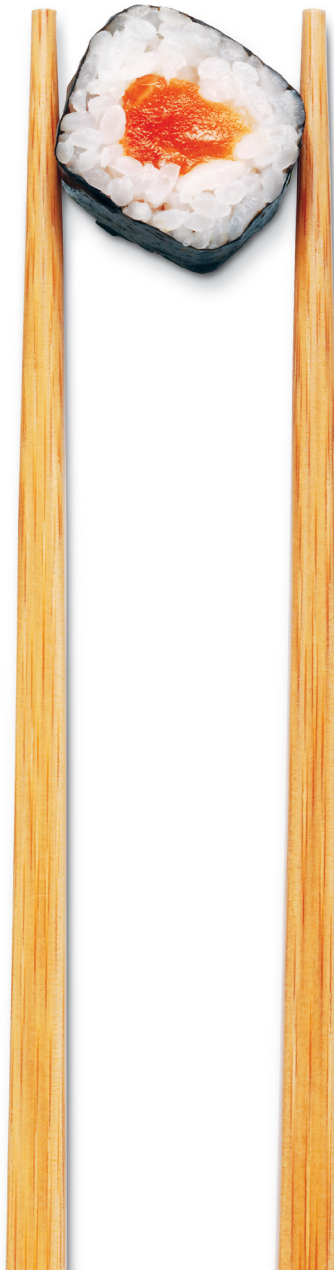


# Interim Report 2010



# Notes to the condensed financial statements

for the six months ended 31 March 2010

## 1 Basis of preparation

The unaudited condensed financial statements for the six months ended 31 March 2010 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'), and have been prepared on the basis of International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union that are effective for the year ended 30 September 2010.

The unaudited condensed financial statements for the six months ended 31 March 2010, which were approved by the Board on 12 May 2010, and the comparative information in relation to the year ended 30 September 2009, do not comprise statutory accounts for the purpose of section 434 of the Companies Act 2006, and should be read in conjunction with the Annual Report for the year ended 30 September 2009. Those accounts have been reported upon by the Group's Auditors and delivered to the Registrar of Companies. The report of the Auditors was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 13.

Except as described below, the accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 30 September 2009.

### Changes in accounting policy

The following amendments to existing standards and interpretations are effective for the Group for the six months ended 31 March 2010:

IAS 1 'Presentation of Financial Statements' (revised 2007), requires that the Group present a 'statement of comprehensive income' and a 'consolidated statement of changes in equity' as primary statements. The standard is concerned with disclosure only and has no impact on the reported results or financial position of the Group.

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

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

The revised standards have been applied prospectively to the 2010 acquisitions in note 11.

IAS 23 'Borrowing Costs' (revised 2007), requires borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. This has not had a significant impact on the Group's accounts for the six months ended 31 March 2010.

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

## 2 Seasonality of operations

Overall, seasonality is not a significant factor across the Group. However, within individual sectors and geographies we do see some seasonal effects. Revenues in the Education sector are lower outside term time and activity in the Business & Industry sector in Continental Europe slows down throughout the summer.

## Notes to the condensed financial statements

for the six months ended 31 March 2010

## 3 Segmental reporting

Revenues	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Intra- Group £m	
<b>Six months ended 31 March 2010</b>						
<b>External revenue</b>	<b>3,094</b>	<b>1,850</b>	<b>897</b>	<b>1,263</b>	<b>–</b>	<b>7,104</b>
Less: Discontinued operations	–	–	–	–	–	–
<b>External revenue – continuing</b>	<b>3,094</b>	<b>1,850</b>	<b>897</b>	<b>1,263</b>	<b>–</b>	<b>7,104</b>
<b>Six months ended 31 March 2009</b>						
<b>External revenue</b>	3,082	1,769	939	1,138	–	6,928
Less: Discontinued operations	–	–	–	(1)	–	(1)
<b>External revenue – continuing</b>	<b>3,082</b>	<b>1,769</b>	<b>939</b>	<b>1,137</b>	<b>–</b>	<b>6,927</b>
<b>Year ended 30 September 2009</b>						
<b>External revenue</b>	5,871	3,429	1,829	2,318	–	13,447
Less: Discontinued operations	–	–	–	(3)	–	(3)
<b>External revenue – continuing</b>	<b>5,871</b>	<b>3,429</b>	<b>1,829</b>	<b>2,315</b>	<b>–</b>	<b>13,444</b>

