the Group will match employee contributions up to 6% of pay (minimum 3%). Within CRISP there has been a new defined contribution section established from April 2006 known as the Compass Higher Income Plan ('CHIP'). Senior employees who contribute to CRISP, the Plan or the Scheme 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 that are closed to new entrants 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 special sections of the Plan, known collectively as 'the GAD sections', which have been certified by the Government Actuary's Department as 'broadly comparable' to the relevant public sector scheme. All members accruing pensions under the Plan and Scheme for service accruing after 6 April 2006 (other than for the protected members in the GAD sections) accrue benefits on an 80th of final pensionable salary basis. The link between pensionable pay and salary has been removed so that pensionable pay from 6 April 2006 will only increase in line with salary up to a maximum of 5% per annum or the increase in the Retail Price Index if lower.

23 Post-employment benefit obligations continued

After the year end, on 2 October 2009, the Company entered into consultation with active members of the Plan and Scheme (other than those protected members in the GAD sections) regarding a proposal to cease future accrual of pensions for those members in respect of service incurred after 31 January 2010.

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 2007. The final results revealed a significant improvement in the funding positions since the previous valuation, even allowing for the updated mortality assumptions. The next formal valuation is due with effect from 5 April 2010 and it is expected that, despite a cautious investment strategy, the funding position will have worsened. The Plan and the Scheme are reappraised annually by independent actuaries in accordance with IAS 19 'Employee Benefits' requirements.

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 (although one of these positions is vacant). The Plan has a corporate trustee. The Chairman, Peter Morriss, is independent. There are a further eight trustee directors who are UK-based employees or former employees of the Group, four of whom have been member-nominated (again 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, Compass contributes to a number of multi-employer union sponsored pension plans, primarily in the United States. 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 £3 million in the year (2008: £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		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Rate of increase in salaries[1]	**3.3/4.3%**	3.6/4.6%	3.2/4.2%	**4.0%**	4.0%	4.0%	**2.6%**	3.0%	2.9%
Rate of increase for pensions in payment[1]	**2.3/3.3%**	2.9/3.6%	3.2/3.5%	**2.2%**	2.2%	2.2%	**1.3%**	0.9%	0.9%
Rate of increase for deferred pensions[1]	**3.3%**	3.6%	3.2%	**0.0%**	0.0%	0.0%	**1.1%**	0.6%	0.6%
Discount rate	**5.4%**	6.4%	5.8%	**5.5%**	7.0%	6.1%	**5.0%**	4.9%	4.9%
Inflation assumption	**3.3%**	3.6%	3.2%	**2.2%**	2.2%	2.2%	**2.2%**	2.2%	2.1%

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

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

	UK schemes				USA schemes	
Life expectancy at 65	Male non-pensioner years	Male pensioner years	Female non-pensioner years	Female pensioner years	Male years	Female years
As at 30 September 2009	**21.8**	**20.8**	**24.7**	**23.8**	**18.4**	**20.6**
As at 30 September 2008	21.8	20.7	24.7	23.7	18.1	20.4

Consolidated financial statements

Notes to the consolidated financial statements

for the year ended 30 September 2009

23 Post-employment benefit obligations continued

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.

	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

	2007						
	UK schemes		USA schemes		Other schemes		
Fair value of plan assets	Expected return	£m	Expected return	£m	Expected return	£m	Total £m
Equity instruments	8.0%	383	8.8%	46	6.6%	25	454
Debt instruments	5.3%	838	5.9%	19	4.7%	33	890
Other	6.0%	69	3.8%	4	5.2%	25	98
Total plan assets	6.1%	1,290	7.7%	69	5.7%	83	1,442

	2009				2008			
Fair value of plan assets	**UK £m**	**USA £m**	**Other £m**	**Total £m**	UK £m	USA £m	Other £m	Total £m
At 1 October	**1,204**	**127**	**88**	**1,419**	1,290	69	83	1,442
Currency adjustment	**–**	**15**	**15**	**30**	–	16	8	24
Expected return on plan assets	**73**	**11**	**5**	**89**	79	10	5	94
Actuarial gain/(loss)	**6**	**(7)**	**(6)**	**(7)**	(153)	(32)	(4)	(189)
Employee contributions	**3**	**10**	**3**	**16**	3	8	3	14
Employer contributions	**21**	**14**	**22**	**57**	25	14	17	56
Benefits paid	**(45)**	**(14)**	**(19)**	**(78)**	(40)	(15)	(18)	(73)
Disposals and plan settlements	**–**	**–**	**(2)**	**(2)**	–	–	(4)	(4)
Other balance sheet transfers	**–**	**–**	**–**	**–**	–	57	(2)	55
Acquisitions	**1**	**–**	**–**	**1**	–	–	–	–
At 30 September	**1,263**	**156**	**106**	**1,525**	1,204	127	88	1,419

23 Post-employment benefit obligations continued

Present value of defined benefit obligations	2009 UK £m	2009 USA £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 USA £m	2008 Other £m	2008 Total £m
At 1 October	**1,187**	**196**	**169**	**1,552**	1,228	129	155	1,512
Currency adjustment	**–**	**22**	**28**	**50**	–	25	17	42
Current service cost	**8**	**6**	**9**	**23**	9	5	9	23
Past service cost	**1**	**–**	**–**	**1**	–	–	(2)	(2)
Curtailment credit	**–**	**–**	**(1)**	**(1)**	–	–	–	–
Amount charged to plan liabilities	**75**	**16**	**9**	**100**	71	12	9	92
Actuarial (gain)/loss	**175**	**23**	**–**	**198**	(84)	(25)	(3)	(112)
Employee contributions	**3**	**10**	**3**	**16**	3	8	3	14
Benefits paid	**(45)**	**(14)**	**(19)**	**(78)**	(40)	(15)	(18)	(73)
Plan amendment	**–**	**–**	**–**	**–**	–	–	1	1
Disposals and plan settlements	**–**	**–**	**(2)**	**(2)**	–	–	(4)	(4)
Other balance sheet transfers	**–**	**–**	**–**	**–**	–	57	–	57
Acquisitions	**1**	**–**	**1**	**2**	–	–	2	2
At 30 September	**1,405**	**259**	**197**	**1,861**	1,187	196	169	1,552

Present value of defined benefit obligations	2009 UK £m	2009 USA £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 USA £m	2008 Other £m	2008 Total £m
Funded obligations	**1,372**	**190**	**139**	**1,701**	1,158	143	112	1,413
Unfunded obligations	**33**	**69**	**58**	**160**	29	53	57	139
Total obligations	**1,405**	**259**	**197**	**1,861**	1,187	196	169	1,552

Post-employment benefit obligations recognised in the balance sheet	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	**1,861**	1,552	1,512	1,690	1,595
Fair value of plan assets	**(1,525)**	(1,419)	(1,442)	(1,408)	(1,040)
Total deficit of defined benefit pension plans per above	**336**	133	70	282	555
Surplus not recognised	**1**	–	92	–	–
Past service cost not recognised[1]	**(2)**	(2)	–	–	–
Post-employment benefit obligations per the balance sheet	**335**	131	162	282	555

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

Notes to the consolidated financial statements

for the year ended 30 September 2009

23 Post-employment benefit obligations continued

Certain Group companies have taken out life insurance policies which will be used to meet unfunded pension obligations. The current value of these policies, £19 million (2008: £15 million), may not be offset against pension obligations under IAS 19 and is reported within note 14.

Total pension costs/(credits) recognised in the income statement	2009 UK £m	2009 USA £m	2009 Other £m	2009 Total £m	2008 UK £m	2008 USA £m	2008 Other £m	2008 Total £m
Current service cost	8	6	9	23	9	5	9	23
Past service credit	1	–	–	1	–	–	(2)	(2)
Curtailment credit	–	–	(1)	(1)	–	–	–	–
Charged/(credited) to operating expenses	9	6	8	23	9	5	7	21
Amount charged to pension liability	75	16	9	100	71	12	9	92
Expected return on plan assets	(73)	(11)	(5)	(89)	(79)	(10)	(5)	(94)
Charged/(credited) to finance costs	2	5	4	11	(8)	2	4	(2)
Total pension costs/(credits)	11	11	12	34	1	7	11	19

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	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience adjustments on plan liabilities – gain/(loss)	(3)	5	(15)	(14)	(8)
Experience adjustments on plan assets – (loss)/gain	(7)	(189)	22	39	75

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

Actuarial adjustments	2009 £m	2008 £m
Actuarial (gains)/losses on fair value of plan assets	7	189
Actuarial (gains)/losses on defined benefit obligations	198	(112)
Actuarial (gains)/losses	205	77
Increase/(decrease) in surplus not recognised	1	(92)
Actuarial (gains)/losses per the statement of recognised income and expense	206	(15)

The Group made total contributions of £57 million in the year (2008: £56 million) and expects to make regular ongoing contributions of £46 million in 2010.

