

Compass Group PLC, an economic company profile

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An economic company profile
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1. Strategy and development of the company

Compass is a young company, having started in 1987 when Grand Met sold its catering activities to its management. This management buy out was highly successful, as can be seen from the development of Compass' turnover (£ millions):

	1989	1990	1991	1992	1993	1994	1995
turnover	270	300	310	345	497	918	1506

The rise in 1994 has been tremendous. According to Compass, this has been generated for 50% by internal growth of continuing operations, the other half being generated by new acquisitions. 1995 still excludes Eurest, as these figures are for the 53 week period ended 1 October 1995.

The Group has defined a clear strategy. This focuses on three core objectives:

1. International Expansion
2. Market Segmentation
3. Foodservice Branding

1.1 International Expansion

Until 1992 Compass hardly was an international company. In 1992 less than 1% of turnover came from outside the UK. In 1995 38% of Compass total sales were in the UK, 16% in Continental Europe and 46% in the US. The next table shows this development.

Turnover (year end oct. 1st, £ mil.)

	UK	Europe	US
1992	343.0	-	2.1
1993	443.1	50.2	3.7
1994	522.8	196.5	198.6
1995*	563.9	224.9	697.0
* Eurest not yet included			
Eurest 1994		Europe	ROW
		834.6	137.2

(ROW = Rest of the World).

In 1994 turnover in both the US and Europe grew tremendously. 1995 saw another leap in US turnover. Adding Eurest figures to those of Compass, the share of the UK in total turnover will fall to 23%.

Also in terms of employment figures, the UK basis of the company has become less important:

Employment (average over the year, including part-time, excl. healthcare)

	UK	Overseas
1992	18,269	94
1993	22,291	2,022
1994	23,853	11,057
1995*	27,864	25,860

*: excl. Eurest 46,000

The next table provides the background to these developments, which are to be found in Compass high rate of acquisition activities:

Compass: major expansion moves

- 1992/3: ***international**
Take-over of SSP's Catering and Airport activities
- * UK**
Take-over of Travellers Fare
Take-over of Letheby & Christopher
Take-over of Roux Fine Dining
Take-over of Chestermark
- 1994 *** UK**
Take-over of Summit Catering
- *international**
Take-over of Coressa
Take-over of Eindhoven Cat. Services
Take-over of Canteen (US)
- 1995 ***international**
Take-over of Eurest
Take-over of Stavanger Catering
Take-over of FLIK (US)

Compass' ambition to expand internationally has been driven by the idea that the foodservice market is increasingly one where only the truly global player can be successful in meeting its clients' and customers' requirements.

The Group's management wants to expand into those countries where there is a genuine opportunity to establish a substantial foodservice business not only to offer an appropriate and profitable service to the local marketplace, but also to ensure that we can offer a global service to international clients.

During 1994 Compass expanded the geographical spread of its operations with the acquisition of Canteen Corporation in the USA, giving it a substantial presen-

ce in 49 of the 52 states. This together with the strong position in the UK and Scandinavia ensured a major presence in all of the target markets except Western Europe. The acquisition of Eurest International, immediately prior to the end of the fiscal year, remedied this need making the Group not only a major food-service organisation worldwide, but also with considerable strength across a broad range of countries around the globe.

Eurest has a strong, well established presence in Western Europe, operating in 19 European countries and in 8 other countries around the world. Catering for clients in the business and industry sector accounts for the substantial majority of its revenues, with the remainder arising principally in the healthcare, education and in-flight sectors. The Eurest name is a well-known international trading identity which have already been taken over for other parts of the Compass Group (see chapter 4).

1.2 Market Segmentation and management decentralisation

The second part of Compass' strategy was to set up an operating brand for each target market sector, offering a specialised service tailored to the needs of that sector:

Chartwells	education sector
Bateman Catering	healthcare sector
Travellers Fare	rail sector
Letheby & Christopher	sports events
Roux Fine Dining	fine dining
Eurest	business and industry
Austin Bedford	business and industry*
Cityline	business and industry*
Caterskill	business and industry*
Leith	business and industry*
SSP	airport catering
Coressa	airport catering
ECS	contract catering
Peninne	defence

*: former Eurest companies

No separate company has been formed to cater for the oil industry, although the group holds a leading position in this segment, covering North Sea platforms as well as camps in Kazagstan.

Compass stresses that the companies it has been taking over keep their full independence and this will also be the case for the Eurest companies.

As a part of this strategy, almost every larger company taken over by Compass, still is operating under its original name. This makes it often difficult to fully asses to enormous size of Compass' activities, as so many activities are performed under a different name. It is in line with Compass strategy of aiming at a decentralised management structure. Also Eurest has this decentralised management structure, with national managers in each country. Thus, Eurest has a national management in Spain, but Compass/SSP has not. Annex 1 gives an

overview of Compass' management structure. As Eurest remains a separate division within Compass, besides UK, USA/Canteen and Europe/SSP, there will be no direct integration of Compass and Eurest operations. E.g. Eurest and ECS will not be integrated in the Netherlands.

