Legal Entity Identifier (LEI) No. 2138008M6MH9OZ6U2T68

Annual Results Announcement

COMPASS GROUP

Full year results announcement for the year ended 30 September 2020

	Underlying[1] results			Statutory results		
	2020	2019	Change	2020	2019[2]	Change
Revenue	£20.2 billion	£24.8 billion[3]	(18.8)%[4]	£19.9 billion	£24.9 billion	(19.8)%
Operating profit	£561 million	£1,852 million[3]	(69.7)%[3]	£294 million	£1,626 million	(81.9)%
Operating profit (IAS 17 proforma)[5]	*£533 million*	*£1,852 million[3]*	*(71.2)%[3]*			
Operating margin	2.9%	7.4%	(450)bps			
Operating margin (IAS 17 proforma)[5]	*2.8%*	*7.4%*	*(460)bps*			
Earnings per share	18.6 pence	83.8 pence[3]	(77.8)%[3]	8.0 pence	71.6 pence	(88.8)%
Earnings per share (IAS 17 proforma)[5]	*19.1 pence*	*83.8 pence[3]*	*(77.2)%[3]*			
Free cash flow	£213 million	£1,247 million	(82.9)%			
Annual dividend per share	-	40.0 pence		-	40.0 pence	

1. Reconciliation of statutory to underlying results can be found on pages 49 to 50.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
3. Measured on a constant currency basis.
4. Organic revenue growth.
5. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

Compass is well positioned for the future as it addresses the challenges of COVID-19

Dominic Blakemore, Group Chief Executive, said:

"2020 was a challenging year for Compass. I am extremely proud of how the organisation responded to the pandemic. I have been humbled by the commitment of our people in the face of unprecedented adversity and want to thank them for their continued dedication and hard work.

We began the year on track to deliver our strongest performance ever, and over the course of a fortnight in March, we saw the containment measures to stop the spread of COVID-19 close half of the business. We rapidly enhanced our health and safety protocols, mitigated our costs, increased our liquidity and strengthened our balance sheet. Through the summer, our performance began to improve slowly as we helped clients in Education and Business & Industry return to schools and offices safely.

Importantly, in the fourth quarter we returned the business to profitability and are now cash neutral. This was achieved mainly through contract renegotiations to reflect the difficult trading environment, continued discipline in terms of costs and some improvement in volumes. We are executing at pace and expect the underlying operating margin in the first quarter of 2021 will be around 2.5%.

Although the prospects of a vaccine are encouraging, the resumption of lockdowns in some of our major markets shows that we have to continue to take proactive actions to control the controllable and ensure the business can thrive despite the ongoing pandemic. We are innovating and evolving our operating model to be more flexible and to provide our clients and consumers with an exciting offer that is delivered safely and provides great value. This combined with our existing scale, ability to flex costs and focus on operational execution, will allow us to return to a Group underlying margin above 7% before we return to pre-COVID volumes.

The scope for growth from first time outsourcing and share gains is significant. In addition, we have a strong pipeline of new business in Healthcare & Seniors, Education and Defence, Offshore & Remote that will diversify and broaden our revenue base. We are investing in the business organically and inorganically to support our long term growth prospects, enhance our competitive advantages, and further consolidate our position as the industry leader in food services.

We are improving the quality of the business and will emerge from the pandemic stronger than we've ever been. We recognise the importance of the dividend to our shareholders and the Board looks forward to reinstating it when considered appropriate. Finally, we remain as excited as ever about the significant structural growth opportunities globally, the potential for further revenue and profit growth, and returns to shareholders over time."

Chief Executive's Statement

Although COVID-19 severely impacted the business from late Q2, new business wins remained robust, and retention was high

- Organic revenue down 18.8% year on year as COVID-19 related restrictions reduced volumes in Business & Industry, Education and Sports & Leisure in all three regions
- In North America, new business wins of 6.9% and strong 96.4% retention, despite significant disruption due to the pandemic
- In Europe, good results in Healthcare & Seniors offset by the significant impact of COVID-19 on Sports & Leisure and Business & Industry
- Greater exposure to Defence, Offshore & Remote in Rest of World mitigated the impact of the pandemic on Business & Industry throughout the region
- Underlying operating margin of 2.9% or 3.5% (excluding contract related non-current asset impairment and onerous contract charges) with a return to profitability in Q4
- Expect Q1 2021 margin to be around 2.5% and committed to rebuilding the Group underlying margin to above 7% before we return to pre COVID-19 volumes

COVID-19 response

- Prioritised the safety of colleagues and customers and enhanced operating protocols throughout the crisis
- Moved rapidly to support clients in Healthcare & Seniors and Education on the frontline of the pandemic
- Adapted our cost base and renegotiated contracts to reflect the new trading environment

Strong and resilient balance sheet

- £2 billion equity raise to reduce leverage – liquidity increased to around £5 billion
- Free cash flow of £213 million and net debt to EBITDA ratio of 2.1x

Strategy – positioning for the future

- Managing the business through the lens of People, Performance, Purpose in the interests of all stakeholders
- Adapting our operations to improve the offer, increase flexibility and manage costs
- Significant structural growth opportunity in terms of first time outsourcing and share gains
- Investing in digital, organic and inorganic growth opportunities to support future growth

Statutory results

- Statutory revenue decreased by 19.8% due to the impact of COVID-19 on volumes. Operating profit decreased by 81.9% as a result of the impact of COVID-19, the resizing programme to adjust our cost base, contract related non-current asset impairment and onerous contract charges, as well as the negative impact of foreign exchange.

Chief Executive's Statement (continued)

Results presentation today

A recording of the results presentation for investors and analysts will be available on the Company's website today, Tuesday 24 November 2020, at 7.00 a.m.. There will be a question and answer session at 9:00 a.m., accessible via the Company's website, www.compass-group.com, and you will be able to participate by dialing:

UK Toll Number:	+44 330 336 9411
UK Toll-Free Number:	0800 279 7204
US Toll Number:	+1 929 477 0324
US Toll-Free Number:	+1 800 289 0571
Participant PIN Code:	7837121#

Please connect to the call at least 10-15 minutes prior to the start time.

Financial calendar

Q1 Trading Update / Annual General Meeting	4 February 2021
Half year results	12 May 2021

Enquiries

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Chief Executive's Statement (continued)

Basis of preparation

Throughout this preliminary results announcement, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP). The Executive Committee of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 53 and 54. A summary of the adjustments from statutory results to underlying results is shown in note 12 on pages 49 and 50 and further detailed in the consolidated income statement (page 30), reconciliation of free cash flow (page 36), note 3 segmental reporting (page 42) and note 13 organic revenue and organic profit (page 51).

FY 2020 overview

The COVID-19 pandemic has had a profound impact on Compass. We can only exist with the commitment of our colleagues around the world, many of whom have been on the front line of the battle against the pandemic. I am extremely proud of how the organisation has responded, and I'm humbled by the commitment and dedication our people are showing, day in day out.

I want to extend my deepest sympathies to the families of those colleagues that have lost their lives to COVID-19. We continue to be committed to doing all we can to support them.

2020 was a year of two halves. We began the year on track to deliver our strongest performance ever when, in March, over the course of a fortnight we saw the containment measures to control the spread of COVID-19 close half of the business. The health and safety of our employees and consumers has been, and remains, our absolute priority. As the pandemic unfolded, sites that remained open were operating with enhanced health and safety protocols and Personal Protective Equipment (PPE). As restrictions were lifted and clients returned to schools and offices, we have helped them reopen and ensure they bring consumers back safely. Nevertheless, throughout the year, in the face of unprecedented volatility, we have continued to manage the business through the lens of People, Performance and Purpose to ensure that we continue to protect the interests of all our stakeholders.

Performance

Our 2020 results reflect the dramatic impact COVID-19 has had on our business. Our revenue in FY2020 declined by 18.8% on an organic basis as a result of the pandemic.

Organic revenue

Change %	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Business & Industry	4.4%	(3.8)%	(50.7)%	(44.1)%	(23.9)%
Education	4.4%	(5.1)%	(60.2)%	(35.1)%	(21.7)%
Healthcare & Seniors	5.4%	5.5%	(5.1)%	0.2%	1.5%
Sports & Leisure	9.0%	(10.9)%	(89.9)%	(78.9)%	(45.1)%
Defence, Offshore & Remote	4.3%	1.0%	(8.8)%	(7.6)%	(2.9)%
Group	**5.3%**	**(2.1%)**	**(44.3)%**	**(34.1)%**	**(18.8)%**

After an excellent first five months, the business received a shock when all our Sports & Leisure business and most of our Education and Business & Industry sectors were closed in March. In June, July and August we saw a gradual reopening of parts of the business. By September, all sectors except Sports & Leisure were partially or fully open representing about 65% of the business. At that time, we also began to see the reintroduction of local lockdowns as many markets started to experience a second wave of infections.

New business (MAP 1) was up 5.7% reflecting the strong momentum pre-pandemic. After a slowdown in the third quarter, in the fourth quarter we saw an increase in new wins in Healthcare & Seniors and Education in North America. This reflects a 'flight to trust' as clients sought food service providers with best in class health and safety protocols, robust supply chains and strong balance sheets.

Retention was 95.1% as clients maintained their trusted food service provider during the pandemic. Like for like revenue declined by 19.6% due to the impact of site closures as well as lower populations on site due to social distancing requirements. On a statutory basis, revenue decreased by 19.8%, including the negative impact of foreign currency translation.

Costs

We have taken a series of measures to reduce our food (MAP 3) costs, in unit labour and in unit overheads (MAP 4) and our above-unit (MAP 5) costs to offset the impact of lower volumes. In markets where little or no government support was available, we acted quickly to adjust our cost base and are already seeing the savings come through.

In markets where government support was available, we used it to limit job losses. This year we received £437 million of government support. However, whenever government support has ended, we have evaluated our staffing needs and taken the necessary steps to ensure that we avoid carrying excess costs.

Although resizing will be an ongoing task, actions taken thus far will avoid annual in unit labour (MAP 4) costs of around £280 million and annual savings of above unit (MAP 5) costs of £70 million, both of which will be essential for us to rebuild our margins back to above 7%.

Resizing action in the year totalled £122 million. In addition, the cost action programme announced in November 2019 has incurred £75 million of costs in the year and is delivering the savings initially anticipated. Together, these initiatives will allow us to rebuild our margins in 2021 and beyond. The costs associated with both programmes have been excluded from the Group's underlying results.

Operating profit and operating margin

Although margins were up 20 bps (10 bps excluding the impact of IFRS 16) for the five months to March, the significant volume impact of the lockdowns resulted in a negative third quarter margin. Significant cost actions and contract renegotiations to reflect the changes in the trading environment, combined with a slight improvement in volumes, allowed us to return to profitability in the fourth quarter (before any contract related non-current asset impairment and onerous contract charges).

In light of the disruption to the business, we have reviewed our contract portfolio and impaired £88 million of contract related non-current assets and recognised £31 million of onerous contract losses – together these represent around 3% of our £4 billion contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets).

Underlying operating profit decreased by 69.7% to £561 million on a constant currency basis (or by 71.2% to £533 million excluding the impact of IFRS 16). Our underlying operating profit margin was 2.9% or 3.5% after excluding contract related non-current asset impairment and onerous contract charges (2.8% or 3.4% excluding the impact of IFRS 16) with a return to profitability in the fourth quarter.

Strategy

The food services market remains very attractive. We estimate it is around £220 billion, with about two thirds currently operated by small regional players or operated in house. This means there is a significant structural growth opportunity from first time outsourcing as well as share gains. We are particularly attracted to the more defensive sectors of Healthcare & Seniors, Education and Defence, Offshore & Remote where there are meaningful first time outsourcing opportunities.

We have reviewed our strategy and remain confident about our focus on food, and our pragmatic approach to providing support services in the markets where we have the right capabilities. As the industry leader, we have the greatest scale, which gives us an advantage in terms of food procurement and our ability to leverage our overheads. In addition, we go to market with a sector and sub sector approach that allows us to get close to our clients and create a bespoke food service solution that truly meets their needs.

