COMPASS GROUP

Annual Review 2005

Our commitment to building greater value

We are specialists who help clients either outsource or establish a food or support service, or sometimes both, to suit their needs.

How we do that draws on our global resources and our understanding of different cultures and market sectors. We work in partnership with our clients, usually in their premises. And by using their facilities and equipment we keep capital investment to an absolute minimum.

Looking at the world map today shows how far we have come since 1992. We have grown from a domestic operator to a global player. That journey has given us a great platform to build on and enabled us to benefit from opportunities far and wide.

Making the most of these opportunities starts, as ever, by being clear why we are in business.

Our aim is to be the premium operator in the contract catering and support services market with an outstanding reputation for quality, value for money and client & customer satisfaction.

To achieve this means maintaining our market leading positions in the world's key regions with major brands in our chosen business sectors. But it also means applying fresh thinking to the way we run our business, re-energising the talents that have made us a leader while looking at new ways of maximising value from our core operations.

We have to work smarter – simplifying what we do and how we do it, focusing on our core contract catering operations, leveraging client relationships by growing the range of our support services, maximising synergies for clients, organic profit growth for us and enhanced value for our shareholders.

We know what we have to do. The task now is to make it happen.

Our strategy is about building value for shareholders. Delivering this value is enshrined in 4 commitments to all our stakeholders. Commitments that each reflect the potential inherent in the business.

Our 4 commitments:

1. We will ensure that we maximise the return on the investments we have made.
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2. We will never forget the importance of keeping the customer satisfied.
Page 08

3. We will deliver on our expertise with an unrivalled consistency.
Page 10

4. We will continue to place the best people in the business in our business.
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> Turn here for our 2005 regional financials, information on the brands we own and for the regions we cover.

This Annual Review 2005 does not contain sufficient information to allow for a full understanding of the results of the Group. For further information the separate publication Annual Report 2005 constitutes the full Annual Financial Statements of the Group which is available from our website www.compass-group.com.

Group results by division

Key
- Core markets
- Developing markets

North America
£3,937m
Turnover
2004: £3,531m

£207m
Operating profit*
2004: £190m

United Kingdom
£3,292m
Turnover
2004: £3,092m

£205m
Operating profit*
2004: £294m

Continental Europe
£3,587m
Turnover
2004: £3,432m

£190m
Operating profit*
2004: £178m

Rest of the World
£1,888m
Turnover
2004: £1,717m

£107m
Operating profit*
2004: £109m

+12%
North America

*Before goodwill amortisation and exceptional items.

Our market sectors, businesses and brands

We operate in clearly defined market sectors through distinct, client-facing operating companies.

We use sector focused businesses and innovative foodservice branding to expand our business through a combination of organic growth and acquisitions.

Business and Industry
A world leader in food and services management to customers at their place of work.

Fine Dining
The finest possible dining facilities for boardrooms, hospitality and major social events.

Vending
Providing what has become an integral part of the food and beverage operation for modern organisations.

+6%
United Kingdom

+2%
Continental Europe

+8%
Rest of the World

Growth in turnover by geographical region

Like for like growth in turnover 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.

Education
Constantly striving to find new ways to ensure we are playing our part in building tomorrow's healthy generations.

Leisure
Providing superior quality catering for prestige sporting and cultural venues.

Healthcare and Seniors
Offering the highest standards of food safety and hygiene and a detailed understanding of the nutritional needs of this sector.

Travel Concessions
High quality food and beverage services at travel locations.

Defence, Offshore and Remote
The world's largest provider of integrated support services to these sectors in over 50 countries.

Owned and Franchised Brands
A unique portfolio of local, national and international foodservice brands offering consistency, recognition, quality and value.

These are important times for Compass. A time of change. A time to build on the value inherent in the business. This thinking forms the basis of the 4 key commitments in this document. Each one signals the potential in Compass. Each commitment will lead to greater value.

Financial highlights

Group turnover

£12,704m

2004: £11,772m

Free cash flow

£348m

2004: £246m

Total operating profit*

£711m

2004: £775m

Return on capital employed*

5.7%

2004: 6.4%

Basic earnings per share*

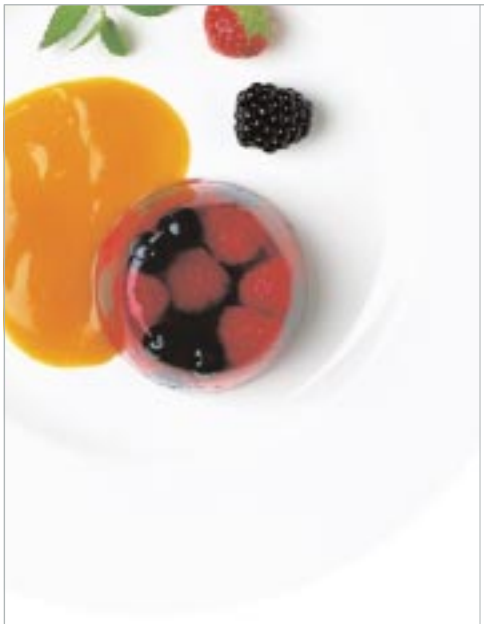
19.1p

2004: 21.1p

*Before goodwill amortisation and exceptional items.

CHAIRMAN'S STATEMENT

Since 1992 we have built a strong platform in the global foodservice market, but now we must leverage the synergies that this platform and scale give us to deliver enhanced shareholder value. During 2005 we conducted a comprehensive review to identify the actions we must take to create this value.



2005 was one of the most difficult years that Compass Group has experienced. Strong performances in North America and the Rest of the World regions were offset by difficult trading, particularly in the UK and several European countries. Acceleration in the change of structure of contracts from cost plus to fixed price or profit and loss has also impacted on margins. However, we have taken decisive action to re-energise the business and to focus on our core contract catering operations, and to build on the growth in the support services business to improve financial performance. Significantly, we have decided to exit the travel-related concessions market by selling SSP.

Overview of Group results

3 of our 4 geographic divisions performed to our expectations. Like for like turnover growth for the year was 7% driven by very strong performances in North America at 12% and in the Rest of the World at 8%.

Free cash flow for the year was £353 million at 2004 exchange rates, up 44% on the previous year. Operating profit before goodwill amortisation and exceptional items fell to £711 million from £775 million last year primarily as a result of tough trading in the UK and the reduction in scale and profitability of the Group's Middle East military business. Operating profit in the UK fell by £89 million to £205 million. About one-third of this decline is due to cost pressures and the impact of the London bombings. The remaining two-thirds can be attributed to increased pension contributions, restructuring costs, lower disposal profits, the sale of the Gatwick Meridien hotel and less capital expenditure.

Shareholder returns

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 the previous year.

Market overview

The contract catering and vending market (excluding travel concessions) has a value of approximately £215 billion of which only around one third is outsourced to specialist operators. Compass Group has around a 5% share of this global market. Collectively the world's major foodservice companies have approximately a 10% market share.

The trend by organisations to outsource their catering requirements is continuing as clients seek to reduce their foodservice subsidies. Competition within the industry is polarised. Barriers to entry at a local level are low and it is relatively easy to open and run a small number of contracts. Barriers are much higher when moving to a large-scale operation, however. As a result the market is characterised by a large number of small operators at one end, very little in the mid-market, and a few large-scale global operators at the other end.

We are seeing some change in the structure of our contracts with an acceleration away from cost plus contracts, where all the costs are recharged to the client along with a management fee, to fixed price contracts where the client pays a fixed price for a specified range of services and to profit and loss type contracts where the contractor bears the risk. Over 70% of our contracts are now fixed price or profit and loss based.

The global support services market is estimated to be worth over £300 billion, of which less than 30% is outsourced, with projected growth in outsourcing expected to be 5-9% annually. By focusing on building growth in support services we can leverage our existing client relationships to better effect, and maximise synergies and efficiencies.

Management

This is my last annual report as Chairman. Sir Roy Gardner, currently CEO of Centrica PLC, joined the Board on 1 October as the Senior Independent Director and will

succeed me as Chairman by summer 2006. I wish him well.

2005 saw a number of other changes to the Group Board. Michael Bailey, CEO since 1999, announced in September his decision to step down and a full search to find his successor is underway. He will stay as Chief Executive as long as is required by the Board. The Nominations Committee, chaired by Sir Roy Gardner, is well advanced with this process and has appointed the headhunter Korn/Ferry to conduct the search. Clive Grundy, Group Human Resources Director left the Company; Alain Dupuis, CEO Eastern Division, stepped down from the Board though he remains with the Group as Chief Executive of our emerging markets business and Andrew Lynch, CEO of SSP stepped down from the Board following our decision to sell this business. Also, after 27 years with the business, Company Secretary Ron Morley has left the Group. I would like to thank them all for their contribution.

United Nations

Since the end of the financial year we have had cause to instigate an investigation led by Freshfields, supported by Ernst & Young, into the relationship between Eurest Support Services (ESS), IHC and the United Nations. The investigation is being overseen by Steve Lucas, Chairman of the Audit Committee. The Board takes this matter very seriously indeed. Our Code of Ethics determines the nature of all our business relationships and applies to everyone, everywhere and in all circumstances. That is why we acted decisively and dismissed 3 executives after the external 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 our business principles. The investigation is on-going and no final conclusions have been reached. We are co-operating voluntarily and fully with the UN and US authorities, including the Office of the United States Attorney for the Southern District Court of New York.