In the UK, Compass has broken up its structure of 5 regions into 14 regional businesses, plus the defence division and a special division managing the British telecom contract in 350 sites. Thus, within the region, hierarchical layers could be scrapped. Computer systems, training, quality control and purchasing is organised on central level.

The degree of local management autonomy is hard to assess. In Ireland it has been reported that local management seems very autonomous. In Norway however, we heard that management had to report every week to central management.

In the UK, labour policy is centralised by the use of a Compass UK Handbook. In the Netherlands ECS financial and marketing management has been centralised, but the running of the actual operations seems to be managed quite decentrally. Management is autonomous within certain budget restrictions. Eurest is centralised in financial and marketing management and also in Human Resources management, investments. The relationship between Eurest national management in the Netherlands and Compass seems to be more of a financial nature than of management nature.

Eurest Germany not only manages the German catering activities, but also the Eurest activities in Russia. Also Eurest Germany retained the management of the Ticket Restaurants in Germany, an activity of the Accor Group. Also in Spain, synergies between Eurest and Ticket restaurants will be maintained.

1.3 Foodservice Branding

In addition to Compass' Market Segmentation strategy, its strategy of Foodservice Branding makes Compass the most advanced catering company from a marketing point of view.

This is based on the establishment of New Famous Foods, creating a portfolio of often exclusively franchised and owned brands with Burger King, Pizza Hut, Not Just Donuts, Upper Crust, Taco Bell and Cafe Select are exclusively available to Compass in many of its market places. Thus, Compass is not only able to offer professional catering services in hospitals, schools or railway stations for example, but in these outlets to serve a Burger King burger or a Pizza Hut pizza. Thus they can take advantage of the ever growing popularity of famous fastfood brands. Moreover large fastfood chains are looking for franchisetakers to develop outlets outside high street areas (which are becoming saturated).

The approach has been very successful for the Group in selling and retaining contracts. This is an area where Compass has a major advantage over competitors, particularly in the markets of Western Europe, where the use of branding is still relatively undeveloped.

Brands owned and franchised and number of outlets:

Owned		Franchised	
Upper Crust	73	Burger King	50
Not Just Donuts	442	Pizza Hut	68
Franks Deli	12	Harry Ramsden's	1
Coopers	5	Taco Bell	37
Le Croissant Shop	14	John Bull Pub	11
Ginghams	9	KFC	2
Cafe Select	41		
Total	596		169

All of the companies mentioned in par. 2 have access to Compass portfolio of food service marketing brands- New famous Foods. These New Famous Foods contain Compass' fastfood activities, as a franchise-taker for Burger King and Pizza Hut.

Within Compass, fastfood, commercial and institutional catering are organised and sometimes also mixed, e.g. Compass' company Travellers Care catering at both ends of the Eurotunnel, including Burger King brands, or Burger King or Pizza Hut brands sold through Compass' hospital catering. In one NHS Hospital in the UK, Compass operates a food court with a Burger King, Pizza Hut and Upper Crust outlet. This not only means the introduction of certain types of food, but also of the fastfood way of making food, which causes a de-skilling of the labour process.

ACTUAL AND CONFIRMED OUTLETS AS AT 2 OCTOBER 1994

	TRAVEL (excl airports)	AIRPORTS	BUSINESS & INDUSTRY	EDUCATION	HOSPITALS	RETAIL & LEISURE	SPORTS & EVENTS	TOTAL
In-House Branded Outlets								
UPPER CRUST	26	5	5	2	4	1	1	44
CAFE SELECT	12	4	-	-	4	3	-	23
DIXIES DONUTS	21	4	48	28	2	6	4	113
LE CROISSANT SHOP	14	-	-	-	-	-	-	14
FRANK'S DELI	-	10	-	-	-	-	-	10
COOPERS	3	-	-	-	-	-	-	3
GINGHAMS	4	-	-	-	-	2	-	6
Total	80	23	53	30	10	12	5	213
Franchised Branded Outlets								
BURGER KING	15	12	2	2	1	5	1	38
PIZZA HUT	6	8	23	5	4	3	2	51
JOHN BULL	-	6	-	-	-	-	-	6
HARRY RAMSDENS	-	1	-	-	-	-	-	1
TACO BELL	-	-	19	1	-	-	-	20
Total	21	27	44	8	5	8	3	116
Grand Total	101	50	97	38	15	20	8	329

Compass is not only a franchise taker, but also a franchiser itself, although this is only a very small part of its activities. It also franchises its 'Canteen' catering brandname to local companies in Sweden, the US, and Japan. For all other activities it does not work with franchise takers, as the company's core activity is to act as an operator itself.

