Compass Group PLC
29 November 2005

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COMPASS GROUP PLC

PRELIMINARY RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

Financial summary For the year ended 30 September	2005	2004	Reported movement	Constant currency
Turnover	£12,704m	£11,772m	7.9%	8.3%
Total operating profit				
- reported	£302m	£500m	(39.6)%	
- underlying (1)	£711m	£775m	(8.3)%	(7.7)%
Operating margin(2)	5.7%	6.8%	(110)bps	
Profit before tax				
- reported	£171m	£370m	(53.8)%	
- underlying(1)	£581m	£645m	(9.9)%	
Basic earnings per share				
- reported	0.0p	8.3p		
- underlying (1)	19.1p	21.1p	(9.5)%	(8.6)%
Free cash flow	£348m	£246m	41.5%	43.5%
Return on capital employed	5.7%	6.4%	(70)bps	
Dividend per ordinary share	9.8p	9.3p	5.4%	

Business highlights

- Turnover £12.7 billion, up 7.0% on a like for like basis(3).
- Strong growth in profit and ROCE in North America and Continental Europe and Rest of the World (excluding Middle East military business). Turnaround in UK progressing.
- Free cash flow £353m at 2004 exchange rates, up 43.5%.
- Final dividend of 6.5 pence per share, up 4.8%.
- Sir Roy Gardner appointed Senior Independent Director from 1 October 2005, will replace Sir Francis Mackay as Chairman by summer 2006.
- Recruitment of Group CEO underway.
- Targets of 100 basis points of ROCE growth and £800 - £850m of free cash flow over the period 2006-2008 (post SSP disposal) reconfirmed.

(1) Underlying performance excludes goodwill amortisation and exceptional items.
(2) Operating margin excludes fuel, associates, goodwill amortisation and exceptional items.
(3) Like for like growth excludes fuel and 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 years) and exchange rate movements (translating the prior period at current period exchange rates) and compares the results against 2004.

New Chairman and Senior Management Update

Sir Roy Gardner joined the Board as Senior Independent Director and Chairman of the Nominations Committee on 1 October 2005 and will succeed Sir Francis Mackay as Chairman by the summer of 2006.

Since joining the Board, Sir Roy has already spent time in the business, focusing on its strategy and financial performance. Sir Roy believes that there is significant opportunity to improve performance in the Group's core business.

As Chairman of the Nominations Committee, Sir Roy's immediate priority is the recruitment of a new Group Chief Executive to replace Michael Bailey who has announced his intention to step down. The Nominations Committee has appointed head hunter Korn Ferry to conduct a full search and the process is being conducted expeditiously. Michael Bailey will continue as Chief Executive for as long as is required by the Board.

The Board has agreed to appoint two new non-executive directors during 2006.

Sale of Travel-Related Concessions Business

The Group announced on 28 September 2005 its decision to sell its travel-related concessions business, primarily Select Service Partner (SSP). The formal sale process for SSP has commenced and an Information Memorandum has been circulated to interested parties. The sale is expected to be completed by mid-2006.

SSP is the largest operator of travel concessions in Europe and Asia, providing catering for roadside, railway and airport concessions in over 20 countries. SSP includes brands such as, Upper Crust, Whistlestop, Millie's Cookies and Harry Ramsden's. In 2005, revenues (including fuel) of the businesses being sold were circa £1.8 billion (£1.3 billion excluding fuel), EBITDA (including fuel) was circa £160 million and EBIT (including fuel) was £115 million.

Whilst the travel concessions market offers considerable further growth opportunities, the sale of the travel-related business will allow management to focus solely on the Group's core contract catering operations and the growth of the support services business. The Board considers that, in the longer term, this focus will improve the Group's financial performance and drive greater value for shareholders.

UN Contracting

On 21 October the Group announced that it had instructed Freshfields to conduct an investigation into the relationships between ESS, IHC and the United Nations. Ernst & Young are assisting Freshfields in the investigation, reporting to the Chairman of the Compass Group PLC Audit Committee.

On 3 November the Group announced that the investigation raised serious concerns as to whether, within ESS, there had been in connection with IHC and the UN, improper conduct and a failure to comply with the Group's statement of business principles (which apply to all staff, whatever their seniority). As a result, three employees were dismissed.

The investigation is ongoing and, as yet, no final conclusions have been reached.

The Group continues to co-operate voluntarily and fully as appropriate with the UN and US authorities, including the Office of the United States Attorney for the Southern District of New York.

UN contracts account for less than 0.5% of the Group's turnover and profits.

Outlook

In 2006, the Group anticipates continued strong trading in North America and the Rest of the World (excluding the impact of scaling back the Middle East military business). In Continental Europe, where the macro-economic climate is expected to continue to contribute to a difficult trading environment, the focus will remain on keeping a tight cost base and working to improve client retention. In the UK, cost pressures are expected to remain a significant challenge, however, actions are being taken to deliver a robust contract base with the aim of achieving a similar level of profit to that in 2005. Overall the Group will continue to focus on free cash flow and improving return on capital employed.

Michael J Bailey, Group Chief Executive, said:

'Three out of our four geographies, North America, Continental Europe and the Rest of the World have performed to our expectations, with North America and the Rest of the Word (excluding the Middle East military business) delivering a particularly strong result this year. The performance of the UK has been unsatisfactory. However, we have gripped the issues and the turnaround of this business is underway.

We have taken decisive action to improve our financial performance to meet our three year targets for free cash flow and return on capital employed. Everyone in the business is firmly focused on delivering for our clients, customers and shareholders'

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Presentation and teleconference details are in the attached notes.

GROUP TRADING REVIEW

The Group achieved 7% like for like turnover growth in 2005 with strong performances in North America and Rest of the World regions but difficult trading particularly in the UK and several European countries. Actions are underway to improve financial performance, with continued focus on delivery of strong free cash flow and improved returns on capital employed ('ROCE') over the medium term. The Group has announced medium-term (2006-2008) objectives to improve ROCE by 100 basis points and to generate free cash flow over the period of £800 - £850 million (post the disposal of SSP). As the market leader in a fragmented market place, the Group is well positioned to benefit from its strong presence in the key geographies, where significant opportunities remain.

Group Performance

The Group's reported financial summary for the year ended 30 September 2005 is set out below.

	2005	2004	Increase/ (decrease)
Turnover	£12,704m	£11,772m	7.9%
Total operating profit			
- reported	£302m	£500m	(39.6)%
- underlying (1)	£711m	£775m	(8.3)%
Operating margin (2)	5.7%	6.8%	(110)bps
Profit before tax			
- reported	£171m	£370m	(53.8)%
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Basic earnings per share			
- reported	0.0p	8.3p	
- underlying (1)	19.1p	21.1p	(9.5)%
Free cash flow	£348m	£246m	41.5%
Return on capital employed (3)	5.7%	6.4%	(70)bps

(1) Underlying performance excludes goodwill amortisation and exceptional items.
(2) Operating margin excludes fuel, associates, goodwill amortisation and

exceptional items.
(3) See below for basis of calculation.

Turnover

The main factors that affected the year on year change in turnover are summarised below.

	%
Like for like growth	7
Contribution from acquisitions	2
Movements in translation rates	(1)
Total - excluding fuel	8

Like for like growth excludes fuel and 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 years) and exchange rate movements (translating the prior period at current period exchange rates), and compares the results against 2004.

Like for like turnover growth was achieved as a result of new contract gains of 11% offset by contract losses of 5% and positive throughput of 1%, driven by North America where the business has been focused on driving volumes within existing accounts as well as achieving price increases.

Throughput represents the movement in turnover in the existing estate, influenced by headcount changes, participation rates, price increases and average spend per head. Throughput varies by sector with Education and Healthcare, which are much less affected by the economic cycle, achieving positive throughput of 3% and 2% respectively in 2005. Business and Industry and Vending were broadly flat. Throughput in the Travel Concessions sector was also positive at 2%.