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.

Conclusion

I have been with the Company for over 20 years. In this time we have grown from a company with revenues of under £250 million to over £12 billion and from operations in just 1 country to over 90 countries and established ourselves as the world's leading foodservice company. This is a strong base from which to create enhanced value for shareholders and I have confidence that the Group is well placed to do this going forward.

Sir Francis Mackay
Chairman

CHIEF EXECUTIVE'S STATEMENT

The last year has been a difficult one, but a 'new' Compass is now beginning to emerge which is sharper and smarter, with a clear focus on what we have to do to deliver client and customer satisfaction and drive up the value inherent in the business.

Strategy

Our aim is to be the premium operator in the contract food and support services market with an outstanding reputation for quality, value for money and client & customer satisfaction.

The role of our people in delivering an outstanding service that exceeds our clients' and customers' expectations and enhances the Company's performance, creating value for shareholders, is critical to achieving this aim.

I know that over the last 2 years our financial performance has not lived up to our shareholders' or our own expectations. That is why in the spring of 2005 I initiated a root and branch review of all aspects of our operational and financial performance.

We concluded that the business had become too complex, both in terms of our structure and the range of businesses we operate, and that we have spread our resources and investment too thinly. In order to drive returns for shareholders we have decided to focus on our core contract catering operations and on building on the growth in our support services offering.

To do this we have decided to sell our Travel Concessions business, Select Service Partner (SSP). Whilst the travel concessions market offers considerable growth opportunities the sale of SSP will enable us to focus better on driving the financial performance of our core businesses and delivering enhanced returns to shareholders over the longer term. The formal sale process for SSP has commenced and we are encouraged by the considerable interest being shown by potential acquirers. We anticipate that a sale will be concluded by the end of the first half of 2006. Proceeds from the sale will be used principally to reduce debt and strengthen the Group's balance sheet, with the balance being returned to shareholders. We will keep exclusive access to brands such as Caffè Ritazza, Upper Crust and Harry Ramsden's in our core contract catering sectors and will seek to enter

into an agreement with the acquirers to retain the purchasing benefits.

We have also simplified our structure by reducing the number of operating divisions. This has helped speed up decision making and is expected to result in estimated overhead savings of £50 million in 2006.

Challenges and opportunities

The contract catering and support services markets still offer considerable opportunities for growth but they are not without their challenges.

In contract catering, rather than the client company providing a subsidy to the end user, the trend is increasingly for the full cost to be reflected in the price paid by the customer. Inevitably, the customer benchmarks the foodservice offer against that available in the high street. To compete, caterers have to change the way they operate, not only to serve but also to sell. This means adopting merchandising skills and techniques commonly seen within the retail sector to drive throughput and spend per head whilst, at the same time, improving labour productivity.

We have been particularly successful in adopting this model in North America and we are accelerating the roll-out of this model to the rest of our operations. We have also developed retail skills training to support our front-line staff in delivering against these new challenges.

In the Education and Healthcare sectors there are still considerable opportunities for growth. Public sector bodies are recognising the considerable benefits in terms of service, quality and efficiency that outsourcing their requirements to specialist contractors can bring. We estimate that only about 30% of the global education and healthcare markets are currently outsourced, underlining the significance of the opportunity.

Our operational and financial experience in support services has been gained in 2 key sectors – Healthcare and Defence, Offshore and Remote. We responded to the trend for 'added value' services in the North American healthcare market with the purchase in 2001 of Crothall and we have been very successful in transferring these skills to other parts of the business, particularly in the UK.

The critical 'life support' services we provide to clients in the Offshore and Remote sector has also given us valuable experience in providing fully integrated catering and support services. We are seeing an increasing trend amongst clients, particularly in Business and Industry, to bundle their catering requirements alongside certain 'soft' support services such as cleaning, laundry and reception in order to reduce the number of contractors they have to manage.

The margins in our existing support services business are similar to those in contract catering and, generally, this type of business requires lower levels of capital investment. We see the demand for support services accelerating over the next few years and now is the right time to focus on developing and growing our capability and business in this market.

Client and supplier relationships

Building long-term relationships with our clients and suppliers remains a key focus for us. Clients want quality and value for money and our success in delivering this is reflected in client retention which was once again 95% for the year. Many clients have been with us for long periods, in the UK, for example, the average length of client relationship is over 9 years.

Providing quality and value for money depends on building lasting partnerships with our many suppliers. In the UK, for example, over 96% of the suppliers who provide us with over three quarters of our purchases have been with us for more than 4 years. We are working with suppliers to improve payment terms and have made considerable progress over the past 2 years. We are also making our Supplier Code of Conduct widely available and are putting in place a formal process for suppliers to raise any issues with us.

Managing for value

Compass has a very strong entrepreneurial spirit and it is critical that we retain this whilst at the same time improving the financial disciplines around capital expenditure and cash generation. There is no 'one size fits all' solution. In our most successful division, North America, we will continue to pursue profitable new business opportunities as well as focusing on driving more profit from existing contracts. We will continue to invest proportionately more capital to support this growth as it is in North America where we are generating some of our best and, most importantly, predictable returns. By contrast, in the UK and northern Europe where we are facing both economic and market challenges, we will focus on driving value through productivity efficiencies and the implementation of a more retail skills oriented business model.

Conclusion

Whilst our financial performance over the past 2 years has not been good enough, I believe that we have during 2005 put in place the actions necessary to give us a robust base from which to drive future profit growth and that the fundamentals of our business model are the right ones to deliver value for shareholders.

Michael J Bailey
Chief Executive

Turning our investment into something worth having

Our commitment to building greater value:

#1

We will ensure that we maximise the return on the investments we have made

The investment we've made hasn't just provided us with valuable brands and products, it has given us a great platform in a global market. One where our focus on free cash flow and improving return on capital employed will ensure significant cost savings and healthy profitability, leading to even greater value. So when we look at the map today, we see opportunities far and wide for tomorrow.

SUMMARY OPERATING REVIEW

The Group's operations are managed across 4 geographic divisions.

North America

£3,937m
Turnover

£207m
Operating profit

12%
Growth in business

This was another excellent year for our North American business with like for like turnover growth of 12% and operating profit, excluding associates, goodwill amortisation and exceptional items, increasing from £190 million in 2004 to £207 million in 2005. North America now accounts for 32% of the Group's turnover, excluding fuel, and 29% of operating profits, excluding associates, goodwill amortisation and exceptional items, and employs over 123,000 people. We once again saw strong growth in our Healthcare businesses which grew by 15% on a like for like basis. The Business and Industry and Education sectors delivered solid growth whilst Vending showed a modest increase of 4% on a like for like basis. Our Sports & Leisure business had another very strong year with like for like growth of 17%, reflecting the success of Levy Restaurants in delivering not only strong contract gains, but also increased customer spend at our venues.

North America still represents a significant market opportunity. Based largely on information made available by the National Restaurant Association and Technomic Inc., it is estimated that just over 50% of the contract catering market is outsourced and that contractor penetration in the important Education and Healthcare sectors is estimated to be in the region of 40%.

The other factor in our success is a well developed retail model that drives throughput and spend per head implemented by an experienced and highly motivated management team led by Gary Green. 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.

During the year significant contract gains and renewals included a new 3-year contract for Eurest, in conjunction with Canteen, with AT&T with annual turnover of nearly £3 million and the Hospital of the University of Pennsylvania awarded Morrison Management Specialists, in conjunction with Crothall, a new 5-year contract with annual revenues of over £11 million. The success of our Education business, Chartwells, is reflected in new and retained contracts with annual revenues of over £26 million including the University of West Florida, UNC Asheville, Wentworth Institute of Technology, Edinboro University, Rochester City Schools and a renewal of the contract with the Chicago Public Schools system. In addition The Bradley Center awarded Levy Restaurants a new 7-year contract with annual turnover of over £5 million.

In the aftermath of Hurricane Katrina we continued to service our 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. We established temporary 'tent cities' providing essentials for relief workers and victims, and supported 6 tent cities located in the Gulf States region. A relief centre in Pascagoula, Mississippi provided shelter and food for 15,000 evacuees. Also 4 tent villages, supporting over 2,600 employees and families were built. Morrison Management Specialists teams stayed in place through the hurricane to assist in the evacuation of 6 hospitals and served 15,000 meals daily to patients and residents at 4 hospitals and 2 senior dining communities in the Gulf Coast states.

The actions of our people in the wake of this natural disaster are a testament to their dedication to client and customer service.

The outlook for our business in North America is very good.

North America
Contract gains and renewals
A new 3-year contract for Eurest, in conjunction with Canteen, with AT&T with annual turnover of nearly £3 million.

Morrison Management Specialists were awarded a new 5-year contract with the Hospital of the University of Pennsylvania in conjunction with Crothall, with annual revenues of over £11 million.

Chartwells won and retained contracts with annual revenues of over £26 million.

Levy Restaurants were awarded a new 7-year contract with annual turnover of over £5 million by The Bradley Center.

In the aftermath of Hurricane Katrina we continued to service our 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.