2. The catering industry

2.1 Outlook

Catering companies still see a huge market potential, especially in Europe, where only 15% of catering activities are being contracted out (compared to 25% in the US). Compass believe that between now and the year 2000 the catering market in Europe will grow by 15% on average and by 3% in the US. The market worldwide is presently valued at GB# 28bn.

Still, margins are under pressure both in the US and in Europe. Catering companies have to re-bid a contract every 3-5 years. Companies outsourcing catering activities are learning the game, and demanding lower prices.

Secondly, existing business do not grow as companies cut staff. In Germany market growth decreased from 27% in 1991 and 24% in 1992 to 13% in 1994.

This competition not only has an adverse effect on margins, but also on labour conditions. E.g. in the Scottish off-shore industry, rival firms undercut catering contracts by requiring workers to pay in advance for their own safety training, medical costs and kit.

Catering companies now have to concentrate on squeezing out buying efficiencies and persuading more and more hospitals, schools and businesses to switch to outside caterers. This will lead to a strong concentration movement of the catering industry, which especially on the continent is still quite fragmented. For Compass growth is about creating buying and operational efficiencies by getting more volume.

Another strategy to counter lower margins is to enlarge the scope of services provided. This strategy is well established in the US and in Europe for instance pursued by Sodexo. A large services conglomerate like ISS from Denmark is another example.

This runs counter to Compass disposal of its hospital activities see next par. But also Compass already has some difficulties in Northern Ireland, where hospital demand to be provided with a fuller range of services. Compass has been alleged to use sub-contractors to do this, which is illegal.

A third element in the strategy of large catering companies is move into other sectors than business&industry, especially the non-profit sector, but also party catering and hotel/restaurant catering. Thus for instance Compass daughter ECS has moved into prison catering in the Netherlands. These markets provides lower margins however. For instance Compass said that last year's UK figures represented 'a particularly pleasing result considering the move towards lower margin business in public sector catering'.

A fourth element in the strategy of large catering companies is to try to win over large international customers. Thus Compass has been able to win a IBM contract in the US for 74 dining facilities at 29 IBM locations on the ability to cite 43 existing IBM references for Eurest/Compass.

2.2 Competition

The catering industry in Europe has been marked by a struggle of leading French and UK companies to become the biggest in the industry. Outside the UK both Compass and Gardner Merchant have been transformed to leaders in the world market, while Granada's Sutcliffe operates only in the UK and Ireland. Compass, which has already made a large US acquisition, last summer paid Pounds 590m for Eurest International - a deal which Granada turned away from because it could not win total management control.

Gardner Merchant, which was owned by Forte, is the catering company which Granada would undoubtedly like to have bought. But Mr Hawkes led a Pounds 402m management buy-out at the end of 1992. The MBO prompted Granada to start looking at Forte seriously.

A year ago Gardner, which was widely expected to be preparing for flotation, was acquired by the French group Sodexho for Pounds 730m. The deal gave Sodexho, market leader in continental Europe, leadership in the UK. Meanwhile, Granada announced an impressive result for Sutcliffe in December, along with its profits increase of almost one-third to Pounds 351.3m and the announcement of the bid for Forte. Sutcliffe, which has about 2,500 contracts, increased its profits by 35 per cent to Pounds 41.8m, with strong organic growth helped by a couple of small acquisitions.

Mr Don Davenport, who has been with Sutcliffe since 1979 and now heads Granada Services, points to the clear focus of Granada as the reason for the sharp improvement in performance. 'They don't bother about peripherals,' he said. 'They set simple objectives and go for it.' Eight accounting centres have been reduced to one, a layer of management removed, and Pounds 5m invested in new technology that links the company direct to 2,200 of its customers. Purchasing has been centralised and acquisitions made.

As a result, income per contract at Sutcliffe has risen from Pounds 22.9m to Pounds 27.8m during the last three years, while profit per contract has risen from Pounds 8.4m to Pounds 17.5m. Granada is determined to drive Sutcliffe into market leadership in the UK.

They are also convinced that they can drive Forte's catering businesses ahead in a similar fashion - particularly at the Posthouse chain, where 44 per cent of turnover is in catering.

3. Healthcare division

Compass sold its healthcare division to the business's existing management for Pounds 178.8m. The managers, backed by venture capitalists CINVen, are taking on a business comprising 15 private hospitals, two nursing homes and a healthcare screening business. The average number of employees was 1,550 in 1995.

Announcing the deal, Compass said it would use the proceeds to reduce borrowings, incurred in its acquisition earlier this year of Eurest, the French catering group. That will complete the transformation of Compass into a pure catering company. Compass described the division, which is on the books at Pounds 135m, as 'strategically not a long-term fit, but a quality business that is performing well'.