1 There is no inter-segmental trading.

Revenues	Products and services: Sectors					Total £m
	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	
<b>Six months ended 31 March 2010</b>						
<b>External revenue</b>	<b>2,904</b>	<b>1,287</b>	<b>1,324</b>	<b>749</b>	<b>840</b>	<b>7,104</b>
Less: Discontinued operations	–	–	–	–	–	–
<b>External revenue – continuing</b>	<b>2,904</b>	<b>1,287</b>	<b>1,324</b>	<b>749</b>	<b>840</b>	<b>7,104</b>
<b>Six months ended 31 March 2009</b>						
<b>External revenue</b>	2,932	1,204	1,296	695	801	6,928
Less: Discontinued operations	–	–	–	–	(1)	(1)
<b>External revenue – continuing</b>	<b>2,932</b>	<b>1,204</b>	<b>1,296</b>	<b>695</b>	<b>800</b>	<b>6,927</b>
<b>Year ended 30 September 2009</b>						
<b>External revenue</b>	5,821	2,038	2,529	1,475	1,584	13,447
Less: Discontinued operations	–	–	–	–	(3)	(3)
<b>External revenue – continuing</b>	<b>5,821</b>	<b>2,038</b>	<b>2,529</b>	<b>1,475</b>	<b>1,581</b>	<b>13,444</b>

1 There is no inter-segmental trading.

2 Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £859 million (six months to 31 March 2009: £897 million, year ended 30 September 2009: £1,749 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £6,245 million (six months to 31 March 2009: £6,030 million, year ended 30 September 2009: £11,695 million).

3 The correctional business was transferred from the Business &amp; Industry sector to the Defence, Offshore &amp; Remote sector during the period. The comparatives have been restated accordingly.

### 3 Segmental reporting continued

Result	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	
<b>Six months ended 31 March 2010</b>						
Total operating profit before associates and costs relating to acquisitions	244	143	54	87	(28)	500
Less: Discontinued operations	-	-	-	-	-	-
<b>Operating profit before associates and costs relating to acquisitions – continuing</b>	<b>244</b>	<b>143</b>	<b>54</b>	<b>87</b>	<b>(28)</b>	<b>500</b>
Less: Amortisation of intangibles arising on acquisition	(1)	-	-	(2)	-	(3)
Less: Acquisition transaction costs	(1)	-	-	-	-	(1)
<b>Operating profit before associates – continuing</b>	<b>242</b>	<b>143</b>	<b>54</b>	<b>85</b>	<b>(28)</b>	<b>496</b>
Add: Share of profit of associates	2	-	2	-	-	4
<b>Operating profit – continuing</b>	<b>244</b>	<b>143</b>	<b>56</b>	<b>85</b>	<b>(28)</b>	<b>500</b>
Finance income						3
Finance costs						(45)
Hedge accounting ineffectiveness						1
Change in the fair value of investments and minority interest put options						-
<b>Profit before tax</b>						<b>459</b>
Income tax expense						(125)
<b>Profit for the period from continuing operations</b>						<b>334</b>
<b>Six months ended 31 March 2009</b>						
Total operating profit before associates and costs relating to acquisitions	234	131	54	60	(28)	451
Less: Discontinued operations	-	-	-	-	-	-
<b>Operating profit before associates and costs relating to acquisitions – continuing</b>	<b>234</b>	<b>131</b>	<b>54</b>	<b>60</b>	<b>(28)</b>	<b>451</b>
Less: Amortisation of intangibles arising on acquisition	-	-	-	(2)	-	(2)
<b>Operating profit before associates – continuing</b>	<b>234</b>	<b>131</b>	<b>54</b>	<b>58</b>	<b>(28)</b>	<b>449</b>
Add: Share of profit of associates	2	-	2	-	-	4
<b>Operating profit – continuing</b>	<b>236</b>	<b>131</b>	<b>56</b>	<b>58</b>	<b>(28)</b>	<b>453</b>
Finance income						15
Finance costs						(65)
Hedge accounting ineffectiveness						(11)
Change in the fair value of investments and minority interest put options						(5)
<b>Profit before tax</b>						<b>387</b>
Income tax expense						(112)
<b>Profit for the period from continuing operations</b>						<b>275</b>

## Notes to the condensed financial statements

for the six months ended 31 March 2010

## 3 Segmental reporting continued

	Geographical segments					Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	
<b>Result continued</b>						
<b>Year ended 30 September 2009</b>						
Total operating profit before associates and costs relating to acquisitions	441	232	114	147	(58)	876
Less: Discontinued operations	–	–	–	1	–	1
<b>Operating profit before associates and costs relating to acquisitions – continuing</b>	441	232	114	148	(58)	877
Less: Amortisation of intangibles arising on acquisition	(1)	–	(1)	(4)	(1)	(7)
<b>Operating profit before associates – continuing</b>	440	232	113	144	(59)	870
Add: Share of profit of associates	3	–	4	–	–	7
<b>Operating profit – continuing</b>	443	232	117	144	(59)	877
Finance income						14
Finance costs						(114)
Hedge accounting ineffectiveness						(7)
Change in the fair value of investments and minority interest put options						3
<b>Profit before tax</b>						773
Income tax expense						(221)
<b>Profit for the year from continuing operations</b>						552