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 £82 million (2008: loss of £95 million).

The cumulative actuarial loss recognised in the statement of recognised income and expense was £347 million (2008: £141 million). An actuarial loss of £206 million (2008: gain of £15 million) was recognised during the year.

Measurement of the Group's defined benefit retirement obligations are particularly sensitive to changes in certain key assumptions, including the discount rate and life expectancy. An increase or decrease of 0.5% in the UK discount rate would result in a £124 million decrease or £135 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 £39 million increase or £38 million decrease in the UK defined benefit obligations, respectively.

24 Called up share capital

During the year 5,564,975 options were granted under the Compass Group Management Share Option Plan. All options were granted over the Company's ordinary shares and the grant price was equivalent to the market value of the Company's shares at the date of grant. No options were granted under any of the Company's other share option plans.

The Company commenced an on market share buy-back programme following the disposal of Select Service Partner in June 2006. This programme was extended following the disposal of Selecta in July 2007. A third phase of the programme commenced on 1 July 2008. During the year, a total of 3,975,000 ordinary shares of 10 pence each were repurchased for consideration of £13 million and cancelled.

	2009		2008	
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	**1,853,813,959**	**185**	1,841,932,734	184

	2009	2008
Allotted share capital	**Number of shares**	Number of shares
Ordinary shares of 10p each allotted as at 1 October	**1,841,932,734**	1,926,996,323
Ordinary shares allotted during the year on exercise of share options	**12,666,765**	21,950,879
Ordinary shares allotted during the year on release of Long-Term Incentive Plan awards	**3,189,460**	–
Repurchase of ordinary share capital	**(3,975,000)**	(107,014,468)
Ordinary shares of 10p each allotted as at 30 September	**1,853,813,959**	1,841,932,734

At 30 September 2009, employees held options over a total of 61,621,767 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:			
25 November 1999	25 November 2002 – 24 November 2009	145,371	391.70
3 February 2000	3 February 2003 – 2 February 2010	159,186	394.00[1]
13 September 2000	13 September 2003 – 12 September 2010	6,186,543	371.60
28 May 2001	28 May 2004 – 27 May 2011	130,000	524.50
19 September 2001	19 September 2004 – 18 September 2011	4,616,350	430.00
23 May 2002	23 May 2005 – 22 May 2012	5,060,950	422.00
30 September 2002	30 September 2005 – 29 September 2012	1,550,400	292.50
4 December 2002	4 December 2005 – 3 December 2012	541,200	313.75
28 May 2003	28 May 2006 – 27 May 2013	6,731,700	320.00
3 December 2003	3 December 2006 – 2 December 2013	56,500	356.00
3 December 2003	3 December 2006 – 2 December 2013	1,169,450	356.00
7 June 2004	7 June 2007 – 6 June 2014	650,000	333.50
3 August 2004	3 August 2007 – 2 August 2014	550,000	316.25
3 August 2004	3 August 2007 – 2 August 2014	5,759,060	316.25
1 December 2004	1 December 2007 – 30 November 2014	1,615,000	229.25
1 December 2004	1 December 2007 – 30 November 2014	6,821,283	229.25
14 December 2005	14 December 2008 – 13 December 2015	3,411,620	210.00
12 June 2006	12 June 2009 – 11 June 2016	83,000	234.50
30 March 2007	30 March 2010 – 29 March 2017	3,925,702	335.75
28 September 2007	28 September 2010 – 27 September 2017	249,375	310.75
28 March 2008	28 March 2011 – 27 March 2018	4,532,369	321.50
30 September 2008	30 September 2011 – 29 September 2018	187,077	331.25
31 March 2009	31 March 2012 – 30 March 2019	5,350,362	319.00
30 September 2009	30 September 2012 – 29 September 2019	187,348	372.40
		59,669,846	

1 Options granted over ordinary shares in Compass Group Holdings PLC ('CGH'). Under its articles of association, any CGH ordinary shares which are issued on exercise are automatically transferred to the Company in consideration of the issue of Compass Group PLC ordinary shares on the basis of 1.835 Compass Group PLC shares for every CGH share. Numbers and prices given relate to Compass Group PLC.

Notes to the consolidated financial statements

for the year ended 30 September 2009

24 Called up share capital continued

UK Sharesave Plan	Exercisable	Number of shares	Option price per share pence
Date of grant:			
5 July 2002	1 September 2009 – 28 February 2010	30,150	336.00
4 July 2003	1 September 2010 – 28 February 2011	21,796	290.20
1 July 2004	1 September 2009 – 28 February 2012	103,541	266.80
1 July 2005	1 September 2010 – 28 February 2013	1,193,386	179.20
		1,348,873	

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:			
19 July 2004	1 October 2009 – 28 February 2010	265,886	266.80
18 July 2005	1 October 2010 – 28 February 2011	337,162	179.20
		603,048	

1 The options vest over a three- and five-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.

In addition, shares are also awarded under the Compass Group Long-Term Incentive Plan ('LTIP').

Long-Term Incentive Plan	Vesting date	Number of shares	Performance conditions
Date of award:			
8 March 2007	1 October 2009	1,863,004	50% TSR / 50% GFCF
1 June 2007	1 October 2009	178,936	50% TSR / 50% GFCF
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
		6,440,102	

1 The performance and vesting conditions are described in more detail in note 26.

25 Reconciliation of movements in equity

Reconciliation of movements in equity	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 2007	193	122	33	(1)	4,312	(2,511)	22	2,170
Total recognised income and expense	–	–	–	–	71	455	10	536
Issue of shares	2	56	–	–	–	–	–	58
Fair value of share-based payments	–	–	–	–	14	–	–	14
Settled in new shares (issued by the Company)	–	–	–	–	–	–	–	–
Settled in cash or existing shares (purchased in market)	–	–	–	–	(5)	–	–	(5)
Share buy-back	(11)	–	11	–	–	(348)	–	(348)
Transfer on exercise of put options	–	–	–	–	–	–	–	–
Equity adjustment for grant of put option	–	–	–	–	–	–	–	–
Buy-out of minority interests	–	–	–	–	–	–	(6)	(6)
Fair value adjustments arising on acquisition	–	–	–	–	9	–	–	9
Other changes	–	–	–	–	–	(3)	(3)	(6)
	184	178	44	(1)	4,401	(2,407)	23	2,422
Dividends paid to Compass shareholders (note 9)	–	–	–	–	–	(209)	–	(209)
Dividends paid to minority interests	–	–	–	–	–	–	(4)	(4)
(Increase)/decrease in own shares held for staff compensation schemes[1]	–	–	–	(3)	–	–	–	(3)
At 30 September 2008	184	178	44	(4)	4,401	(2,616)	19	2,206
At 1 October 2008	**184**	**178**	**44**	**(4)**	**4,401**	**(2,616)**	**19**	**2,206**
Total recognised income and expense	**–**	**–**	**–**	**–**	**93**	**441**	**10**	**544**
Issue of shares	**1**	**27**	**–**	**–**	**–**	**–**	**–**	**28**
Fair value of share-based payments	**–**	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Settled in new shares (issued by the Company)	**–**	**10**	**–**	**–**	**(10)**	**–**	**–**	**–**
Settled in cash or existing shares (purchased in market)	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Share buy-back	**–**	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Transfer on exercise of put options	**–**	**–**	**–**	**–**	**3**	**20**	**–**	**23**
Equity adjustment for grant of put option	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Buy-out of minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
Fair value adjustments arising on acquisition	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other changes	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**2**
	185	**215**	**44**	**(4)**	**4,489**	**(2,166)**	**12**	**2,775**
Dividends paid to Compass shareholders (note 9)	**–**	**–**	**–**	**–**	**–**	**(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.

Own shares held by the Group represent 691,822 shares in Compass Group PLC (2008: 1,276,271 shares). 674,613 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 2009 was £2.6 million (2008: £4.4 million). The nominal value held at 30 September 2009 was £69,182 (2008: £127,627).