The Group continues to focus on client retention, which was again high in the year at 95%. This was achieved as a result of continued investment in people, client account management and contract retention teams.

The strong performance in like for like turnover growth was driven by new business wins across all sectors, with a continued trend to outsourcing in Healthcare and a high level of activity around the globe in Offshore and Remote supporting the buoyant extractive industries sector.

The table below sets out like for like growth by sector for each geographic division and the Group total.

	North America %	UK %	CE & ROW %	Group %
Contract:				
Business and Industry	11	9	2	6
Defence, Offshore and Remote	28	13	8	10
Education	12	(1)	2	7
Healthcare	15	5	5	10
Sports and Leisure	17	3	5	9
Total Contract	13	6	4	8
Vending	4	19	2	4
Travel Concessions	20	4	4	6
Total	12	6	4	7

Travel Concessions principally comprises: Creative Host in North America; Moto, railway and airport concessions, Harry Ramsden's and Millie's Cookies in the UK; Rail Gourmet, Inflight, airport concessions and motorways (in France, Italy, Portugal, Germany and Japan) in Continental Europe and Rest of the World.

Total operating profit

The decline in total operating profit, before goodwill amortisation and exceptional items, of 8% resulted primarily from tough trading in the UK and the reduction in scale and profitability of the Group's Middle East military business. Trading conditions in Continental Europe remained difficult in France, Germany, the Netherlands and particularly Italy which saw a significant downturn in the Business and Industry sector. In North America, there has been a slight decline in the year on year operating margin mainly due to the impact of the National Hockey League strike and Hurricane Katrina but operating profit grew strongly at 9%.

Profit before tax

Profit before tax, goodwill amortisation and exceptional items for 2005 was £581 million (2004: £645 million).

Basic earnings per share

Basic earnings per share, before goodwill amortisation and exceptional items, were 19.1 pence (2004: 21.1 pence).

Free cash flow

Free cash flow for 2005 recovered strongly in the year to £348 million (2004: £246 million). Reduced operating profit and higher cash interest payments (including £20 million as a result of the 2004 swap monetisation) were more than offset by a stringent allocation of capital expenditure and improvements in working capital management.

Free cash flow in 2004 of £246 million was adversely impacted by a significant working capital outflow offset in part by a one-off receipt of £104 million in respect of the monetisation of certain 'in the money' interest rate swaps.

Return on capital employed

Return on capital employed was 5.7% (2004: 6.4%) based on total operating profit before goodwill amortisation and exceptional items (excluding the Group's minority partners' share of total operating profit) net of tax at 30%, and an average capital employed for the year of £8,069 million (2004: £7,894 million).

Average capital employed has been calculated by adding back net debt, goodwill written off to reserves and goodwill amortised through the profit and loss account. The capital employed in the business as at 30 September 2005 and 2004 is detailed in the table below.

	2005 £m	2004 £m
Net assets	2,284	2,482
Net debt	2,316	2,373
Goodwill written off to reserves	2,147	2,132
Goodwill amortised through the profit and loss account	1,382	1,021
Capital employed	8,129	8,008

International Financial Reporting Standards ('IFRS')

The Group will report under IFRS for the year ending 30 September 2006. In May 2005, the Group provided an indication of the principal effects of IFRS on the Group. Further information, including restatement of the 2005 results under IFRS, will be presented prior to the announcement of the 2006 Interim Results.

UK Client and Supplier Relationships

A core part of the Group's strategy is to leverage its scale through purchasing efficiencies and to achieve this through building good, long-term and mutually beneficial relationships with all its suppliers. The UK business has been working hard with its suppliers to encourage investment in processes and systems to improve quality and traceability and to ensure that the Group has the right range and quality of products, at the most competitive prices to meet the needs of its client base. The success of this approach is reflected in the high levels of client satisfaction with contract retention in the UK at 95% and an average length of client relationship of over 9 years.

The investment made last year in improving payment terms is reflected in the reduction of average creditor days to around 55 in 2005. Over the past year payables of over 90 days have never amounted to more than £1 million in a business with turnover of over £2 billion. Over 80% of suppliers (by invoice value) are now on Electronic Data Interchange ('EDI') and this has improved efficiency and speeded up payment. Of the UK suppliers who account for over 75% of total purchases, 95% have been supplying Compass for over four years.

The Group's relationship with its clients and suppliers is governed by a strict, zero tolerance based Code of Ethics. Purchasing policies and practices are being enshrined in a Supplier Code of Conduct for buyers with a formal process for suppliers to escalate any complaints.

Our People

The Group has seen continued evidence of the success of its strategy to be recognised as a preferred employer. The most recent global workforce survey shows an increase in loyalty, pride in the company and the likelihood to recommend Compass as a place to work. Compass Group was named 7th best large company to work for in the annual Best Companies to Work For list produced by the Sunday Times, based on the paper's own independent survey of the Group's employees. Most recently, on 24 November, the Group won three awards at the Personnel Today Awards: Employer Branding; Best HR Strategy in Line with Business; and the Best Overall HR award.

At the Culinary Olympics the Group won an outstanding 57 awards, including 3 gold, 32 silver and 14 bronze medals.

In the aftermath of Hurricane Katrina the Group continued to service clients and customers in the affected regions. In anticipation of the hurricane, Eurest, along with their clients, had organised and prepared food services, water and basic living supplies for thousands of evacuees. Over 20,000 meals were served daily in affected areas and temporary 'tent cities' were established providing essentials for relief workers and victims, and Eurest supported six tent cities located in the Gulf States region. A relief centre was set up in Pascagoula, Mississippi that provided shelter and food for 15,000 evacuees. Four tent villages, supporting over 2,600 employees and families were also set up. Morrison Management Specialists teams stayed in place through the hurricane to assist in the evacuation of six hospitals and served 15,000 meals daily to patients and residents at four hospitals and two senior dining communities in the Gulf Coast states.

DIVISIONAL TRADING REVIEW

	2005	2004	Reported increase %	Constant currency increase %	Like for like increase %
Turnover (£m)					
North America	3,937	3,531	11	15	12
UK	2,812	2,626	7	7	6
Continental Europe and Rest of the World	5,443	5,119	6	5	4
Total - excluding fuel	12,192	11,276	8	9	7
Fuel	512	496	3	3	3

Total	12,704	11,772	7	8	7

	2005	2004	Reported increase %	Constant currency increase %
Total operating profit including fuel (£m)				
Subsidiary undertakings				
North America	207	190	9	12
UK	205	294	(30)	(30)
Continental Europe and Rest of the World	297	287	3	3
	709	771	(8)	(7)
Associates	2	4	-	-
Total	711	775	(8)	(8)
Operating margin excluding fuel (%)				
North America	5.3	5.4		
UK	7.0	10.9		
Continental Europe and Rest of the World	5.5	5.6		
Total	5.7	6.8		

Certain minor reclassifications have been made to the previously reported analysis of Divisional performance to align with the Group's current management structures. Total operating profit is before goodwill amortisation of £269 million (2004: £275 million), a goodwill impairment charge of £95 million (2004: £ nil) and an exceptional operating charge of £45 million (2004: £ nil). Fuel turnover comprises £480 million in the UK and £32 million in Continental Europe and Rest of the World (2004: £466 million and £30 million respectively). Profit from subsidiary undertakings includes £8 million in the UK and £ nil in Continental Europe and Rest of the World from fuel (2004: £8 million and £ nil respectively). Operating margin is based on turnover and total operating profit excluding fuel, associates, goodwill amortisation and exceptional items.