	Geographical segments					Unallocated		Total £m
	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Central activities £m	Current and deferred tax £m	Net debt £m	
<b>Balance sheet</b>								
<b>As at 31 March 2010</b>								
Total assets	2,698	1,117	2,152	999	11	313	655	7,945
Total liabilities	(1,107)	(967)	(433)	(548)	(280)	(298)	(1,421)	(5,054)
<b>Net assets/(liabilities)</b>	<b>1,591</b>	<b>150</b>	<b>1,719</b>	<b>451</b>	<b>(269)</b>	<b>15</b>	<b>(766)</b>	<b>2,891</b>
<i>Total assets include:</i>								
<b>Interests in associates</b>	6	–	27	–	–	–	–	33
<b>Non-current assets</b>	2,006	429	1,914	596	9	297	76	5,327
<b>As at 31 March 2009</b>								
Total assets	2,585	1,175	2,130	935	3	336	817	7,981
Total liabilities	(1,011)	(975)	(357)	(514)	(352)	(272)	(2,074)	(5,555)
<b>Net assets/(liabilities)</b>	1,574	200	1,773	421	(349)	64	(1,257)	2,426
<i>Total assets include:</i>								
<b>Interests in associates</b>	5	–	27	–	–	–	–	32
<b>Non-current assets</b>	1,954	427	1,875	549	14	321	72	5,212
<b>As at 30 September 2009</b>								
Total assets	2,453	1,106	2,136	935	11	325	675	7,641
Total liabilities	(1,004)	(958)	(446)	(506)	(293)	(272)	(1,617)	(5,096)
<b>Net assets/(liabilities)</b>	1,449	148	1,690	429	(282)	53	(942)	2,545
<i>Total assets include:</i>								
<b>Interests in associates</b>	4	–	28	–	–	–	–	32
<b>Non-current assets</b>	1,822	429	1,904	566	10	300	60	5,091

1 Non-current assets arising in the UK, the Group's country of domicile, were £1,906 million (31 March 2009: £1,869 million, 30 September 2009: £1,898 million).

Non-current assets arising in all foreign countries from which the Group derives revenues were £3,049 million (31 March 2009: £2,951 million, 30 September 2009: £2,833 million).

## 4 Financing and other gains/losses

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

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Finance income and costs</b>			
<b>Finance income</b>			
Bank interest	3	11	14
Other interest	–	4	–
<b>Total finance income</b>	<b>3</b>	<b>15</b>	<b>14</b>
<b>Finance costs</b>			
Bank loans and overdrafts	3	8	8
Other loans	32	49	90
Finance lease interest	1	1	3
Interest on bank loans, overdrafts, other loans and finance leases	36	58	101
Unwinding of discount on put options held by minority shareholders	1	1	1
Unwinding of discount on provisions	1	–	1
Amount charged to pension scheme liabilities net of expected return on scheme assets (note 10)	7	6	11
<b>Total finance costs</b>	<b>45</b>	<b>65</b>	<b>114</b>
<b>Finance costs by defined IAS 39<sup>1</sup> category</b>			
Fair value through profit and loss (unhedged derivatives)	5	4	13
Derivatives in a fair value hedge relationship	(19)	(4)	(22)
Derivatives in a net investment hedge relationship	2	(2)	–
Other financial liabilities	48	60	110
Interest on bank loans, overdrafts, other loans and finance leases	36	58	101
Fair value through profit or loss (put options held by minority interests)	2	1	2
Outside of the scope of IAS 39 (net pension scheme charge)	7	6	11
<b>Total finance costs</b>	<b>45</b>	<b>65</b>	<b>114</b>

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

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge the risks associated with changes in foreign exchange rates and interest rates. As explained in section Q of the Group's accounting policies in the Company's Annual Report for the year ended 30 September 2009, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

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

## Notes to the condensed financial statements

for the six months ended 31 March 2010

## 4 Financing and other gains/losses continued

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Other (gains)/losses</b>			
<b>Hedge accounting ineffectiveness</b>			
Unrealised net (gains)/losses on unhedged derivative financial instruments <sup>1</sup>	(1)	9	6
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge <sup>2</sup>	(1)	(69)	(59)
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	1	71	60
Total hedge accounting ineffectiveness (gains)/losses	(1)	11	7
<b>Change in the fair value of investments and minority interest put options</b>			
Change in the fair value of investments <sup>1,3</sup>	-	2	-
Change in fair value of minority interest put options (credit)/charge <sup>1</sup>	-	3	(3)
Total	-	5	(3)

1 Categorised as 'fair value through profit or loss' (IAS 39).

2 Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).