In response to the pandemic, we are innovating and evolving our operating model. By innovating and adapting our offer and operations to the 'new normal', this will allow us to reduce costs and increase our flexibility, so that we can provide our clients and consumers an exciting offer that is delivered safely and provides great value. The three main areas of strategic focus are:

- digital: consumer facing use of apps and kiosks to pre-order, pre-pay, click and collect as well as back of house apps for labour management and food procurement
- labour: increase labour flexibility, leverage our scale and pool our workforce across sectors to better accommodate volume volatility on site
- central production units: hubs for development, training and production to rationalise labour costs and reduce food waste

These three areas of focus combined with our existing scale and competitive strengths, will allow us to return to industry leading levels of performance.

Regional performances

North America – 63.1% Group revenue (2019: 62.4%)

Regional financial summary	Underlying 2020	Underlying 2019[1]	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£12,746m**	£15,694m	(18.8)%	(18.4)%	(18.5)%
Regional operating profit (as reported)	**£606m**	£1,290m	(53.0)%	(52.8)%	(53.1)%
Regional operating profit (proforma IAS 17)[1]	**£588m**	£1,290m	(54.4)%	(54.2)%	(54.5)%
Regional operating margin (as reported)	**4.8%**	8.2%	(340)bps		
Regional operating margin (proforma IAS 17)[1]	**4.6%**	8.2%	(360)bps		

1. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

Organic revenues in our North American business declined by 18.5%, reflecting the volume impact of COVID-19 in the second half of the year, which saw revenues decline by over 40%. Encouragingly, new business for the full year was 6.9%, with significant levels of growth from first time outsourcing and wins from smaller regional players. Retention rates were high at 96.4%.

Our Sports & Leisure business - mainly stadia and entertainment venues - remained closed throughout the second half of the year. Our Education sector was significantly impacted by the lockdown in March. As the new academic year began in August and September we saw a mixed approach to reopening, especially within our Higher Education sub sector where many clients are offering a hybrid curriculum with online as well as live classes. Our Business & Industry portfolio is more weighted towards 'Business' and serving office based consumers where the return to work has been slow. Our Healthcare & Seniors business grew by 4.5%, driven by double digit new business wins. Most Defence, Offshore & Remote locations have remained open during the year, however, changes to working patterns have driven modest volume declines.

We have taken significant actions to mitigate the impact of volume declines on our operating margin. We have renegotiated contracts, furloughed employees and rightsized both in unit (MAP 4) and above unit (MAP 5) costs. Underlying operating profit of £606 million, including £64 million of contract related non-current asset impairment and onerous contract charges, decreased by 52.8% on a constant currency basis. The full year underlying operating margin was 4.8% (4.6% excluding the impact of IFRS 16), or 5.3% before the impact of contract related non-current asset impairment and onerous contract charges. The Q4 underlying margin, before the impact of contract related non-current asset impairment and onerous contract charges, was around 3%. With uncertainty around volume recovery, the cost base remains under constant review to ensure margin improvement in 2021.

Europe – 25.0% Group revenue (2019[1,2]: 25.4%)

Regional financial summary	Underlying 2020	Underlying 2019[1,2]	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£5,048m**	£6,391m	(21.0)%	(19.9)%	(24.0)%
Regional operating (loss)/profit (as reported)	**£(29)m**	£421m	(106.9)%	(107.0)%	(104.8)%
Regional operating (loss)/profit (proforma IAS 17)[1]	**£(35)m**	£421m	(108.3)%	(108.4)%	(106.2)%
Regional operating margin (as reported)	**(0.6)%**	6.6%	(720)bps		
Regional operating margin (proforma IAS 17)[1]	**(0.7)%**	6.6%	(730)bps		

1. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.
2. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

Organic revenue declined by 24% for the full year. Revenues declined by 44% in the second half given that 71% of Europe's revenues are in Business & Industry (51%), Education (12%) and Sports & Leisure (8%), the three sectors that have been most impacted by the pandemic. Through the summer we saw a recovery in Business & Industry as consumers returned to the office, especially in continental Europe. In Education, the beginning of the academic year in September has been positive especially in the K-12 sub sector. Reopening of our clients in Higher Education has been more mixed. Our Sports & Leisure business, which is largely in the UK, remains closed.

Although new business wins were 2.8% and have been subdued especially in the UK, France and Germany, we saw a higher proportion of new business from small and regional players. Retention has been broadly in line with previous years at 92.6%.

Across Europe, government schemes are supporting employees during the pandemic. As these schemes end, we are having to take resizing actions to adjust our cost base to reflect the current trading environment.

The integration of Fazer, acquired in February, has proceeded at a slightly slower pace than anticipated due to the pandemic. Nevertheless, Fazer returned to profitability in September and is on track to deliver the expected synergies.

As a result of the significant volume decline, the underlying operating loss was £29 million. This includes £48 million of contract related non-current asset impairment and onerous contract charges. The underlying operating margin was 0.4% before the contract related non-current asset impairment and onerous contract charges, and negative 0.6% (negative 0.7% excluding the impact of IFRS 16) including these impairments and charges. Encouragingly, since the initial impact of lockdowns in March, the underlying operating margin improved from negative 13% in Q3 to negative 4% in Q4. We have taken the necessary actions to rebuild our margin in the UK to offset the impact of lower reopening rates in Business & Industry and the sustained closure of our Sports & Leisure business with the benefits expected to come through in 2021.

Rest of World – 11.9% Group revenue (2019[1,2]: 12.2%)

	Underlying		Change		
Regional financial summary	**2020**	2019[1,2]	Reported rates	Constant currency	Organic
Revenue	**£2,404m**	£3,067m	(21.6)%	(15.5)%	(7.9)%
Regional operating profit (as reported)	**£94m**	£232m	(59.5)%	(56.1)%	(51.1)%
Regional operating profit (proforma IAS 17)[1]	**£90m**	£232m	(61.2)%	(57.9)%	(53.3)%
Regional operating margin (as reported)	**3.9%**	7.6%	(370)bps		
Regional operating margin (proforma IAS 17)[1]	**3.7%**	7.6%	(390)bps		

1. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.
2. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

Organic revenue declined by 7.9% as the volume impact of the pandemic offset modest growth in Australia and in some countries with Offshore and Remote businesses. The region was not as impacted by the pandemic given that 54% of its revenues are in the Defence, Offshore & Remote and Healthcare & Senior sectors.

New business wins in the year were 5.8%, with strong growth rates in Brazil, Chile and India. Retention for the year was 93.4%, however, we saw a significant improvement in the second half with retention at around 95%.

We took swift actions to adjust our cost base to the new trading environment, especially in Latin America.

Underlying operating profit was £94 million, including £7 million in contract related non-current asset impairment and onerous contract charges. The impact of disposals, mainly the Highway business in Japan, accounted for around £30 million of the underlying operating profit decline. The full year underlying operating margin was 3.9% (3.7% excluding the impact of IFRS 16), or 4.2% before the impact of contract related non-current asset impairment and onerous contract charges. The underlying operating margin in the fourth quarter before the impact of contract related non-current asset impairment and onerous contract charges was 2.8%.

Earnings per share and the dividend

Underlying earnings per share was 18.6 pence, down 77.8% (19.1 pence down 77.2% excluding the impact of IFRS 16) on a constant currency basis due to the impact of the pandemic. Although we recognise the importance of the dividend to our shareholders, we need to balance this with the impact that COVID-19 has had on our business. As a result, as previously reported on 23 April, the Board has decided not to pay a final dividend in respect of the financial year ended 30 September 2020. The Board will keep future dividends under review and will restart payments when it is considered appropriate to do so.

On a statutory basis, operating profit for the year decreased by 81.9% to £294 million due to our lower underlying operating profit, resizing costs, the cost action programme and £24 million negative impact of foreign currency translation, partially offset by a £28 million benefit from the adoption of IFRS 16. Statutory earnings per share was 8.0p, down 88.8%.

Cash

Underlying free cash flow was £213 million. This is significantly lower than last year mainly due to the impact of COVID-19 on profits. Gross capital expenditure for the year was £749 million, 3.7% of revenues. This was spent primarily on contractually committed investment including £70 million on new wins and retention in North America in the fourth quarter. Working capital was a £143 million outflow. This is slightly higher than in previous years as sales and payroll tax deferrals and excellent collections were offset by the impact of having most of our cash business in Sports & Leisure, and Business & Industry closed. Net M&A totalled £450 million. The largest acquisition was Fazer Food Services in the Nordics for £363 million net of cash acquired, offset by £29 million of disposals net of exit costs, with the largest disposal being our highways service business in Japan.

Balance sheet

At 30 September 2020 net debt was £3,006 million, including an additional £939 million due to the implementation of IFRS 16 'Leases'. Net debt to EBITDA was 2.1x (excluding the impact of IFRS 16, net debt to EBITDA would have been 0.4x lower). During the year, we took a series of steps to increase the resilience of our balance sheet. We increased the Group's liquidity from £2,381 million to £4,787 million through a £1,972 million equity raise and £800 million of additional committed and undrawn credit facilities.

We obtained waivers of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test was also waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021.

These measures have increased our resilience and will allow us to weather the crisis, whilst continuing to invest in the business to support our long term growth prospects and enhance our competitive advantages so we can continue to create long term value for all our stakeholders.

In March, we qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF). This was repaid in June with proceeds from the equity raise. The £600 million limit remains available whilst the CCFF remains in place.

We are targeting strong investment grade credit ratings and net debt to EBITDA in the range of 1x -1.5x. Beyond this, our priorities for cash are: (i) invest capital expenditure to support organic growth, (ii) bolt-on M&A opportunities that improve our sector exposure or strengthen our capabilities. At the appropriate time, we will resume the dividend and other returns to shareholders.

People

People are the foundation of our business. The global impact of COVID-19 has tested the strength, resilience and adaptability of our teams more than ever. Our overriding focus has been the safety and wellbeing of our colleagues during these difficult times.

There have been a range of initiatives developed locally to support our People through the crisis. Markets as varied as the UK, Canada, India and Argentina are providing colleagues with support and assistance programmes to help them cope with uncertainty, fear and anxiety.

The pandemic has impacted some of our sectors more than others. We have tried to protect as many jobs as possible. Employees working in units that have been closed have, where possible, been redeployed to other sites where critical work is still required such as Healthcare & Seniors, Education and Defence. Where redeployment has not been possible, support has been provided locally through mechanisms such as employee assistance programmes and hardship funds.

Chief Executive's Statement (continued)

We are committed to hiring, developing and retaining our diverse talent to ensure we have a truly engaged, high performing and fulfilled workforce so we can drive our business forward. This year, we have signed the Race at Work Charter, which has been designed to foster a commitment to improving outcomes for ethnic minority employees in the workplace. Although we continue to progress the levels of representation of women in our senior ranks, there is more we need to do to fully reflect the rich diversity of the communities in which we operate.

Purpose

Our purpose is mainly a social purpose: to keep our people and our consumers safe and healthy, provide healthy food and nutrition, while making the world a better place by protecting the environment and supporting local communities.

We have introduced new protocols to help protect our people and consumers from COVID-19. Working in partnership with our clients, we have transformed thousands of sites around the world to be COVID-19 secure, facilitating social distancing and introducing enhanced hygiene measures. We continue to take measures to protect our employees. Our global Lost Time Incident Frequency Rate has dropped by 42% since 2016.

While the pandemic has resulted in some delays in climate change action in some of our markets, we remain committed to reducing our CO_2 footprint and getting ready to set Science Based Targets to play our part in limiting global warming to below 1.5 °C.

During the pandemic our teams around the world have mobilised resources at scale and with pace to allow us to support governments and Healthcare clients. We have also prepared and delivered food to critical and essential workers, the elderly, vulnerable and those in financial distress, often working in partnership with grassroots support organisations.

As we look ahead, we will focus our efforts further on three priorities: food waste, environmental impact – including climate change - and responsible and resilient sourcing.

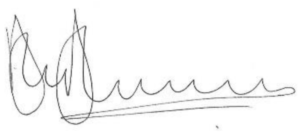
Summary and outlook

The Group has responded admirably to unprecedented circumstances. We supported the front line without compromising on the health and safety of our people, clients and consumers. We acted quickly to mitigate costs, increase our liquidity and strengthen our balance sheet. We have renegotiated contracts to reflect the difficult trading environment while continuing to remain disciplined in terms of costs. These actions, combined with some improvement in volumes, allowed us to return to profitability in the fourth quarter and we are now cash neutral. We continue to execute at pace and expect the underlying operating margin in the first quarter of 2021 to be around 2.5%.