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.

Notes to the consolidated financial statements

for the year ended 30 September 2009

25 Reconciliation of movements in equity continued

The analysis of other reserves is shown below:

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 2007	144	4,170	–	6	(8)	4,312
Total recognised income and expense	–	–	(1)	72	–	71
Fair value of share-based payments	14	–	–	–	–	14
Settled in new shares (issued by the Company)	–	–	–	–	–	–
Settled in cash or existing shares (purchased in market)	(5)	–	–	–	–	(5)
Transfer on exercise of put options	–	–	–	–	–	–
Equity adjustment for grant of put option	–	–	–	–	–	–
Fair value adjustments arising on acquisition	–	–	9	–	–	9
At 30 September 2008	153	4,170	8	78	(8)	4,401
At 1 October 2008	**153**	**4,170**	**8**	**78**	**(8)**	**4,401**
Total recognised income and expense	**–**	**–**	**(1)**	**94**	**–**	**93**
Fair value of share-based payments	**4**	**–**	**–**	**–**	**–**	**4**
Settled in new shares (issued by the Company)	**(10)**	**–**	**–**	**–**	**–**	**(10)**
Settled in cash or existing shares (purchased in market)	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Transfer on exercise of put options	**–**	**–**	**–**	**–**	**3**	**3**
Equity adjustment for grant of put option	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Fair value adjustments arising on acquisition	**–**	**–**	**–**	**–**	**–**	**–**
At 30 September 2009	**146**	**4,170**	**7**	**172**	**(6)**	**4,489**

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.

26 Share-based payments

Share options

Full details of the Compass Group Share Option Plan ('Option Plan'), the Management Share Option Plan ('Management Plan') and the UK and International Sharesave Plans can be found in the Directors' Remuneration report.

The following tables illustrate the number and weighted average exercise prices of, and movements in, share options during the year:

Executive and Management Share Option Plans	**2009** Number of share options	**2009** Weighted average exercise price pence	2008 Number of share options	2008 Weighted average exercise price pence
Outstanding at 1 October	**70,722,458**	**322.07**	110,254,435	321.05
Granted	**5,564,975**	**320.80**	4,878,299	321.91
Exercised	**(10,115,506)**	**275.57**	(19,535,485)	274.44
Expired	**(117,902)**	**312.80**	–	–
Lapsed	**(6,384,179)**	**367.11**	(24,874,791)	354.91
Outstanding at 30 September	**59,669,846**	**325.03**	70,722,458	322.07
Exercisable at 30 September	**45,237,613**	**325.02**	55,965,772	332.42

The balance above includes options over 11,237,450 shares (2008: 17,683,404 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.

26 Share-based payments continued

UK Sharesave Plan	2009 Number of share options	2009 Weighted average exercise price pence	2008 Number of share options	2008 Weighted average exercise price pence
Outstanding at 1 October	**2,069,298**	**196.73**	5,071,649	211.55
Exercised	**(360,650)**	**209.51**	(1,876,759)	190.41
Lapsed	**(359,775)**	**204.57**	(1,125,592)	274.02
Outstanding at 30 September	**1,348,873**	**191.22**	2,069,298	196.73
Exercisable at 30 September	**92,143**	**289.44**	303,427	190.08

International Sharesave Plan	2009 Number of share options	2009 Weighted average exercise price pence	2008 Number of share options	2008 Weighted average exercise price pence
Outstanding at 1 October	**4,866,539**	**187.99**	6,843,658	218.40
Exercised	**(2,190,609)**	**180.24**	(538,635)	256.34
Lapsed	**(2,072,882)**	**187.51**	(1,438,484)	307.05
Outstanding at 30 September	**603,048**	**217.82**	4,866,539	187.99
Exercisable at 30 September	**265,886**	**266.80**	4,192,902	183.16

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 that time over the option (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 326.22 pence (2008: 350.52 pence).

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.8 years (2008: 5.1 years) for executive and management options and 1.5 years (2008: 0.9 years) for employee schemes.

For 2009, options were granted on 31 March 2009 and 30 September 2009. The estimated fair value of options granted on these dates was 76.40 pence and 100.62 pence respectively. For 2008, options were granted on 28 March 2008 and 30 September 2008. The estimated average fair value of these options was 71.52 pence and 80.44 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.

Notes to the consolidated financial statements

for the year ended 30 September 2009

26 Share-based payments continued

The following assumptions were used in calculating the fair value of options granted under executive schemes:

Assumptions – options	2009	2008
Expected volatility	**35.1%**	25.3%
Risk free interest rate	**2.6%**	4.1%
Dividend yield	**3.7%**	3.2%
Expected life	**6.0 years**	6.0 years
Weighted average share price at date of grant	**321.69p**	325.81p
Weighted average option exercise price	**321.27p**	321.91p

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.

		Target			
		Threshold		Maximum	
Management Share Option Plans	Performance period	GFCF £m	% of award	GFCF £m	% of award
Granted on:					
30 March 2007 and 28 September 2007	1 October 2006 – 30 September 2009	859	25%	959	100%
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%

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 Option Plans.

Long-Term Incentive Plan

Full details of 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 Plan	2009 Number of shares	2008 Number of shares
Outstanding at 1 October	**8,123,977**	6,669,902
Awarded	**1,834,184**	2,563,978
Released	**(3,189,460)**	–
Lapsed	**(328,599)**	(1,109,903)
Outstanding at 30 September	**6,440,102**	8,123,977
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 depend on the achievement of the Group Free Cash Flow ('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.

26 Share-based payments continued

Long-Term Incentive Plan	Performance period	Target			
		Threshold		Maximum	
		GFCF £m	% of award	GFCF £m	% of award
Awarded year commencing:					
1 October 2006	1 October 2006 – 30 September 2009	859	25%	959	100%
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%

The fair value of these awards was calculated using the Black-Scholes option pricing model, the vesting probability being assessed based on a simulation model of the GFCF forecast.

The weighted average share price at the date of release for LTIP awards released during 2009 was 309.93 pence. No LTIP awards were released in 2008.

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2008: 1.1 years).

In 2009, LTIP awards were made on 28 November 2008 for which the estimated fair value was 209.87 pence. In 2008, awards were made on 20 December 2007 for which the estimated fair value was 241.07 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	**2009**	2008
Expected volatility	**33.4%**	24.5%
Risk free interest rate	**3.0%**	4.4%
Dividend yield	**3.9%**	3.4%
Expected life	**2.8 years**	2.8 years
Weighted average share price at date of grant	**306.25p**	322.75p

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, LTIPT and CGET.

The following table illustrates the movement in the number of awards during the year:

Long-Term Bonus Plan	**2009 Number of shares**	2008 Number of shares
Outstanding at 1 October	**1,600,195**	3,462,526
Vested	**(584,449)**	(1,525,235)
Lapsed (cash settled)	**(105,336)**	(47,958)
Forfeited	**(38,924)**	(289,138)
Outstanding at 30 September	**871,486**	1,600,195

Notes to the consolidated financial statements

for the year ended 30 September 2009

26 Share-based payments continued

The fair value of bonus shares awarded is calculated using the Black-Scholes option pricing model, however no new awards were made in either 2009 or 2008.

The weighted average share price at the date of exercise for share bonus awards vesting during 2009 was 330.98 pence (2008: 321.06 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 8.3 years (2008: 9.3 years), the weighted average deferral period being 3.9 years (2008: 3.9 years). The bonus shares outstanding at the end of 2008 which had not yet vested had a weighted average remaining contractual life of 0.1 years.

Income statement expense and carrying value

The Group recognised expenses of £4 million (2008: £14 million) for continuing operations in respect of equity-settled share-based payment transactions.

27 Business combinations

The Group acquired 100% of Kimco Corporation ('Kimco'), a provider of facilities management services to the US Business & Industry sector, on 31 December 2008 for a total consideration of £66 million (£65 million after adjusting for cash acquired). £53 million was paid at closing (£52 million after adjusting for cash acquired), with the remaining £13 million being deferred. The Group also acquired 100% of Lackmann Foodservice, a contract foodservice company in the US Business & Industry and Education sectors, on 30 June 2009 for a total consideration of £10 million of which £2 million was deferred.