Keeping a place for the customer

Our commitment to building greater value:

#2

We will never forget the importance of keeping the customer satisfied
It's a simple equation – happy customers leads to happy clients and that equals a successful and profitable relationship for us. Every decision we make is made with the customer in mind. That's why, at every meeting in our Company, we like to imagine that a customer is in the room with us, so we always save them a chair.

SUMMARY OPERATING REVIEW
CONTINUED

United Kingdom

£3,292m
Turnover

£205m
Operating profit

6%
Growth in business

The UK now accounts for 23% of the Group's turnover, excluding fuel, and 29% of its operating profit excluding associates, goodwill amortisation and exceptional items and employs approximately 88,000 people. Despite achieving turnover growth of 6% on a like for like basis in Contract catering and 4% on a like for like basis in Travel Concessions, the overall financial performance of the business has been unsatisfactory. Cost pressures, particularly in Business and Industry, have resulted in the Contract catering margin declining from 8.6% in 2004 to 5.9% in 2005. We have only been able to pass on some of these cost increases to clients.

In July we refreshed the UK management team and instituted a programme to give us a more solid contract base from which to grow. Don Davenport, who became CEO of the UK business following the merger with Granada, stepped down after over 40 years service to the hospitality industry, for which we thank him. He has been replaced on an interim basis by Gary Green, CEO of our North American business. We have also appointed a new leader for our Business and Industry operations, which account for 55% of our Contract catering business. Chris Copner brings strong retailing skills with him from his time as Managing Director of our UK Travel Concessions business.

The first stage of this programme is to cut out unnecessary management layers, improve accountabilities and reduce cost. The UK market still offers significant opportunities, not least in Healthcare, Education, Leisure and increasingly Support Services. The Business and Industry sector is more mature but still capable of delivering profitable growth. To capture this growth, we have undertaken a detailed review of our contracts portfolio, to ensure we have a robust contract base with sustainable margins. At the low end of the margin spectrum we have sought to increase prices and improve the margin or, in some instances, we are prepared to exit the contract. At the high end we have recognised that we need to absorb some of our cost increases, as we have this year, in order to retain these accounts. Properly executed, the net effect of these actions should enable us in 2006 to deliver the same level of profit as 2005.

Contract gains and renewals of note during the year include a renewed 7-year contract with Prudential with annual revenues of over £1 million; renewed contracts for Medirest with the West Hertfordshire Hospital NHS Trust and Homerton University Hospital NHS Foundation Trust with combined annual revenues of around £13 million and, in Education, renewed contracts with Durham County Council and Millfield School with annual revenues of over £11 million.

Our decision to sell our Travel Concessions business, in order to focus on our core Contract catering operations and to build on the growth in Support Services, will change the profile of our UK business. UK Travel Concessions account for 52% of total Travel Concessions turnover, excluding fuel, and 28% of our UK turnover, excluding fuel.

Despite the difficulties our UK business has faced over the past 2 years all of our people remain fully focused on delivering against their clients' and customers' expectations and this is reflected in the positive feedback we are receiving from our unit-based staff.

United Kingdom
Contract gains and renewals
A renewed 7-year contract with Prudential with annual revenues of over £1 million.

Renewed contracts with NHS Trusts for Medirest with annual revenues of around £13 million.

Renewed contracts in Education with Durham County Council and Millfield School with annual revenues of over £11 million.

Remembering what success looks like

Our commitment to building greater value:

#3

We will deliver on our expertise with an unrivalled consistency
The measures to judge success can be remarkably simple. Busy cafeterias, heavy footfall, limited wastage of produce, repeat requests and empty plates. In other words getting the basics right leads to customer satisfaction and client retention. These things happen due to our quality of product, and service. Making this work as a profitable business means delivering on our expertise time and time again. New practices that we're introducing will enhance this dynamic and lead to greater success.

SUMMARY OPERATING REVIEW
CONTINUED

Continental Europe and Rest of the World

Continental Europe

£3,587m
Turnover

£190m
Operating profit

2%
Growth in business

Rest of the World

£1,888m
Turnover

£107m
Operating profit

8%
Growth in business

Continental Europe represents 29% of the Group's turnover, excluding fuel, and 27% of its operating profit excluding associates, goodwill amortisation and exceptional items, whilst Rest of the World represents 15% of turnover, excluding fuel and 15% of operating profit excluding associates, goodwill amortisation and exceptional items. Approximately 195,000 people are employed in nearly 90 countries. Like for like turnover growth for the year was 4.0% with the margin broadly in line with last year at 5.5%.

Continental Europe

Trading in Continental Europe remains difficult with little or no growth in the major markets of France, Germany, the Netherlands and Italy. In France and the Netherlands we put in place new management during the course of the year that have restructured the business by reducing management layers and introducing a shared services approach to back of house functions, such as accounting and IT, which have reduced operating costs. Trading in Spain and Switzerland was more encouraging.

We continue to roll out our purchasing model and the success of this is reflected in margins broadly similar to last year despite rising costs, particularly related to escalating energy prices. We have also aligned our European purchasing teams more closely with country operations so as to ensure that purchasing synergies are realised whilst ensuring the needs of operators at the local level are being met.

Significant contract gains and renewals in the year include, in Switzerland, a new 5-year contract with Swisscom with annual revenues of over £13 million; in Germany a new 5-year contract with Alcatel worth £3 million in annual revenues; in France contracts with Sollac Loraine and Bouygues Arc de Seine worth over £3 million in annual revenues; contracts in Healthcare included Association Notre-Dame de Bon Secours in Paris, University Hospital Bonn in Germany, Maria Gamla Stan District Council in Sweden and Ullevål Patient Hospital in Norway with combined annual revenues of over £6 million; and in Vending contracts with Paresto (MOD) in the Netherlands and Saab in Sweden worth over £3 million.

Rest of the World

There were strong new business performances in Australasia and South America. Contract gains included, in Japan, a new 3-year contract with Japan Post worth over £18 million in annual revenues and a 5-year contract with Fukuoka Mutual Aid Association worth over £2 million in annual revenues; and in Australia a 5-year contract with the Commonwealth Government of Australia worth over £13 million in annual revenues and a 10-year contract with Campus Living (Sydney University Village and RMIT village) worth nearly £2 million in annual revenues.

In order to grow our business in emerging markets such as China, Indonesia, India, Turkey and Russia, Alain Dupuis stepped down from the Group Board to become CEO of these emerging markets to ensure that they get the necessary management focus to realise their future potential.

Continental Europe and Rest of the World

Contract gains and renewals

A new 5-year contract with Swiss business Swisscom with annual revenues of over £13 million.

In Germany a new 5-year contract with Alcatel worth £3 million in annual revenues.

In France contracts with Sollac Loraine and Bouygues Arc de Seine worth over £3 million in annual revenues.

Contracts in Healthcare combined to produce annual revenues of over £6 million.

In Vending, contracts with Paresto (MOD) in the Netherlands and Saab in Sweden are worth over £3 million.

In Japan, a new 3-year contract with Japan Post is worth over £18 million in annual revenues and a 5-year contract with Fukuoka Mutual Aid Association is worth over £2 million in annual revenues.

In Australia a 5-year contract for ESS with the Commonwealth Government of Australia is worth over £13 million in annual revenues and a 10-year contract with Campus Living (Sydney University Village and RMIT village) is worth nearly £2 million in annual revenues.

Recognising what we're made of

Our commitment to building greater value:

#4

We will continue to place the best people in the business in our business

At every level of the organisation our people excel. There's an ability to deliver. An innate and infectious 'can-do' attitude that fosters pride and confidence. A collective sense of achievement – this is a huge and powerful team built on experience, knowledge, integrity and commitment. Where attention to detail and shared responsibility are second nature. Our people make us what we are today and will shape our future.

SUMMARY OPERATING REVIEW
CONTINUED

We are continuing to scale down our Middle East military business with turnover reducing to £170 million in 2005 (2004: £250 million) and operating profit, before exceptional items, was £35 million (2004: £50 million). There are still opportunities for military business in the Middle East but increasingly we are choosing not to participate in this work because the margin is becoming less attractive relative to the complexity of the operations and associated risks.

Our people

This year we have seen continued evidence that our strategy to be recognised as a preferred employer is delivering real benefit. Our most recent global workforce survey shows an increase in loyalty, pride in the Group and the likelihood to recommend Compass as a place to work compared to the same survey in 2003. To further underline this, 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 newspaper in the UK, a ranking based on the paper's own independent survey of our people. Most recently the Group won 3 Personnel Today awards for Employer Branding, Best HR Strategy and the Best Overall Award.

A significant contribution to this performance is the degree to which we live our values in the organisation – our people continue to rate us highly for the emphasis we place on teamwork and on the focus we give to service and food quality. Importantly, the greatest improvements we have seen have been with our front-line service teams, especially in those areas such as recognition, communication, support from their manager and sharing success, where we have put specific programmes in place in response to the feedback from our last global survey.

Our commitment to listen to our people and take action has contributed to an increase in participation in the survey.

In addition we have begun to see the impact of the Group's employment brand, which was launched in 2004, to improve our ability to attract, recruit and retain the best people by clearly and consistently communicating the reasons why people would choose to join and develop their careers with Compass.