We are taking proactive actions to adapt our operations and control the controllable to ensure the business can thrive despite the pandemic and is well placed for the recovery. We are innovating and evolving our operating model to be more flexible and to provide our clients and consumers with an exciting offer that is delivered safely and provides great value. This, combined with our existing scale, ability to flex costs and focus on operational execution, will allow us to return to a Group underlying margin of above 7% before we return to pre-COVID volumes.

Although much has changed, the Compass model of value creation remains the same. We leverage our scale and focus on best in class operational execution to drive organic revenue growth and margins. This is combined with a disciplined approach to capital allocation that rewards shareholders while supporting reinvestment in the business.

Whilst this crisis has placed significant pressure on the Group in the short term, we are very confident in our medium and long term growth prospects. We remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth, and returns to shareholders over time.



Dominic Blakemore
Group Chief Executive Officer
24 November 2020

Business Review

Compass is well positioned for the future as it addresses the challenges of COVID-19.

Financial summary	2020 £m	2019[1,2] £m	Decrease
Revenue			
Underlying at constant currency	**20,198**	24,769	(18.5)%
Underlying at reported rates	**20,198**	25,152	(19.7)%
Statutory	**19,940**	24,878	(19.8)%
Organic change	**(18.8)%**	6.4%	
Total operating profit			
Underlying at constant currency	**561**	1,852	(69.7)%
Underlying at constant currency (IAS 17 proforma)[1]	**533**	1,852	(71.2)%
Underlying at reported rates	**561**	1,882	(70.2)%
Statutory	**294**	1,626	(81.9)%
Operating margin			
Underlying at reported rates	**2.9%**	7.4%	(450)bps
Underlying at reported rates (IAS 17 proforma)[1]	**2.8%**	7.4%	(460)bps
Profit before tax			
Underlying at constant currency	**427**	1,743	(75.5)%
Underlying at reported rates	**427**	1,772	(75.9)%
Statutory	**210**	1,494	(85.9)%
Basic earnings per share			
Underlying at constant currency	**18.6p**	83.8p	(77.8)%
Underlying at constant currency (IAS 17 proforma)[1]	**19.1p**	83.8p	(77.2)%
Underlying at reported rates	**18.6p**	85.2p	(78.2)%
Statutory	**8.0p**	71.6p	(88.8)%
Free cash flow			
Underlying	**213**	1,247	(82.9)%
Reported	**105**	1,218	(91.4)%
Full year dividend per ordinary share	**-**	40.0p	

1. The Group has adopted IFRS 16 ‘Leases’ with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 ‘Leases’. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

Definitions of underlying measures of performance can be found in the glossary on pages 53 and 54.

Business Review (continued)

Segmental performance

	Underlying revenue[1]		Underlying revenue change[2]		
	2020	2019[3]	Reported	Constant	
	£m	£m	rates	currency	Organic
North America	**12,746**	15,694	(18.8)%	(18.4)%	(18.5)%
Europe	**5,048**	6,391	(21.0)%	(19.9)%	(24.0)%
Rest of World	**2,404**	3,067	(21.6)%	(15.5)%	(7.9)%
Total	**20,198**	25,152	(19.7)%	(18.5)%	(18.8)%

	Underlying operating profit[1]			Underlying operating margin[1]		
	2020	2020[4] (proforma IAS 17)	2019[3,4]	**2020**	2020[4] (proforma IAS 17)	2019[3,4]
	£m	£m	£m			
North America	**606**	588	1,290	**4.8%**	4.6%	8.2%
Europe	**(29)**	(35)	421	**(0.6)%**	(0.7)%	6.6%
Rest of World	**94**	90	232	**3.9%**	3.7%	7.6%
Unallocated overheads	**(85)**	(85)	(80)			
Total before associates	**586**	558	1,863	**2.9%**	2.8%	7.4%
Associates	**(25)**	(25)	19			
Total	**561**	533	1,882			

Statutory and underlying results

	2020			2019[4,5]		
	Statutory £m	**Adjustments £m**	**Underlying £m**	**Statutory £m**	**Adjustments £m**	**Underlying £m**
Revenue	**19,940**	**258**	**20,198**	24,878	274	25,152
Operating profit	**294**	**267**	**561**	1,626	256	1,882
Net gain/(loss) on sale and closure of businesses	**59**	**(59)**	**-**	(7)	7	-
Net finance costs	**(143)**	**9**	**(134)**	(125)	15	(110)
Profit before tax	**210**	**217**	**427**	1,494	278	1,772
Tax	**(75)**	**(41)**	**(116)**	(351)	(62)	(413)
Profit after tax	**135**	**176**	**311**	1,143	216	1,359
Non-controlling interest	**(2)**	**-**	**(2)**	(8)	-	(8)
Attributable profit	**133**	**176**	**309**	1,135	216	1,351
Average number of shares (millions)	**1,658**	**-**	**1,658**	1,586	-	1,586
Basic earnings per share (pence)	**8.0p**	**10.6p**	**18.6p**	71.6p	13.6p	85.2p
EBITDA			**1,418**			2,459
Gross capex			**749**			853
Free cash flow			**213**			1,247

1. Definitions of underlying measures of performance can be found in the glossary on pages 53 and 54.
2. Reconciliation between the different growth rates is provided in note 13.
3. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.
4. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.
5. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

Further details of the adjustments can be found in the consolidated income statement, note 3 segmental reporting and note 12 statutory and underlying results.

Adoption of new accounting standards

The Group has applied the new accounting standard IFRS 16 ’Leases’ using the modified retrospective transition approach, therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

Statutory results

Revenue

On a statutory basis, revenue was £19,940 million (2019: £24,878 million), a decline of 19.8% due to the negative impact of COVID-19.

Operating profit

Operating profit was £294 million (2019[1]: £1,626 million), a decrease of 81.9%, mainly reflecting the negative impact of COVID-19, including a £119 million one off non-cash charge in relation to contract related non-current asset impairment and onerous contract charges. The reduction in operating profit was also driven by the costs associated with the programmes aimed at right sizing the business, partially offset by the savings related to these programmes and a modest benefit from the implementation of IFRS 16.

Statutory operating profit includes non-underlying items of £267 million (2019[1]: £256 million), including a £75 million charge in relation to the continuation of the cost action programme announced in November 2019 (2019: £190 million), COVID-19 resizing costs of £122 million (2019: £nil) and acquisition related costs of £70 million (2019: £54 million). A full list of non-underlying items is included in note 12.

Net gain on sale and closure of businesses

As a result of the strategic review of the business, the Group has continued to sell or exit its operations in a number of countries, sectors or businesses in order to simplify its portfolio. Activity in the period has included the sale of 50% of the Japanese Highways business. The Group has recognised a net gain of £115 million on the sale and closure of businesses (2019: £50 million gain), offset by £56 million of exit costs and asset write downs relating to committed or completed business exits (2019: £57 million).

The Group’s consolidated balance sheet includes assets of £13 million (2019[1]: £135 million) and liabilities of £7 million (2019: £30 million) in respect of businesses held for sale. This decrease is driven by the Group’s decision to pause the disposal of the remaining US laundries and some businesses in Rest of World due to the market volatility caused by COVID-19. As a result, management no longer considers these disposals are highly probable and likely to be completed within 12 months and therefore these businesses are no longer classified as held for sale.

Finance costs

Net finance costs increased to £143 million (2019: £125 million), mainly due to the adoption of IFRS 16 which resulted in an additional £36 million of net interest payable, partially offset by lower interest rates compared to the prior year and a reduction in net debt following the equity raise.

Tax charge

Profit before tax was £210 million (2019[1]: £1,494 million), giving rise to an income tax expense of £75 million (2019: £351 million), equivalent to an effective tax rate of 35.7% (2019[1]: 23.5%). The increase in rate primarily reflects the mix of profits by country taxed at different rates and the higher effective tax rate on sale and closure of businesses.

Earnings per share

Basic earnings per share were 8.0 pence (2019[1]: 71.6 pence), a decrease of 88.8%, mainly as a result of the negative impact of COVID-19 and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

Underlying results

We track our performance against underlying and other alternative performance measures, which we believe better reflect our strategic priorities of growth, efficiency and shareholder returns.

A summary of adjustments from statutory results to underlying results is shown in note 12 on pages 49 and 50 and further detailed in the consolidated income statement (page 30), reconciliation of free cash flow (page 36), note 3 segmental reporting (page 42) and note 13 organic revenue and organic profit (page 51).

Revenue

On an organic basis, revenue decreased by 18.8%, reflecting the negative impact of COVID-19. The steps taken to contain the spread of the virus impacted our sectors in different ways. Revenues in Healthcare & Seniors and Defence, Offshore & Remote were good. Our Education and Business & Industry sectors were mostly closed in April and May, and started to cautiously reopen in June, while Sports & Leisure remained fully closed. In the last quarter of the year, the Group's organic revenue performance improved as clients in Education and Business & Industry began to return to schools and offices in our main markets. By September, all sectors except Sports & Leisure were partially or fully open, representing about 65% of the business. Retention was robust at 95.1% and we have started to see attractive new first time outsourcing opportunities. New business wins were 5.7% and like for like revenue decline was 19.6%.

Operating profit

Underlying operating profit was £561 million (2019: £1,882 million), a decrease of 70.2%, reflecting the impact from COVID-19 and the resulting lower volumes. Operating profit for the year has been negatively impacted by a non-cash charge of £119 million comprising contract related non-current asset impairment (£88 million) and onerous contract charges (£31 million) for contracts impacted by COVID-19 and that are now considered to be structurally loss making.

If we restate 2019's profit at the 2020 average exchange rates, it would decrease by £30 million to £1,852 million. On a constant currency basis, underlying operating profit has therefore decreased by £1,291 million, or 69.7%.

The impact of IFRS 16 for the twelve months of 2020 was to increase underlying operating profit by £28 million.

Operating margin

The operating profit margin was 2.9% (2.8% excluding the impact of IFRS 16), reflecting the impact of COVID-19 (2019: 7.4%). As our business started to reopen and after strong mitigating actions to compensate for lower volumes and relentless focus on cost efficiencies, the business returned to profitability in the fourth quarter.

Finance costs

The underlying net finance cost increased to £134 million (2019: £110 million), mainly due to the adoption of IFRS 16 which resulted in an additional £36 million of net interest payable, partially offset by lower interest rates compared to the prior year and a reduction in net debt following the equity raise.

Tax charge

On an underlying basis, the tax charge was £116 million (2019: £413 million), equivalent to an effective tax rate of 27.2% (2019: 23.3%). The increase in rate primarily reflects the mix of profits by country taxed at different rates. The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

Earnings per share

On a constant currency basis, the underlying basic earnings per share fell by 77.8% to 18.6 pence (2019: 83.8 pence). The decrease is mainly driven by the negative impact of COVID-19 and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

Shareholder returns

Dividends

As a result of the impact of the COVID-19 pandemic, in April 2020, the Board decided not to recommend an interim or final dividend. The Board understands the importance of the dividend to our shareholders and will keep future dividends under review and will restart payments when it is appropriate to do so.

In determining the level of dividend in any year, the Board considers a number of factors, which include but are not limited to:

- the level of available distributable reserves in the Parent Company
- future cash commitments and investment requirements to sustain the long term growth prospects of the business
- potential strategic opportunities
- the level of dividend cover

Further surpluses, after considering the matters set out above, may be distributed to shareholders over time by way of special dividend payments, share repurchases or a combination of both.

Compass Group PLC, the Parent Company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the Parent Company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for dividend payments. The distributable reserves of the Parent Company include the balance on the profit and loss account reserve, which at 30 September 2020 increased to £2,935 million (2019: £1,252 million) mainly due to the placing of new equity on 21 May 2020.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 21 to 29 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 25 to 29.

The Group continues to have substantial available liquidity and it is our ambition to resume dividend payments. While the current uncertainty caused by the COVID-19 situation makes it difficult to accurately forecast the timing and extent of profit recovery, we continue to see good long term opportunities for the business.