3 Life insurance policies used by overseas companies to meet the cost of unfunded post-employment benefit obligations included in note 10.

## 5 Tax

The income tax expense on continuing operations for the period is based on an estimated full year effective tax rate of 27% (last full year 29%).<sup>1</sup>

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Recognised in the income statement:</b>			
<b>Income tax expense on continuing operations</b>			
Current year	125	112	202
Adjustment in respect of prior years	(10)	8	(9)
Current tax expense/(credit)	115	120	193
Current year deferred tax	8	7	24
Adjustment in respect of prior years	2	(15)	4
Deferred tax expense/(credit)	10	(8)	28
Income tax expense/(credit) on continuing operations	125	112	221

1 On an underlying basis.

The Group does not recognise deferred tax assets in respect of tax losses and other temporary differences where the recovery is uncertain. Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £104 million (30 September 2009: £67 million). No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas operations as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

## 6 Discontinued operations

### Period ended 31 March 2010

There is no profit or loss for the period from discontinued operations.

### Period ended 31 March 2009

The profit for the period from discontinued operations comprises the release of surplus provisions relating to prior period disposals and discontinued operations.

### Year ended 30 September 2009

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

Financial performance of discontinued operations	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Trading activities of discontinued operations<sup>1</sup></b>			
External revenue	-	1	3
Operating costs	-	(1)	(4)
Loss before tax	-	-	(1)
Income tax (expense)/credit	-	-	-
Profit after tax	-	-	(1)
<b>Exceptional items: Disposal of net assets and other adjustments relating to discontinued operations</b>			
Profit on disposal of net assets of discontinued operations	-	-	2
Release of surplus provisions and accruals related to discontinued operations <sup>2,3</sup>	-	12	43
Profit on disposal before tax	-	12	45
Income tax (expense)/credit	-	-	(4)
Total profit after tax	-	12	41
<b>Profit for the period from discontinued operations</b>			
Profit for the period from discontinued operations	-	12	40

1 The trading activity relates to the final run-off of activity in businesses earmarked for closure.

2 Released surplus provisions of £12 million in the period ended 31 March 2009.

3 Released surplus provisions of £23 million and surplus accruals of £20 million, total £43 million, in the year ended 30 September 2009.

The profit/(loss) on disposal can be reconciled to the cash inflow/(outflow) from disposals as follows:

Net assets/(liabilities) disposed and disposal proceeds	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
Increase/(decrease) in retained liabilities <sup>1,2,3</sup>	(4)	(43)	(79)
Profit on sale/closure of discontinued operations before tax	-	12	45
Consideration, net of costs	(4)	(31)	(34)
Consideration deferred to future periods	-	-	-
Cash disposed of	-	-	-
Cash inflow/(outflow) from disposals	(4)	(31)	(34)

1 Includes the utilisation of disposal provisions of £4 million in the period ended 31 March 2010.

2 Including the release of surplus provisions of £12 million and the utilisation of accruals/provisions in respect of warranty claims, legal claims and other indemnities of £31 million in the period ended 31 March 2009. Total £43 million.

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

There were no assets or liabilities included in disposal groups held for sale (on a debt free/cash free basis) at the balance sheet date.