In Germany, the Group strengthened its ability to provide support services with the acquisition of 100% of Plural Holding GmbH ('Plural') on 26 March 2009 for a total consideration of £28 million (£21 million after adjusting for cash acquired). £24 million was paid at closing (£17 million after adjusting for cash acquired), with the remaining £4 million being deferred.

On 16 December 2008 the Group agreed to acquire a number of food and retail outlets within UK hospitals from the McColl group of companies for consideration of £21 million in order to provide additional services in our core Healthcare market.

The Group also made a number of small infill acquisitions in its US vending business for a total consideration of £12 million, including Canteen Services Inc. ('Tiggleman'). Three other small infill acquisitions were made during the year for a total consideration of £8 million.

On 9 October 2008 the Group bought out the remaining 40% minority interest in Stamfles Food Management Pte, its Singaporean subsidiary which provides food services. It also acquired the remaining 5% minority interest in Seiyo Food – Compass Group, Inc, its Japanese subsidiary, bringing the holding in both companies to 100%. The combined consideration for both transactions was £11 milllion.

In the US, the Group exercised its call option to purchase the remaining 36% minority interest in Foodbuy LLC, its purchasing services business, for consideration of £18 million and its call option to purchase an additional 41% of Wolfgang Puck Catering and Events, LLC for consideration of £6 million.

27 Business combinations continued

	Acquisition of Kimco		Other acquisitions		Buy-out of minority interests	Adjustments[1]	Total
	Book value £m	Fair value £m	Book value £m	Fair value £m	Fair value £m	Fair value £m	Fair value £m
Net assets acquired							
Contract-related and other intangibles arising on acquisition	–	6	–	22	–	–	28
Property, plant and equipment	3	3	5	7	–	1	11
Deferred tax asset	–	–	–	2	–	–	2
Inventories	1	1	2	2	–	–	3
Trade and other receivables	11	11	17	17	–	–	28
Cash and cash equivalents	1	1	9	9	–	–	10
Other assets	1	1	–	–	–	–	1
Short-term borrowings	–	–	(2)	(3)	–	–	(3)
Trade and other payables	(9)	(9)	(12)	(13)	3	2	(17)
Provisions	–	–	–	(1)	–	–	(1)
Post-employment benefit obligations	–	–	(1)	(1)	–	–	(1)
Long-term borrowings	–	–	(6)	(12)	–	–	(12)
Deferred tax liabilities	–	–	–	(2)	–	15	13
Other liabilities	–	–	(1)	(2)	–	(1)	(3)
Minority interests	–	–	–	–	17	–	17
Fair value of net assets acquired	8	14	11	25	20	17	76
Goodwill arising on acquisition		52		53	15	(16)	104
Total consideration		66		78	35	1	180
Satisfied by							
Cash consideration and costs		53		72	35	1	161
Deferred consideration		13		6	–	–	19
		66		78	35	1	180
Cash flow							
Cash consideration		53		72	35	1	161
Cash acquired		(1)		(9)	–	–	(10)
Net cash outflow arising on acquisition		52		63	35	1	151

Deferred consideration and other payments relating to previous acquisitions	14
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings	165

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

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' ('IFRS 3'). The adjustments made in respect of the acquisitions in the year to 30 September 2009 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.

In the period from acquisition to 30 September 2009 the acquisitions contributed revenue of £138 million and operating profit of £7 million to the Group's results.

If the acquisitions had occurred on 1 October 2008, Group revenue for the period would have been £13,516 million and total Group operating profit (including associates) would have been £880 million.

Notes to the consolidated financial statements

for the year ended 30 September 2009

28 Reconciliation of operating profit to cash generated by operations

Reconciliation of operating profit to cash generated by continuing operations	2009 £m	2008 £m
Operating profit from continuing operations	**870**	655
Adjustments for:		
Amortisation of intangible fixed assets	**89**	81
Amortisation of intangible assets arising on acquisition	**7**	3
Depreciation of property, plant and equipment	**136**	125
(Gain)/loss on disposal of property, plant and equipment / intangible assets	**2**	2
(Gain)/loss on disposal of investments	**(1)**	–
(Gain)/loss on business disposals – other activities	**–**	(6)
Increase/(decrease) in provisions	**8**	21
Decrease in post-employment benefit obligations	**(33)**	(33)
Share-based payments – charged to profits	**4**	14
Share-based payments – settled in cash or existing shares[1]	**(1)**	(5)
Operating cash flows before movement in working capital	**1,081**	857
(Increase)/decrease in inventories	**8**	(13)
(Increase)/decrease in receivables	**96**	(108)
Increase/(decrease) in payables	**(71)**	179
Cash generated by continuing operations	**1,114**	915

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

29 Cash flow from discontinued operations

Cash flow from discontinued operations	2009 £m	2008 £m
Net cash from/(used in) operating activities of discontinued operations		
Cash generated from discontinued operations	**(1)**	2
Tax paid	**–**	–
Net cash from/(used in) operating activities of discontinued operations	**(1)**	2
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	**–**	–

30 Reconciliation of net cash flow to movement in net debt

On 30 October 2008, the Group raised and received a total of £187 million[1] in the US private placement market through the issue of five-, seven- and eight-year loan notes.

	Nominal value	Redeemable	Interest
US$ private placement	$105m	Oct 2013	6.45%
US$ private placement	$162m	Oct 2015	6.72%
Sterling private placement	£35m	Oct 2016	7.55%

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 2007	839	(118)	(1,435)	(1,553)	(50)	–	(1,603)	(764)
Net increase/(decrease) in cash and cash equivalents	(276)	–	–	–	–	–	–	(276)
Cash (inflow) from private placement	–	–	–	–	–	–	–	–
Cash (inflow)/outflow from other changes in gross debt	–	95	46	141	–	–	141	141
Cash (inflow)/outflow from repayment of obligations under finance leases	–	–	–	–	11	–	11	11
(Increase)/decrease in net debt as a result of new finance leases taken out	–	–	–	–	(8)	–	(8)	(8)
Currency translation gains/(losses)	16	(6)	(125)	(131)	(6)	–	(137)	(121)
Acquisitions and disposals (excluding cash)	–	–	–	–	–	–	–	–
Other non-cash movements	–	–	2	2	–	10	12	12
At 30 September 2008	579	(29)	(1,512)	(1,541)	(53)	10	(1,584)	(1,005)
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 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	**–**	**–**	**–**	**–**	**(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)**

Other non-cash movements are comprised as follows:

Other non-cash movements in net debt	**2009 £m**	2008 £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	**7**	9
Unrealised net gains/(losses) on bank and other borrowings in a designated fair value hedge	**(60)**	(11)
Bank and other borrowings	**(49)**	2
Changes in the value of derivative financial instruments	**66**	10
Other non-cash movements	**17**	12

1 Originally estimated to be £185 million in note 35 to the Consolidated Financial Statements section of the Annual Report for the year ended 30 September 2008.

Notes to the consolidated financial statements

for the year ended 30 September 2009

31 Contingent liabilities

Performance bonds, guarantees and indemnities[1]	2009 £m	2008 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings)	**330**	301

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 33.

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.

Eurest (Portugal) Sociedade Europeia Restaurantes LDA

In February 2007, the Group's Portuguese business, Eurest (Portugal) Sociedade Europeia Restaurantes LDA, was visited by the Portuguese Competition Authority ('PCA') as part of an investigation into possible past breaches of competition law by the Group and other caterers in the sector. The PCA investigation relates to a part of the Portuguese catering business which services mainly public sector contracts. The Group is co-operating fully with the PCA. The investigation has been ongoing for some while and it is likely that it will take some time to complete. The outcome cannot be predicted at this point. Revenues of the Portuguese business for the year ended 30 September 2009 were £135 million (€155 million).

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.

32 Capital commitments

Capital commitments	2009 £m	2008 £m
Contracted for but not provided for	**61**	28

The majority of capital commitments are for intangible assets.

33 Operating lease and concessions commitments

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

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

	2009			2008		
	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	**53**	**47**	**42**	48	48	31
Falling due between 2 and 5 years	**123**	**68**	**64**	120	62	83
Falling due in more than 5 years	**74**	**9**	**34**	72	9	52
Total	**250**	**124**	**140**	240	119	166

34 Related party transactions

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

Subsidiaries

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

Joint ventures

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the period save for a payment of £3 million (which is expected to be recovered in subsequent years) under the terms of the minimum profits guarantee referred to in note 31.