Placing of shares

The Group raised net proceeds of £1,972 million through a placing of new ordinary shares on 21 May 2020. The placing comprised 195,667,352 new ordinary shares at a price of £10.25 per share, representing a discount of 3.3% to the middle market price at the time at which the placing price was agreed. The total number of new shares issued represented approximately 12.3% of Compass' existing issued ordinary share capital prior to the capital raise. The proceeds from the placing have strengthened the Group's balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensure Compass remains resilient in the event of further negative developments in the pandemic. These measures will enable Compass to continue to invest in the business to support long term growth, ensuring it is well positioned for the eventual recovery.

Share buyback programme

The Group did not buy any shares during the period under the share buyback programme (2019: £nil). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 6 February 2020.

Share price

The market price of the Group's ordinary shares at 30 September 2020 was £11.69 per share (2019: £20.93 per share).

Free cash flow

Free cash flow totalled £105 million (2019: £1,218 million). During the year, we made cash payments of £108 million in relation to the programmes aimed at right sizing the business (2019: £29 million). Adjusting for this, underlying free cash flow was £213 million, an 82.9% decrease as a result of the impact of COVID-19 on profitability and cash generation. Underlying free cash flow conversion was 38% (2019: 66%).

Gross capital expenditure of £749 million (2019: £853 million) is equivalent to 3.7% (2019: 3.4%) of underlying revenue.

The working capital outflow, excluding provisions and pensions, was £143 million (2019: £59 million inflow) and includes a £234 million benefit from COVID-19 indirect and payroll tax payment deferral schemes available in different countries.

The outflow related to post employment benefit obligations net of service costs was £9 million (2019: £15 million).

The net interest outflow was £137 million (2019: £107 million), of which £36 million relates to interest on lease obligations.

The net tax paid was £228 million (2019: £328 million), equivalent to an underlying cash tax rate of 53% (2019: 19%). The percentage increase is due to changes in the UK's corporation tax instalment regime and tax payments made based on higher profits arising before the COVID-19 outbreak, partially offset by corporate income tax payments deferred as a result of COVID-19.

Acquisitions

The total cash spent on acquisitions in the year, net of cash acquired, was £479 million (2019: £478 million), comprising £480 million of bolt-on acquisitions and investments in associates and £24 million of contingent consideration relating to prior years' acquisitions, offset by £25 million of cash acquired net of transaction costs.

The main acquisition during the year was the purchase of 100% of the issued share capital of Fazer Food Services for an initial consideration of £363 million (€414 million) net of cash acquired. The remaining contingent consideration is payable within seven years and is dependent on the operation of an earn-out. The net present value of the contingent consideration was £56 million (€66 million) at the date of acquisition. Fazer Food Services is a leading food service business in the Nordic region with operations in Finland, Sweden, Norway and Denmark across several sectors including Business & Industry, Education, Healthcare & Seniors and Defence.

Disposals

The Group has continued to simplify its portfolio and has sold 50% of its interest in the Japanese Highways business during the year. The Group received £29 million (2019: £101 million) in respect of disposal proceeds net of exit costs.

At 30 September 2020, the Group has net assets and liabilities totalling £6 million classified as held for sale in relation to certain businesses as these disposals are highly probable and expected to be completed within 12 months.

Financial position

Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The maturity profile of the Group's principal borrowings at 30 September 2020 shows that the average period to maturity is 4.6 years (2019: 5.4 years).

We have taken steps to strengthen the Group's financial position. In March 2020, the Group qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF) which was repaid in June. In April, we put in place an additional Revolving Credit Facility[1] (RCF) of £800 million and as at 30 September 2020 had total undrawn committed credit facilities of £2,800 million. The £600 million CCFF limit remains available whilst the CCFF is open.

We have obtained a waiver of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test has also been waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021. Finally, Standard & Poor reaffirmed our long term (A) and short term (A-1) credit ratings on 24 March (the outlook was changed to Negative) and Moody's A3/P-2 long and short term credit ratings and Stable Outlook remain unchanged.

1. Contains no financial covenants.

In May 2020, the Group completed a £1,972 million equity raise to strengthen the balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensure Compass remains resilient in the event of further negative developments in the pandemic. These measures will enable Compass to continue to invest in the business to support long term growth, ensuring it is well positioned for the eventual recovery.

Proceeds from the equity raised were used to repay: £600 million of CCFF, £350 million of drawn credit facilities and £214 million maturing Commercial Paper.

As of 30 September 2020, the Group had access to £4,787 million in total liquidity, including £2,800 million in undrawn committed bank facilities (2019: £2,000 million), £600 million available in CCFF and £1,387 million in cash net of overdrafts. Our solid financial position will allow us to weather the crisis whilst continuing to invest in the business to strengthen our competitive advantages and support our long term growth prospects.

Net debt

The ratio of net debt to market capitalisation of £20,871 million at 30 September 2020 was 14.4% (2019: 9.8%). Net debt decreased to £3,006 million (2019: £3,272 million) despite £995 million of net debt added on the adoption of IFRS 16, offset by £1,972 million from the equity raise. The ratio of net debt to EBITDA was 2.1x. Our leverage policy is to maintain strong investment grade credit ratings and to target net debt to EBITDA in the range of 1x to 1.5x.

The Group generated £213 million of underlying free cash flow (2019: £1,247 million), including investing £706 million in net capital expenditure, and spent £450 million on acquisitions net of disposal proceeds. £427 million was paid in respect of the final dividend for the 2019 financial year. The remaining £47 million increase in net debt related predominantly to cash spent in relation to the cost action programme and resizing costs (£108 million) partially offset by other non-cash movements and currency translation (£61 million).

Return on capital employed

Return on capital employed was 4.7% (2019: 19.5%) based on net underlying operating profit after tax at the underlying effective tax rate of 27.2% (2019: 23.3%). This decrease mainly reflects the impact of COVID-19 and a 30 bps decrease due to the implementation of IFRS 16. The average capital employed was £8,683 million (2019: £7,380 million).

Post employment benefit obligations

The Group has continued to review and monitor its pension obligations throughout the period, working closely with the trustees and actuaries of all schemes around the Group to ensure appropriate assumptions are used and adequate provision and contributions are made.

The Compass Group Pension Plan (UK) surplus of £441 million (2019: £448 million) and the deficit in the rest of the Group’s defined benefit pension schemes of £251 million (2019: £259 million) have remained relatively unchanged year on year.

The total pensions charge for defined contribution schemes in the year was £118 million (2019: £126 million) and £21 million (2019: £33 million) for defined benefit schemes.

Financial management

The Group manages its liquidity, foreign currency exposure and interest rate in accordance with the policies set out below.

The Group’s financial instruments comprise cash, borrowings, receivables and payables that are used to finance the Group’s operations. The Group also uses derivatives, principally interest rate swaps, forward currency contracts and cross currency swaps, to manage interest rate and currency risks arising from the Group’s operations. The Group does not trade in financial instruments. The Group’s treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group’s financial risks. The Board approves any changes to the policies.

Foreign currency risk

The Group’s policy is to balance its principal projected cash flows by currency to actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary, to implement this policy, forward currency contracts and cross currency swaps are taken out which, when applied to the actual currency borrowings, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into sterling. Where the borrowings are either less than, or equal to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the consolidated income statement.

Non-sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given, and will continue to give, rise to translation differences. The Group is only partially protected from the impact of such differences through the matching of cash flows to currency borrowings.

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group’s projected debt are fixed for one year. For the second and third year, interest rates are fixed within ranges of 30%-70% and 0%-40% respectively.

Group tax policy

As a Group, we are committed to creating long term shareholder value through the responsible, sustainable and efficient delivery of our key business objectives. This will enable us to grow the business and make significant investments in the Group and its operations.

We therefore adopt an approach to tax that supports this strategy and also balances the various interests of our stakeholders including shareholders, governments, employees and the communities in which we operate. Our aim is to pursue a principled and sustainable tax strategy that has strong commercial merit and is aligned with our business strategy. We believe this will enhance shareholder value whilst protecting Compass’ reputation.

In doing so, we act in compliance with the relevant local and international laws and disclosure requirements, and we conduct an open and transparent relationship with the relevant tax authorities that fully complies with the Group’s Code of Business Conduct and Code of Ethics.

After many years of operations, the Group has numerous legacy subsidiaries across the world. Whilst some of these entities are incorporated in low tax territories, Compass does not seek to avoid tax through the use of tax havens. Details of the Group’s related undertakings are listed in note 36 of the Annual Report.

In an increasingly complex international corporate tax environment, a degree of tax risk and uncertainty is, however, inevitable. Tax risk can arise from differences in interpretation of regulations, but most significantly where governments apply diverging standards in assessing intragroup cross border transactions. This is the situation for many multinational organisations. We manage and control these risks in a proactive manner and, in doing so, exercise our judgement and seek appropriate advice from relevant professional firms. Tax risks are assessed as part of the Group’s formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.

Risks and uncertainties

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Group, its shareholders, employees, clients, consumers and other stakeholders.

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 21 to 29.

Related party transactions

Details of transactions with related parties are set out in note 31 of the consolidated financial statements in the 2020 Annual Report. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Going concern

The uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis in its financial statements. The factors considered by the directors in assessing the ability of the Group to continue as a going concern are included in note 1.

The Group has access to considerable financial resources together with longer term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully during this period of uncertainty.

Based on the assessment discussed in note 1, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the viability of the Group, taking into account the Group's current position, the latest three year strategic plan, and the potential impact of the principal risks documented on pages 21 to 29. Based on this assessment, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 September 2023.

Group's strategic planning process

The Board considers annually and on a rolling basis a three year, bottom up strategic plan. Current year business performance is reforecast during the year and a more detailed budget is prepared for the following year. The most recent financial plan was approved by the Board in September 2020 and subsequently updated in November 2020 in the light of the recent resumption of lockdowns in some of our major markets. The directors acknowledge the heightened uncertainty of the Group's strategic plans in the current environment and as a result have considered a range of different scenarios. The plan is reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the management team. Part of the Board's role is to consider the appropriateness of key assumptions, considering the external environment, business strategy and model including the impact of COVID-19.

Period of assessment

The directors have determined that a three year period to 30 September 2023 is an appropriate period over which to provide its viability statement. Having considered whether the assessment period of three years should be extended in light of COVID-19, it is the directors' view that three years is an appropriate period given this is the period reviewed by the Board in its strategic planning process and is also aligned to the Group's typical contract length (three to five years). The directors believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

Viability assessment and COVID-19

In making this assessment, the Board carried out a robust evaluation of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The output of the strategic plan is used to perform a central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results consider the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

While the review has considered all the principal risks identified by the Group, there was a focus on how the COVID-19 pandemic risk could impact the Group's future financial performance and cash flows under different scenarios. As a result, COVID-19 severe yet plausible downside sensitivities have been applied to the three year plan approved by the Board. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the COVID-19 pandemic.

The COVID-19 downside sensitivities have been assumed to occur over the same three year period in order to assess the Group's ability to withstand multiple challenges.

In the three year plan approved by the Board, consistent with current trading patterns, the business that is closed is assumed to continue reopening in a phased manner and gradually recover. Given the three year plan is most sensitive to changes in the duration and severity of the impact of the pandemic, a prudent approach has been taken to stress test this three year plan with downside scenarios as explained below:

- **'additional global wave' scenario**: assumption that a further global wave of infections and government enforced restrictions occurs in financial year 2021 and lasts for a full quarter, with trading patterns and subsequent recovery mirroring that experienced during the first global wave. This scenario mirrors the experience of the first global wave experienced in all major markets at the same time
- '**prolonged downturn' scenario:** assumes that, after an additional global wave scenario, the number of sites open, occupation levels and volumes do not recover above 75% for the rest of the three year period

The impact of the COVID-19 downside scenarios has been reviewed against the Group's projected liquidity headroom, credit ratings and financial covenants over the three year viability period. Should these scenarios occur, the Group continues to retain sufficient committed headroom on liquidity with mitigating actions it can deploy.

Mitigating actions were identified as the COVID-19 pandemic emerged as part of the contingency planning that the Group has been undertaking, which considered both feasibility and timeframe to execute. Mitigating actions available include, but are not limited to, reducing planned capital spend, resizing the cost base of the Group, reducing or pausing M&A activity, securing additional committed funding and reducing or pausing shareholder returns. During the current financial year, all such actions have been deployed as part of the Group's response to COVID-19, along with the £1,972 million equity raise.