Our commitment is to deliver real opportunities to our people throughout their career. We define this in 8 core opportunities, ranging from how people join the Group, to work life balance and reward and recognition. One of these is the opportunity to learn and grow, which restates our long-standing commitment to developing the skills of our people. This year has seen a number of innovative new programmes to support this. Examples of this are the Compass College in Australia, which has created a suite of training programmes for staff at all levels that can be delivered either face to face or online via the web; the Great Business Growing our Sales programme, which provides our front-line teams with the retail and merchandising skills needed to drive up sales and throughput; and Sed de Saber, an award winning self-paced learning programme in North America to help Spanish–speaking staff improve their English, both on a general level and specifically for working in the foodservice industry.

The net result of our people strategy is that we are seeing a significant increase in internal promotions, improvements in retention in countries such as Australia, France and the UK, and an increase in the number of people applying to work for Compass.

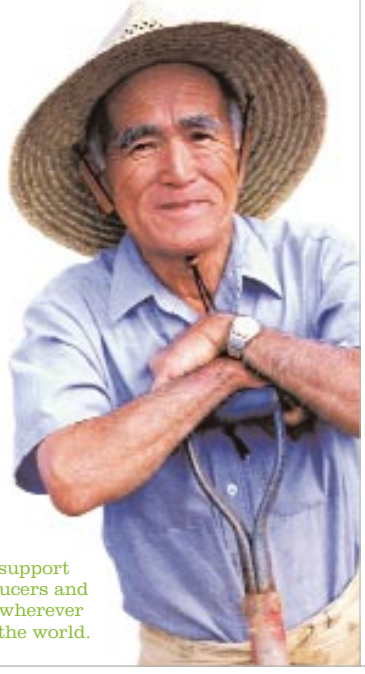
Our people strategy continues to attract external recognition, winning a number of major awards in the past year. Most rewarding of all is that the individual and team skills of our people and the quality of the food and service they provide continues to receive acclaim – in the 2004 Culinary Olympics alone we won an outstanding 57 awards, including 3 gold, 32 silver and 14 bronze medals. We will continue to build on these successes in the year ahead.

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 newspaper in the UK, a ranking based on the paper's own independent survey of our people.

ACTING RESPONSIBLY IN BUSINESS

Naturally we wish to focus on areas where we can have most impact, and we concentrate our efforts on these: our people, wellness and nutrition, sourcing and serving food responsibly, communities and the environment.

Further information about our corporate responsibility programme can be found at www.compass-group.com



We try to support local producers and suppliers wherever we are in the world.

Because of our position as one of the largest foodservice companies working around the globe we have a big influence on what 20 million customers a day choose to eat and drink; the foods we buy can affect food production sustainability and the environment; and we have an obligation to the vast number of different communities in which our people live and work. So with our scale comes responsibility.

We take this responsibility very seriously. It's what people expect of us – whether clients, employees, suppliers, investors or other stakeholders. They trust every one of us to act responsibly in the way we manage our business. Responsible behaviour has always been deeply ingrained in our corporate culture.

2 years ago we developed a policy and measurement matrix that highlighted the key impact areas of operations. We review this matrix regularly, with feedback from our stakeholders, to ensure the impact areas are still relevant. Furthermore, in June 2004 we became a signatory to the United Nations Global Compact and the 10 principles they use. This, together with our own business principles, forms the foundation of our corporate responsibility programme as it affects everyone, everyday, everywhere.

Doing business responsibly

We have always encouraged our people to act with integrity in their relationships with each other, our clients and customers, suppliers and partners and other stakeholders.

In the last year we talked to many of our stakeholders* to understand their expectations. In their view, the most relevant activities for Compass to demonstrate responsibilities in action were:

- being proactive about wellness and nutrition, for all the world's citizens;
- actively supporting our people in building healthy and sustainable communities;
- improving the employability of disadvantaged people by sharing skills and expertise;
- implementing cost-effective environmental initiatives; and
- working with local communities and suppliers to help them supply the goods Compass wants, and be in a position to take up employment opportunities with Compass.

Our business principles

Our business principles form the foundations upon which our corporate responsibility programme is based. The full text is available at www.compass-group.com:

- employees – as a service company, our people are key to our success. We should respect and value the individuality and diversity every employee brings to our business and seek always to create a positive, open, working environment;
- clients and customers – our reputation and the loyalty of our clients and customers depends upon our delivering superior food quality, service and choice;
- investors – our success is built upon the trust and confidence of our investors and we are dedicated to protecting their long-term interests;
- suppliers and subcontractors – we seek to establish mutually beneficial relationships with all our suppliers, and encourage them to match our high standards of food safety, working conditions, trading practices, health and safety and environmental protection; and
- governments and the wider community – our success depends on complying with the law, together with sensitivity to local customs and conventions governing business relationships.

In addition, we use the 10 principles set out in the United Nations Global Compact relating to human rights, labour standards, the environment and anti-corruption, to underpin our own business principles.

*Source: Compass Group stakeholder research on corporate responsibility, Sept – Oct 2004

We are included in the DJSI, FTSE4Good, and The Global Compact commitment. The BITC Awards 2005 recognised our sponsorship of the Hoxton Apprentice. The restaurant is partly staffed by people who were previously long term unemployed or homeless.

How we manage corporate responsibility

Progress against our strategy is reviewed annually by the Group Board, and more often by the Executive Committee, whose members have responsibility for key impact areas.

A steering group of senior managers provides support to individual country and operating company management teams. This structure provides leadership, guidance and support in the form of a common set of policies and principles, and allows us to manage and assess our performance. But a completely prescriptive approach could not take into account the enormous diversity of our business, so our structure allows people the freedom to get on and do what is right at a local level.

We are included in the DJSI and FTSE4Good Indices, and our participation in these provides us with an invaluable tool for benchmarking progress, and we will report on this in future.

Summarised below are the key impact areas we focus on:

Our people

People are at the heart of our business, and our success depends on attracting, developing and retaining the very best. That is why we place so much emphasis on ensuring everyone, everywhere, shares a common set of values – values which underpin our approach to corporate responsibility.

Wellness and nutrition

There are 300 million obese adults in the world – 100 million more than 10 years ago. In 20 years time the number of people dying from weight-related illnesses will have doubled. We are commited to playing our part in helping our customers to eat more healthily.

Sourcing and serving food responsibly

Each year we buy over £3.5 billion worth of food. Our clients and customers want to know where the food they eat comes from, that it's safe and from sustainable sources. We do too.

Compass in the community

With 40,000 outlets around the world we're part of a lot of different communities. The community element within our corporate responsibility programme focuses on our belief that we achieve the greatest impact by encouraging our people to give time, resources and skills to initiatives that address social exclusion issues within those communities.

Our role in respecting the environment

Everyone's future depends on the availability of clean natural resources. We recognise we have a responsibility to do our bit to protect the planet.

Our plans for corporate responsibility:

- to report annually on what we have done to embed our business principles into our day-to-day operations;
- to play our part in tackling the global challenge of wellness and nutrition;
- to complete our food safety handbook and roll-out to unit managers in Europe and North America during 2006 and to the rest of the Group in 2007;
- to put in place policies and procedures that will continue to ensure our food is sourced responsibly;
- to report on activities to manage our environmental impacts, including data on energy usage in the offices and premises for which we are directly responsible;
- to put in place a set of indicators to measure our progress; and
- to report on our progress in 2007 and outline targets for future activity.

We feed 20 million customers around the world, everyday. We are educating all our customers with the advice and information needed to make their own lifestyle choices.

We run the world's largest employee surveys to monitor employee satisfaction and to improve our service.

Philip – Executive Head Chef
Hasina – Production Assistant

SUMMARY FINANCIAL REVIEW

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).

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)%
– before goodwill amortisation and exceptional items	**£711m**	£775m	(8.3)%
Profit before tax			
– reported	**£171m**	£370m	(53.8)%
– before goodwill amortisation and exceptional items	**£581m**	£645m	(9.9)%
Basic earnings per share			
– reported	**0.0p**	8.3p	
– before goodwill amortisation and exceptional items	**19.1p**	21.1p	(9.5)%
Free cash flow	**£348m**	£246m	41.5%

Turnover

Like for like turnover growth of 7% 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.

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.

Total operating profit

The decline in total operating profit, before goodwill amortisation and exceptional

Goodwill amortisation and exceptional items are excluded from these graphs.

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%.

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).

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.

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.

Pensions

In total the Group charged £78 million (2004: £70 million) to profit before tax in respect of pension arrangements. Actuaries to the Group's defined benefit pension arrangements advise the Pensions 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 funds to fulfil their obligations.

Disclosure in accordance with FRS 17: Retirement Benefits is provided in note 22 to the full financial statements. This shows that, at 30 September 2005, there was a gross pension deficit of £532 million, and, after the deduction of existing provisions, an unprovided deficit (net of deferred tax) of £222 million (2004: £131 million).

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 more stringent allocation of capital expenditure and improvements in working capital management.

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 2005, dividend payments totalled £205 million (2004: £249 million). 2004 reflected the payment of 3 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).

Conclusion

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.