North America

32% of Group turnover, excluding fuel (2004: 31%)

2005 has been another successful year in North America, both in terms of turnover and profit growth, extending across all the primary business sectors. Reported turnover increased to £3,937 million (2004: £3,531 million) and by 12% on a like for like basis, well ahead of last year's 7%. In Healthcare, Morrison's and Crothall's like for like turnover growth was 15%. Our position in the important Healthcare market was further strengthened by the acquisition of HDS Services, the only significant acquisition in the year, which was completed in January 2005 for £16 million. Sports and Leisure has had another very strong year with like for like growth of 17%, reflecting the success of our Levy Restaurants business in delivering not only strong contract gains, but also increased customer spend at our venues. The Business and Industry and Education sectors delivered solid performances. Growth was driven by new business wins in conjunction with improved throughput. A significant success has been the concerted drive to increase participation and spend per head, including passing on price increases. Vending showed a more modest increase of 4% on a like for like basis.

Total operating profit, excluding associates, goodwill amortisation and exceptional items, increased by £17 million to £207 million (2004: £190 million). There has been a slight decline in the operating margin to 5.3% (2004: 5.4%), mainly due to the impact of the National Hockey League strike and Hurricane Katrina towards the end of the year.

UK

23% of Group turnover, excluding fuel (2004: 23%)

Reported turnover, excluding fuel, increased to £2,812 million (2004: £2,626 million) and by 6% on a like for like basis, broadly in line with last year.

In Contract, like for like turnover increased by 6% to £1,930 million (2004: £1,794 million) with strong performances in all sectors except Education where sales declined by 1%. Most contract caterers in the Education sector have been impacted by declining participation during the year following recent negative publicity regarding the standard of school meals. Healthcare has again had a strong year benefiting from new contract gains, renewals and extensions to the range of services offered. This resulted in growth of 5% on a like for like basis. We have continued to see good growth in the Business and Industry sector, helped by the mobilisation of a significant contract for managed services with one of our large banking clients.

Travel Concessions achieved turnover growth of 4% on a like for like basis, increasing from £775 million in 2004 to £814 million in 2005, despite the impact of the London bombings on our railway station operations. The M&S Simply Food concept roll-out continued at our motorway and railway sites and was well received in the year.

Total operating profit, including fuel but excluding associates, goodwill amortisation and exceptional items, was £205 million (2004: £294 million). The decline is due in part to cost pressures affecting, in particular, the Business and Industry sector and the impact of the London bombings. The remainder of the decline is the result of increased pension costs, lower disposal profits of £16 million, significant restructuring costs, the sale of the Gatwick Meridien hotel £4 million and the £5 million impact on profits of reduced capital spend. The overall margin, excluding fuel, achieved in the year was 7.0% (2004: 10.9%).

In Contract and Vending, operating margins were 5.9% (2004: 8.6%) and operating profit, excluding associates, goodwill amortisation and exceptional items, was £117 million (2004: £160 million)

Travel Concessions operating margins were 9.8% (2004: 16.3%) and operating profit, excluding associates, goodwill amortisation and exceptional items, decreased to £80 million (2004: £126 million).

Continental Europe and Rest of the World

45% of Group turnover, excluding fuel (2004: 46%)

Reported turnover, excluding fuel, increased to £5,443 million (2004: £5,119 million) with like for like turnover growth of 4%. Strong performances in Rest of the World, particularly Australasia and South America, were partly offset by more challenging trading conditions in France, Germany, the Netherlands and Italy and a scaling down of our Middle East military business.

In Continental Europe, overall like for like turnover grew by 2%, with flat like for like growth in Contract. Market conditions in Northern Europe continued to be difficult with client site closures and headcount reductions holding back growth in Germany, France, the Netherlands and Italy in particular. We have strengthened our management teams in these countries to focus on client retention and drive throughput via participation and spend per head. Spain and Switzerland again performed strongly growing by 7% and 6% respectively. Scandinavia continues to perform well and benefited from high levels of activity in the Travel Concessions sector and the oil and gas business.

Rest of the World like for like turnover growth of 8% reflects the strength of the Remote Site sector in Australasia as the extractive industries continue to meet the high demand for crude oil and minerals. In South America, we also continue to see good business growth led by Brazil where Business and Industry and Remote Site operations are particularly buoyant. The Group continues to scale down its Middle East military business with turnover reducing to £170 million in 2005 (2004: £250 million). There are still opportunities for military business in the Middle East but increasingly, the Group is choosing not to participate in this work because the margin is becoming less attractive relative to the complexity of the operations and associated risks. Excluding the Middle East military business, like for like turnover growth was 14%.

Total operating profit, excluding associates, goodwill amortisation and exceptional items, has increased by 3% to £297 million (2004: £287 million) and operating margin is broadly in line with 2004 at 5.5% (2004: 5.6%).

In Continental Europe, total operating profit, excluding associates, goodwill amortisation and exceptional items, increased by 7% to £190 million (2004: £178 million). The operating profit improvement results from a strong turnaround in the Travel Concessions business, particularly in Germany, France and Scandinavia. Operating margin in Continental Europe increased to 5.3% in 2005 (2004: 5.2%).

Rest of the World total operating profit, excluding associates, goodwill amortisation and exceptional items, reduced by 2% to £107 million (2004: £109 million) and operating margin has moved back slightly to 5.7% (2004: 6.3%) reflecting the impact of scaling back our Middle East military business where operating profit, before exceptional items, was £35 million (2004: £50 million). Excluding this, total operating profit, excluding associates and goodwill amortisation was £72 million (2004: £59 million), a 22% increase. Operating margin was 4.2% (2004: 4.0%), driven by good conversion of incremental sales to incremental profit in Australasia and South America.

Interest

Net debt at 30 September 2005 was £2,316 million (2004: £2,373 million). Net interest expense for the year was £130 million (2004: £130 million). The average cost of funding for the year was 4.8% (2004: 4.8%). Interest cover for 2005 was 5.5 times total operating profit before goodwill amortisation and exceptional items. Higher dollar borrowing costs are expected to increase the net interest expense to nearer £140 million in 2006 (before the impact of proceeds from disposals and the adoption of IFRS).

Profit before taxation

Profit before taxation, goodwill amortisation and exceptional items decreased by 9.9% from £645 million to £581 million.

Taxation

The overall Group tax charge was £134 million giving an effective tax rate on profit on ordinary activities before taxation, goodwill amortisation and exceptional items of 23.1% (2004: 23.6%), which is below the UK corporate tax rate of 30%.

The main reasons for the low overall rate in 2005 are prior year adjustments representing the recognition of reliefs associated with past acquisitions and also the successful resolution during the course of the year of several significant issues, principally overseas. A reconciliation of the effective current tax rate for the year (i.e. the overall rate excluding deferred tax and prior year adjustments) is included in note 4 to the financial statements. This reconciliation summarises the reasons why the Group's effective current tax rate of 28% was below the UK corporate tax rate of 30%. The main reasons were the benefit arising from the tax deductibility of part of the Group's goodwill (2%), losses brought forward (2%) and other items (a net benefit of 1%) offset by the impact of higher overseas tax rates (3%).

The overall Group effective tax rate for 2006 onwards (when the Group will report under IFRS) is expected to move to around 30%. This increase reflects the fact that the earnings benefit of the tax deduction for goodwill in the US will no longer be recognised through the profit and loss account (although there is no cash tax impact).

The Group's cash tax rate for 2005 was 19% (2004: 17%). For 2006 onwards, the cash tax rate is likely to average out, over time, in a range from the mid to high 20's.

Goodwill amortisation and exceptional items

The goodwill amortisation charge for the year was £269 million (2004: £275 million) and an additional charge of £95 million in respect of the impairment of goodwill carried on the Italian business was incurred.

The decline in scale of the Group's Middle East military business in 2005, with turnover down from £250 million in 2004 to £170 million in 2005 and with operating profit, before exceptional items, down from £50 million in 2004 to £35 million in 2005, is likely to continue into 2006, with operating profit expected to be no more than £5 million. In the light of this quicker than expected scaling back in activity, asset write-downs and provisions of £45 million have been reported as an exceptional item in 2005. The Group also disposed of 75% of Au Bon Pain in North America, the Gatwick Meridien hotel in the UK and paid further costs relating to previous disposals resulting in a net exceptional loss on disposal of businesses of £1m.