As the pandemic emerged, in order to strengthen the Group's financial position in March 2020, the Group put in place an additional RCF of £800 million and obtained a £600 million limit under the CCFF. As at 30 September 2020 the Group had total undrawn committed credit facilities of £2,800 million, an unutilised £600 million CCFF limit, and £1,387 million cash net of overdrafts.

In May 2020, the Group completed a £1,972 million equity raise to strengthen the balance sheet and reduce leverage to deal with the challenging environment and ensure the Group remains resilient in the event of further negative developments in the pandemic.

In the event that any of the downside scenarios modelled materialise and financial covenants on the Group's US Private Placement (USPP) debt come under pressure, various alternatives exist to manage this risk including repaying the loan notes from available liquidity in advance of their maturity, negotiating further covenant waivers or refinancing the debt. The Group was successful in obtaining a waiver of the leverage covenant test in the USPP agreements for the September 2020 and March 2021 test dates. The interest cover covenant was also waived for September 2020 and reset for March 2021.

Standard & Poor reaffirmed the Group's long term (A) and short term (A-1) credit ratings on 24 March (the outlook was changed to Negative) and Moody's A3/P-2 long and short term credit ratings and Stable Outlook remain unchanged.

The combination of strong investment grade credit ratings and a well established presence in the debt capital markets provide the directors with confidence that the Group could raise additional debt finance if required.

The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. Furthermore, the Group's business model is structured so that the Group is not reliant on one particular group of clients or sector. The Group's largest client constitutes only 2.7% of Group revenue and the Group's top 10 clients account for less than 11% of Group revenue.

The Audit Committee reviews the output of the viability assessment in advance of final evaluation by the Board. Having reviewed the current performance, forecasts, debt servicing requirements, total facilities and risks, the Board has a reasonable expectation that the Group has adequate resources to continue in operation, meet its liabilities as they fall due and retain sufficient available cash across all three years of the assessment period.

The Board therefore has a reasonable expectation that the Group will remain viable over the three year period of assessment.

Karen Witts
Group Chief Financial Officer
24 November 2020

Risk Management

Identifying and managing risk

The Board continues to take a proactive approach to risk management, with the aim of protecting the Group's employees and consumers and safeguarding the interests of the Company and its shareholders in what is a constantly changing environment.

Risk management is an essential element of business governance and, as set out in the Corporate Governance section, the Group has risk management processes in place, supported by policies and procedures to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business.

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

In compliance with provision 28 of the UK Corporate Governance Code 2018, the Board has carried out a robust assessment of the Company's emerging and principal risks. The paragraphs below set out the Board's approach to assessing risk, the principal risks of the Company and the procedures in place to identify emerging risks.

Risk governance framework

The Group runs a formal risk management process, as part of which the Group's principal risks (highlighted on pages 25 to 29) are assessed and prioritised, with the Board having overall responsibility for risk management.

Risks are reviewed by country and regional leadership teams on an ongoing basis and are assessed to identify and document corresponding mitigating actions. Risk updates form an integral part of periodic management reviews and are also reviewed by other members of the Group's senior leadership, the Group's Risk Committee and the Regional/ Group Governance Committees. Additional reviews are performed by Group Internal Audit. This bottom up and top down approach provides awareness and agreement on key risks facing the Group.

A critical component of the risk review process is the dynamic identification of developing and emerging risks at a country, regional and global level. The findings of the risk reviews, including the principal risks and any developing trends, are reported to and considered by the Board twice a year.

Risk appetite

The Board interprets appetite for risk as the level of risk that the Company is willing to take in order to meet its strategic goals. The Board communicates its approach to and appetite for risk to the business through the strategy planning process and the internal risk governance and control frameworks. Through this process there is a robust approach to risk assessment and mitigation, whilst maintaining sufficient flexibility to continue to promote the entrepreneurial spirit which supports the Company's strategic priorities, including positioning the business for growth. Risk appetite, principal operational risks and risk assurance are discussed in further detail in the Audit Committee Report on pages 92 to 103 of the 2020 Annual Report.

Emerging risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk governance frameworks and processes, and through direct feedback from management including changing operating conditions, market and consumer trends.

In respect of emerging risk, the Board is cognisant of structural changes in many of our markets, particularly in business and industry, where working practices are changing, which include an increase in working from home. This trend has been greatly accelerated by the COVID-19 pandemic, and working habits and trends may not fully revert to their pre-COVID-19 position. In addition, office and other work sites may become smaller and more numerous. Furthermore, competition from online food vendors offering delivery services is an increasing trend, which may compete with our established premises in Business & Industry, Healthcare & Seniors and Education.

To mitigate the risk to the business of changes in consumer habits, we are adapting our service offering and evolving our strategy to meet the needs of our clients and consumers while continuing to create long term value. We are focused on innovation and have invested in technology, our supply chain and our ability to scale solutions that take advantage of emerging trends in the food service sector and ensure we continue to delight our existing and future clients and consumers.

Risk Management (continued)

We perceive climate change as an emerging risk and foresee that it may have an impact on the Group's operations, food sourcing and our supply chain in some of our markets. In turn, this could affect the availability of some food products, and potentially may lead to food cost inflation. To mitigate this risk, we will focus on evaluating our exposure to climate change, and will seek to identify potential future issues early so that our sourcing and operations can be adjusted, and our menus adapted appropriately. Climate change is important to us as a business and to our clients, and we will continue to work with our clients to propose, execute and measure solutions to support their efforts and ours in reducing greenhouse gas emissions.

Our principal risks

On pages 25 to 29 we set out the principal risks and uncertainties facing the business at the date of this announcement and any changes to the status of these risks since 2019. These have been subject to robust assessment and review.

They do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or which are considered to be remote or are deemed to be less material at the date of this announcement, may also have an adverse effect on the Group.

COVID-19 pandemic risk

Throughout the COVID-19 pandemic, our priority has remained the health and safety of our employees and consumers and we continue to manage the business to protect the interests of all our stakeholders, including our shareholders, our people, clients, consumers and the communities in which we operate.

The Group's operations have been significantly disrupted as a result of the rapid development and global impact of the pandemic. During the pandemic, much of our business has been closed, and sites that are open are operating with enhanced health and safety protocols and Personal Protective Equipment (PPE) requirements. The performance of our Business & Industry, Education and Sports & Leisure sectors has been particularly affected by containment and social distancing measures. Excluding Sports & Leisure we have seen improvement, but we anticipate that changes to the market and consumer trends may require us to adapt some of our service offerings.

We moved quickly to mitigate the disruption and our ability to adapt helped us to adjust our operations to the changed environment, implementing a wide range of actions to mitigate a risk to the business which continues to evolve.

Employees

To try to protect as many jobs as possible and to facilitate mobilisation of the business at the appropriate time, steps have been taken to retain the skills and experience of our colleagues. Employees working in units that remain closed have, where possible, been redeployed to other sites where critical work is required e.g. in Healthcare and Education, and where this has not been possible, by the use of furlough according to local government support schemes and labour regulations. Our regions provide a variety of support mechanisms through employee assistance programmes and many have established funds and other mechanisms to support employees who face financial difficulties as a result of these actions.

In line with local government and public health guidance, provisions are in place throughout our operations to safeguard the health and safety of employees globally, including travel restrictions, remote working and ensuring our operations are COVID-19 secure, to help prevent the spread of the virus. Where we are able to operate on site, we have stepped up our health and safety protocols to ensure our employees, clients and consumers remain safe. Additional measures to combat the spread of the virus will continue to operate in line with local government and public health guidance.

Locally, there has been an increased focus on providing mental health awareness, stress management and resilience toolkits, whilst individual support has been provided through employee assistance programmes and our local People teams. We have also implemented a small number of employee retention arrangements for critical employees.

Profitability and liquidity

We have implemented action plans to mitigate a significant proportion of our cost base in order to preserve the profitability and liquidity of the Group and we continue to review our cost base for additional savings. All non-business critical capital expenditure and M&A activity has been significantly reduced or paused.

We reduced our cost base by taking a wide range of actions including: (i) limiting the use of variable forms of in unit labour (MAP 4) such as overtime, redeploying or furloughing much of the fixed element of our in unit labour; (ii) reducing in unit overheads (MAP 4) such as rent, rates and concession fees and (iii) reducing salary, hours or furloughing above-unit overhead (MAP 5) employees.

The Board decided not to recommend an interim or a final dividend for the year ended 30 September 2020 to preserve capital to ensure that the medium to long term interests of the Company are protected for the benefit of investors and other stakeholders.

The Group proactively managed its working capital, applying for government support packages such as temporary wage subsidy schemes and tax payment deadline extensions where possible.

In addition, a number of steps were taken to strengthen the Group's liquidity and increase the resilience of our balance sheet:

- in March, the Group obtained a £600 million limit under the Bank of England's Covid Corporate Financing Facility (CCFF). This was drawn down in March and repaid in June
- in April, we put in place an additional Revolving Credit Facility (RCF) of £800 million and, as at the date of this announcement, we have total undrawn committed credit facilities of £2,800 million
- in May, we obtained waivers of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test has also been waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021
- as announced on 19 May 2020, the Company raised £1,972 million by way of an equity placing, subscription and retail offer

The Company has further strengthened its position by undertaking the following actions:

- extending the maturity date on the Group's £2,000 million RCF (£1,860 million expires in 2025 and £140 million expires in 2024)
- increasing the Company's Commercial Paper programme from $2,000 million to $4,000 million and its Euro Medium Term Note programme from £4,000 million to £6,000 million.

Together, these measures will ensure that we remain resilient in the event of further negative developments in the pandemic. The Board will continue to monitor the situation and to adjust the Company's capital and liquidity strategy as appropriate to deal with the situation as it evolves.

Governance and operational effectiveness
Robust incident management and business continuity plans were quickly implemented throughout our business to safeguard governance processes and operational effectiveness. Regional and country management and Group Executive Committee and Board meetings have been, and continue to be, conducted remotely (where necessary) on a more regular basis, to ensure that the Group is able to respond to any immediate or emerging concerns and to closely monitor the effectiveness of strategic measures. Special measures that were put in place as a short term response to counter the initial severity of the COVID-19 outbreak, including remote working, are still in operation where necessary and are working effectively.

Before lockdown, we performed business continuity tests to ensure that our technology infrastructure could support the shift to mass working from home. We have accelerated the adoption of digital diagnostics and monitoring to reduce the possibility of an attack on our technology estate and we continue to closely monitor our infrastructure and any reliance we have on third parties to ensure continuity of business critical systems and processes.

Our people have been instrumental in the smooth transition to remote working. With support from our IT colleagues, we have quickly adapted to using videoconferencing and other forms of digital technology and, in the process, have demonstrated that we are able to work efficiently away from the office.

As a result of these special measures, business usage of and reliance on the internet has risen, leading to a significant increase in the number of sophisticated malware and phishing attacks across all organisations. To mitigate the risk of these types of attacks, we have increased our awareness campaigns to help our employees be better equipped to identify these attacks. We are using the lessons learned from those exercises to target areas for improvement in our awareness campaigns.

Planning for the unknown
The speed with which countries and their governments have responded to the threat of COVID-19 and the severity of the containment measures imposed arise from the complexity of the factors involved, which include devolved decision making at country and local government level, cultural issues and financial considerations. This has meant the rate at which communities and businesses are able to return to a level of normality is different not only at country, but also at local level. Because of this, it is difficult to predict when we will return to a pre-COVID normality. Experience has demonstrated that the full threat of the virus is not yet completely understood and that further outbreaks are leading to the re-introduction of the stricter measures that were in force in many of our markets in April and May. As a precautionary measure, to test our resilience and safeguard our resource, we are modelling on this basis and will continue to plan and evolve our strategy accordingly.

Risk Management (continued)

Due to the unpredictable nature of the virus and the complexity of factors involved, we believe that the COVID-19 pandemic represents a principal risk to the Group. We have taken the lessons learned from our business response and have incorporated them into our risk management processes and procedures to mitigate the impact of this risk as far as possible in the event of further outbreaks of COVID-19, or another pandemic. With respect to managing the COVID-19 risk, we will continue to monitor recurrence of the virus, and will retain the ability to adapt our service offering, employ relevant health and safety precautions and deploy resources as necessary. Our prudent financial controls and robust modelling scenarios will assist us in accounting for this risk.