Andrew Martin
Group Finance Director

BOARD OF DIRECTORS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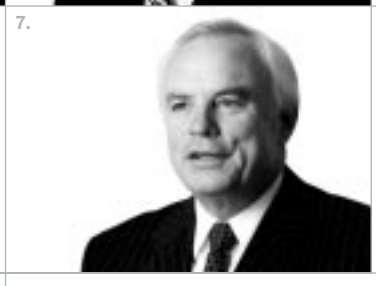
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1. Sir Francis Mackay
Chairman Age 61
Appointed Chairman in July 1999 having joined the Group in 1986 as Finance Director. Appointed Group Chief Executive in 1991 and additionally Deputy Chairman in September 1994. He is a member of the Nomination Committee, non-executive Chairman of Kingfisher plc, and a non-executive director of English National Opera and Carlton Financial Group Ltd. Sir Francis received his Knighthood in 2003 for services to the hospitality industry and charity.

2. Michael Bailey
Group Chief Executive Age 57
Appointed Group Chief Executive in July 1999 having been appointed to the Board in 1995. Joined the Group in 1993 to lead the branded concepts team. Appointed Chief Executive Officer of the North American Division upon the acquisition of Canteen Corporation in 1994. Previously he was Managing Director of Gardner Merchant UK and was for 6 years President of its USA business.

3. Andrew Martin
Group Finance Director Age 45
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 joined Compass Group in 2004. He is an Associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Chartered Institute of Taxation.

4. Peter Cawdron
Non-executive director and Deputy Chairman Age 62
Appointed to the Board in November 1993. He is Chairman of GCAP Media PLC and a non-executive director of a number of companies, including Arla Foods UK PLC, ARM Holdings PLC, Christian Salvesen PLC, Johnson Press PLC, Prostrakan Group PLC, Punch Taverns PLC and The Capita Group PLC. Peter is a former director of Grand Metropolitan PLC. He is Chairman of the Remuneration Committee and is a member of the Nomination Committee.

5. Peter Blackburn CBE
Non-executive director Age 64
Appointed to the Board in April 2002. He is a non-executive director of SIG PLC and was until July 2005 Chairman of Northern Foods PLC. He is a past President of the Food and Drink Federation and former Chairman and Chief Executive of Nestlé UK. Peter is a member of the Audit and Nomination Committees and was awarded a CBE in 2003 for services to the food and drink industry.

6. Val Gooding CBE
Non-executive director Age 55
Appointed to the Board in January 2000. She is Chief Executive of BUPA, a non-executive director of Standard Chartered PLC and formerly a non-executive director of BAA plc and Cable and Wireless Communications PLC. She is a member of the Council of the University of Warwick and co-chair of the Advisory Board of the Warwick Business School. She is a trustee of the British Museum, the President of International Federation of Health Plans and a non-executive director of the Lawn Tennis Association. Val is a member of the Nomination and Remuneration Committees and was awarded a CBE in 2002 for services to business.

7. Sven Kado
Non-executive director Age 61
Appointed to the Board in April 2002. He is Chairman of Marsh & McLennan Holdings GmbH and was previously Chief Financial Officer of Nixdorf Computer AG, Chief Financial Officer of Dyckerhoff AG and senior advisor of Principal Finance Group/Nomura International. He is a member of the Audit and Remuneration Committees.

8. Steve Lucas
Non-executive director Age 51
Appointed to the Board in July 2004. He is Group Finance Director of National Grid Transco plc having been previously Executive Director, Finance of Lattice Group plc. He is a chartered accountant and since leaving private practice in 1983 has held a number of senior finance positions with Shell International Petroleum Company and British Gas. More recently he was Treasurer at BG Group plc. Steve is Chairman of the Audit Committee and is a member of the Remuneration Committee.

9. Sir Roy Gardner
Senior Independent Director Age 60
Appointed to the Board in October 2005. He is Chief Executive of Centrica plc, President of Carers UK, President of the Employers' Forum on Disability and Chairman of the National Apprenticeship Task Force. He is a former Chairman of Manchester United plc, Finance Director of British Gas plc, Managing Director of GEC-Marconi Ltd and a director of GEC plc. Sir Roy is Chairman of the Nomination Committee, a member of the Remuneration Committee and received his Knighthood in 2002 for services to the gas and electricity industries.

SUMMARY DIRECTORS' REPORT

Business activities, results and development

A review of the Group's business activities, results and future development can be found on pages 1 to 17 and 27 to 32.

Dividends

A final dividend is proposed for the year ended 30 September 2005 of 6.5p per ordinary share payable on 6 March 2006 to shareholders on the register at the close of business on 10 February 2006. The shares will be quoted ex-dividend from 8 February 2006. This together with the interim dividend of 3.3p per share paid on 15 August 2005 makes a total for the period of 9.8p per share.

Directors

Biographical details of the current directors are set out on page 19. Sir Roy Gardner was appointed Senior Independent Director on 1 October 2005. Denis Cassidy, Clive Grundy, Andrew Lynch and Alain Dupuis ceased to be directors on 14 February 2005, 29 July 2005, 28 September 2005 and 1 October 2005 respectively. Details of the directors' remuneration and interests in Compass Group shares are set out on pages 22 to 25.

Retirement and re-election of directors

Peter Blackburn and Sven Kado retire from the Board by rotation. Peter Cawdron, in accordance with the Combined Code on Corporate Governance, is subject to annual re-election. Peter Blackburn, Sven Kado and Peter Cawdron are standing for re-election at the 2006 Annual General Meeting. Sir Roy Gardner, who was appointed in the year, is standing for election at the 2006 Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 11.00am on Friday 10 February 2006.

Summary financial statement

This summary annual review and financial statement does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Company or of the Group, and of their policies and arrangements concerning directors' remuneration, as would be provided by the full annual financial statements and reports. Members requiring more detailed information have the right to obtain, free of charge, a copy of the Company's last full financial statements and reports.

The Independent Auditors' report on the full financial statements of the Group for the year ended 30 September 2005 is unqualified and does not contain any statement concerning inadequate accounting records or failure to obtain necessary information and explanations.

Members who wish to receive, free of charge, a copy of the full annual financial statements and reports for the year ended 30 September 2005 or who wish to receive full financial statements and reports in place of the summary financial statements for all future years should write to the Company Secretary at the Company's registered office, the address of which is shown on the inside back cover.

SUMMARY CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance. For the year ended 30 September 2005, the Company complied with all the provisions of the Combined Code on Corporate Governance ('the Code') with the exception (because of the impending replacement of Sir Francis Mackay by Sir Roy Gardner) of the annual performance evaluation of the Chairman.

Board structure

The Board currently consists of the Chairman, 6 independent non-executive directors and 2 executive directors. Biographical details are set out on page 19.

The Board meets regularly and has a formal schedule of matters reserved for its decision. Any directors wishing to take independent advice may do so at the Company's expense. Appropriate training is available to all directors on appointment and on an ongoing basis as required.

The roles of Chairman and Chief Executive are separate and the Board has agreed their respective responsibilities. The Chairman is responsible for the effective functioning of the Board. The Chief Executive is responsible for the day-to-day management of the Group and is supported by an Executive Committee which normally meets monthly and comprises the executive directors and key senior managers.

All of the non-executive directors are considered by the Board to be independent in character and judgement. The Board is of the opinion that Peter Cawdron, notwithstanding that he has been a director for more than 9 years, is independent. In accordance with the Code, Peter Cawdron will stand annually for re-election by shareholders.

Company Secretary

The Company Secretary, Tim Mason, is responsible for advising the Board, through the Chairman, on all governance matters. The directors have access to the advice and services of the Company Secretary.

Board Committees

Specific responsibilities have been delegated to Board Committees described below.

Audit Committee

The Committee comprises Steve Lucas (Chairman), Peter Blackburn and Sven Kado. The Committee met 3 times during the year.

The Committee's primary responsibilities include; reviewing the Company's published financial statements and formal announcements relating to financial performance, reviewing the effectiveness of the Company's internal financial controls and risk management systems, monitoring the effectiveness of the internal audit function, recommending the appointment and removal of the external auditors, and reviewing the Company's arrangements whereby employees may in confidence raise any concerns regarding possible wrongdoing.

The Committee reviews annually the effectiveness and independence of the external auditors and has developed a policy on the provision of services by the external auditors in order to safeguard their objectivity and independence.

Remuneration Committee

The Committee comprises Peter Cawdron (Chairman), Sir Roy Gardner, Val Gooding, Sven Kado and Steve Lucas. The Committee met 5 times during the year. The summary report of the Remuneration Committee is set out on pages 22 to 25.

Nomination Committee

The Committee comprises Sir Roy Gardner (Chairman), Peter Blackburn, Peter Cawdron, Val Gooding and Sir Francis Mackay. The Committee met 5 times during the year.

The Committee's primary responsibilities include; carrying out formal selection processes and making recommendations to the Board on the appointment and reappointment of directors, making recommendations to the Board on the suitability of candidates for the role of Senior Independent Director and membership of the Audit and Remuneration Committees.

The Committee met during the year to consider the appointment of a new Chairman. The Board accepted the Committee's recommendation that Sir Roy Gardner be appointed as Senior Independent Director with the intention that he succeeds Sir Francis Mackay as Chairman by summer 2006.