## Notes to the condensed financial statements

for the six months ended 31 March 2010

## 7 Earnings per share

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

	Six months to 31 March		Year ended
	2010	2009	30 September
	£m	£m	2009
			£m
<b>Attributable profit</b>			
Profit for the period attributable to equity shareholders of the Company	<b>333</b>	284	586
Less: Profit for the period from discontinued operations	–	(12)	(40)
Attributable profit for the period from continuing operations	<b>333</b>	272	546
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	<b>2</b>	1	6
Add back: Acquisition transaction costs (net of tax)	<b>1</b>	–	–
Add back: Loss/(profit) from hedge accounting ineffectiveness (net of tax)	<b>(1)</b>	8	5
Add back: Change in the fair value of investments and minority interest put options (net of tax)	–	4	(3)
Underlying attributable profit for the period from continuing operations	<b>335</b>	285	554
	Six months to 31 March		Year ended
	2010	2009	30 September
			2009
<b>Average number of shares (millions of ordinary shares of 10p each)</b>			
Average number of shares for basic earnings per share	<b>1,863</b>	1,846	1,848
Dilutive share options	<b>8</b>	5	7
Average number of shares for diluted earnings per share	<b>1,871</b>	1,851	1,855
<b>Basic earnings per share (pence)</b>			
From continuing and discontinued operations	<b>17.9</b>	15.4	31.7
From discontinued operations	–	(0.7)	(2.2)
From continuing operations	<b>17.9</b>	14.7	29.5
Amortisation of intangible assets arising on acquisition (net of tax)	<b>0.1</b>	0.1	0.3
Acquisition transaction costs (net of tax)	<b>0.1</b>	–	–
Hedge accounting ineffectiveness (net of tax)	<b>(0.1)</b>	0.4	0.3
Change in the fair value of investments and minority interest put options (net of tax)	–	0.2	(0.1)
From underlying continuing operations	<b>18.0</b>	15.4	30.0
<b>Diluted earnings per share (pence)</b>			
From continuing and discontinued operations	<b>17.8</b>	15.3	31.6
From discontinued operations	–	(0.6)	(2.2)
From continuing operations	<b>17.8</b>	14.7	29.4
Amortisation of intangible assets arising on acquisition (net of tax)	<b>0.1</b>	0.1	0.3
Acquisition transaction costs (net of tax)	<b>0.1</b>	–	–
Hedge accounting ineffectiveness (net of tax)	<b>(0.1)</b>	0.4	0.3
Change in the fair value of investments and minority interest put options (net of tax)	–	0.2	(0.1)
From underlying continuing operations	<b>17.9</b>	15.4	29.9

## 8 Dividends

The interim dividend of 5.0 pence per share (2009: 4.4 pence per share), £94 million in aggregate<sup>1</sup>, is payable on 2 August 2010 to shareholders on the register at the close of business on 2 July 2010. The dividend was approved by the Board after the balance sheet date, and has therefore not been reflected as a liability in the interim financial statements.

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Dividends on ordinary shares of 10p each</b>			
Final 2008 – 8.0p per share	–	148	148
Interim 2009 – 4.4p per share	–	–	81
Final 2009 – 8.8p per share	<b>164</b>	–	–
<b>Total dividends</b>	<b>164</b>	148	229

1 Based on the number of shares in issue at 31 March 2010 (1,878 million shares).

## 9 Provisions

Provisions	Six months to 31 March						Year ended	
	Insurance £m	Provisions in respect of discontinued and disposed businesses £m	Onerous contracts £m	Legal and other claims £m	Environ- mental and other £m	Total 2010 £m	Total 2009 £m	Total 2009 £m
Brought forward	<b>163</b>	<b>89</b>	<b>49</b>	<b>127</b>	<b>37</b>	<b>465</b>	454	454
Reclassified <sup>1</sup>	–	–	<b>1</b>	<b>4</b>	<b>1</b>	<b>6</b>	1	23
Expenditure in the year	<b>(3)</b>	<b>(4)</b>	<b>(3)</b>	<b>(5)</b>	<b>(6)</b>	<b>(21)</b>	(33)	(63)
Charged to income statement	<b>18</b>	–	<b>1</b>	<b>9</b>	<b>8</b>	<b>36</b>	22	76
Credited to income statement	–	–	<b>(2)</b>	<b>(1)</b>	–	<b>(3)</b>	(16)	(53)
Fair value adjustments arising on acquisitions	–	–	–	–	–	–	–	1
Unwinding of discount on provisions	–	–	<b>1</b>	–	–	<b>1</b>	1	1
Currency adjustment	<b>10</b>	–	<b>1</b>	<b>3</b>	–	<b>14</b>	39	26
<b>Carried forward</b>	<b>188</b>	<b>85</b>	<b>48</b>	<b>137</b>	<b>40</b>	<b>498</b>	468	465

Provisions	As at 31 March		As at
	2010 £m	2009 £m	30 September 2009 £m
Current	<b>134</b>	120	123
Non-current	<b>364</b>	348	342
<b>Total provisions</b>	<b>498</b>	468	465

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

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

Provisions in respect of discontinued and disposed businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received. Surplus provisions of £nil were credited to the discontinued operations section of the income statement in the period (six months ended 31 March 2009: £12 million, year ended 30 September 2009: £23 million).

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

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

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

## Notes to the condensed financial statements

for the six months ended 31 March 2010

## 10 Post-employment benefit obligations

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's finances. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 3% to 35% of pensionable salaries. The arrangements are described in more detail in note 23 of the Company's Annual Report for the year ended 30 September 2009.