There were no exceptional items in 2004.

Earnings per share

Basic and diluted earnings per share on a reported basis were both nil pence (2004: 8.3 pence). Basic earnings per share before goodwill amortisation and exceptional items for the year was 19.1 pence (2004: 21.1 pence). Attributable profit and basic earnings per share are reconciled below.

	Attributable Profit		Basic Earnings Per Share		
	2005 £m	2004 £m	2005 Pence	2004 Pence	Growth

Reported	1	180	-	8.3	
Goodwill amortisation	269	275			
Exceptional items	141	-			
Underlying (1)	411	455	19.1	21.1	(9.5)%
Currency translation	-	(4)			
Constant currency	411	451	19.1	(20.9)	(8.6)%

(1) Underlying performance excludes goodwill amortisation and exceptional items.

Dividends

The recommended final dividend is 6.5 pence per share resulting in a total dividend for the year of 9.8 pence per share, an increase of 5.4% on 2004, reflecting confidence in the Group's ability to generate strong free cash flow. Dividend cover for 2005 was 1.9 times profit before goodwill amortisation and exceptional items. In the short term, earnings and cash dividends cover will be impacted by IFRS, the increase in the cash tax rate and the disposal of SSP. Whilst we remain committed to continue to grow the dividend in real terms, our objective over the medium term will be to move the dividend cover more towards the 2 times level.

Acquisitions

The Group's strategic focus continues to be on the organic development of its existing core businesses. During the year there have been a small number of acquisitions either to strengthen the Group's geographic coverage or to reinforce its sectoral presence in certain areas. The Group purchased businesses for £39 million in 2005 and purchased further shares in subsidiary companies not wholly owned for £66 million. £4 million of the aggregate purchase price is deferred consideration payable in the future. In aggregate, the net liabilities acquired had a provisional fair value of £8 million, including £2 million of net cash, resulting in goodwill of £113 million. Details of the acquisitions are given in note 15 to the financial statements.

The acquisition of other minority interests and the payment of deferred consideration is currently expected to amount to around £150 million in 2006. The Group does not currently anticipate any significant new acquisitions during 2006.

Pensions

In total, the Group charged £78 million (2004: £70 million) to profit before tax in respect of its pension arrangements, of which £52 million (2004: £48 million) relates to defined benefit schemes and £26 million (2004: £22 million) relates to defined contribution schemes. Actuaries to the Group's defined benefit pension arrangements advise the Pension Trustees on the funding rates required by the Group. In total, the Group paid £100 million (2004: £74 million) during the year to the pension providers in order to enable the pension funds to fulfil their obligations.

Disclosure in accordance with FRS 17: Retirement Benefits is provided in note 16 to the financial statements. This shows that, at 30 September 2005, there was an unprovided pension deficit, net of deferred tax, of £222 million (2004: £131 million). Had the Group adopted FRS 17, the charge to the profit and loss account, before interest and tax, would have been £63 million (2004: £56 million, net of a £6 million one-off curtailment credit). The corresponding financing charge recorded to interest expense would have been £15 million (2004: £19 million) giving a total charge of £78 million (2004: £75 million).

Free cash flow

Free cash flow of £348 million (2004: £246 million) reflects reduced operating profit and higher cash interest payments (including a £20 million outflow as a result of the 2004 swap monetisation), more than offset by a stringent allocation of capital expenditure and improvements in working capital management.

Payments in respect of provisions for liabilities and charges absorbed £40 million (2004: £73 million). £31 million was spent on insurance, pensions and other post-employment benefits, £6 million on settling onerous contracts and £3 million in respect of legal and other claims.

Interest payments absorbed a net £159 million (2004: £131 million, before a one-off derivatives monetisation receipt of £104 million).

The net tax paid of £108 million (2004: £107 million) represents 19% of profit before tax (2004 : 17%), goodwill amortisation and exceptional items and is significantly less than the total tax charge for the year of £134 million. The main reasons for this difference are deductions allowable for tax but which are not charged to the profit and loss account, tax losses brought forward and utilised in the year, capital allowances in excess of depreciation and the timing of tax payments.

Net capital expenditure absorbed £291 million (2004: £329 million). Including the £12 million of fixed assets acquired under finance lease contracts (2004: £9 million), net capital expenditure represents 2.5% of turnover excluding fuel (2004: 3.0%). The Group has stringent controls on capital expenditure that are monitored centrally. There are fixed authority limits at each subsidiary company level and internal rate of return criteria that each project must achieve to obtain approval.

Acquisition payments were £124 million, comprising £105 million of consideration paid, less £2 million of cash acquired and £21 million of deferred consideration and costs paid in respect of previous acquisitions.

In aggregate, deferred consideration payable at 30 September 2005 amounted to £28 million (2004: £41 million).

In 2005, dividend payments totalled £205 million (2004: £249 million). 2004 reflected the payment of three dividends as the Group accelerated the timing of dividend payments.

Net proceeds from the sale of 75% of Au Bon Pain and the Gatwick Meridien hotel were £75 million (proceeds from disposals in 2004: £86 million).

The net cash inflow for the year was £94 million, before £1 million of proceeds on the issue of ordinary shares, £12 million of new finance leases and a translation loss on net debt for the year of £26 million, principally as a result of the closing US dollar rate moving from 1.81 to 1.77 over the year, and the closing Euro rate moving from 1.46 to 1.47 over the year.

Closing net debt as at 30 September 2005 was £2,316 million (2004: £2,373 million).

Outlook

In 2006, the Group anticipates continued strong trading in North America and the Rest of the World (excluding the impact of scaling back the Middle East military business). In Continental Europe, where the macro-economic climate is expected to continue to contribute to a difficult trading environment, the focus will remain on keeping a tight cost base and working to improve client retention. In the UK, cost pressures are expected to remain a significant challenge, however, actions are being taken to deliver a robust contract base with the aim of achieving a similar level of profit to that in 2005. Overall the Group will continue to focus on free cash flow and improving return on capital employed.

Michael J Bailey Chief Executive	Sir Francis H Mackay Chairman

NOTES

(a) The results for the year ended 30 September 2005 were approved by the Directors on 29 November 2005 and have been prepared on the basis of accounting policies disclosed in the 2004 Annual Report.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 30 September 2005 or 30 September 2004 but is derived from those accounts. The auditors have reported on these accounts; their reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The 2005 accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

(b) Forward looking statements

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

(c) The timetable for the proposed final dividend of 6.5p per share is as follows:

Ex dividend date: 8 February 2006
Record date: 10 February 2006
Payment date: 6 March 2006

(d) A presentation for analysts and investors will take place at 9:30 am (GMT/London) on Tuesday 29 November 2005 at the Merrill Lynch Financial Centre, 2

King Edward Street, London, EC1A 1HQ.

The live presentation can also be accessed via both a webcast and dial-in teleconference starting at 9:30 am:

- To listen to the live presentation via teleconference, dial (UK) +44 20 7365 1854.

- To view the presentation slides and/or listen to a live audio webcast of the presentation, go to

www.compass-group.com
 or
www.cantos.com
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- Please note that remote listeners will not be able to ask questions during the Q&A session.

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

- A teleconference replay of the presentation will be available for five working days, until 6 December 2005. To hear the replay, dial (UK) +44 20 7784 1024 or (US) +1 718 354 1112. The replay passcode is 3149869#.
- A webcast replay of the presentation will be available for six months, at

www.compass-group.com
 and
www.cantos.com

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For North American based investors, there will be a question and answer conference call starting at 1:00pm (EST/New York)

- To participate in the live question and answer session via conference call, dial (US) +1 718 354 1158.

- A teleconference replay of the call will be available for five working days, until 6 December 2005. To hear the replay, dial (US) +1 718 354 1112. The replay passcode is 8794285#.