Associates

The balances with associated undertakings are shown in notes 16 and 21. There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of directors and key management personnel is set out in note 3. 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 2009

35 Post balance sheet events

There have been no material post balance sheet events.

36 Exchange rates

Exchange rates	2009	2008
Average exchange rate for year		
Australian Dollar	**2.12**	2.19
Brazilian Real	**3.26**	3.40
Canadian Dollar	**1.82**	1.99
Euro	**1.15**	1.32
Japanese Yen	**149.65**	212.97
Norwegian Krone	**10.12**	10.53
South African Rand	**13.69**	14.66
Swedish Krona	**12.08**	12.40
Swiss Franc	**1.74**	2.14
UAE Dirham	**5.73**	7.25
US Dollar	**1.56**	1.97
Closing exchange rate as at 30 September		
Australian Dollar	**1.83**	2.26
Brazilian Real	**2.85**	3.44
Canadian Dollar	**1.73**	1.90
Euro	**1.10**	1.27
Japanese Yen	**143.86**	189.23
Norwegian Krone	**9.34**	10.54
South African Rand	**11.84**	14.76
Swedish Krona	**11.21**	12.43
Swiss Franc	**1.66**	2.00
UAE Dirham	**5.85**	6.55
US Dollar	**1.59**	1.78

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.

37 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[1]	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%)[2]	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[3,4]	Italy	Foodservice, support services and prepaid meal vouchers
Compass Group International BV	Netherlands	Holding company
Compass Group Nederland BV	Netherlands	Foodservice and support services
Compass Group Nederland Holding BV	Netherlands	Holding company
Eurest Services BV	Netherlands	Foodservice and support services
Compass Group Holdings Spain, S.L.	Spain	Holding company
Eurest Colectividades S.L.	Spain	Foodservice and support services
Compass Group (Schweiz) AG	Switzerland	Foodservice and support services
Restorama AG	Switzerland	Foodservice
United Kingdom		
Compass Contract Services (UK) Ltd	England & Wales	Foodservice and support services
Compass Group Holdings PLC	England & Wales	Holding company and corporate activities
Compass Group, UK & Ireland Ltd	England & Wales	Holding company
Compass International Purchasing Ltd	England & Wales	Purchasing services throughout the world
Compass Purchasing Ltd	England & Wales	Purchasing services in the UK and Ireland
Compass Services UK Ltd	England & Wales	Foodservice and support services
Hospitality Holdings Ltd[5]	England & Wales	Intermediate holding company
Letheby & Christopher Ltd	England & Wales	Foodservice for the UK sports and events business
Scolarest Ltd	England & Wales	Foodservice for the UK education market
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[6]	Japan	Foodservice and support services
Compass Group Southern Africa (Pty) Ltd (70%)	South Africa	Foodservice and support services

1 The Group acquired the remaining 36% interest in Foodbuy LLC during the year (2008: 64%).
2 The Group acquired a further 41% in Wolfgang Puck Catering and Events, LLC during the year (2008: 49%).
3 Formerly known as Onama S.P.A.
4 Palmar S.P.A and Lunchtime S.P.A were merged into Compass Group Italia S.P.A during the year.
5 Held directly by the Parent Company.
6 The Group acquired the remaining 5% shareholding in Seiyo Food – Compass Group, Inc during the year (2008: 95%).

Parent Company financial statements

Directors' responsibilities

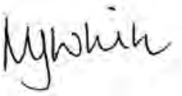
The annual report and accounts complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce an annual financial report.

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
25 November 2009

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 judgements 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 2009 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 sections 495, 496 and 497 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 2009;
- 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.

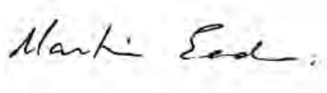
Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 2009.



Martin Eadon (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 November 2009

Parent Company balance sheet

as at 30 September 2009

Compass Group PLC	Notes	2009 £m	2008 £m
Fixed assets			
Investments	2	**960**	949
Current assets			
Debtors: Amounts falling due within one year	3	**6,708**	5,721
Debtors: Amounts falling due after more than one year	3	**70**	20
Cash at bank and in hand		**424**	456
Current assets		**7,202**	6,197
Creditors: Amounts falling due within one year			
Creditors: Amounts falling due within one year	4	**(5,631)**	(4,698)
Net current assets			
Net current assets		**1,571**	1,499
Total assets less current liabilities			
Total assets less current liabilities		**2,531**	2,448
Creditors: Amounts falling due after more than one year			
Creditors: Amounts falling due after more than one year	4	**(1,216)**	(1,154)
Net assets			
Net assets		**1,315**	1,294
Capital and reserve			
Share capital	7,8	**185**	184
Share premium account	8	**215**	178
Capital redemption reserve	8	**44**	44
Share-based payment reserve	8	**146**	153
Profit and loss reserve	8	**725**	735
Total equity		**1,315**	1,294

Approved by the Board of Directors on 25 November 2009 and signed on their behalf by

Richard J Cousins, Director
Andrew D Martin, Director

Parent Company accounting policies

for the year ended 30 September 2009

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 2009. 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 2009 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 accounting standards for the first time in the year ended 30 September 2009.

D Investments in subsidiary undertakings

Investments are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments are 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 income statement 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, currency 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 26 to the consolidated financial statements.

Notes to the Parent Company financial statements

for the year ended 30 September 2009

1 Profit and loss account disclosures

The Company profit on ordinary activities after tax was £232 million (2008: £492 million).

The fee for the audit of the Company's annual financial statements was £0.4 million (2008: £0.4 million).

The Company had no direct employees in the course of the year (2008: none).

2 Investments in subsidiary undertakings

Investments in subsidiary undertakings	2009 £m	2008 £m
Cost and net book value		
At 1 October	**949**	933
Additions	**11**	10
Share-based payments to employees of subsidiaries	**4**	14
Recharged to subsidiaries during the year	**(3)**	(3)
Settlement of share-based payments by subsidiaries	**(1)**	(5)
At 30 September	**960**	949

The principal subsidiary undertakings are listed in note 37 to the consolidated financial statements.

3 Debtors

Debtors	2009 Falling due within 1 year £m	2009 Falling due after more than 1 year £m	2009 Total £m	2008 Falling due within 1 year £m	2008 Falling due after more than 1 year £m	2008 Total £m
Amounts owed by subsidiary undertakings	**6,682**	**–**	**6,682**	5,720	–	5,720
Derivative financial instruments (note 6)	**26**	**60**	**86**	1	19	20
Deferred taxation	**–**	**10**	**10**	–	1	1
Total	**6,708**	**70**	**6,778**	5,721	20	5,741

4 Creditors

Creditors	2009 Falling due within 1 year £m	2009 Falling due after more than 1 year £m	2009 Total £m	2008 Falling due within 1 year £m	2008 Falling due after more than 1 year £m	2008 Total £m
Bank overdrafts	**155**	**–**	**155**	158	–	158
Bank loans	**7**	**6**	**13**	5	10	15
Bank overdrafts and loans (note 5)	**162**	**6**	**168**	163	10	173
Loan notes	**23**	**588**	**611**	83	356	439
Bonds	**204**	**619**	**823**	237	782	1,019
Loan notes and bonds (note 5)	**227**	**1,207**	**1,434**	320	1,138	1,458
Derivative financial instruments (note 6)	**15**	**3**	**18**	11	6	17
Accruals and deferred income	**55**	**–**	**55**	54	–	54
Amounts owed to subsidiary undertakings	**5,172**	**–**	**5,172**	4,150	–	4,150
Total	**5,631**	**1,216**	**6,847**	4,698	1,154	5,852

4 Creditors continued

The Company has fixed term, fixed interest private placements totalling US$889 million (£558 million) at interest rates between 5.11% and 7.955%. The carrying value of these loan notes is £576 million. The Company also has a Sterling denominated private placement of £35 million.

Loan notes	Nominal value	Redeemable	Interest
US$ private placement	$36m	May 2010	6.53%
US$ 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 £775 million at interest rates of between 6.375% and 7.125%. The carrying value of these bonds is £823 million. The €300 million Eurobond was redeemed in May 2009.