Post-employment benefit obligations: Total (surplus)/deficit	Six months to 31 March				Year ended 30 September	
	UK £m	USA £m	Other £m	Total 2010 £m	Total 2009 £m	Total 2009 £m
Brought forward	142	103	91	336	133	133
Business acquisitions	-	-	-	-	-	1
Current service cost	5	4	5	14	14	23
Past service cost	-	-	-	-	-	1
Curtailment credit	-	-	-	-	-	(1)
Amount charged to plan liabilities	38	8	5	51	50	100
Expected return on plan assets	(34)	(7)	(3)	(44)	(44)	(89)
Actuarial (gains)/losses	(7)	(5)	8	(4)	99	205
Employer contributions	(11)	(4)	(8)	(23)	(25)	(57)
Currency adjustment	-	6	2	8	31	20
Carried forward	133	105	100	338	258	336

The deficit can be reconciled to the post-employment benefit obligations reported in the consolidated balance sheet as follows:

Post-employment benefit obligations recognised in the balance sheet	As at 31 March		As at 30 September 2009
	2010 £m	2009 £m	2009 £m
Total deficit of defined benefit pension plans per the above table	338	258	336
Surplus not recognised	-	1	1
Past service cost not recognised <sup>1</sup>	(2)	(2)	(2)
Post-employment benefit obligations per the balance sheet	336	257	335

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

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

Actuarial adjustments	Six months to 31 March		Year ended 30 September 2009
	2010 £m	2009 £m	2009 £m
Actuarial (gains)/losses per the above table	(4)	99	205
Increase/(decrease) in surplus not recognised	(1)	1	1
Actuarial (gains)/losses per the statement of comprehensive income	(5)	100	206

## 11 Business combinations

The Group acquired 100% of Hurley Corporation ('Hurley'), a provider of soft support services to the Canadian Business & Industry sector, on 4 February 2010 for a total consideration of £31 million. £25 million was paid at closing with the remaining £6 million being deferred. The Group also made a number of small infill acquisitions in its US vending business for a total consideration of £2 million.

	Acquisitions		Adjustments <sup>1</sup>	Total
	Book value £m	Fair value £m	Fair value £m	Fair value £m
<b>Net assets acquired</b>				
Contract-related and other intangibles arising on acquisition	1	2	1	3
Property, plant and equipment	3	3	2	5
Inventories	1	1	–	1
Trade and other receivables	10	10	–	10
Cash and cash equivalents	–	–	–	–
Other assets	1	1	–	1
Trade and other payables	(6)	(6)	(2)	(8)
Deferred tax liabilities	(1)	(1)	–	(1)
Other liabilities	–	–	(1)	(1)
Fair value of net assets acquired	9	10	–	10
Goodwill arising on acquisition		23	4	27
Total consideration		33	4	37
<b>Satisfied by</b>				
Cash consideration		27	2	29
Deferred consideration		6	2	8
		33	4	37
<b>Cash flow</b>				
Cash consideration		27	2	29
Cash acquired		–	–	–
Net cash outflow arising on acquisition		27	2	29
Deferred consideration and other payments relating to previous acquisitions				12
Total cash outflow arising from the purchase of subsidiary companies and investments in associated undertakings				41

<sup>1</sup> Adjustments to provisional amounts in respect of prior year acquisitions in accordance with International Financial Reporting Standard 3 'Business Combinations' (2004).

Adjustments made to the fair value of assets acquired include the value of intangible assets, provisions and other adjustments recognised on acquisition in accordance with International Financial Reporting Standard 3 'Business Combinations' (revised 2008). The adjustments made in respect of the acquisitions in the six months to 31 March 2010 are provisional and will be finalised within 12 months of the acquisition date.

The goodwill arising on the acquisition of the businesses represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies.

Acquisition transaction costs expensed in the six months to 31 March 2010 were £1 million.

In the period from acquisition to 31 March 2010 the acquisitions contributed revenue of £12 million and operating profit of £nil to the Group's results.

If the acquisitions had occurred on 1 October 2009, Group revenue for the period would have been £7,128 million and total Group operating profit (including associates) would have been £501 million.

## Notes to the condensed financial statements

for the six months ended 31 March 2010

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

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Reconciliation of operating profit to cash generated by continuing operations</b>			
Operating profit from continuing operations	<b>496</b>	449	870
<i>Adjustments for:</i>			
Amortisation of intangible assets	<b>44</b>	38	89
Amortisation of intangible assets arising on acquisition	<b>3</b>	2	7
Depreciation of property, plant and equipment	<b>68</b>	68	136
(Gain)/loss on disposal of property, plant and equipment/intangible assets	<b>1</b>	2	2
(Gain)/loss on disposal of investments	<b>-</b>	-	(1)
Increase/(decrease) in provisions	<b>16</b>	8	8
Increase/(decrease) in post-employment benefit obligations	<b>(10)</b>	(10)	(33)
Share-based payments – charged to profits	<b>5</b>	4	4
Share-based payments – settled in cash or existing shares <sup>1</sup>	<b>-</b>	(1)	(1)
Operating cash flows before movement in working capital	<b>623</b>	560	1,081
(Increase)/decrease in inventories	<b>(3)</b>	4	8
(Increase)/decrease in receivables	<b>(26)</b>	69	96
Increase/(decrease) in payables	<b>20</b>	(136)	(71)
Cash generated by continuing operations	<b>614</b>	497	1,114

1 It was originally anticipated these payments would be satisfied by the issue of new shares. However, they were settled in cash or existing shares purchased in the market.