Disclosure Committee

The Committee comprises the Finance Director, the Company Secretary and certain senior managers. The Committee meets as required to deal with matters concerning public announcements and the Company's obligations to the UK Listing Authority.

Relations with shareholders

The Company reports formally to shareholders twice a year, with the interim and preliminary final results. The Chief Executive and the Finance Director give presentations of these results to institutional investors, analysts and the media. They may also be accessed on the Company's website.

The Chief Executive, Finance and Senior Independent Directors meet regularly with institutional investors to discuss strategy and financial performance. The Chairman and other non-executive directors are available to meet with investors to discuss corporate governance issues. These meetings facilitate an ongoing understanding of the views and any concerns of the Company's major shareholders and they are reported to the Board.

Other than in exceptional circumstances all directors attend the Annual General Meeting and are available to answer shareholders' questions. There is normally a trading update and shareholders are given the opportunity to meet the directors informally afterwards.

The Company has a dedicated Investor Relations Department and this is a primary point for contact with investors throughout the year.

SUMMARY REMUNERATION COMMITTEE'S REPORT

The Remuneration Committee ('the Committee') is responsible for determining the remuneration and benefits of the Chairman, executive directors and certain senior executives of the Group. Below is a summary of its report in the Annual Report and Accounts for the year ended 30 September 2005. A copy of the full report can be accessed on the Company's website at www.compass-group.com.

Remuneration policy

The aims of the remuneration policy are that:

- the components of the Company's remuneration package continue to be aligned to the business strategy of creating shareholder value;
- there is a proper balance between the fixed and variable, and long and short-term components of the remuneration package;
- the various targets for determining performance-related compensation are linked to the Company's key business drivers and objectives, and are easily measurable and regularly reviewed;
- the incentives are easily understood and accepted by shareholders and senior executives; and
- the Company's remuneration policy and its various components are in line with market practice.

In determining the overall remuneration framework, the Committee maintains an active dialogue with shareholder representatives and monitors developments in best practice. In 2004 following consultation, the policy was thoroughly reviewed and updated. Following the 2005 year end, there was further shareholder consultation concerning remuneration for 2006 and thereafter. To ensure that directors' interests are aligned with those of shareholders, executive directors are expected within 4 years of their appointment to build up and maintain a personal shareholding in the Company of at least 100% of annual base salary.

Components of executive directors' remuneration

This comprises a mix of salary and performance-related remuneration, as follows:

1. Basic salary

The last annual salary increase was in September 2004. The next review will take place in December 2005.

2. Annual incentive award

Executive directors are able to receive an annual bonus of up to 75% of basic salary based on the achievement of performance targets set by the Committee and, if they perform considerably in excess of these figures, an enhanced bonus of a further maximum 75% of salary (125% plus 125% for the Chief Executive). It was agreed that from 2006 the bonus opportunity for the Chief Executive should be reduced to 75% of salary, plus a maximum 75% for overachievement in line with that of the other executive directors.

For the year ended 30 September 2005, the bonus was based on the achievement of targets for return on capital employed; operating cash flow; turnover growth; and earnings per share (EPS). For the year ending September 2006, the bonus will be based on the following key Group measures: profit before interest and tax; free cash flow; and turnover growth. In addition, no bonus will be payable unless the Group's minimum profit before interest and tax target is achieved.

Directors are currently able to invest up to 50% of any pre-tax performance-related basic and enhanced bonus in Compass Group shares. If these shares are held for 3 years and the executive director remains employed by the Group, the Company will release a number of additional Matching Shares. Prior to 2004/2005, these were available on a one-for-one basis. From 2004/2005, Matching Shares may only be awarded if EPS targets are met at the end of the 3-year period. Depending on the targets met, between 50% and 100% of the one-for-one Matching Shares may be awarded.

Directors are eligible to receive a bonus for 2004/2005, of an average of 31% of salary, based on satisfaction of the targets for the year. All executive directors have however agreed that it would be inappropriate in the current climate to take up this opportunity and have indicated that they do not wish to receive either the cash or share elements which might be due to them. For the year ending 30 September 2006, the executive directors have determined that they will not take up the eligibility opportunity to receive matching shares on any bonus payments.

3. Long-term incentive plan and option plans

(i) Long-term incentive plan ('LTIP') – Executive directors are currently eligible to receive a maximum annual award of 100% of annual base salary, payable in shares, over a 3-year vesting period. The release of shares to participants is based on the Company's total shareholder return (TSR) over a 3-year performance period relative to its peers. For LTIP awards made from 2000 to 2004, if the Company's performance is at least at the median compared to its peers, between 40% and 100% of an award may vest proportionate to performance. For awards made from 2004/2005, the proportion of the award which will vest at median performance was reduced from 40% to 30%. In addition, EPS has been used as a second performance measure. There is no performance retesting facility for awards made from 2003/2004.

Following consultation with shareholders, the Committee proposes that from 2005/2006 the maximum award opportunity under the LTIP should be increased from 100% to 200% of annual base salary. The Committee further proposes that the proportion of the award which will vest at threshold performance be reduced from 30% to 25% of the award. The performance conditions applying to 50% of any future award will be based solely on Compass Group's TSR with the remaining 50% based solely on Group Free Cash Flow (GFCF). That proportion of any award based on GFCF will vest dependent solely upon the Company's cash flow target. The GFCF target for awards granted in 2005/2006 has not yet been set by the Committee but will be announced in due course. The Committee will have the right to review the target for awards granted in future years in line with business needs. Neither the GFCF nor the TSR targets will be retested.

SUMMARY REMUNERATION COMMITTEE'S REPORT
CONTINUED

(ii) Share option plan – It is intended that executive directors should in future be incentivised only through the LTIP. From 2005/2006, they will not receive any further grants of share options whilst they are eligible for LTIP awards, other than in exceptional circumstances.

(iii) Management share option plan ('Management Plan') – For executives and other high performing employees below executive director level, the Company operates the Management Plan. Options are granted at no lower than the market price on the day prior to grant on the basis of pre-grant performance. During the year, approximately 4,500 employees received option grants. A Phantom Management Plan is operated to provide a cash incentive to employees in jurisdictions where it is impracticable to operate the Management Plan due to tax or securities laws.

In line with best practice, the Company wishes to replace a pre-grant performance condition with a post-grant performance condition for option grants from 2005/2006. The performance condition would be the achievement of the GFCF over a 3-year performance period. There would be no retesting facility. Shareholders will be asked to approve such amendment to the Management Plan rules at the Annual General Meeting.

(iv) Savings-related share option schemes – Executive directors may participate in the Company's all-employee savings-related share plans on the same basis as other employees.

Pensions
Michael Bailey has an unfunded and Alain Dupuis has a partially funded pension promise. The other directors participate in Compass Group's UK Final Salary Pension Plan. Andrew Martin participates in the Main Section, whilst Sir Francis Mackay, Andrew Lynch and Clive Grundy (up to the point of his leaving), participate in the Senior Executive Members' Section. Sir Francis Mackay ceased to accrue pension benefits from 1 October 2005. Clive Grundy is now drawing his benefits as a pensioner of the UK Plan and, in addition to his approved pension, he is also in receipt of an unfunded pension of £15,500 pa.

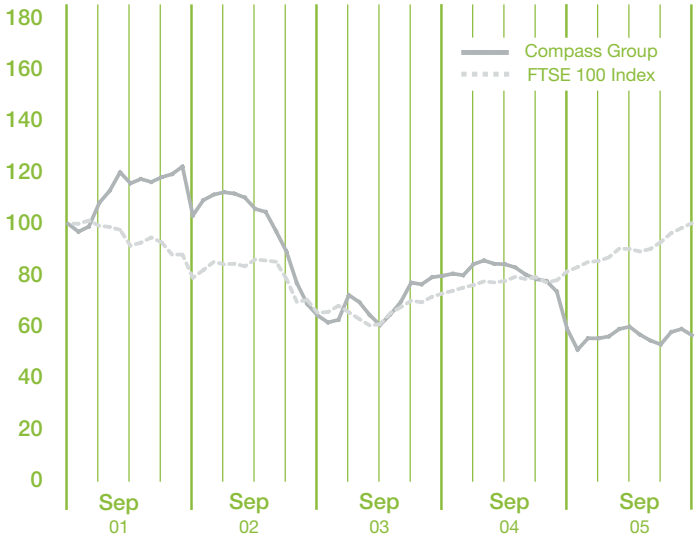
The Exec Section of the UK Plan is non-contributory. Accrual is at 1/30th of annual basic salary for each year of service, subject to Inland Revenue limits. Normal retirement age is 60, with retirement from age 55 with no actuarial reduction. For death in service, a spouse's pension of half of the prospective pension, together with 12½% of prospective pension per child (4 max) and a lump sum of 4 x basic salary is payable. Following retirement, the pension increases at a rate of 5% or RPI if lower, with a guaranteed minimum of 3% per annum. The Main Section of the UK Plan requires a contribution of 5% of pensionable pay. The pension accrues at 1/60th of annual basic salary for each year of service, subject to Inland Revenue limits. Normal retirement age is 63, and an actuarial reduction of 4% per annum is applied on early retirement. Should a director die in service, a spouse's pension of half of the prospective pension, together with 12½% of prospective pension per child (4 max), and a lump sum of 3 x basic salary is payable, subject to a maximum of 4 x the Earnings Cap. Following retirement, the pension increases at a rate of 5% or RPI if lower, with a guaranteed minimum of 3% per annum.