- The North American investor conference call will also be audio webcast live, and archived for replay, at

www.compass-group.com

and

www.cantos.com

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Website

www.compass-group.com
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Compass Group is the world's largest foodservice company with annual revenues of over £12 billion. Compass Group has some 400,000 employees working in more than 90 countries around the world. For more information visit
www.compass-group.com
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NOTES

A selection of recent contract gains and renewals is set out below.

Contract

Business & Industry

- Switzerland - World Health Organisation (OMS) awarded Eurest Switzerland a new three year contract with annual turnover of £2.5 million.
- Switzerland - Zurich-Kloten Airport renewed its contract with Compass Group (Suisse) SA for a further seven years with annual turnover of £6.3 million.

Healthcare

- UK - Nottinghamshire Hospitals PFI renewed and extended its contract with Medirest for a further six and a half years with an annual turnover of £8.3 million.
- USA - Desert Regional Medical Center (CA) awarded Morrison Management Specialists a new five-year contract with annual turnover of £3.0 million.
- USA - University of Kentucky Hospital (KY) awarded Morrison Management Specialists a new three-year contract with annual turnover of £2.9 million.

Education

- USA - Thunderbird The Garvin School of International Management (AZ) awarded Compass Group The Americas in conjunction with Chartwells, FLIK and Canteen a new three-year contract with annual turnover of £3.6 million.
- USA - Rochester City Schools (NY) awarded Chartwells a new one-year contract with annual turnover of £3.5 million.

Sports & Leisure

- UK - Imperial War Museum North awarded Milburns a new five-year contract with annual turnover of £0.6 million.
- USA - The Bradley Center awarded Levy Restaurants a new seven-year contract with annual turnover of £5.4 million.

Travel Concessions

- USA - Long Beach Airport (CA) awarded Creative Host Services a new ten-year contract with annual turnover of £ 3.5 million.
- Jamaica - Montego Bay Airport awarded Creative Host Services a new ten-year contract with annual turnover of £2.9 million.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2005

	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total 2005 £m	goodwill amortisation Before £m	Goodwil amortisatio £
Turnover	1					

Continuing operations		12,636	-	12,636	11,772	
Acquisitions		68	-	68	-	
		-------	-------	------	-------	-----
Total turnover		12,704	-	12,704	11,772	
Operating costs		(11,995)	(409)	(12,404)	(11,001)	(27
		-------	-------	------	-------	-----
Operating profit						
Continuing operations		708	(409)	299	771	(27
Acquisitions		1	-	1	-	
		-------	-------	------	-------	-----
		709	(409)	300	771	(27
Share of profits of associated undertakings						
Continuing operations	1	2	-	2	2	
Discontinued operations	1	-	-	-	2	
		-------	-------	------	-------	-----
Total operating profit: Group and share of associated undertakings	1	711	(409)	302	775	(27
		-------	-------	------	-------	-----
Loss on disposal of businesses	2	-	(1)	(1)	-	

Interest receivable and similar income		4	-	4	5	
Interest payable and similar charges	3	(134)	-	(134)	(135)	
Net interest		(130)	-	(130)	(130)	
Profit on ordinary activities before taxation		581	(410)	171	645	(27
Tax on profit on ordinary activities	4	(134)	-	(134)	(152)	
Profit on ordinary activities after taxation		447	(410)	37	493	(27
Equity minority interests		(36)	-	(36)	(38)	
Profit for the financial year		411	(410)	1	455	(27
Equity dividends	5	(211)	-	(211)	(200)	

Amount

transferred to/(from) reserves	14	200	(410)	(210)	255	(27
Basic earnings per ordinary share	6			0.0p		
Basic earnings per ordinary share - excluding goodwill amortisation and exceptional items	6	19.1p			21.1p	
Diluted earnings per ordinary share	6			0.0p		
Diluted earnings per ordinary share - excluding goodwill amortisation and exceptional items	6	19.0p			21.0p	

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2005

	2005 £m	2004 £m
Profit for the financial year	1	180
Currency translation differences	9	1
Tax in profit and loss reserve relating to currency translation	2	(18)
Total gains and losses recognised in the year	12	163

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS
For the year ended 30 September 2005

	2005 £m	2004 £m
Profit for the financial year	1	180
Dividends	(211)	(200)
	(210)	(20)
Currency translation differences	9	1
Tax in profit and loss reserve relating to currency translation	2	(18)
Issue of shares	1	10
Repurchase of shares	-	(69)
Purchase of own shares	-	(1)
Net reduction in shareholders' funds	(198)	(97)
Opening shareholders' funds	2,482	2,579

Closing shareholders' funds		2,284	2,482

CONSOLIDATED BALANCE SHEET
As at 30 September 2005

	Notes	2005 £m	2004 £m
Fixed assets			
Intangible assets	7	3,969	4,223
Tangible assets	8	1,777	1,805
Investments	9	51	30
		5,797	6,058
Current assets			
Stocks		263	279
Debtors: amounts falling due within one year	10	1,692	1,568
amounts falling due after more than one year	10	276	287
Cash at bank and in hand		318	266
		2,549	2,400
Creditors: amounts falling due within one year	11	(3,000)	(2,872)
Net current liabilities		(451)	(472)
Total assets less current liabilities		5,346	5,586
Creditors: amounts falling due after more than one year	12	(2,591)	(2,665)
Provisions for liabilities and charges	13	(398)	(385)
Equity minority interests		(73)	(54)
Net assets		2,284	2,482

Capital and reserves			
Called up share capital		216	216
Share premium account	14	94	93
Capital redemption reserve	14	9	9
Merger reserve	14	4,170	4,170
Profit and loss reserve	14	(2,204)	(2,005)
Less: own shares		(1)	(1)
Total equity shareholders' funds		2,284	2,482

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2005

	2005		2004	
	£m	£m	£m	£m
Net cash inflow from operating activities (note I)		931		735
Dividends from associated undertakings		4		4
Returns on investments and servicing of finance				
Interest received	4		5	
Interest paid	(161)		(134)	
Proceeds from termination of interest rate swaps	-		104	
Interest element of finance lease rental payments	(2)		(2)	
Dividends paid to minority interests	(29)		(30)	
Net cash outflow from returns on investments				

and servicing of finance		(188)		(57)
Taxation				
Tax received	23		5	
Tax paid	(131)		(112)	
Net tax paid		(108)		(107)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(339)		(365)	
Sale of tangible fixed assets	48		36	
Total capital expenditure and financial investment		(291)		(329)
Free cash flow		348		246
Acquisitions and disposals (note IV)				
Purchase of subsidiary companies and investments in associated undertakings	(124)		(167)	
Net proceeds from businesses held for resale	-		19	
Sale of minority interest	-		3	
Sale of subsidiary companies and associated undertakings	75		64	
Total acquisitions and disposals		(49)		(81)
Equity dividends paid		(205)		(249)
		(254)		(330)
Net cash inflow/(outflow) before management of liquid resources and financing		94		(84)
Financing				
Issue of ordinary share capital	1		10	
Repurchase of share capital	-		(91)	

Purchase of own shares, net	-		(1)	
Debt due within one year:				
Decrease in bank loans and loan notes	(61)		(26)	
Debt due after one year:				
Increase in bank loans and loan notes	11		270	
Capital element of finance lease rentals	(16)		(21)	
	-------		-------	
Net cash (outflow)/inflow from financing		(65)		141
		-------		-------
Increase in cash in the year		29		57
		=======		=======
Reconciliation of net cash flow to movement in net debt (note II)				
Increase in cash in the year		29		57
Cash outflow/(inflow) from change in debt and lease finance		66		(223)
		-------		-------
Change in net debt resulting from cash flows		95		(166)
Loans acquired with subsidiaries and changes in finance leases		(12)		(19)
Effect of foreign exchange rate changes		(26)		120
		-------		-------
Movement in net debt in the year		57		(65)
Opening net debt		(2,373)		(2,308)
		-------		-------
Closing net debt		(2,316)		(2,373)
		=======		=======