This argument is not convincing. We saw in the previous chapter that large contract caterers are trying to enlarge the scope of their activities. being a well established hospital caterer, makes the provision of other hospital services quite a logical step. Moreover, these activities are very profitable. In the period under review healthcare profits rose from Pounds 14.4m to Pounds 15.8m on sales of Pounds 69.7m (Pounds 66.7m). With 7,3% of turnover it accounted for 22,9% of operating profit in 1994. In 1995 these figures were 4,6% of turnover and 17,3% of operating profit.

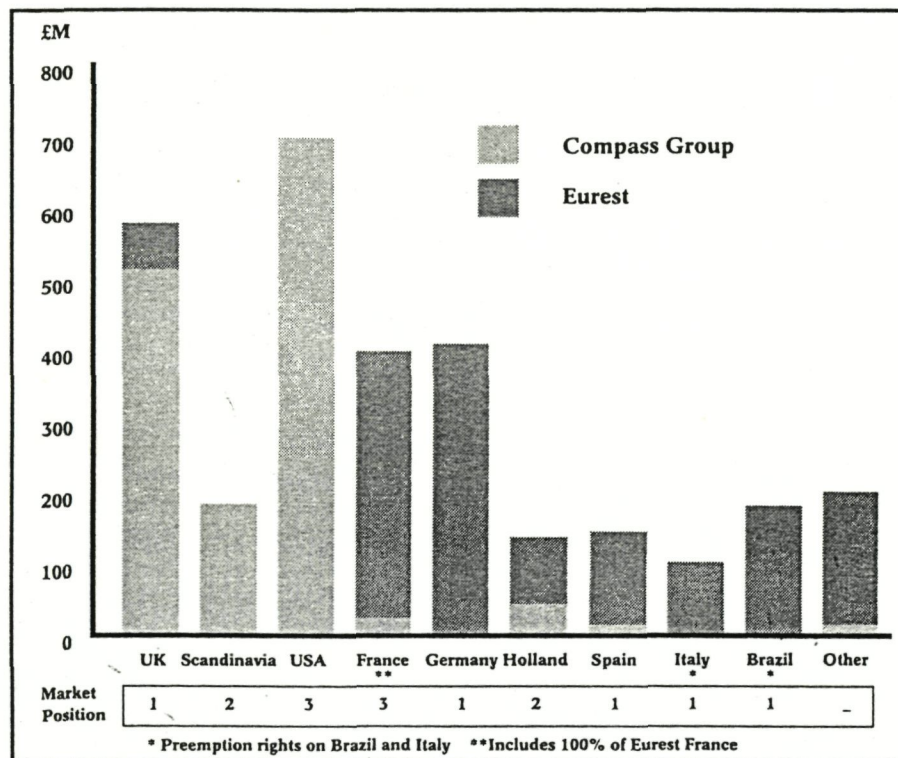
It is more likely that Compass has been driven by a big need to reduce debts when selling this division.

4. The Eurest take-over

On 25 September 1995, Compass completed the pounds 584m acquisition of Eurest International from hotelier Accor. For Eurest this meant the second change in ownership in five years. In 1991, Eurest' mother company Wagon Lits was taken over by Accor, which was mainly interested in Wagon Lits' hotel activities. Accor did have some contract catering activities, e.g. Geresa in Spain, RS Catering in Germany. These were integrated into the newly acquired Eurest daughter company.

Besides France, Germany (41% of Eurest international's revenues), Spain (17%), and the Netherlands (14%) are the main markets for Eurest. Within Europe, Eurest is also active in the Portugal, Belgium, Italy, Czech Republic, Poland and Hungary, Morocco and Switzerland and Turkey. With Eurest, Compass now also includes some inflight catering activities (market leader in Spain). (compare: when SAS airlines sold SSP, SSP inflight catering was not sold to Compass but to Gate Gourmet. It may be very likely that Compass will dispose of Eurest inflight catering in due time).

The next chart shows that apart from the UK and the Netherlands, there is hardly any overlap in activities. Eurest and Compass make an almost perfect geographical fit:



Eurest France had a special position, being partly a management buy out and being partly owned by Sodexho, the big French competitor of Eurest. This issue where Compass now owns a third, competitor Sodexho has a third and the management a third, remains to be resolved. However voting rights within the company are different, management has almost 50% of the votes on the board. Compass is confident that it can gain control in a year because as part of the complex MBO from a few years ago, management is still paying for the shares it bought. The management also gained the right to buy Sodexhos shares in due time. Compass is confident that it can buy these shares from management.

The take-over of Eurest has not been a 100% 'proper' take-over, as Accor has also become a 22.5 per cent shareholder in Compass. The Eurest management team has remained largely intact within Compass, consisting of former Eurest Alain Dupuis, president of Eurest has now become executive director and director on the board of Compass. Philippe Adam is finance director of Eurest. Moreover, John Du Monceau and Gerard Pelisson, both from Accor, has joined the Compass board as non-executive directors.

With pounds 300m acquisition of US catering company Canteen, Compass has spent over pounds 900m in acquisitions in 18 months.