Brexit

The impact of the UK's decision to exit the European Union (Brexit) remains high on our agenda. The Board continues to view the potential impact of Brexit as an integral part of our principal risks rather than as a standalone risk.

The UK has left the EU and remains in a period of transition until 31 December 2020. The UK Government has made a number of announcements that could impact food and beverage costs from 1 January 2021 including customs checks, tariffs and new immigration policies. We perceive the main risks as a potentially reduced range of fresh produce, increased costs and tariffs, and price increases in locally sourced produce in line with increased demand. In our risk mitigation planning we have sought to ensure that our key suppliers have the correct customs documentation in place for 1 January 2021, and have planned for increased stock holding and possible menu changes in case of delays in supply through UK ports. We retain our ability to adapt our menu planning and sourcing to mitigate the risk of supply chain issues arising from the impact of Brexit. The Board will continue to monitor the potential impact and the Company will take necessary mitigating actions as appropriate.

Other principal risks

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Other than the impact of the COVID-19 pandemic, the principal risks affecting the Group during the year were consistent with those reported in the 2019 Annual Report and in the 2020 half year results announcement. All risks disclosed in previous years can be found in the annual reports available on our website www.compass-group.com. We recognise that these risks remain important to the business and they are kept under regular review. However, we have focused the disclosures on pages 25 to 29 on those risks that are currently considered to be more significant to the Group.

Principal Risks

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk

Link to map
- ① Client sales and marketing
- ② Consumer sales and marketing
- ③ Cost of food
- ④ In unit costs
- ⑤ Above unit overheads

RISK AND TREND	DESCRIPTION	MITIGATION
HEALTH AND SAFETY		
Pandemic COVID-19 **2020** Increased risk 2019 Static risk People ① Performance ② Purpose ③ ④ ⑤	The Group's operations have been significantly disrupted as a result of the rapid global development of the COVID-19 pandemic and associated containment initiatives. Further outbreaks of the virus, or another pandemic could cause further business risk. Where there is a COVID-19 impact on the other principal risks contained within this table, we have provided an explanation of what the impact is and the mitigations.	Operations and working practices have been adjusted to retain the skills and experience of our colleagues and provide flexibility in the event of a resumption of social containment measures. To protect our employees, clients and consumers, enhanced health and safety protocols and Personal Protective Equipment (PPE) requirements and guidelines, hygiene requirements and site layout solutions have been adopted. Careful management of the Group's cost base and robust measures to protect the Group's liquidity position have ensured that we remain resilient and well placed to take advantage of appropriate opportunities as they arise. Robust incident management and business continuity plans are in place and are being monitored for effectiveness and reviewed to reflect best practice.
Health and safety **2020** Increased risk 2019 Static risk People ① Performance ② Purpose ③ ④ ⑤	Compass feeds millions of consumers and employs hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount. Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to our reputation.	Management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items. Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. The safety and quality of our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity. In 2020, we launched refreshed versions of the Group's Global Safety Standards, Global Supply Chain Integrity standards and a new Global Allergen Management Plan.
COVID-19 impacts	*Appropriate measures must be adopted by societies and businesses to help prevent the spread of the virus.*	*In response to COVID-19, we have adopted enhanced health and safety protocols and hygiene measures in our sites and operations, which have been developed in consultation with expert advisors and with our clients.*
PEOPLE		
Recruitment **2020** Static risk 2019 Increased risk People ④ Performance ⑤	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses in some key positions due to a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business.	The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology such as apps and social media, and by targeted recruitment, training and development programmes.

Principal Risks (continued)

Key

- People
- Performance
- Purpose
- Increased risk
- Static risk

Link to MAP

① Client sales and marketing
② Consumer sales and marketing
③ Cost of food
④ In unit costs
⑤ Above unit overheads

RISK AND TREND	DESCRIPTION	MITIGATION
PEOPLE (continued)		
Retention and motivation **2020** Increased risk 2019 Static risk People, Performance ④ ⑤	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group. The current economic conditions may increase the risk of attrition in critical senior management positions.	The Group has established tools, training, development, performance management and reward programmes to help retain, develop, motivate and support our best people. The Group has a number of well established initiatives which help us to monitor the level of engagement and to respond to our people's needs. Specifically, we have increased our local focus and employee support on mental health awareness, stress management and resilience, to better equip our people in times of uncertainty and change.
COVID-19 impacts	*The closure of substantial parts of the business during the year had a significant impact on the Company's workforce.*	*We employed a number of measures available to us to retain as many of our skilled workforce as possible, including redeployment and use of government furlough schemes.*
CLIENTS AND CONSUMERS		
Sales and retention **2020** Static risk 2019 Static risk People, Performance ① ②	Our business relies on securing and retaining a diverse range of clients. The potential loss of material client contracts in an increasingly competitive market is a risk to the business.	We have strategies that strengthen our long term relationships with our clients and consumers based on quality, value and innovation. Our business model is structured so that we are not reliant on one particular sector or group of clients. We are using technology to support the delivery of efficiencies and to contribute to growth through, for example, cashierless and cashless payment systems and the use of artificial intelligence. This benefits our clients and consumers and positively impacts retention and new business wins. Compass continues to focus on financial security and safety. In today's environment these are key strengths for our clients.
COVID-19 impacts	*Lower revenues may result from COVID-19 restrictions due to reduced office attendance, closure of client sites and fewer site visitors.*	*Contracts may be renegotiated. We continue to focus on retention and new sales opportunities as clients move to outsource in-house catering and increasing the use of technology and innovative client solutions such as cashless and cashierless payment systems and food delivery applications.*
Bidding **2020** Static risk 2019 Static risk Performance ① ②	Each year, the Group bids for a large number of opportunities.	A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical) and rewards, prior to approval at an appropriate level in the organisation.
Service delivery and contractual compliance **2020** Static risk 2019 Static risk Performance, Purpose ① ②	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to the loss of business and/or claims.	Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.

Principal Risks (continued)

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk

Link to
① Client sales and marketing
② Consumer sales and marketing
③ Cost of food
④ In unit costs
⑤ Above unit overheads

RISK AND TREND	DESCRIPTION	MITIGATION
CLIENTS AND CONSUMERS (continued)		
Competition and disruption **2020** 2019 ① ② ③ ④ ⑤	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. Structural changes in working and education environments may reduce the number of people in offices. The emergence of new industry participants using disruptive technology could adversely affect our business.	We aim to minimise this and to respond to new market and consumer food services trends by continuing to promote our differentiated propositions and by focusing on our strengths, such as flexibility in our cost base, quality, value of service and innovation. We are using our knowledge and experience and continue to invest in technology which will help us to counter any potential risk and to capitalise on the opportunities created. Compass continues to evolve its offer to increase participation rates and service sites of different sizes.
COVID-19 impacts	*Numerous clients have been significantly impacted by COVID-19. Long term changes in working practices could affect service provision in some sectors.*	*The business is able to adapt to changes in the service provision environment, and leverage expertise and technology to mitigate the risk and where possible take advantage of changes in the market.*
ECONOMIC AND POLITICAL ENVIRONMENT		
Economy **2020** 2019 ① ② ③ ④ ⑤	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions has increased the risk to the business in some jurisdictions.	As part of our strategy, we are focused on productivity and purchasing initiatives which help us to manage our cost base. During adverse conditions we can, if necessary, take actions to reduce labour costs.
COVID-19 impacts	*The full extent of the financial impacts of COVID-19 on economies worldwide is as yet unknown.*	*We have implemented action plans to protect the profitability and liquidity of the Group and mitigate a significant proportion of our cost base. We continue to review our cost base for additional savings.*
Cost inflation **2020** 2019 ③ ④ ⑤	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or food, could constitute a risk to our ability to do this. Increases in inflation continue to intensify cost pressures in some locations.	As part of our MAP framework and by sharing best practice across the Group, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and with the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.
COVID-19 impacts	*COVID-19 has disrupted inflation trends requiring inflation cost indexing to react to food supply chain and country labour changes. Near term inflation may be higher than historical averages.*	*We anticipate that our cost action programmes and continued oversight over supply chain costs will assist us in taking appropriate action to mitigate the risks in the market.*

Principal Risks (continued)

Key

- People (yellow)
- Performance (purple)
- Purpose (red)
- Increased risk
- Static risk

Link to map

① Client sales and marketing
② Consumer sales and marketing
③ Cost of food
④ In unit costs
⑤ Above unit overheads

RISK AND TREND	DESCRIPTION	MITIGATION
ECONOMIC AND POLITICAL ENVIRONMENT (continued)		
Political stability **2020** Increased risk 2019 Increased risk People ① Performance ② Purpose ③ ④ ⑤	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability caused, for example, by the UK's decision to leave the EU. We have identified a potential impact on our food supply chain in the UK relating to Brexit through potential increased import costs from weaker sterling, compounded by potential new import duties and tariffs, and on our labour force from labour shortages and salary cost pressures. Political instability around the world remains a risk as a result of continuing geopolitical tensions.	The Group remains vigilant to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy. We are monitoring the change in the political landscape in the USA. We are taking actions to assess and mitigate against any impact of Brexit, including engaging with key suppliers and wholesalers to identify Brexit readiness, stock levels, labour strategies and remediation plans. Where possible, we seek to absorb price increases through operational efficiencies, and cost indexation in our contracts also gives us the contractual right to review pricing with our clients. We have in place recruitment and retention strategies to mitigate any impact on our labour supply.
COVID-19 impacts	*The stress placed on political systems to combat the social and economic impacts of COVID-19 may result in increased political instability in some regions.*	*We remain vigilant to changes in local jurisdictions and retain the flexibility to take appropriate mitigating action as necessary.*
COMPLIANCE AND FRAUD		
Compliance and fraud **2020** Static risk 2019 Static risk People ① Performance ② Purpose ③ ④ ⑤	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption could have an adverse effect on the Group's reputation. It could also result in an adverse impact on the Group's performance, and a reduction in the Company's share price and/or a loss of business. A failure to manage these risks could adversely impact the Group's performance if significant financial penalties are levied or a criminal action or other litigation is brought against the Company or its directors.	The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. We operate a continuous improvement process as part of our Group's Ethics and Compliance programme to enhance and strengthen our culture of compliance sharing lessons learned with our regional and country management teams. The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Emerging regulatory and compliance risks are included in this process to enable visibility and planning to address them. A strong culture of integrity is promoted through our Ethics and Compliance programme and our independently operated Speak Up helpline. All alleged breaches of the Codes, including any allegations of fraud, are investigated and dealt with appropriately. Regulation and compliance risk is also considered as part of our annual business planning process.
COVID-19 impacts	*Companies face increased risk of fraud and corruption, both internally and externally, due to financial pressures and changes to ways of working.*	*As part of our ongoing process of continuous improvement, we have implemented a new Ethics and Compliance e-learning platform to provide increased engagement on key regulatory and compliance topics for our employees and to communicate our standards and expectations clearly. Internal Audit regularly reviews internal controls and analyses financial transactions to mitigate the risk of error or fraud.*

Principal Risks (continued)

Key

- People
- Performance
- Purpose
- Increased risk
- Static risk

Link to map

① Client sales and marketing
② Consumer sales and marketing
③ Cost of food
④ In unit costs
⑤ Above unit overheads

RISK AND TREND	DESCRIPTION	MITIGATION
COMPLIANCE AND FRAUD (continued)		
International tax **2020** 2019 ③ ⑤	The international corporate tax environment remains complex and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. We note in particular the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with relevant laws and disclosure requirements. We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.
COVID-19 impacts	*Multiple initiatives to assist businesses have been introduced across tax jurisdictions in response to the COVID-19 pandemic.*	*We are proactively managing our tax arrangements in accordance with these various government led initiatives and ensure compliance is achieved by putting robust processes and controls in place, including third party support and review.*
INFORMATION SYSTEMS AND TECHNOLOGY		
Information systems and technology **2020** 2019 ① ② ③ ④ ⑤	The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day to day operations and management decision making. The use of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data.	We continually assess our cyber risk and manage the maturity of our enterprise infrastructure, platforms and security controls to ensure we can effectively defend against any current or future cyber attacks. We also have in place appropriate crisis management procedures to handle issues in the event of our defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts. The Group relies on a variety of digital and technology platforms to manage and deliver services and communicate with our people, clients, consumers and suppliers. Our decentralised model and infrastructure help to mitigate propagation of attacks across the Group's technology estate. We continue to be focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and have increased our investment in technology and people to strengthen our platforms and enhance our cyber security defences to mitigate the risk of technology failure and data loss.
COVID-19 impacts	*The increase in remote working has led to an increase in the risk of malware and phishing attacks across all organisations.*	*We have implemented configuration changes to block phishing emails, increased awareness campaigns to help our people identify these types of attacks and are targeting areas for further improvement in the development of our awareness campaigns.*