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2005

I Reconciliation of operating profit to net cash inflow from operating activities:

	2005 £m	2004 £m
Operating profit before goodwill amortisation and exceptional items	711	775
Depreciation excluding exceptional items	293	258
EBITDA	1,004	1,033
Profit on disposal of fixed assets	(9)	(8)
Profit on disposal of businesses	-	(10)
Share of profits of associated undertakings	(2)	(4)
Expenditure in respect of provisions for liabilities and charges	(40)	(73)
Amounts charged in respect of provisions	29	28
Increase in stocks	(4)	(57)
Increase in debtors	(119)	(110)
Increase/(decrease) in creditors	72	(64)
Net cash inflow from operating activities before exceptional items	931	735

II Analysis of net debt:

	1 October 2004 £m	Cash flow £m	Exchange movements £m	Acquisitions (excluding cash and overdrafts) £m	Other non-cash changes £m	30 September 2005 £m
Cash at bank and in hand	266	48	4	-	-	318
Overdrafts	(14)	(19)	-	-	-	(33)
	252	29	4	-	-	285

Debt due within one year	(85)	61	-	-	(77)	(101)
Debt due after one year	(2,486)	(11)	(29)	-	77	(2,449)
Finance leases	(54)	16	(1)	-	(12)	(51)
	(2,625)	66	(30)	-	(12)	(2,601)
Total	(2,373)	95	(26)	-	(12)	(2,316)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)
For the year ended 30 September 2005

III Purchase and disposal of subsidiary companies and investments in associated undertakings:

	2005 £m Purchases	2005 £m Disposals	2004 £m Purchases	2004 £m Disposals
Net assets acquired/(disposed of):				
Tangible fixed assets	-	(57)	28	(1)
Investments	3	-	7	(47)
Stocks	-	(3)	4	(1)
Debtors	8	(8)	25	(1)
Cash	2	-	21	-
Loans	-	-	(7)	-
Leases	-	-	(3)	-
Creditors	(10)	10	(56)	1

Provisions	(3)	-	(5)	-
Tax	-	(2)	6	-
Minority interests	(6)	-	6	-
	(6)	(60)	26	(49)
Loss on disposal	-	1	-	2
Goodwill acquired/(disposed of)	115	(31)	162	(17)
	109	(90)	188	(64)
Satisfied by:				
Cash consideration payable/(receivable)	105	(75)	169	(64)
Investment in associated undertaking	-	(15)	-	-
Deferred consideration payable	4	-	19	-
	109	(90)	188	(64)

IV Analysis of net flow of cash in respect of the purchase and disposal of subsidiary companies and investments in associated undertakings:

	2005 £m Purchases	2005 £m Disposals	2004 £m Purchases	2004 £m Disposals
Cash consideration paid/(received net of liabilities settled)	105	(75)	169	(64)
Cash acquired	(2)	-	(21)	-
	103	(75)	148	(64)

Deferred consideration and costs relating to previous acquisitions	21	-	19	-
	124	(75)	167	(64)

The cash effect of the disposals consists of £48 million net cash consideration on the disposal of 75% of Au Bon Pain in North America, £30 million net cash consideration on the disposal of the Gatwick Meridien hotel in the UK and £3 million of costs relating to previous disposals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2005

1. Turnover and operating profit

	Continuing operations £m	Acquisitions £m	2005 £m	2004 £m
Turnover				
Foodservice:				
Geographical analysis:				
- North America	3,885	52	3,937	3,531
- United Kingdom	3,292	-	3,292	3,092
- Continental Europe and Rest of the World	5,459	16	5,475	5,149
	12,636	68	12,704	11,772
Total operating profit: Group and share of associated undertakings Before goodwill amortisation and exceptional items				

Foodservice:				
- The Company and its subsidiary undertakings				
Continuing	708	1	709	771
- Associated undertakings				
Continuing	2	-	2	2
Discontinued	-	-	-	2
	-------	-------	------	------
	710	1	711	775
	=======	=======	======	======
Geographical analysis:				
- North America				
The Company and its subsidiary undertakings	206	1	207	190
- United Kingdom				
The Company and its subsidiary undertakings	205	-	205	294
Associated undertakings	1	-	1	1
- Continental Europe and Rest of the World				
The Company and its subsidiary undertakings	297	-	297	287
Associated undertakings				
Continuing	1	-	1	1
Discontinued	-	-	-	2
	-------	-------	------	------
	710	1	711	775
	-------	-------	------	------
Amortisation of goodwill - continuing operations				
- North America	(49)	-	(49)	(48)
- United Kingdom	(157)	-	(157)	(156)
- Continental Europe and Rest of the World	(63)	-	(63)	(71)

	(269)	-	(269)	(275)
Exceptional items - continuing operations - Continental Europe and Rest of the world	(140)	-	(140)	-
Total goodwill amortisation and exceptional items	(409)	-	(409)	(275)
Total operating profit: Group and share of associated undertakings	301	1	302	500

Total operating profit after goodwill amortisation for the year ended 30 September 2005 relates to foodservice analysed as North America £158 million, UK £49 million and Continental Europe and Rest of the World £95 million (2004: £142 million, £139 million and £219 million respectively).

Certain minor reclassifications have been made to the previously reported geographical analysis of operations to align with the Group's current management structures.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

2. Exceptional items

	2005	2004
	£m	£m
Charged within operating profit:		
Exceptional operating items - continuing operations		
Middle East military catering operations	45	-

Impairment of goodwill - Italy	95	-
	140	-
Charged after operating profit:		
Exceptional loss - disposal of businesses	1	-

The Group is reducing the scale of its military catering operations in the Middle East. Related asset write-downs and provisions have resulted in an exceptional charge of £45 million. In addition, the goodwill arising on the acquisition of Onama in Italy was impaired following a review of the profitability of the underlying business.

The Group also disposed of 75% of Au Bon Pain in North America and the Gatwick Meridien hotel in the UK and paid further costs relating to previous disposals resulting in a net loss of £1m.

3. Interest payable and similar charges

	2005 £m	2004 £m
Bank loans and overdrafts	23	34
Other loans	109	99
Finance lease interest	2	2
	134	135

4. Tax on profit on ordinary activities

	2005 £m	2004 £m

UK corporation tax at 30% (2004: 30%)	51	49
Overseas tax	109	105
UK tax on share of profits of associated undertakings	1	1
Overseas tax on share of profits of associated undertakings	1	2
Current tax charge on profit before goodwill amortisation and exceptional items	162	157
UK deferred tax	8	18
Impact of discounting UK deferred tax	(1)	(1)
Overseas deferred tax	27	17
Impact of discounting overseas deferred tax	(12)	(12)
	184	179
Adjustments in respect of prior years:		
UK corporation tax	(8)	10
Overseas tax	(51)	(32)
UK deferred tax	4	(2)
Overseas deferred tax	5	(3)
	(50)	(27)
Total tax charge before exceptional items	134	152
Exceptional items:		
UK corporation tax	(2)	-
UK deferred tax	5	-
Impact of discounting UK deferred tax	(2)	-
Overseas tax	3	-
Overseas deferred tax	(4)	-
Total exceptional tax	-	-

Tax on profit on ordinary activities after exceptional items	134	152

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

4. Tax on profit on ordinary activities (continued)

The main factors affecting the future tax charge are addressed in the section headed Taxation on page 11.