Eurest provides a wide range of catering services, and will now have a workforce of 60,000, covering over 40 country's, and business worth GB# 1.5bn. In an attempt to exploit the growing worldwide market for catering service Compass Group recently revealed that Eurest, is to become the first firm to offer such food services worldwide. Eurest will become the company name for all Compass' business&industry catering companies

- Eurest-name is replacing 'Compass business&industry' in the UK.
- Eurest-name is replacing 'SSP' name in contract catering in Scandinavia.
- Eurest-name is introduced in US as replacement for the 'Canteen' business&industry sector.

Eurest is also involved in catering services in the Czech Republic. There it achieved a Kc1.18 billion turnover in 1995, Kc283m more from a year ago. The company employs 3,000 people in the Czech Republic.

The company has faced great difficulties with huge receivables, mainly from hospitals. The Prague-Motol hospital, for example, owes Eurest 'many millions of crowns'.

The Czech-based Eurest maintains 85 restaurants, of which catering in companies represents 75 percent, hospitals 12 percent and schools 13 percent. The firm provides catering for as many as 140,000 customers per day in the Czech Republic. Its clients include Skoda Mlada Boleslav, Svit Zlin, the Motol hospital, and the Czech Television, for example.

5. Financial analysis

Compass is a very profitable company compared to others in the sector:

Margin (gross profits as % of sales):

Compass 1995	6.1
Europe	5.4
US	3.9
UK	7.1
Healthcare	22.8
Eurest 1994	3.5
Sodexho/GM	3.1

Still, it is difficult to exactly assess the figures, as in this industry a lot of different aspects influence figures. Comparing the two largest catering companies in Britain, Compass and Gardner Merchant (GM) will give an illuminating example in this respect.¹ Both companies organise catering in companies, hospitals, schools and many more places. One issue to complicate comparison is **contracts**. In catering, the number of contracts is often used to show the market position. But one contract may be covering a large site with for instance three catering units, which could also be counted as three contracts. With the same number of contracts, GM generates significantly more turnover than Compass. But Compass makes more profits. This is partly due to a difference in the way the companies record their **turnover**. The basic question is: what is a sale in this industry? Depending on the policy of the company or institute which is being catered for, meals may be sold at full cost price (plus a management fee for the catering company) or meals may be subsidised. When meals are being subsidised, turnover as registered at the cash register of the canteen, will be lower without effecting the margin the catering company is making.

Secondly, whereas GM contracts-size is on average larger, the **profitmargin** GM makes on these contracts is lower, as larger customers are able to bargain a cheaper contract.

Compass is more efficient in its **purchasing operations**, thus winning discounts from suppliers. This can be seen by comparing purchasing as a percentage of sales. Also Compass is more efficient in its **use of working capital**, by applying stricter credit control. Finally, GM was at the time of writing (1993) far more internationalised, with a large part of the **management and administrative costs** for overseeing this overseas operations being borne in the UK.

Bearing this in mind we can analyse Compass' business figures.

1995 results were positive:

- * Turnover up 64% to #1,505.8 million
- * Profit before taxation up 31% to #73.2 million

¹ Based on: Knowles, Hospitality management, London 1994.

- * Earnings per share up 18% to 22.6p
- * Net dividend per share up 13% to 7.6p
- * Interest cover 5.1 times
- * Dividend cover 2.5 times
- * Free cash flow up 13% to #67.1 million
- * Directors pay up 214%

RESULTS FOR THE 52 WEEK PERIOD ENDED 1 OCTOBER 1995
COMPASS GROUP PLC

	52 week period ended 1 Oct 1995 #M	53 week period ended 2 Oct 1994 #M
1. TURNOVER AND OPERATING PROFIT		
TURNOVER		
Catering		
- United Kingdom	494.2	456.1
- Continental Europe	244.9	196.5
- North America	697.0	198.6
Healthcare		
- United Kingdom	69.7	66.7
	-----	-----
	1,505.8	917.9
	===	===
Geographical analysis of turnover :		
United Kingdom	563.9	522.8
Continental Europe	244.9	196.5
North America	697.0	198.6
	-----	-----
	1,505.8	917.9
	===	===
OPERATING PROFIT		
Catering		
- United Kingdom	35.2	31.0
- Continental Europe	13.1	10.8
- North America	27.1	6.6
Healthcare		
- United Kingdom	15.8	14.4
	-----	-----
	91.2	62.8
	===	===
Geographical analysis of operating profit :		
United Kingdom	51.0	45.4
Continental Europe	13.1	10.8
North America	27.1	6.6
	-----	-----
	91.2	62.8
	===	===

Within the UK, Business and industry catering remains the largest sector. Growth however is strongest in the healthcare and education markets.