## 13 Reconciliation of net cash flow to movement in net debt

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

	Six months to 31 March							Net debt 2010 £m	Net debt 2009 £m	Year ended 30 September 2009 £m
	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Total gross debt £m			
<b>Net debt</b>										
Brought forward	<b>588</b>	<b>(71)</b>	<b>(1,476)</b>	<b>(1,547)</b>	<b>(53)</b>	<b>69</b>	<b>(1,531)</b>	<b>(943)</b>	(1,005)	(1,005)
Net increase/(decrease) in cash and cash equivalents	<b>(34)</b>	-	-	-	-	-	-	<b>(34)</b>	128	(11)
Cash outflow from repayment of bonds	-	-	<b>200</b>	<b>200</b>	-	-	<b>200</b>	<b>200</b>	-	356
Cash (inflow) from private placement	-	-	-	-	-	-	-	-	(187)	(187)
Cash (inflow)/outflow from changes in other gross debt	-	<b>22</b>	<b>1</b>	<b>23</b>	-	<b>14</b>	<b>37</b>	<b>37</b>	13	9
Cash (inflow)/outflow from repayment of obligations under finance leases	-	-	-	-	<b>7</b>	-	<b>7</b>	<b>7</b>	7	15
(Increase)/decrease in net debt as a result of new finance leases taken out	-	-	-	-	<b>(1)</b>	-	<b>(1)</b>	<b>(1)</b>	(1)	(4)
Currency translation gains/(losses)	<b>14</b>	<b>(6)</b>	<b>(36)</b>	<b>(42)</b>	<b>(2)</b>	<b>(5)</b>	<b>(49)</b>	<b>(35)</b>	(195)	(118)
Acquisitions and disposals (excluding cash and overdrafts)	-	-	-	-	-	-	-	-	(15)	(15)
Other non-cash movements	-	-	<b>5</b>	<b>5</b>	-	<b>(2)</b>	<b>3</b>	<b>3</b>	(3)	17
Carried forward	<b>568</b>	<b>(55)</b>	<b>(1,306)</b>	<b>(1,361)</b>	<b>(49)</b>	<b>76</b>	<b>(1,334)</b>	<b>(766)</b>	(1,258)	(943)

### 13 Reconciliation of net cash flow to movement in net debt continued

	Six months to 31 March		Year ended
	2010 £m	2009 £m	30 September 2009 £m
<b>Other non-cash movements in net debt</b>			
Bank overdrafts	–	(1)	–
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	2	2	4
Swap monetisation credit	4	4	7
Unrealised net gains/(losses) on bank and other borrowings in a designated fair value hedge	(1)	(71)	(60)
Bank and other borrowings	5	(65)	(49)
Changes in the value of derivative financial instruments	(2)	63	66
Other non-cash movements	3	(3)	17

### 14 Contingent liabilities

	As at 31 March		As at
	2010 £m	2009 £m	30 September 2009 £m
<b>Performance bonds, guarantees and indemnities<sup>1</sup></b>			
Performance bonds, guarantees and indemnities (including those of associated undertakings)	358	350	330

<sup>1</sup> Excludes bonds, guarantees and indemnities in respect of self-insurance liabilities, post-employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 16.

#### Performance bonds, guarantees and indemnities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of such guarantees relating to the Group's own contracts and/or the Group's share of certain contractual obligations of joint ventures and associates. Where the Group enters into such arrangements, it does so in order to provide assurance to the beneficiary that it will fulfil its existing contractual obligations. The issue of such guarantees and indemnities does not therefore increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

#### Eurest Support Services

On 21 October 2005, the Company announced that it had instructed Freshfields Bruckhaus Deringer to conduct an investigation into the relationships between Eurest Support Services ('ESS') (a member of the Group), IHC Services Inc. ('IHC') and the United Nations ('UN'). Ernst & Young assisted Freshfields Bruckhaus Deringer in this investigation. On 1 February 2006, it was announced that the investigation had concluded.