	2005 %	2004 %
Reconciliation of the UK statutory tax rate to the effective current tax rate		
Tax charge on profit on ordinary activities before goodwill amortisation and exceptional items at the UK statutory rate of 30%	30	30
Increase/(decrease) resulting from:		
Permanent items	2	1
Amortisation of tax deductible goodwill	(2)	(2)
Overseas taxes at higher rates	3	2
Losses bought forward	(2)	(5)
Capital allowances for the period in excess of depreciation charged	-	(1)
Tax credits	(1)	-
Other timing differences	(2)	(1)
Current tax rate on profit before goodwill amortisation and		

exceptional items	28	24
Non-deductible goodwill amortisation and exceptional items	67	18
Current tax rate on profit before taxation	95	42

5. Dividends

	Per share	2005 £m	Per share	2004 £m
Dividends on ordinary shares of 10p each:				
Interim	3.3p	71	3.1p	66
Proposed final	6.5p	140	6.2p	134
	9.8p	211	9.3p	200

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

6. Earnings per share

	Attributable profit 2005 £m	Average number of shares 2005 Millions	Earnings per share 2005 Pence	Attributable profit 2004 £m	Average number of shares 2004 Millions	Ear per
Basic earnings per share	1	2,156	0.0	180	2,158	
Effect of dilutive share options	-	2	0.0	-	7	

Diluted earnings per share	1	2,158	0.0	180	2,165
Reconciliation of earnings per share to exclude goodwill amortisation and exceptional items					
Basic earnings per share	1	2,156	0.0	180	2,158
Effect of goodwill amortisation (net of tax)	269	-	12.6	275	-
Effect of goodwill impairment (net of tax)	95	-	4.4	-	-
Effect of exceptional items (net of tax)	46	-	2.1	-	-
Basic earnings per share excluding goodwill amortisation and exceptional items	411	2,156	19.1	455	2,158

Diluted earnings per share	1	2,158	0.0	180	2,165
Effect of goodwill amortisation (net of tax)	269	-	12.5	275	-
Effect of goodwill impairment (net of tax)	95	-	4.4	-	-
Effect of exceptional items (net of tax)	46	-	2.1	-	-
Diluted earnings per share excluding goodwill amortisation and exceptional items	411	2,158	19.0	455	2,165

Earnings per share excluding goodwill amortisation and exceptional items has been shown to disclose the impact of these on underlying earnings.

7. Intangible fixed assets

Goodwill £m

Cost	
At 1 October 2004	5,244
Additions arising from acquisitions	115
Disposal	(43)
Currency adjustment	35
At 30 September 2005	5,351
Amortisation	
At 1 October 2004	1,021
Charge for the year	269
Impairment	95
Disposal	(12)
Currency adjustment	9
At 30 September 2005	1,382
Net book amount	
At 30 September 2005	3,969
At 30 September 2004	4,223

Additions to goodwill arising from acquisitions relates to the acquisitions shown in note 15. Goodwill on acquisitions is being amortised over periods of up to 20 years which are considered to be the estimated useful lives.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

8. Tangible fixed assets

	Freehold land and buildings	Long leasehold property	Short leasehold property	Plant and machinery	Fixtures and fittings	Total

	£m	£m	£m	£m	£m	£m
Cost						
At 1 October 2004	493	61	391	1,447	770	3,162
Currency adjustment	-	-	5	18	8	31
Additions	14	1	21	203	112	351
Disposals	(9)	(3)	(7)	(154)	(46)	(219)
Business disposals	-	-	(25)	(53)	(6)	(84)
Transfer between categories	-	1	5	(18)	12	-
At 30 September 2005	498	60	390	1,443	850	3,241
Depreciation						
At 1 October 2004	95	7	69	796	390	1,357
Currency adjustment	-	-	2	10	4	16
Charge for the year	11	2	14	177	89	293
Exceptional	-	-	-	5	-	5
Disposals	-	-	(1)	(133)	(46)	(180)
Business disposals	-	-	(3)	(21)	(3)	(27)
Transfer between categories	-	1	5	(6)	-	-
At 30 September 2005	106	10	86	828	434	1,464

Net book amount						
At 30 September 2005	392	50	304	615	416	1,777
At 30 September 2004	398	54	322	651	380	1,805

The net book amount of the Group's tangible fixed assets includes, in respect of assets held under finance leases, freehold buildings and long and short leasehold property £9 million (2004: £9 million), plant and machinery £37 million (2004: £34 million) and fixtures and fittings £3 million (2004: £3 million).

9. Investments held as fixed assets

	Investment in associated undertakings £m
Cost	
At 1 October 2004	30
Additions	4
Investment in associated undertaking retained on disposal of subsidiary	15
Share of retained profits less losses	-
Dividends received	(4)
Currency and other adjustments	6
At 30 September 2005	51

Investment in associated undertakings includes £15 million being the remaining 25% of the Group's share of Au Bon Pain which is incorporated in the USA and is unlisted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

10. Debtors

	2005	2004
	£m	£m
Amounts falling due within one year		
Trade debtors	1,318	1,186
Amounts owed by associated undertakings	2	1
Overseas tax recoverable	9	12
Other debtors	141	153
Prepayments and accrued income	222	216
	1,692	1,568

	2005	2004
Amounts falling due after more than one year		
Other debtors	199	189
Overseas tax recoverable	-	3
Deferred tax	77	95
	276	287

The closing total deferred tax balance is analysed as follows:

	2005	2004
	£m	£m
Deferred tax analysis		

Deferred tax assets:		
UK capital allowances in excess of depreciation	(10)	(10)
UK short-term timing differences	73	72
UK other timing differences	(7)	-
Overseas tax deductible intangible assets	(80)	(80)
Overseas tax depreciation in excess of book depreciation	(18)	(17)
Overseas short-term timing differences	46	60
Discount on UK and overseas timing differences	73	70
	77	95
Deferred tax liabilities:		
Overseas tax depreciation in excess of book depreciation	(17)	-
Net deferred tax	60	95

	£m
The movements on total deferred tax are as follows:	
At 1 October 2004	95
Arising from acquisitions	(1)
Arising from disposals	(3)
Charged to profit and loss account	(30)
Credited to profit and loss reserve	3
Other movements	(4)
At 30 September 2005	60

Deferred tax assets of £80 million (2004: £73 million) have not been recognised as the timing of recovery is uncertain.

For the year ended 30 September 2005

11. Creditors - amounts falling due within one year

	2005 £m	2004 £m
Loan notes	82	19
Bank loans	19	66
Bank overdrafts	33	14
Obligations under finance leases	15	16
Trade creditors	1,035	926
Amounts owed to associated undertakings	2	2
Corporation tax	232	211
Overseas tax	101	142
Other tax and social security costs	220	203
Other creditors	258	264
Deferred consideration	13	14
Accruals and deferred income	850	861
Proposed dividend	140	134
	3,000	2,872

12. Creditors - amounts falling due after more than one year

	2005 £m	2004 £m
Bonds	1,339	1,348
Loan notes	487	550
Bank loans	623	588
Obligations under finance leases	36	38
Other creditors	40	44

Deferred consideration	15	27
Accruals and deferred income	51	70
	-------	--------
	2,591	2,665
	=======	========

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

Bonds are unsecured and consist of the following:

- Euro Eurobond with nominal value €750 million redeemable in 2009 and bearing interest at 6.0% per annum.
- Sterling Eurobond with nominal value £200 million redeemable in 2010 and bearing interest at 7.125% per annum.
- Sterling Eurobond with nominal value £325 million redeemable in 2012 and bearing interest at 6.375% per annum.
- Sterling Eurobond with nominal value £250 million redeemable in 2014 and bearing interest at 7.0% per annum.

The bond redeemable in 2014 is recorded at its fair value to the Group on acquisition in 2000.