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £m	2019[1,2] (restated) £m
Combined sales of Group and share of equity accounted joint ventures	3, 13	**20,198**	25,152
Less: share of sales of equity accounted joint ventures		**(258)**	(274)
Revenue		**19,940**	24,878
Operating costs	7	**(19,650)**	(23,308)
Operating profit before joint ventures and associates		**290**	1,570
Share of profit after tax of joint ventures and associates		**4**	56
Operating profit		**294**	1,626
Underlying operating profit[3]	3, 12, 13	**561**	1,882
Acquisition related costs	12	**(70)**	(54)
One-off pension charge	12	**-**	(12)
Cost action programme and COVID-19 resizing costs	7, 12	**(197)**	(190)
Net gain/(loss) on sale and closure of businesses	11	**59**	(7)
Finance income		**10**	12
Finance costs		**(144)**	(122)
Other financing items loss		**(9)**	(15)
Profit before tax		**210**	1,494
Income tax expense	4	**(75)**	(351)
Profit for the year		**135**	1,143
ATTRIBUTABLE TO			
Equity shareholders of the Company		**133**	1,135
Non-controlling interests		**2**	8
Profit for the year		**135**	1,143
BASIC EARNINGS PER SHARE (PENCE)	5	**8.0p**	71.6p
DILUTED EARNINGS PER SHARE (PENCE)	5	**8.0p**	71.5p

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
3. Underlying operating profit excludes acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs, but includes share of profit after tax of associates and operating profit before tax of joint ventures. The reconciliation between statutory and underlying results is provided in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 £m	2019[1,2] (restated) £m
Profit for the year	**135**	1,143
Other comprehensive income		
Items that are not reclassified subsequently to the income statement		
Remeasurement of post employment benefit obligations – loss	**(96)**	(357)
Return on plan assets, excluding interest income – gain	**78**	425
Tax on items relating to the components of other comprehensive income	**(4)**	(10)
Change in fair value of financial assets at fair value through other comprehensive income	**(9)**	-
	(31)	58
Items that are or may be subsequently reclassified to the income statement		
Currency translation differences[3]	**(204)**	131
Reclassification adjustment for movements in foreign exchange on sale of businesses	**(14)**	6
Tax on items relating to the components of other comprehensive income	**(2)**	(2)
	(220)	135
Total other comprehensive (loss)/income for the year	**(251)**	193
Total comprehensive (loss)/income for the year	**(116)**	1,336
ATTRIBUTABLE TO		
Equity shareholders of the Company	**(118)**	1,328
Non-controlling interests	**2**	8
Total comprehensive (loss)/income for the year	**(116)**	1,336

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
3. Includes gain of £47 million in relation to the effective portion of the net investment hedge (2019: loss of £133 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares[1] £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 30 September 2019, as reported[2,3]	176	182	295	(4)	4,362	(1,676)	27	3,362
Restate equity accounting[3]	-	-	-	-	-	25	-	25
At 1 October 2019, restated[2,3]	176	182	295	(4)	4,362	(1,651)	27	3,387
Profit for the year	-	-	-	-	-	133	2	135
Other comprehensive income								
Currency translation differences	-	-	-	-	(204)	-	-	(204)
Remeasurement of post employment benefit obligations – loss	-	-	-	-	-	(96)	-	(96)
Return on plan assets, excluding interest income – gain	-	-	-	-	-	78	-	78
Tax on items relating to the components of other comprehensive income	-	-	-	-	(2)	(4)	-	(6)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	-	(14)	-	-	(14)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(9)	-	(9)
Total other comprehensive loss	-	-	-	-	(220)	(31)	-	(251)
Total comprehensive (loss)/income for the year	-	-	-	-	(220)	102	2	(116)
Fair value of share-based payments	-	-	-	-	(2)	-	-	(2)
Tax on items taken directly to equity	-	-	-	-	-	(2)	-	(2)
Change in the fair value of non-controlling interests put options	-	-	-	-	8	-	-	8
Purchase of own shares to satisfy employee share-based payments	-	-	-	(1)	-	-	-	(1)
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(3)	-	-	(3)
Shares issued, net of expenses[4]	22	7	-	-	1,943	-	-	1,972
Transfer of merger reserve to retained earnings[4]	-	-	-	-	(1,943)	1,943	-	-
	198	189	295	(5)	4,145	392	29	5,243
Dividends paid to shareholders (note 6)	-	-	-	-	-	(427)	-	(427)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
Own shares issued under share schemes	-	-	-	3	-	-	-	3
At 30 September 2020	198	189	295	(2)	4,145	(35)	23	4,813

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[5] £m	Non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2019[2]	259	4,170	7	5	(79)	4,362
Other comprehensive income						
Currency translation differences	-	-	-	(204)	-	(204)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	(14)	-	(14)
Tax on items relating to the components of other comprehensive income	-	-	-	(2)	-	(2)
Total other comprehensive loss	-	-	-	(220)	-	(220)
Fair value of share-based payments	(2)	-	-	-	-	(2)
Change in the fair value of non-controlling interests put options	-	-	-	-	8	8
Release of share awards settled in existing shares purchased in the market	(3)	-	-	-	-	(3)
Shares issued, net of expenses[4]	-	1,943	-	-	-	1,943
Transfer of merger reserve to retained earnings[4]	-	(1,943)	-	-	-	(1,943)
At 30 September 2020	254	4,170	7	(215)	(71)	4,145

1. Own shares held by the Group represent 147,058 ordinary shares in Compass Group PLC (2019: 187,455 ordinary shares) and are held by the Compass Group PLC All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 30 September 2020 was £1.7 million (2019: £3.9 million). The nominal value held at 30 September 2020 was £16,250 (2019: £20,714).
2. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
3. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
4. In May 2020, the Company issued 195,667,352 new ordinary shares of 11 $^{1}/_{20}$ pence each, comprising the 'Placing shares', the 'Subscription shares' and the 'Retail offer shares'. No share premium was recorded in relation to the Placing shares and the premium over the nominal value of these shares was credited to merger reserve and subsequently recognised in retained earnings as the Company was able to rely on Section 612 of the Companies Act 2006.
5. Includes loss of £621 million (2019: loss of £668 million) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Attributable to equity shareholders of the Company							
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2018[1]	176	182	295	-	4,208	(2,234)	25	2,652
Profit for the year[2]	-	-	-	-	-	1,135	8	1,143
Other comprehensive income								
Currency translation differences	-	-	-	-	131	-	-	131
Remeasurement of post employment benefit obligations – loss	-	-	-	-	-	(357)	-	(357)
Return on plan assets, excluding interest income – gain	-	-	-	-	-	425	-	425
Tax on items relating to the components of other comprehensive income	-	-	-	-	(2)	(10)	-	(12)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	-	6	-	-	6
Total other comprehensive income	-	-	-	-	135	58	-	193
Total comprehensive income for the year[2]	-	-	-	-	135	1,193	8	1,336
Fair value of share-based payments	-	-	-	-	27	-	-	27
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	-	-	(1)	(1)
Tax on items taken directly to equity	-	-	-	-	-	4	-	4
Change in the fair value of non-controlling interest put options	-	-	-	-	(8)	-	-	(8)
Purchase of own shares to satisfy employee share-based payments	-	-	-	(4)	-	-	-	(4)
Other changes	-	-	-	-	-	(3)	-	(3)
	176	182	295	(4)	4,362	(1,040)	32	4,003
Dividends paid to shareholders (note 6)	-	-	-	-	-	(611)	-	(611)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(5)	(5)
At 30 September 2019[2]	176	182	295	(4)	4,362	(1,651)	27	3,387

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[3] £m	Non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2018[1]	232	4,170	7	(130)	(71)	4,208
Other comprehensive income						
Currency translation differences	-	-	-	131	-	131
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	6	-	6
Tax on items relating to the components of other comprehensive income	-	-	-	(2)	-	(2)
Total other comprehensive income	-	-	-	135	-	135
Fair value of share-based payments	27	-	-	-	-	27
Change in the fair value of non-controlling interests put options	-	-	-	-	(8)	(8)
At 30 September 2019	259	4,170	7	5	(79)	4,362

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
3. Includes loss of £668 million (2018: £529 million) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2020

	Notes	30 September 2020 £m	30 September 2019[1,2] (restated) £m
NON-CURRENT ASSETS			
Goodwill	8	**4,669**	4,576
Other intangible assets		**1,678**	1,426
Contract fulfilment assets and contract costs		**972**	976
Right of use assets		**860**	-
Property, plant and equipment		**970**	1,052
Interests in joint ventures and associates		**345**	306
Other investments		**75**	96
Post employment benefit assets		**441**	448
Trade and other receivables		**99**	96
Deferred tax assets		**146**	76
Derivative financial instruments[3]		**237**	207
Non-current assets		**10,492**	9,259
CURRENT ASSETS			
Inventories		**310**	404
Trade and other receivables		**2,319**	3,051
Tax recoverable		**111**	88
Cash and cash equivalents[3]		**1,484**	398
Derivative financial instruments[3]		**5**	-
		4,229	3,941
Assets held for sale	11	**13**	135
Current assets		**4,242**	4,076
Total assets		**14,734**	13,335
CURRENT LIABILITIES			
Short term borrowings[3]		**(106)**	(186)
Short term lease liabilities[3]		**(197)**	-
Derivative financial instruments[3]		**(9)**	(6)
Provisions		**(337)**	(223)
Current tax liabilities		**(228)**	(247)
Trade and other payables		**(3,615)**	(4,718)
		(4,492)	(5,380)
Liabilities directly associated with assets held for sale	11	**(7)**	(30)
Current liabilities		**(4,499)**	(5,410)
NON-CURRENT LIABILITIES			
Long term borrowings[3]		**(3,673)**	(3,679)
Long term lease liabilities[3]		**(745)**	-
Derivative financial instruments[3]		**(2)**	(6)
Post employment benefit obligations		**(251)**	(259)
Provisions		**(300)**	(266)
Deferred tax liabilities		**(120)**	(114)
Trade and other payables		**(331)**	(214)
Non-current liabilities		**(5,422)**	(4,538)
Total liabilities		**(9,921)**	(9,948)
Net assets		**4,813**	3,387
EQUITY			
Share capital		**198**	176
Share premium account		**189**	182
Capital redemption reserve		**295**	295
Own shares		**(2)**	(4)
Other reserves		**4,145**	4,362
Retained earnings		**(35)**	(1,651)
Total equity shareholders' funds		**4,790**	3,360
Non-controlling interests		**23**	27
Total equity		**4,813**	3,387

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
3. Component of net debt.