Bonds	Nominal value	Redeemable	Interest
Sterling Eurobond	£200m	Jan 2010	7.125%
Sterling Eurobond	£325m	May 2012	6.375%
Sterling Eurobond	£250m	Dec 2014	7.0%

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 was as follows:

	2009				2008			
Maturity	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Other[1] (note 6) £m	Total £m	Bank 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	6	81	(2)	85	5	219	(10)	214
Between 2 and 5 years	–	728	(42)	686	5	659	–	664
In more than 5 years	–	398	(13)	385	–	260	(3)	257
In more than 1 year	6	1,207	(57)	1,156	10	1,138	(13)	1,135
Within 1 year, or on demand	162	227	(11)	378	163	320	10	493
Total	168	1,434	(68)	1,534	173	1,458	(3)	1,628

1 Other includes the debtor and creditor amounts associated with derivative financial instruments (note 6).

Bank loans	2009 £m	2008 £m
Amounts repayable by instalments falling due between 1 and 5 years	6	10
Amounts repayable by instalments falling due within 1 year	7	5
Amounts repayable by instalments falling due within 5 years	13	15
Fees and premiums capitalised on issue	–	–
Bank loans	13	15

Notes to the Parent Company financial statements

for the year ended 30 September 2009

6 Derivative financial instruments

Derivative financial instruments	2009 Financial assets (note 3) £m	2009 Financial liabilities (note 4) £m	2008 Financial assets (note 3) £m	2008 Financial liabilities (note 4) £m
Interest rate swaps				
Fair value hedges	**85**	**–**	19	(8)
Not in a hedging relationship	**–**	**(10)**	1	(3)
Other				
Forward exchange contracts	**1**	**(8)**	–	(6)
Derivative financial instruments	**86**	**(18)**	20	(17)

7 Share capital

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 24 and 26 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 2007	193	122	33	144	800	1,292
Issue of shares	2	56	–	–	–	58
Repurchase of ordinary share capital	(11)	–	11	–	(348)	(348)
Fair value of share-based payments	–	–	–	14	–	14
Settled in cash or existing shares[1]	–	–	–	(5)	–	(5)
Dividends paid to Compass shareholders	–	–	–	–	(209)	(209)
Profit for the financial year	–	–	–	–	492	492
At 30 September 2008	184	178	44	153	735	1,294
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**

1 Purchased in the market.

9 Contingent liabilities

Contingent liabilities	2009 £m	2008 £m
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	**341**	304

Details regarding certain contingent liabilities which involve the Company are set out in note 31 to the consolidated financial statements.

General shareholder information

Registrars and transfer office

All matters relating to the administration of shareholdings 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. This service can be accessed at www.capitashareportal.com. Shareholders registering for the Share Portal will require their investor code which is shown on share certificates and on the Form of Proxy accompanying this Report. The service enables shareholders to do all of the following:

- 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 variety 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 the Annual 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 Registrar 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 successfully transmitted, 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 the www.capitashareportal.com website.

Cash dividends

Holders of ordinary shares can have cash dividends paid in the form of a cheque. UK resident ordinary shareholders can instead have their dividends paid directly to a bank or building society account. Ordinary shareholders resident outside the UK can also have their dividends paid into their bank account directly via the Company's Registrars' global payments service. Details and terms and conditions may be viewed at www.capitashareportal.com.

Dividend Reinvestment Plan ('DRIP')

The Company has introduced a DRIP service, 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, 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 2009 final dividend is 4 February 2010.

Share price information

The current price of the Company's shares is available on the Company's website at www.compass-group.com, Ceefax and Teletext.

The Company's share price is also available 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'. Also, 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 (telephone within the UK: 020 7930 3737 and from overseas +44 20 7930 3737 or www.sharegift.org) 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.

General shareholder information

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 a 2006 survey by the Financial Services Authority ('FSA') has reported that the average amount lost by investors 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.

Directors

Chairman
Sir Roy Gardner

Executive directors

Group Chief Executive
Richard Cousins

Group Finance Director
Andrew Martin

Group Managing Director – USA, Canada and Mexico
Gary Green

Non-executive directors

Sir James Crosby (Senior independent director)
Steve Lucas
Susan Murray
Tim Parker
Don Robert
Sir Ian Robinson

General Counsel and 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

Financial calendar

Annual General Meeting:
5 February 2010

Results announcements:
Half year – May*
Full year – November*

Dividend payments:
Interim – August*
Final – March*

* Expected

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 and our full Corporate Responsibility report online at:
www.compass-group.com/annualreport09

Notice is hereby given that the ninth Annual General Meeting of Compass Group PLC (the 'Company') will be held in the Fleming Room at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Friday, 5 February 2010 at 11.00 a.m. in order to transact the following business:

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 11, 12 and 16 will be proposed as special resolutions and all other resolutions will be proposed as ordinary resolutions.

Resolution 1 – Report and Accounts
That the Directors' Annual Report and Accounts and the auditors' report thereon for the financial year ended 30 September 2009 be received and adopted.

Resolution 2 – Directors' Remuneration report
That the Directors' Remuneration report for the financial year ended 30 September 2009 be received and adopted.

Resolution 3 – Final dividend
To declare a final dividend of 8.8 pence per ordinary share in respect of the financial year ended 30 September 2009.

Resolution 4 – Don Robert
That Don Robert be elected as a director of the Company.

Resolution 5 – Gary Green
That Gary Green be re-elected as a director of the Company.

Resolution 6 – Sir Ian Robinson
That Sir Ian Robinson be re-elected as a director of the Company.

Resolution 7 – Steve Lucas
That Steve Lucas be re-elected as a director of the Company.

Resolution 8 – Deloitte LLP
That the auditors, Deloitte LLP, be re-appointed as the Company's auditors until the conclusion of the next Annual General Meeting of the Company.

Resolution 9 – Auditors' remuneration
That the directors be authorised to agree the auditors' remuneration.

Resolution 10 – Authority to allot shares
That the power conferred on the directors by Article 12 of the Company's Articles of Association be renewed 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, 4 May 2011 and, for that period the section 551 amount shall be £61,800,000 and, in addition, the section 551 amount shall be increased by £61,800,000, 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.

Notice of meeting

Resolution 11 – Authority to allot shares for cash
That, subject to the passing of Resolution 10 above, the power conferred on the directors by Article 13 of the Company's Articles of Association be renewed, 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, 4 May 2011 and for that period the section 561 amount is £9,250,000.

Resolution 12 – Purchase of own shares
That the Company be generally and unconditionally authorised, 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:

12.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 185,500,000;
12.2 the minimum price (exclusive of expenses) which may be paid for each ordinary share is 10 pence;
12.3 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
12.4 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 4 August 2011, 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).

Resolution 13 – The Compass Group PLC Long Term Incentive Plan 2010
That the Compass Group PLC Long Term Incentive Plan 2010 (the 'LTIP'), to be constituted by the rules produced in draft to this Meeting and for the purpose of identification initialled by the Chairman, the principal features of which are summarised in this Notice of Meeting, be approved and adopted and that the directors be authorised to do all acts and things which they may consider necessary or expedient to carry the LTIP into effect, including making such modifications as they may consider appropriate to take account of the requirements of the London Stock Exchange, the UK Listing Authority, best practice or local tax, exchange control or securities laws outside the United Kingdom.

Resolution 14 – The Compass Group Share Option Plan 2010
That The Compass Group Share Option Plan 2010 (the 'Share Option Plan'), to be constituted by the rules produced in draft to this Meeting and for the purpose of identification initialled by the Chairman, the principal features of which are summarised in this Notice of Meeting, be approved and adopted and that the directors be authorised to do all acts and things which they may consider necessary or expedient to carry the Share Option Plan into effect, including making such modifications as they may consider appropriate to take account of the requirements of the London Stock Exchange, the UK Listing Authority, best practice or local tax, exchange control or securities laws outside the United Kingdom.

Resolution 15 – Political donations
That the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this Resolution relates be and is hereby authorised 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.

Resolution 16 – Notice of Meetings other than Annual General Meetings
That a general meeting of the Company other than an Annual General Meeting may be called 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.

By Order of the Board
Mark J White
General Counsel and Company Secretary
23 December 2009

Registered Office:
Compass House
Guildford Street
Chertsey, Surrey KT16 9BQ

Registered in England and Wales No. 4083914

Explanatory notes to the Resolutions

Resolution 1

The directors are required to present to the Meeting the audited accounts and the Directors' and auditors' report for the financial year ended 30 September 2009.

Resolution 2

The Directors' Remuneration report includes the Company's policy on directors' remuneration for the next financial year and for the years subsequent to that, a table containing details of the directors' emoluments and a line graph that shows the Total Shareholder Return ('TSR'), from 1 October 2004, together with the TSR for the FTSE 100 index since that date.