Andrew Martin also has an unfunded money purchase promise made by the Company on his behalf equating to 20% of basic salary being set aside per annum, and an additional pension payable from age 63 accrued to 30 September 2005 of £2,361 pa. He also has pension promises built up in respect of his service with Granada and Forte on both a funded and unfunded basis. Both are deferred pensions payable from age 60 which, revalued up to 30 September 2005, amount to £25,010 pa and £26,790 pa respectively.

Service agreements
All executive directors have service contracts with the Company. Contracts may be terminated by the Company on 12 months' written notice or by the executive director on 6 months' written notice. In the event of termination of employment of any director by the Company, legally appropriate mitigation factors are always taken into account in determining any compensation that may be payable. There is no ability to trigger termination by an executive in circumstances of a change of control. On early termination of their contracts, executive directors would normally be entitled to an amount equal to 1 year's salary, annual bonus and benefits, and compensation for loss of pension benefits. Under Sir Francis Mackay's contract, the Company may at its discretion terminate his employment by the phased payment of 12 months' salary only. Both Sir Francis and Michael Bailey have indicated that they will retire during 2006. Neither one will be paid compensation on cessation of their employment. Andrew Lynch remained in employment following his resignation from the Board. Compensation was paid to Clive Grundy on termination of his employment as shown in the Emoluments Table. Alain Dupuis resigned from the Board on 1 October 2005 and compensation was also paid to him on termination of his employment.

Non-executive directors have letters of engagement and are appointed for an initial 3-year term, renewable at 3-year intervals. They receive fees only, based on market norms and the time commitment and duties required. No compensation is payable on termination of a non-executive director's appointment.

Total shareholder return
The performance graph below shows the total shareholder return (TSR) for Compass Group over the last 5 financial years.



The TSR for Compass Group comprises that of Granada Compass plc from 30 September 2000 to 1 February 2001 (adjusted to reflect the demerger from Granada Compass plc on 2 February 2001) and that of Compass Group PLC from 2 February 2001.

SUMMARY REMUNERATION COMMITTEE'S REPORT
CONTINUED

Directors' emoluments

The aggregate remuneration of the individual directors of Compass Group PLC for the year ended 30 September 2005 was as follows:

Name of director	Salary/Fee £000	Benefits £000	Annual performance-related bonus £000	Termination payments £000	**2005 £000**	2004 £000
Executive						
Directors in office throughout the year						
Sir Francis Mackay	500	46	–	–	**546**	546
Michael Bailey*	977	121	–	–	**1,098**	1,044
Alain Dupuis**	445	17	–	–	**462**	1,103
Andrew Martin^	419	53	–	–	**472**	286
Former directors						
Clive Grundy (resigned on 31 July 2005)#	371	37	–	695	**1,103**	564
Andrew Lynch (resigned on 28 September 2005)##	528	53	–	–	**581**	678
Non-executive						
Directors in office throughout the year						
Peter Blackburn	50	–	–	–	**50**	45
Peter Cawdron	90	–	–	–	**90**	82
Val Gooding	50	–	–	–	**50**	45
Sven Kado†	53	–	–	–	**53**	48
Steve Lucas††	59	–	–	–	**59**	11
Former directors						
Denis Cassidy (resigned on 14 February 2005)	19	–	–	–	**19**	45
Total	3,561	327	–	695	**4,583**	4,497

* Highest paid director.

** Alain Dupuis resigned from the Board on 1 October 2005, (that is, after 30 September 2005 year end). He was paid £430,000 as compensation for termination of his employment. He was re-engaged on a 3-year fixed term contract at a salary of £200,000 pa. There is no change to his bonus opportunity and benefits during the period. A one-off pension contribution of £335,000 was paid for Mr Dupuis' benefit at the start of the fixed term contract and no further pension provision will be made for Mr Dupuis during this period.

^ Andrew Martin was appointed as a director on 15 March 2004.

In addition to the compensation payment set out above, Mr Grundy remains entitled to certain employee benefits for 12 months following termination. He was credited with an additional year's pensionable service in the Compass Group Final Salary Pension Plan. Mr Grundy was permitted to retain certain share options and matching shares on the terms set out on page 25. Mr Grundy has agreed to provide part-time consultancy services for a 6-month period for which he will be paid £100,000.

Andrew Lynch remained in employment on his existing terms and conditions following his resignation from the Board. In addition to his usual bonus opportunity, he is eligible in 2006 for a maximum bonus opportunity of £727,500 relating to the successful sale of SSP. This comprises a payment of £200,000 payable on completion of the sale of SSP, or 31 March 2006 if earlier, and payment of up to £527,500 by reference to criteria relating to the sale of SSP. He is excluded from participating in the 2005/2006 LTIP.

† The figure shown for Sven Kado for each of 2004 and 2005 includes a fee of €4,000 in respect of his non-executive directorship of Compass Group Deutschland GmbH.

†† Steve Lucas was appointed as a non-executive director on 7 July 2004.

SUMMARY REMUNERATION COMMITTEE'S REPORT
CONTINUED

Beneficial share interests of directors

Name of director	Ordinary Shares Number	Options Number	Long-term Incentive Plan Number	Matching Share Awards Number	**30 Sep 2005 Total Number**	30 Sep 2004 Total Number
Sir Francis Mackay	3,218,410	2,651,245	761,206	120,377	**6,751,238**	6,010,793
Michael Bailey	2,707,231	5,879,925	1,113,424	364,377	**10,064,957**	8,877,814
Alain Dupuis	187,512	2,435,000	415,703	96,293	**3,134,508**	3,558,787
Andrew Martin	30,027	1,018,532	142,449	–	**1,191,008**	683,559
Peter Blackburn	5,000	–	–	–	**5,000**	5,000
Peter Cawdron	24,200	–	–	–	**24,200**	24,200
Val Gooding	5,001	–	–	–	**5,001**	5,001
Sven Kado	12,500	–	–	–	**12,500**	12,500
Steve Lucas	–	–	–	–	–	–
Total	6,189,881	11,984,702	2,432,782	581,047	**21,188,412**	19,177,654

Incentive plan gains for the year ended 30 September 2005

Name of director	Options £000	Long-term Incentive Plan £000	Deferred Share Awards £000	**30 Sep 2005 Total £000**	30 Sep 2004 Total £000
Sir Francis Mackay	–	–	732	**732**	–
Michael Bailey	–	–	–	–	455
Alain Dupuis	–	94	–	**94**	–
Andrew Martin	–	–	–	**–**	–
Clive Grundy*	–	87	–	**87**	269
Andrew Lynch**	–	107	–	**107**	606
Total	–	288	732	**1,020**	1,330

* LTIP awards held by Clive Grundy lapsed on cessation of his employment. He is eligible to retain and exercise 2,283,332 share options and 94,879 matching share awards held by him in line with his termination agreement.

** As Andrew Lynch remained in employment following his resignation, 2,927,957 share options, 498,047 LTIP awards and 116,093 matching share awards held by him have remained in force.

INDEPENDENT AUDITORS' STATEMENT TO THE MEMBERS OF COMPASS GROUP PLC

We have examined the summary financial statement which comprises the summary directors' report, the summary consolidated profit and loss account, the summary consolidated balance sheet, the summary consolidated cash flow information, the summary consolidated statement of recognised gains and losses and the summary remuneration committee's report.

This report is made solely to the Company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our 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

The directors are responsible for preparing the annual review in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, the directors' report and the remuneration committee's report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the annual review as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with bulletin 1999/6 The Auditors' Statement on the Summary Financial Statement issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the remuneration committee's report of Compass Group PLC for the year ended 30 September 2005 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
29 November 2005

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

Compass Group PLC	Notes	Before goodwill amortisation and exceptional items £m	Goodwill amortisation and exceptional items £m	Total 2005 £m	Before goodwill amortisation £m	Goodwill amortisation £m	Total 2004 £m
Turnover							
Continuing operations		12,636	–	12,636	11,772	–	11,772
Acquisitions		68	–	68	–	–	–
Total turnover	1	12,704	–	12,704	11,772	–	11,772
Operating costs		(11,995)	(409)	(12,404)	(11,001)	(275)	(11,276)
Operating profit							
Continuing operations		708	(409)	299	771	(275)	496
Acquisitions		1	–	1	–	–	–
		709	(409)	300	771	(275)	496
Share of profits of associated undertakings							
Continuing operations	1	2	–	2	2	–	2
Discontinued operations	1	–	–	–	2	–	2
Total operating profit: Group and share of associated undertakings	1	711	(409)	302	775	(275)	500
Loss on disposal of businesses		–	(1)	(1)	–	–	–
Interest receivable and similar income		4	–	4	5	–	5
Interest payable and similar charges		(134)	–	(134)	(135)	–	(135)
Net interest		(130)	–	(130)	(130)	–	(130)
Profit on ordinary activities before taxation		581	(410)	171	645	(275)	370
Tax on profit on ordinary activities		(134)	–	(134)	(152)	–	(152)
Profit on ordinary activities after taxation		447	(410)	37	493	(275)	218
Equity minority interests		(36)	–	(36)	(38)	–	(38)
Profit for the financial year		411	(410)	1	455	(275)	180
Equity dividends	2	(211)	–	(211)	(200)	–	(200)
Amount transferred to/(from) reserves	4	200	(410)	(210)	255	(275)	(20)
Basic earnings per ordinary share	3			0.0p			8.3p
Basic earnings per ordinary share – excluding goodwill amortisation and exceptional items	3	19.1p			21.1p		
Diluted earnings per ordinary share	3			0.0p			8.3p
Diluted earnings per ordinary share – excluding goodwill amortisation and exceptional items	3	19.0p			21.0p		