The next table shows the steady erosion of margins:

Year to End Sep	Turn- over	Pre-tax Profit	Margin (%)
/1991	321	32.0	10
1992	345	31.8	9,2
1993	497	41.5	8,4
1994	918	55.7	6,1
1995	1,506	73.2	4,9
% Change	+ 64	+ 31	

The heavy take over activities of the company have left Compass in a serious state as far as indebtedness goes. Interest payable more than doubled to Pounds 18m, in 1995. But as the company still is making a lot of profit this is not a very big problem as interest payable still is five times covered by profits. More serious is the fact that the balance sheet showed negative net worth of Pounds 488.9m,

This can be understood by the special nature of take-overs in the catering industry. When a company is taken over, not much tangible assets are acquired, as the industry is not capital intensive nor is there a lot of buildings etc. involved. The main assets taken over:

- contracts/customer base
- quality of personnel
- (sometimes) brandnames

The 1995 acquisitions presented pounds 28.8m in tangible fixed assets, and pounds 709.8m in goodwill. These intangible assets have to be paid for as goodwill and are directly written off to reserves (being maintained as a separate negative reserve, so it is not shown on the profit&loss account).

CONSOLIDATED PROFIT AND LOSS ACCOUNT

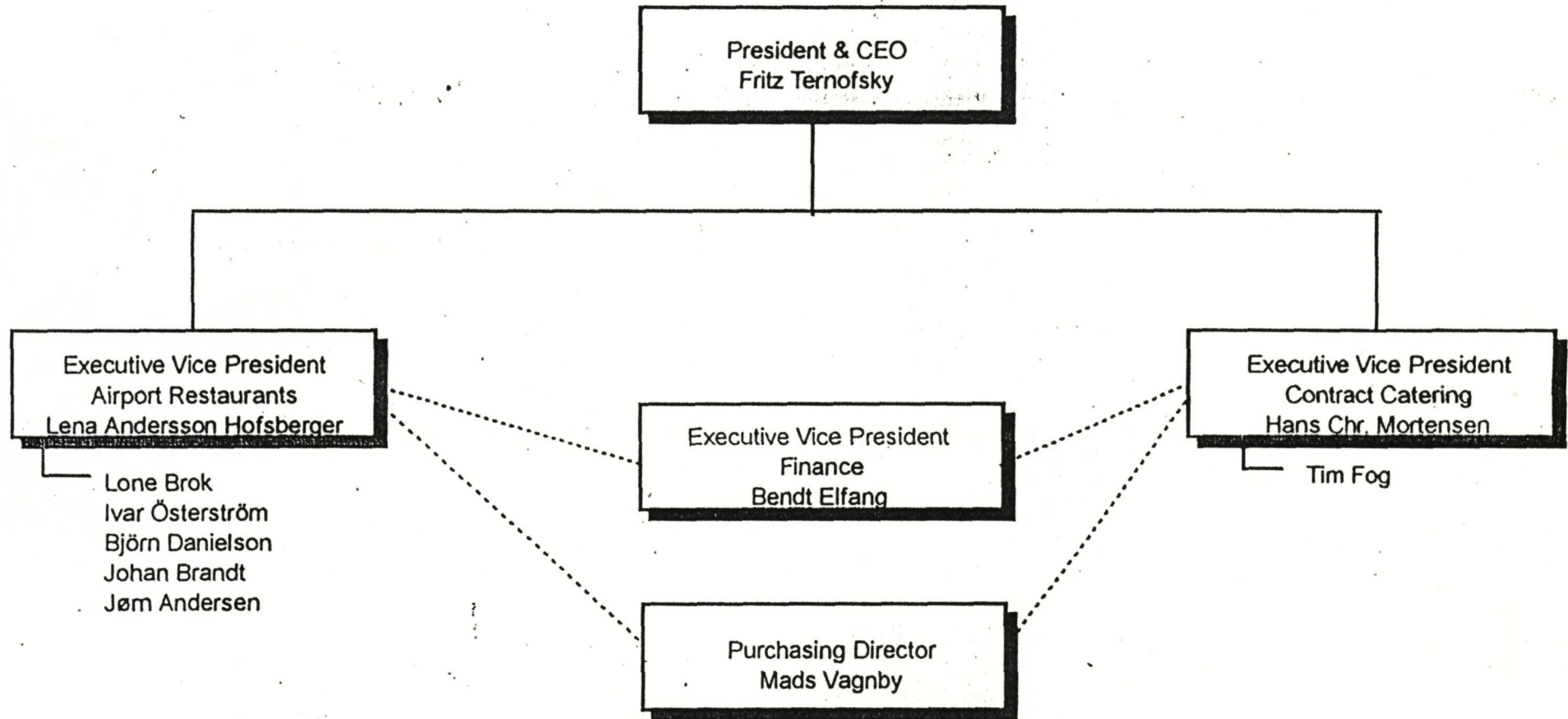
	Notes	52 week period ended 1 Oct 1995 #M	53 week period ended 2 Oct 1994 #M
TURNOVER			
Continuing operations	1	1,505.8	917.9
OPERATING COSTS		(1,414.6)	(855.1)
		----	----
OPERATING PROFIT			
Continuing Operations	1	91.2	62.8
Interest receivable and similar income		1.2	1.2
Interest payable and similar charges	2	(19.2)	(8.3)
		----	----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	3	(18.8)	(16.1)
		----	----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Equity minority interests		(0.4)	(0.2)
		----	----
PROFIT FOR THE FINANCIAL PERIOD			
Dividends	4	(22.0)	(15.0)
		----	----
PROFIT FOR THE PERIOD RETAINED			
	12	32.0	24.4
		===	===
EARNINGS PER SHARE			
	5	22.6p	19.2p
		===	===