Resolution 3

If Resolution 3 is approved by shareholders, the final dividend for the year ended 30 September 2009 will be paid on 1 March 2010 to shareholders on the register at the close of business on 29 January 2010.

Resolution 4

The Company's Articles of Association permit any director appointed by the Board since the date of the last Annual General Meeting ('AGM') to hold office only until the date of the next AGM. The director is then eligible for election by shareholders. Don Robert is standing for election as a non-executive director following his appointment on 8 May 2009. Don Robert has a letter of engagement for an initial period of three years and his appointment is terminable without compensation.

Resolutions 5, 6 and 7

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. Gary Green, Sir Ian Robinson and Steve Lucas will retire by rotation this year in accordance with the Articles of Association and are proposed for re-election through separate resolutions numbered 5, 6 and 7. Gary Green is standing for re-election as an executive director and Sir Ian Robinson and Steve Lucas for re-election as non-executive directors. The service agreement of Gary Green has no fixed term and is capable of termination on 12 months' notice from the Company and six months' notice from Gary Green. The letters of engagement of Sir Ian Robinson and Steve Lucas are terminable without compensation.

Biographical details of all the directors standing for election and re-election appear on page 42 of the Annual Report 2009.

Resolutions 8 and 9

Auditors have to be 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 9 grants this authority to the directors.

Resolution 10

The first part of Resolution 10 seeks to grant the directors authority to allot, pursuant to Article 12 of the Company's Articles of Association and section 551 of the Companies Act 2006 ('CA 2006'), relevant securities with a maximum nominal amount of £61,800,000 (the 'section 551 amount'). This represents 618,000,000 ordinary shares of 10 pence each in the capital of the Company, which is approximately one-third of the Company's issued share capital as at 25 November 2009 (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 2011, or 4 May 2011, whichever is earlier.

On 31 December 2008, the Association of British Insurers ('ABI') revised its guidelines on directors' authority to allot shares. The new guidelines state that ABI members will continue to permit, and treat as routine, a request for authorisation to allot up to one-third of the existing issued share capital of the Company, together with the number of shares required to be allotted in respect of share incentive schemes. The new guidelines also state that the ABI will now regard as routine, requests to authorise the allotment of a further one-third of the Company's issued share capital provided that such additional allotment is only applied to fully pre-emptive rights issues and the authorisation is valid for one year only. The Board considers it appropriate that the Company should follow the revised ABI guidelines. The second part of Resolution 10 therefore seeks to grant the directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders with a nominal value of up to £61,800,000 (representing 618,000,000 ordinary shares of 10 pence each).

The total authorisation sought by Resolution 10 is equal to two-thirds of the issued ordinary share capital of the Company (excluding treasury shares) as at 25 November 2009, being the last practicable date prior to publication of this Notice.

Notice of meeting

Resolution 11

Resolution 11, which is being proposed as a special resolution, seeks to renew the directors' authority to issue equity securities of the Company for cash without application of the 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 £9,250,000 (the 'Section 561 amount'). This represents 92,500,000 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 25 November 2009 (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 2011 or on 4 May 2011 if earlier.

Save in respect of 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 10 and 11 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 12

This Resolution, which is being proposed as a special resolution, empowers the directors to make limited on-market purchases of the Company's ordinary shares. The power is limited to a maximum of 185,500,000 shares (just under 10% of the issued ordinary share capital as at 25 November 2009, 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 44 of the Annual Report 2009, 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.

Any purchases of ordinary shares would be made by means of market purchases through the London Stock Exchange. The Company holds no shares in treasury but the directors currently intend that any shares which are repurchased, outside of the share buy-back referred to above, may be held as treasury shares.

As at 25 November 2009 (being the last practicable date prior to the publication of this Notice), there were options outstanding over approximately 58,700,000 ordinary shares in the capital of the Company which represent 3.2% 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 3.5% of the Company's issued ordinary share capital (excluding treasury shares).

Resolution 13

The Compass Group Long-Term Incentive Plan ('LTIP') will shortly expire and it is proposed that future share incentive awards to executive directors and members of the Executive Committee be made under a new long-term incentive plan. The LTIP is designed to incentivise executive directors and other such senior executives by providing a share of the long-term value they create for shareholders. The Remuneration Committee of the Board believes this is the most appropriate way to recognise superior performance.

The terms of the proposed new plan will remain broadly similar to those of the existing rules, such that awards will continue to be subject to primary performance conditions of Total Shareholder Return ('TSR') and Group Free Cash Flow ('GFCF') and the maximum annual opportunity will not exceed 200% of base salary. The proposed new plan rules have been drafted to take account of current governance guidelines. Key proposed amendments include the ability to settle awards in shares or cash (if required), a reduction in the averaging period for determination of the TSR performance condition from six months to three months and implementation of a recoupment policy in the event of material fraud or misconduct by the recipient.

The main features of the plan are summarised in the appendix to this document.

Resolution 14
The Company is seeking the approval of shareholders for a new discretionary share option plan to attract and motivate senior executives. Directors will not be eligible to participate. It is not intended to seek HM Revenue & Customs approval.

The principal features of the plan are summarised in the appendix to this document.

Resolution 15
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 broad scope of the provisions controlling 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 2011 (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
The Company is currently able to call general meetings other than annual general meetings on 14 clear days' notice in accordance with its Articles of Association. However, the Companies (Shareholders' Rights) Regulations 2009 ('the Regulations'), which came into force on 3 August 2009, increased the required notice period for general meetings to 21 days, which overrides the authority provided for in the Articles of Association. The Company is able to preserve the authority to call general meetings on 14 days' notice, provided shareholders have approved this by passing a resolution annually at each AGM and the Company has met the requirements for electronic voting under the Regulations.

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 beneficial holdings of ordinary shares.

Appendix

Summary of the principal features of The Compass Group PLC Long Term Incentive Plan 2010 (the 'LTIP')

1 Eligibility
The plan is discretionary and participation will be available to full-time employees of the Group, including executive directors, who are not within six months of their expected normal retirement date.

2 Performance conditions
50% of any LTIP award will be based on Group Free Cash Flow ('GFCF') over a three-year performance period and 50% on the Company's Total Shareholder Return ('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 will be linked to the Group's wider business targets and will be set by the Remuneration Committee of the Board (the 'Committee') at the time of award based on Group projections and market expectations.

No shares will vest unless the Group achieves threshold performance. 25% of the portion of the award based on GFCF will vest on the achievement of threshold performance. Awards will 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). 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 Company justifies the vesting of an award.

Calculations of the achievement of the targets will be independently performed and approved by the Committee.

3 Timing and basis of awards
Awards may be made within the period of 42 days commencing on the date of approval of the LTIP by shareholders or the day following the announcement of the annual or half-year results of the Company in any year. Awards may also be made at any other time when in the opinion of the Committee circumstances are considered to be exceptional so as to justify the making of an award.

Awards will be made for no monetary consideration and will be determined by reference to a participant's base salary and the Company's share price on the day prior to the date on which an award is made. Benefits under the LTIP will not be pensionable.

No award may be made more than 10 years after the date of adoption of the LTIP and the Committee will formally review the LTIP by no later than February 2015.

Notice of meeting

4 Limits on participation
The annual limit for the value of shares over which an award may be made under the LTIP is 200% of base salary.

5 Dilution limits
The LTIP will operate within the limits recommended by the Association of British Insurers in respect of awards settled by the issue of new shares or transfer of treasury shares.

In any 10 year period, not more than 5% of the issued ordinary share capital of the Company may be issued under the LTIP and all other discretionary employees' share plans, and not more than 10% may be issued under the LTIP and all other employees' share schemes operated by the Company. These limits do not include awards which have lapsed.

6 Vesting and lapse of awards
At the end of the three-year performance period, once the Committee has determined the extent to which awards under the LTIP have vested, awards will be released within 45 days. Awards may be satisfied in new issue shares, purchased shares, treasury shares or, if required (for example, because of securities laws), in cash at the discretion of the Committee at any time up to the release of an award. If satisfaction is by way of cash, such amount is determined by reference to the Company's share price on the vesting date.