The investigation established serious irregularities in connection with contracts awarded to ESS by the UN. The work undertaken by Freshfields Bruckhaus Deringer and Ernst & Young gave no reason to believe that these issues extended beyond a few individuals within ESS to other parts of ESS or the wider Compass Group of companies.

The Group settled all outstanding civil litigation against it in relation to this matter in October 2006, but litigation continues between competitors of ESS, IHC and other parties involved in UN procurement.

IHC's relationship with the UN and ESS was part of a wider investigation into UN procurement activity being conducted by the United States Attorney's Office for the Southern District of New York, and with which the Group co-operated fully. The current status of that investigation is uncertain and a matter for the US authorities. Those investigators could have had access to sources unavailable to the Group, Freshfields Bruckhaus Deringer or Ernst & Young, and further information may yet emerge which is inconsistent with, or additional to, the findings of the Freshfields Bruckhaus Deringer investigation, which could have an adverse impact on the Group. The Group has, however, not been contacted by, or received further requests for information from, the United States Attorney's Office for the Southern District of New York in connection with these matters since January 2006. The Group has co-operated fully with the UN throughout.

# Notes to the condensed financial statements

for the six months ended 31 March 2010

## 14 Contingent liabilities continued

### Other litigation

The Group is also involved in various other legal proceedings incidental to the nature of its business and maintains insurance cover to reduce financial risk associated with claims related to these proceedings. Where appropriate, provisions are made to cover any potential uninsured losses.

### Outcome

Although it is not possible to predict the outcome of these proceedings, or any claim against the Group related thereto, in the opinion of the Directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group.

### Minimum profits guarantee

The Group has provided a guarantee to one of its joint venture partners over the level of profits which will accrue to them in future periods. The maximum amount payable under this guarantee is £35 million, which would be payable in respect of the period from 1 July 2007 to 31 December 2010. Based on the latest management projections, no overall liability is expected to arise in relation to this guarantee; however, the phasing of profits over the period covered by this guarantee is expected to give rise to a number of annual payments/repayments between the parties.

## 15 Capital commitments

	As at 31 March		As at
	2010 £m	2009 £m	30 September 2009 £m
<b>Capital commitments</b>			
Contracted for but not provided for	<b>69</b>	69	61

## 16 Operating lease and concessions commitments

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

There has been no material change to the level of future minimum rentals payable under non-cancellable operating leases and concession agreements since 30 September 2009, details of which can be found in note 33 of the Company's 2009 Annual Report.

## 17 Related party transactions

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

### Subsidiaries

Transactions between the ultimate parent company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

### Joint ventures

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the period.

### Associates

There were no significant transactions with associated undertakings during the period.

### Key management personnel

During the period there were no material transactions or balances between the Group and its key management personnel or members of their close family, other than from remuneration.

## 18 Post balance sheet events

On 30 April 2010 the Group acquired Caterine Restauration S.A.S., a significant provider of foodservices to the French Education and Healthcare sectors and on 7 May 2010 the Group acquired Clean Mall and FB Facility, a Brazilian support services business.

## 19 Exchange rates

Exchange rates	Six months to 31 March		Year ended
	2010	2009	30 September 2009
<b>Average exchange rate for period</b>			
Australian Dollar	<b>1.77</b>	2.24	2.12
Brazilian Real	<b>2.84</b>	3.39	3.26
Canadian Dollar	<b>1.68</b>	1.84	1.82
Euro	<b>1.12</b>	1.16	1.15
Japanese Yen	<b>143.45</b>	147.71	149.65
Norwegian Krone	<b>9.25</b>	10.25	10.12
South African Rand	<b>11.96</b>	14.59	13.69
Swedish Krona	<b>11.33</b>	12.18	12.08
Swiss Franc	<b>1.65</b>	1.75	1.74
UAE Dirham	<b>5.84</b>	5.60	5.73
US Dollar	<b>1.59</b>	1.52	1.56
<b>Closing exchange rate as at end of period</b>			
Australian Dollar	<b>1.64</b>	2.06	1.83
Brazilian Real	<b>2.71</b>	3.26	2.85
Canadian Dollar	<b>1.53</b>	1.78	1.73
Euro	<b>1.11</b>	1.08	1.10
Japanese Yen	<b>138.85</b>	140.41	143.86
Norwegian Krone	<b>8.96</b>	9.51	9.34
South African Rand	<b>11.10</b>	13.71	11.84
Swedish Krona	<b>10.88</b>	11.68	11.21
Swiss Franc	<b>1.59</b>	1.64	1.66
UAE Dirham	<b>5.50</b>	5.26	5.85
US Dollar	<b>1.50</b>	1.43	1.59

1 Average rates are used to translate the income statement and cash flow. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.