SUMMARY CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2005

Compass Group PLC	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

SUMMARY CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2005

Compass Group PLC	Notes	2005 £m	2004 £m
Fixed assets			
Intangible assets		**3,969**	4,223
Tangible assets		**1,777**	1,805
Investments		**51**	30
		5,797	6,058
Current assets			
Stocks		**263**	279
Debtors: amounts falling due within 1 year		**1,692**	1,568
amounts falling due after more than 1 year		**276**	287
Cash at bank and in hand		**318**	266
		2,549	2,400
Creditors: amounts falling due within 1 year		**(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 1 year		**(2,591)**	(2,665)
Provisions for liabilities and charges		**(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		**94**	93
Capital redemption reserve		**9**	9
Merger reserve		**4,170**	4,170
Profit and loss reserve		**(2,204)**	(2,005)
Less: own shares		**(1)**	(1)
Total equity shareholders' funds	4	**2,284**	2,482

Approved by the Board of Directors on 29 November 2005 and signed on their behalf by

Michael J Bailey
Director

Andrew D Martin
Director

SUMMARY CONSOLIDATED CASH FLOW INFORMATION

FOR YEAR ENDED 30 SEPTEMBER 2005

Compass Group PLC	2005 £m	2004 £m
Reconciliation of operating profit to net cash inflow from operating activities:		
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
Group cash flow statement		
Net cash inflow from operating activities	**931**	735
Dividends from associated undertakings	**4**	4
Returns on investments and servicing of finance	**(188)**	(57)
Net tax paid	**(108)**	(107)
Capital expenditure and financial investment	**(291)**	(329)
Free cash flow	**348**	246
Acquisitions and disposals	**(49)**	(81)
Equity dividends paid	**(205)**	(249)
Net cash inflow/(outflow) before management of liquid resources and financing	**94**	(84)
Financing	**(65)**	141
Increase in cash in the year	**29**	57
Reconciliation of net cash flow to movement in net debt		
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 SUMMARY FINANCIAL STATEMENTS

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				
Continuing	206	1	207	190
Associated undertakings	–	–	–	–
– 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				
Middle East military catering operations	(45)	–	(45)	–
Impairment of goodwill – Italy	(95)	–	(95)	–
	(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 and exceptional items for the year ended 30 September 2005 relates to foodservice analysed as North America £158 million, UK £49 million and Continental Europe and the 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 SUMMARY FINANCIAL STATEMENTS
CONTINUED

2 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

3 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	Earnings per share 2004 Pence
Basic earnings per share	1	2,156	0.0	180	2,158	8.3
Effect of dilutive share options	–	2	0.0	–	7	0.0
Diluted earnings per share	1	2,158	0.0	180	2,165	8.3
Reconciliation of earnings per share to exclude goodwill amortisation and exceptional items						
Basic earnings per share	1	2,156	0.0	180	2,158	8.3
Effect of goodwill amortisation (net of tax)	269	–	12.6	275	–	12.8
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	21.1
Diluted earnings per share	1	2,158	0.0	180	2,165	8.3
Effect of goodwill amortisation (net of tax)	269	–	12.5	275	–	12.7
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	21.0

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

4 Reconciliation of movements in consolidated shareholders' funds

	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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
CONTINUED

5 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 has 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, 3 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.

FIVE YEAR SUMMARY

	2001 £m	2002 £m	2003 £m	2004 £m	**2005 £m**
Excluding exceptional items and goodwill amortisation					
Turnover	8,716	10,617	11,286	11,772	**12,704**
Total operating profit	676	805	797	775	**711**
Profit on ordinary activities before taxation	583	654	661	645	**581**
Profit on ordinary activities after taxation	456	479	492	493	**447**

	2001 pence	2002 pence	2003 pence	2004 pence	**2005 pence**
Basic earnings per ordinary share	19.8	20.5	20.8	21.1	**19.1**

	2001 £m	2002 £m	2003 £m	2004 £m	**2005 £m**
After exceptional items and goodwill amortisation					
Turnover	8,716	10,617	11,286	11,772	**12,704**
Total operating profit	347	533	521	500	**302**
Profit on ordinary activities before taxation	254	382	358	370	**171**
Profit on ordinary activities after taxation	162	244	215	218	**37**

	2001 pence	2002 pence	2003 pence	2004 pence	**2005 pence**
Basic earnings per ordinary share	6.6	10.0	8.3	8.3	**0.0**

	2001 pence	2002 pence	2003 pence	2004 pence	**2005 pence**
Net dividends per share	5.7	7.1	8.4	9.3	**9.8**

Earnings per share and dividends per share have been restated as if the post-demerger capital structure of Compass Group PLC had existed throughout the 5-year period.

SHAREHOLDER INFORMATION

Shareholder analysis	Number of holders	Holders %	Number of shares held Millions	Shares held %
Type of holder:				
Individuals	71,990	90.3	115	5.3
Institutional & other investors	7,707	9.7	2,041	94.7
Total	79,697	100.0	2,156	100.0
Size of holding:				
1 – 100	14,337	18.0	1	0.0
101 – 200	12,620	15.8	2	0.1
201 – 500	19,459	24.4	6	0.3
501 – 1,000	13,359	16.8	10	0.5
1,001 – 2,000	10,045	12.6	15	0.7
2,001 – 5,000	6,323	7.9	20	0.9
5,001 – 10,000	1,635	2.0	11	0.5
10,001 – 50,000	942	1.2	20	0.9
50,001 – 100,000	222	0.3	16	0.8
100,001 – 500,000	382	0.5	90	4.2
500,001 – 1,000,000	123	0.2	89	4.1
1,000,001 – 5,000,000	173	0.2	406	18.8
5,000,001 – 10,000,000	41	0.1	266	12.3
10,000,001 and above	36	0.0	1,204	55.9
Total	79,697	100.0	2,156	100.0

Registrars and transfer office

All matters relating to the administration of shareholdings should be directed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone within the UK: 0870 162 3100 and from overseas: +44 20 8639 2157; email: ssd@capitaregistrars.com.

Shareholders that receive duplicate mailings because they have multiple holdings can write to the Registrars requesting that the holdings be amalgamated. By logging on to www.capitaregistrars.com and selecting Are You a Shareholder? or Visit Shareholder Site, shareholders can access a range of online services including registering to receive future corporate documents by email. Access to some areas is by investor code only and shareholders are advised to refer to their share certificates for details.

Share dealing service

Compass Group has arranged share dealing services with Capita Registrars which provides a telephone and online share dealing service for UK resident shareholders in Compass Group. To deal, shareholders must provide details of surname, postcode, date of birth and investor code (set out in share certificates). To use the service telephone 0870 458 4577 or visit www.capitadeal.com

Individual Savings Accounts (ISAs)

Compass Group has introduced corporate sponsored Maxi and Mini ISAs. The ISAs offer UK resident shareholders a simple low-cost and tax efficient way to invest in the Company's shares. Full details together with a form of application are available from HSBC Trust Company (UK) Limited, Corporate Personal Equity Plans & Individual Savings Accounts, 1st Floor, Courtwood House, Silver Street Head, Sheffield S1 2BH, telephone 0845 745 6123.

Share price information

The current price of Compass Group shares is available on Ceefax, Teletext, FTCityline (operated by the Financial Times), telephone 0906 843 3250 and Compass Group's corporate website.

ShareGift

ShareGift is a charity share donation scheme for shareholders administered by the Orr Mackintosh Foundation. It is particularly useful for those shareholders that 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 020 7337 0501 or from its website at www.sharegift.org

American Depositary Receipts (ADRs)

Compass Group has an ADR programme. Each ADR is equivalent to one Compass Group ordinary share and trades under the symbol CMPGY. Further information can be obtained from The Bank of New York, Investor Relations, PO Box 11258, Church Street Station, New York, NY 10286-1258, telephone: within the US toll free 1-888 BNY-ADRs and from overseas +1 610 382 7836, email: shareowners@bankofny.com and from websites: www.adrbny.com and www.stockbny.com

Unsolicited mail

Compass Group is legally obliged to make its register of members available to the public. As a consequence of this some shareholders might have received unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preferences Service ('MPS'), FREEPOST 22, London W1E 7EZ. MPS will then notify the bodies that support its service that you do not wish to receive unsolicited mail.

Registered office

Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ, United Kingdom, telephone +44 (0)1932 573 000, fax +44 (0)1932 569 956.

Corporate website

Information about Compass Group is also available at www.compass-group.com

Financial calendar

Annual General Meeting – 10 February 2006
Half year results announcement – May
Full year results announcement – late November/early December
Dividend payments:
Interim – August
Final – March

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