7 Early vesting
If a participant ceases to be an employee in certain circumstances, including injury, ill-health, disability or redundancy, any unvested award will lapse unless the Committee otherwise determines in its absolute discretion, in which case it shall permit awards to continue until the normal vesting date and be satisfied, subject to the achievement of the performance condition. If a participant ceases to be an employee by reason of contractual or agreed early retirement, any unvested award will continue until the normal vesting date and be satisfied, subject to achievement of the performance condition. In the aforementioned circumstances, any shares vesting will be reduced on a time-apportioned basis unless otherwise determined by the Committee. In the event of the death of a participant during the performance period, such award will immediately vest, subject to the satisfaction of the performance condition at that date and to reduction on a time-apportioned basis, unless the Committee decides otherwise.

8 Change of control
In the event of a change of control of the Company, any unvested awards will vest immediately, subject to satisfaction of performance conditions as at the date of completion of the change of control and subject to reduction on a time-apportionment basis. In the event of an internal reorganisation, an award will normally be released and replaced by a new award which will continue to be governed under the rules of the LTIP.

9 Recoupment
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 (such value being determined by reference to the market value at the date of vesting) or the payment of cash equivalents under the LTIP.

10 Variation in share capital
The Committee may make such adjustments to awards as it considers appropriate in the event of any variation in the share capital of the Company.

11 Amendments
The Committee may amend the LTIP as it considers appropriate. However, shareholder approval is required to amend any provision to the advantage of participants relating to eligibility, dilution limits, the terms of vesting, the rights attaching to the shares acquired under the LTIP, or to the adjustment of awards. Shareholder approval is not required for minor amendments to benefit the administration of the LTIP, or to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Company.

Summary of the principal features of The Compass Group Share Option Plan 2010 (the 'Share Option Plan')

1 Eligibility
The Share Option Plan is discretionary and participation will be available to full-time employees of the Group, save that no executive directors may participate.

2 Performance conditions
Options will be exercisable in full or part subject to the achievement of Group Free Cash Flow ('GFCF') performance targets over a three-year performance period commencing at the start of the financial year in which the option is granted. Such targets will be determined by the Remuneration Committee of the Board (the 'Committee') at the time of grant.

25% of options will be exercisable on the achievement of a threshold target and 100% on achievement of a maximum target. Options will be exercisable on a straight-line basis between 25% and 100% where the GFCF is between the threshold cash flow target and the maximum cash flow target respectively.

The Committee must also be satisfied that the underlying financial performance of the Company justifies an option becoming capable of exercise.

No options will be exercisable if the threshold target is not met.

3 Option grants and price

Options may be granted within the period of 42 days commencing on the date of approval of the Share Option Plan by shareholders or the day following the announcement of the annual or half-year results of the Company in any year. Grants may also be made at any other time when, in the opinion of the Committee, circumstances are considered to be exceptional so as to justify such grant.

The option price must not be less than the market value at the time of grant, which may be the share price on the business day before the date of grant, the date of grant, or the average price over the three preceding business days.

Options are not pensionable. No grant may be made more than 10 years after the date of adoption of the Share Option Plan and the Committee will formally review the Share Option Plan by no later than February 2015.

4 Limits on participation

Each individual's annual participation will be limited so that the aggregate price payable on the exercise of options or the value of any other executive share award will not exceed 200% of base salary.

5 Dilution limits

No options may be granted under the Share Option Plan which would, at the time of grant, cause the number of shares which may have been or may be issued in pursuance of options granted under all share option plans established by the Company to exceed 10% of the Company's issued ordinary share capital (or 5% of such capital if only options granted under discretionary share schemes are taken into account) in relation to options granted in the 10 years ending with the date of grant of the option. Options which have lapsed are not included. Where options granted under the Share Option Plan will, on exercise, be satisfied by a transfer of existing shares purchased on the market (but not treasury shares), these limits will not apply.

6 Exercise of options

Options will normally be exercisable, subject to satisfaction of the performance condition, between three and 10 years after grant, at the end of which they will lapse. In certain circumstances, early exercise of options is permitted.

If an option holder ceases to be an employee through injury, ill-health, disability, contractual or agreed early retirement, redundancy or his employing company or business ceasing to be part of the Group, any options which are not capable of exercise at the date of leaving will lapse, unless the Committee otherwise determines in its absolute discretion, in which case it shall permit options to continue until their third anniversary and be exercisable for a period of six months, subject to the achievement of the performance condition, and pro-rated to the holder's employment term. In the event of the death of an option holder, any option capable of exercise at the date of death may be exercised by his personal representatives within the following 12-month period. Any option not capable of exercise at the date of death will lapse immediately, unless otherwise determined by the Committee, in which case it may be exercised within a 12-month period as before. If employment is terminated for other reasons, options will normally lapse.

7 Net settlement

The Committee may determine that, in substitution for the right to acquire shares on exercise, a holder may be issued shares or paid a cash sum equal to the settlement value of the option, determined by reference to the Company's share price on the previous business day.

8 Change of control

Options will normally become exercisable on a change of control of the Company, subject to satisfaction of performance conditions as at the date of the transaction and subject to reduction on a time-apportionment basis unless the Committee determines otherwise. In the event of an internal reorganisation, options will normally be released and replaced by new options which will continue to be governed under the rules of the Share Option Plan, provided that the Committee is satisfied that its underlying financial performance justifies this.

9 Recoupment

In the case of intended fraud or misconduct by an option holder 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 issued pursuant to the exercise of an option, or any net settlement made under the terms of the Share Option Plan.

10 Variation in share capital

The Committee may make such adjustments to Options as it considers appropriate in the event of any variation in the share capital of the Company.

11 Amendments

The provisions governing eligibility requirements, participation limits, equity dilution, the terms of exercise, the rights attaching to the shares acquired under the Share Option Plan, or to the adjustment of options cannot be altered to the advantage of option holders without the prior approval of shareholders in general meeting. Shareholder approval is not required for minor amendments to benefit the administration of the Share Option Plan, or to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Company.

Copies of the draft rules of both new plans may be inspected during normal business hours at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS and 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.

Notice of meeting

Important information

Proxies and corporate representatives

(i) A shareholder entitled to attend and vote at the 2010 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 preclude 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 11.00 a.m. on **Wednesday 3 February 2010.**

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 11.00 a.m. on Wednesday 3 February 2010. 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) 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 3 February 2010, 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 3 February 2010 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 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 319A 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.

Under section 338A 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) CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average 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 CA 2006.

Website publication of audit concerns
Under section 527 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) CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average 1,000 ordinary shares each or shareholders holding at least 5% of the Company's issued 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 CA 2006 to publish on its website.

Documents on display
Copies of the service agreements of the executive directors, the letters of appointment of the non-executive directors, the directors' deeds of indemnity, the rules of the share plans referred to in Resolutions 13 and 14 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 Meeting (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.

Copies of the rules of the share plans referred to in Resolutions 13 and 14 will also be available for inspection at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS.

Total voting rights
As at 25 November 2009 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprised 1,855,854,883 ordinary shares. The holders of ordinary shares are entited 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.

The total voting rights in the Company as at 25 November 2009 were 1,855,854,883.

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 23 December 2009.

AGM information

Time of the Meeting
The doors of The Queen Elizabeth II Conference Centre will be open at 9.30 a.m. and the AGM will start promptly at 11.00 a.m. 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 reverse of 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 find it useful to also bring this Notice of AGM and the Annual Report 2009 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.

Notice of meeting

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, pagers and 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 22 January 2010.

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 at 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 2009 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.

See this Report online at:
www.compass-group.com/annualreport09

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.

CERTIFIED CARBON NEUTRAL® publication

CarbonNeutral.com
CO_2 emissions reduced to net zero in accordance with The CarbonNeutral Protocol

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. SGS-COC-1732
© 1996 Forest Stewardship Council
FSC

This Report is printed on a combination of Revive 50:50 paper, Revive uncoated paper and Revive cover board. Revive 50:50 is made from 50% recovered waste fibre and 50% virgin wood fibre. Revive Uncoated is made from 80% de-inked post-consumer waste and 20% virgin wood fibre. Both products are fully biodegradable and recyclable and produced in mills which hold ISO 9001 and ISO 14001 accreditation.

Designed and produced by **35** Communications

Index to the consolidated financial statements

Index to the Parent Company financial statements

Compass Group PLC
Compass House
Guildford Street
Chertsey
Surrey KT16 9BQ
United Kingdom

Registered No: 4083914

Tel +44 (0)1932 573 000
Fax +44 (0)1932 569 956

Find this Report online at
www.compass-group.com/annualreport09