The Group has fixed term, fixed interest private placements totalling US$991 million (£560 million) at interest rates between 5.11% and 7.955%. US$618 million (£349 million) is repayable in five to ten years.
Maturity of financial liabilities and other creditors falling due after more than one year as at 30 September 2005 is as follows:

12. Creditors - amounts falling due after more than one year (continued)

	2005						
	Bonds and loan notes £m	Loans and overdrafts £m	Other £m	Total £m	Bonds and loan notes £m	Loans and overdrafts £m	Other £m
In more than one year but not more than two years	30	29	98	157	75	5	79
In more than two years but not more than five years	818	589	35	1,442	627	574	82
In more than five years	978	5	9	992	1,196	9	18
	1,826	623	142	2,591	1,898	588	179
In one year or less, or on demand	82	52	28	162	19	80	30
	1,908	675	170	2,753	1,917	668	209

	2005 £m	2004 £m
Bank loans:		
Repayable by instalments in more than five years	5	9
Repayable by instalments within five years	24	23
Less: amounts falling due within one year	(5)	(5)
Amounts repayable by instalments falling due after more than one year	24	27
Repayable otherwise than by instalments within five years	613	622
Less: amounts falling due within one year	(14)	(61)
Amounts repayable otherwise than by instalments falling due after more than one year	599	561

13. Provisions for liabilities and charges

	Pensions and other post employment benefits £m	Insurance £m	Onerous contracts £m	Legal and other claims £m	Environmental £m	Deferred tax £m
At 1 October 2004	253	38	31	52	11	-
Arising from acquisitions	2	-	-	1	-	-

Expenditure in the year	(26)	(5)	(6)	(3)	-	-
Charged to profit and loss account	19	6	-	4	-	-
Credited to profit and loss account	(1)	-	(2)	(1)	-	(1)
Reclassified	4	(1)	-	1	-	18
Currency adjustment	2	-	1	1	-	-
At 30 September 2005	253	38	24	55	11	17

Pensions and other post-employment benefits and insurance relate to the costs of self-funded pension schemes or statutory retirement benefits and self-funded insurance schemes respectively and are essentially long-term in nature. Onerous contracts represent the liabilities in respect of short and long term leases on non-utilised properties and other contracts lasting under five years. Legal and other claims relate principally to provisions for the cost of litigation and other claims. The timing of the settlement of these claims is uncertain. Environmental provisions are in respect of 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.

14. Reserves

			Consolidated profit and loss reserve		
Share premium account	Capital redemption reserve	Merger reserve	Before goodwill written off	Goodwill written off	Total

	£m	£m	£m	£m	£m	£m
At 1 October 2004 2004	93	9	4,170	127	(2,132)	(2,005)
Currency translation differences	-	-	-	24	(15)	9
Tax on currency translation differences	-	-	-	2	-	2
Premium on ordinary shares issued, net of expenses	1	-	-	-	-	-
Amount transferred from reserves	-	-	-	(210)	-	(210)
At 30 September 2005	94	9	4,170	(57)	(2,147)	(2,204)

Currency translation differences are net of £26 million of exchange losses on loans which have been offset in reserves against gains of £35 million on retranslation of overseas net assets.

Goodwill written off represents the excess of the consideration for the operations acquired prior to 1 October 1998 over the fair value of the net assets acquired. The goodwill has been written off to profit and loss reserve on consolidation.

15. Acquisitions

Businesses acquired during the year are shown below.
Adjustments have been made to reflect the provisional fair value of assets and liabilities acquired as follows:

	Consideration and costs	Net assets acquired	Fair value adjustments	Accounting policy realignment	Fair value of assets aquired	Goodwi
	£m	£m	£m	£m	£m	
Further purchase of 30% of Onama	42	(15)	-	-	(15)	
HDS	20	(2)	(1)	-	(3)	
Others	43	14	(1)	(3)	10	
Total acquisitions in the year	105	(3)	(2)	(3)	(8)	1
Adjustments to prior periods:						
Deferred consideration payable	4	-	-	-	-	

Adjustments to net assets acquired	-	-	2	-	2	
	4	-	2	-	2	
	109	(3)	-	(3)	(6)	1

	Net assets acquired	Fair value adjustments	Accounting policy realignment	Fair value to the Group
	£m	£m	£m	£m
Tangible fixed assets	1	(1)	-	-
Investments	4	(1)	-	3
Debtors	6	2	-	8
Cash	2	-	-	2
Creditors	(9)	(1)	-	(10)
Provisions	(1)	(2)	-	(3)
Tax	-	3	(3)	-
Minority interests	(6)	-	-	(6)
	(3)	-	(3)	(6)

All acquisitions were accounted for under the acquisition method of accounting.
Fair value adjustments principally relate to asset valuation adjustments, recognising pension commitments and other liabilities not previously recorded.
Adjustments made to the fair value of assets of businesses acquired in 2005 are provisional owing to the short period of ownership.
Adjustments to prior year acquisitions relate to the restatement of the values of assets and liabilities in the light of knowledge arising from a more extended

period of ownership and additional consideration and costs, all in respect of acquisitions made during the year ended 30 September 2004.
There was no material difference between operating profits arising from acquisitions and cash flows contributed by those acquisitions.

16. Pensions

The assets and liabilities of the major schemes operated by the Group and the effect that adoption of FRS 17 would have had on the Group's profit and loss reserves are shown below:

30 September 2005	UK schemes Long term expected rate of return	UK schemes £m	US schemes Long term expected rate of return	US schemes £m	Other schemes Long term expected rate of return	Other schemes £m	Total sc Long term expected rate of return
Equities	7.5%	496	8.3%	53	6.2%	44	7.5%
Bonds	4.5%	310	5.0%	17	3.4%	65	4.3%
Other assets	4.0%	18	3.9%	1	3.0%	48	3.3%
Market value		824		71		157	
Liabilities		(1,179)		(166)		(239)	
Deficit		(355)		(95)		(82)	
Deferred tax asset		107		33		29	
Net FRS 17 liability		(248)		(62)		(53)	

Net FRS 17

liability

Reverse existing provisions/assets net of deferred tax

Reverse existing SSAP 24 prepayment for Group pension schemes

Net adjustment which would result from the adoption of FRS 17

Profit and loss reserve as reported

Profit and loss reserve on a FRS 17 basis

The FRS 17 deficit has increased during the year ended 30 September 2005 as set out below:

	£m
As at 1 October 2004	(426)
Current service costs	(37)
Contributions paid	73
Other financial costs	(15)
Actuarial losses	(124)
Exchange rate losses	(3)
As at 30 September 2005	(532)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 September 2005

17. Contingent Liabilities

On 21 October, the Group announced that it had instructed Freshfields to conduct an investigation into the relationships between ESS, IHC and the United Nations. Ernst & Young are assisting Freshfields in the investigation, reporting to the Chairman of the Compass Group PLC Audit Committee.

On 3 November, the Group announced that the investigation raised serious concerns as to whether, within ESS, there has been in connection with IHC and the UK, improper conduct and a failure to comply with the Group's statement of business principles (which apply to all staff, whatever their seniority). As a result, three employees have been dismissed.

The investigation is ongoing and, as yet, no final conclusions have been reached.

The Group will continue to co-operate voluntarily and fully as appropriate with the UN and US authorities, including the Office of the United States Attorney for the Southern District of New York.

UN contracts account for less than 0.5% of the Group's turnover and profits.

No provision has been made in these financial statements in respect of these matters and it is not currently possible to quantify any potential liability which may arise. The Directors currently have no reason to believe that any potential liability that may arise would be material to the financial position of the Group.

18. Exchange rates

Exchange rates for major currencies used during the period were:

	2005 Average Rate	2004 Average Rate	2005 Closing Rate	2004 Closing Rate
Australian Dollar	2.42	2.47	2.32	2.50
Canadian Dollar	2.26	2.37	2.05	2.29
Danish Krone	10.83	10.94	10.95	10.84
Euro	1.46	1.47	1.47	1.46
Japanese Yen	198.34	194.98	200.51	199.44
Norwegian Krone	11.76	12.32	11.54	12.18
Swedish Krona	13.35	13.43	13.67	13.17
Swiss Franc	2.25	2.28	2.28	2.26
US Dollar	1.85	1.79	1.77	1.81