CONSOLIDATED BALANCE SHEET

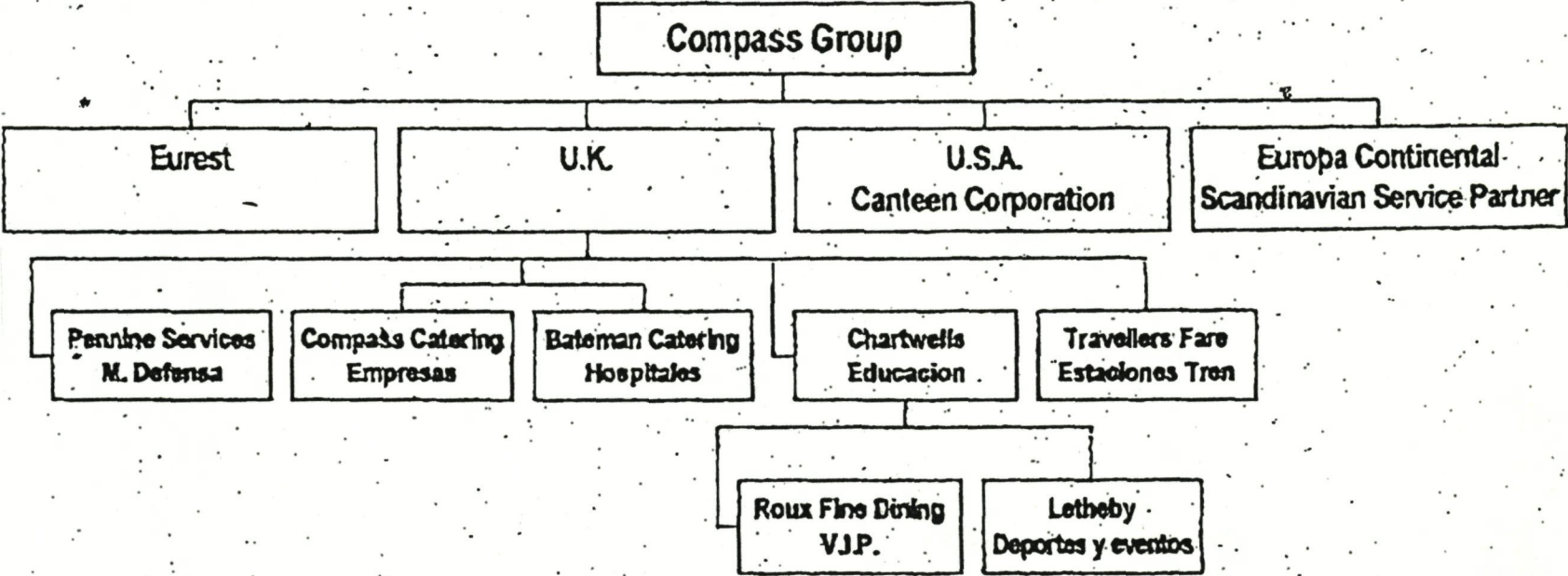
		1 Oct 1995	2 Oct 1994 (as restated)
	Notes	#M	#M
FIXED ASSETS			
Tangible assets	6	295.6	257.3
Investments	7	15.6	7.9
		-----	-----
		311.2	265.2
		-----	-----
CURRENT ASSETS			
Stocks		50.5	32.8
Debtors : amounts falling due within one year	8	248.8	111.9
amounts falling due after more than one year	8	28.1	4.8
Cash at bank and in hand		81.9	52.8
		-----	-----
		409.3	202.3
CREDITORS :			
amounts falling due within one year	9	(543.1)	(298.7)
		-----	-----
NET CURRENT LIABILITIES		(133.8)	(96.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		177.4	168.8
CREDITORS : amounts falling due after more than one year	10	(599.6)	(262.5)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(64.2)	(49.4)
EQUITY MINORITY INTERESTS		(2.5)	(0.8)
		-----	-----
NET LIABILITIES		(488.9)	(143.9)
		===	===
CAPITAL AND RESERVES			
Called up share capital		15.5	11.9
Shares to be issued		21.2	-
Share premium account	12	649.3	345.0
Revaluation reserve	12	25.0	25.2
Other reserve : goodwill	12	(1,345.0)	(635.2)
Profit and loss account	12	145.1	109.2
		-----	-----
TOTAL EQUITY SHAREHOLDERS' FUNDS		(488.9)	(143.9)
		===	===

Annex 1: Management structure

SCANDINAVIAN SERVICE PARTNER



After the Eurest acquisition



Annex 2: Main Compass companies (source annual report 1995)

Details of Principal Subsidiary and Associated Companies

Country of registration or incorporation	Principal activities	Percentage interest held at 1 Oct 1995
England and Wales		
Compass Contract Services (U.K.) Ltd.	Provision of food services to commerce, industry, and the retail world	100
Chartwells Ltd.	Provision of food services to the education market	100
Bateman Catering Ltd.	Provision of food services to the healthcare market	100
Compass Services (U.K.) Ltd.	Provision of food services to commerce, industry, and the retail world	100
*Compass U.K. Catering Group Ltd.	Holding company	100
*Compass Healthcare Group Ltd.	Holding company	100
Travellers Fare Ltd.	Provision of food services at railway stations	100
Letheby & Christopher Ltd.	Sports and events catering	100
*Compass Overseas Holdings Ltd.	Holding company	100
*Compass Overseas Holdings No. 2 Ltd.	Holding company	100
Scandinavian Service Partner Restaurants Ltd.	Provision of airport terminal catering services	100
New Famous Foods Ltd.	Provision of branded catering options	100
Continental Europe		
Scandinavian Service Partner A/S, Denmark	Holding company	100
Copenhagen Airport Restaurants A/S, Denmark	Provision of airport terminal catering services	100
Scandinavian Service Partner Virksomhedsrestauranter A/S, Denmark	Provision of food services to commerce and industry	100
Scandinavian Service Partner Hospital Catering A/S, Denmark	Provision of hospital catering services	100
Scandinavian Service Partner Restaurants AB, Sweden	Provision of airport terminal catering services	100
Scandinavian Service Partner Foretagsrestauranger AB, Sweden	Provision of food services to commerce and industry	100
Scandinavian Service Partner Hospital Catering AB, Sweden	Provision of hospital catering services	100
Scandinavian Service Partner Restaurants A/S, Norway	Provision of airport terminal catering services	100
Scandinavian Service Partner Offshore & Industrial Catering A/S, Norway	Provision of food services to commerce and industry	100
Bergen Supply A/S, Norway	Catering supplier	100
Scandinavian Service Partner S.A., Spain	Provision of airport terminal catering services	100
Eindhoven Catering Services Beheer B.V., Holland	Provision of food services to commerce and industry	64
Scandinavian Service Partner Ireland Limited	Provision of airport terminal catering services	100
Coressa S.A., France	Provision of airport terminal catering services	100
Service Partner Restaurants B.V., Holland	Provision of airport terminal catering services	100

Details of Principal Subsidiary and Associated Companies

Country of registration or incorporation	Principal activities	Percentage interest held at 1 Oct 1995
USA		
Canteen Corporation	Provision of food and vending services to commerce and industry	100
Compass Holdings Inc.	Holding company	100
Consolidated Coin Caterers Corporation	Provision of food and vending services to commerce and industry	100
Statewide Services Inc.	Provision of site support services	80
Flik International Inc.	Provision of food services to commerce	100
IM Vending Inc.	Owens trademarks	100
Eurest International		
Eurest Deutschland GmbH, Germany	Provision of food services to commerce and industry	100
Eurest Nederland B.V., Holland	Provision of food services to commerce and industry	100
Eurest Belgilux, Belgium	Provision of food services to commerce and industry	100
Eurest S.A., Spain	Provision of in-flight catering services	100
Eurest Colectividades, S.A., Spain	Provision of food services to commerce and industry	100
Socersa, Spain	Provision of food services to commerce and industry	100
Eurest Luxembourg S.A., Luxembourg	Provision of food services to commerce and industry	100
Eurest Portugal S.A., Portugal	Provision of food services to commerce and industry	100
Eurest Restaurations Betriebsgesellschaft Mbh, Austria	Provision of food services to commerce and industry	100
Eurest Suisse S.A., Switzerland	Provision of food services to commerce and industry	100
Eurest SPOL s.r.o., Czech Republic	Provision of food services to commerce and industry	100
Leith's Ltd., UK	Provision of food services to commerce and industry	100
**Eftor Holding, B.V., Holland	Holding company	100

Particulars of certain subsidiary companies, none of which is material in relation to the financial statements, are omitted and will be dealt with in the forthcoming annual return. All interests are in the ordinary share capital.

All companies operate principally in their country of incorporation.

*Direct subsidiary of Compass Group PLC.

**Has a 33.3% investment in Financière Eurest S.A., France whose principal activity is the provision of food services to commerce and industry.