Approved by the Board of Directors on 24 November 2020 and signed on its behalf by

Dominic Blakemore, Director

Karen Witts, Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £m	2019[1] £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	9	**1,218**	2,396
Interest paid		**(145)**	(116)
Tax received		**40**	26
Tax paid		**(268)**	(354)
Net cash from operating activities		**845**	1,952
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies[2]	11	**(464)**	(451)
Purchase of additional interest in joint ventures and associates		**(15)**	(27)
Proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs[2]		**29**	101
Purchase of intangible assets		**(166)**	(185)
Purchase of contract fulfilment assets		**(272)**	(286)
Purchase of property, plant and equipment		**(271)**	(352)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**43**	47
Purchase of other investments		**(1)**	(13)
Proceeds from sale of other investments		**16**	3
Dividends received from joint ventures and associates		**61**	48
Interest received		**8**	9
Net cash from investing activities		**(1,032)**	(1,106)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of ordinary share capital, net of expenses[3]		**1,972**	-
Purchase of own shares to satisfy employee share-based payments[4]		**(1)**	(4)
Increase in borrowings	10	**2,441**	1,830
Repayment of borrowings	10	**(2,549)**	(2,631)
Repayment of principal under lease liabilities	10	**(152)**	(4)
Equity dividends paid	6	**(427)**	(611)
Dividends paid to non-controlling interests		**(6)**	(5)
Net cash from financing activities		**1,278**	(1,425)
CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in cash and cash equivalents	10	**1,091**	(579)
Cash and cash equivalents at beginning of the year	10	**398**	969
Currency translation (losses)/gains on cash and cash equivalents	10	**(4)**	9
Total cash and cash equivalents		**1,485**	399
Cash reclassified as held for sale		**(1)**	(1)
Cash and cash equivalents at end of the year	10	**1,484**	398

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.
2. Net of cash acquired or disposed and payments received or made under warranties and indemnities.
3. Proceeds from issue of share capital of £1,972 million are shown net of issue costs of £34 million.
4. Including stamp duty and brokers' commission.

RECONCILIATION OF FREE CASH FLOW

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 £m	2019[1] £m
Net cash from operating activities	**845**	1,952
Purchase of intangible assets	**(166)**	(185)
Purchase of contract fulfilment assets	**(272)**	(286)
Purchase of property, plant and equipment	**(271)**	(352)
Repayment of principal under lease liabilities[2]	**(152)**	-
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**43**	47
Purchase of other investments	**(1)**	(13)
Proceeds from sale of other investments	**16**	3
Dividends received from joint ventures and associates	**61**	48
Interest received	**8**	9
Dividends paid to non-controlling interests	**(6)**	(5)
Free cash flow	**105**	1,218
Add back: cash payments related to cost action programme and COVID-19 resizing costs	**108**	29
Underlying free cash flow	**213**	1,247

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
2. Free cash flow has been redefined on adoption of IFRS 16 to include the payment of lease principal amounts, which were excluded from free cash flow in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial information included within this announcement has been prepared using accounting policies in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted for use in the European Union (EU), and in accordance with the Disclosure Guidance and Transparency Rules (DTR) of the Financial Conduct Authority.

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its Reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying its Report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

Going concern

The uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of the recent COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis in the preparation of the consolidated financial statements. The consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons stated below.

At 30 September 2020, the Group's financing arrangements consisted of sterling and Euro bonds (£2,501 million) and USD US Private Placements (USPP) (£1,172 million). In addition, the Group has Revolving Credit Facilities of £2,800 million (£140 million committed to June 2024, £1,860 million committed to June 2025 and £800 million committed to October 2021), which were fully undrawn, an unutilised £600 million limit under the Bank of England Covid Corporate Financing Facility and £1,387 million cash net of overdrafts. At the date of approving these consolidated financial statements the funding position of the Group has remained unchanged and the cash position is not materially different.

The next term debt maturity is a USPP of $398 million on 1 October 2021 and there are no other debt maturities in the 18 months to 31 March 2022.

The USPPs are subject to certain financial covenants, which are usually tested on 31 March and 30 September every year. In May 2020, USPP noteholders agreed to waive the leverage covenant test as at 30 September 2020 and March 2021. The interest cover covenant test was also waived at 30 September 2020 and rebased on a six month proforma basis as at March 2021. The Group's other financing arrangements do not contain any financial covenants.

The directors have prepared projected cash flow information for 18 months from 30 September 2020. The directors have prepared various scenarios in assessing the impact of COVID-19 on future financial performance and cash flows with the key judgements applied being the likely time period of a further global wave of infections, the extent to which government enforced restrictions would impact volumes and the extent to which performance would recover subsequent to these restrictions being lifted.

In the base case scenario, consistent with current trading patterns, the business that is closed is assumed to continue reopening in a phased manner with a gradual recovery. In this base case scenario, the directors consider that the Group will continue to operate within its available committed facilities with sufficient headroom and meet its financial covenant obligations under its USPP debt agreements.

In a severe but plausible downside scenario, the directors have assumed that a further global wave of infections and government enforced restrictions occur in the financial year 2021 and will last for a full quarter, with trading patterns and subsequent recovery mirroring that experienced during the first global wave. The scenario mirrors the experience of the first severe global wave experienced in all major markets at the same time. It has also been assumed that no additional debt is raised during the assessment period. This scenario also assumes a temporary cessation of M&A activity, reduction in discretionary capital expenditure and no dividend payments as mitigating actions.

In this severe but plausible downside scenario modelled by the directors, due to the significant loss of revenue, whilst the Group continues to retain sufficient committed headroom on liquidity, the financial covenants under the Group's USPP agreements could be potentially breached over the next two testing dates (interest cover in March 2021 and leverage ratio in September 2021).

In the event that financial covenants under the Group's USPP agreements could be breached, various alternatives exist to manage this risk including repaying the loan notes from available headroom in advance of their maturity or negotiating further covenant waivers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, a combination of strong investment grade credit ratings and a well established presence in the debt capital markets provides the directors with confidence that, if necessary, the Group could raise additional debt finance as required. The Group also has multi-year contracts with a number of clients and suppliers across different geographic areas and industries. This diversification provides the directors with the confidence that the business has long term sustainable commercial relationships that will ensure that the business will continue to generate sufficient cash flow.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Critical accounting judgements

As at 30 September 2020 the Group noted one critical judgement relating to the uncertainty that the COVID-19 pandemic has caused on the future financial performance of the Group as part of the Group's adoption of the going concern basis in the preparation of the consolidated financial statements. The consolidated financial statements are prepared on a going concern basis and management have determined that there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern over the period assessed. Additional information on the judgement management has applied in adopting the going concern assumption is included on page 37.

There are no other judgements that management consider to be critical in the preparation of these financial statements.

Key sources of estimation uncertainty

The major sources of estimation uncertainty are in relation to goodwill and post employment benefits as noted in previous years. In addition, management has considered the impact of COVID-19 on the consolidated financial statements as at 30 September 2020 and identified a number of COVID-19 specific related estimates. These, together with taxes, are not considered to be major sources of uncertainty as defined by IAS 1 'Presentation of financial statements' as a reasonably possible change in key assumptions is not considered likely to have a material effect on the estimate in the next 12 months.

Major sources of estimation uncertainty (goodwill and post employment benefits) and other areas of uncertainty including those arising from COVID-19 are described in more detail below:

COVID-19 specific related estimates

• *Recoverability of contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets)*

The Group has tested for impairment all of its contract related non-current assets where there are indicators of impairment. Impairment indicators were considered to be present when client contracts had low profitability or were loss making due to a reduction in volumes as a result of COVID-19. In these instances, management has estimated the recoverable value of these assets and compared it to their carrying value in order to estimate any impairment to be recorded. The estimate of the recoverable amount was derived from the most recent management forecasts in relation to the likely trading performance over the remaining life of the contracts, taking into account the impact of COVID-19 and likelihood of a second wave, the time period of government enforced restrictions and the extent to which performance would recover in the following year. Due to the significant uncertainty regarding the ultimate impact of COVID-19, the assumptions used in these estimates include an increased level of inherent uncertainty. Further details in relation to impairment of contract related non-current assets are provided in note 7

• *Impairment of trade receivables*

The Group considers that, given the widespread impact that the COVID-19 pandemic is having globally with the resulting economic downturn, there is additional uncertainty when determining the assumptions used in calculating expected future credit losses. The Group has no significant credit concentration risk. The largest client constitutes only 2.7% of Group revenue and the top 10 clients account for less than 11% of Group revenue

• *Provisions*

The Group has made provisions for unavoidable costs arising from certain contracts. These provisions are estimates based on expected costs and the timing of future cash flows which are dependent on future events and market conditions, which now have become more uncertain due to COVID-19. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes

The Group has operations in around 45 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

The changing regulatory environment affecting all multi-nationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased cooperation between tax authorities and greater cross border transparency.

The Group estimates and recognises additional tax liabilities as appropriate based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made.

In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

Further details of this are provided in note 4.

Goodwill

The Group tests at least annually whether goodwill has suffered any impairment. The recoverable amounts of the Group's cash-generating units (CGU) have been determined based on value in use calculations, which this year involve a higher inherent level of estimation due to the uncertainty caused by COVID-19. These calculations require the use of estimates and assumptions consistent with the most up to date budgets and plans that have been formally approved by management. Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the business, the size of the short term shock of the pandemic combined with higher discount rates and lower long term growth rates have reduced the level of headroom in certain CGUs. The key assumptions used for the value in use calculations and sensitivity analysis are set out in note 8.

Post employment benefits

The Group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The present value of the defined benefit liabilities is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, which include price inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality and other demographic assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2 IMPACT OF THE ADOPTION OF IFRS 16

The Group has adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective transition approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The impact of the adoption of IFRS 16 'Leases' on the Group's consolidated financial statements is included below.

Consolidated balance sheet (extract)

The table below sets out the opening balance sheet adjustments recognised at the date of initial application of IFRS 16. Where practical, line items which are not impacted by the adoption have been aggregated within the relevant sub-totals:

	At 30 Sep 2019[1] (IAS 17 basis) £m	IFRS 16 transition adjustments £m	**At 1 Oct 2019 (IFRS 16 basis) £m**
NON-CURRENT ASSETS			
Right of use assets	-	956	956
Property, plant and equipment	1,052	(4)	1,048
Other non-current assets	8,207	-	8,207
Non-current assets	9,259	952	10,211
CURRENT ASSETS			
Trade and other receivables	3,051	(7)	3,044
Other current assets	1,025	-	1,025
Current assets	4,076	(7)	4,069
Total assets	13,335	945	14,280
CURRENT LIABILITIES			
Short term borrowings	(186)	1	(185)
Short term lease liabilities	-	(155)	(155)
Provisions	(223)	5	(218)
Trade and other payables	(4,718)	28	(4,690)
Other current liabilities	(283)	-	(283)
Current liabilities	(5,410)	(121)	(5,531)
NON-CURRENT LIABILITIES			
Long term borrowings	(3,679)	2	(3,677)
Long term lease liabilities	-	(843)	(843)
Provisions	(266)	17	(249)
Other non-current liabilities	(593)	-	(593)
Non-current liabilities	(4,538)	(824)	(5,362)
Total liabilities	(9,948)	(945)	(10,893)
Net assets	3,387	-	3,387

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

Upon transition on 1 October 2019, the Group recognised additional lease liabilities of £995 million for the present value of the lease payments due under the lease contracts. The right of use asset of £956 million is recognised at an amount equal to the lease liability and adjusted by property, plant and equipment held under finance leases, existing prepaid or accrued lease payments, lease incentives and onerous lease provisions recognised in the consolidated balance sheet at the date of initial application. The net impact on the consolidated balance sheet is £nil. The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised in the balance sheet at 1 October 2019 was 3.8%.

The table below presents a reconciliation of the minimum operating lease commitments disclosed applying IAS 17 at 30 September 2019 to the lease liabilities recognised at 1 October 2019 under IFRS 16:

	£m
Total minimum lease payments reported at 30 September 2019 under IAS 17	1,102
Impact of discounting	(237)
Short term leases	(35)
Low value leases	(27)
Leases not yet commenced	(27)
Extension and termination options reasonably certain to be exercised	219
Additional lease liabilities recognised on transition to IFRS 16 at 1 October 2019	**995**
Existing finance leases	3
Total lease liabilities recognised at 1 October 2019[1]	**998**

1. Of the amounts recognised as lease liabilities upon transition, £80 million was subsequently reclassified to be presented within the liabilities directly associated with assets held for sale, which related to leases held by the Japanese Highways business held for sale at 30 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2 IMPACT OF THE ADOPTION OF IFRS 16 (CONTINUED)

The reconciling items included in the table above are as follows:

- impact of discounting: previously disclosed lease commitments were undiscounted and under the modified retrospective transition method, lease payments were discounted on transition using an incremental borrowing rate
- short term leases: the Group has applied the practical expedient to classify leases with a lease term ending within 12 months of the date of initial application of IFRS 16 as short term leases. The Group has also adopted the accounting policy recognition exemption for short term leases
- low value leases: the Group has adopted the accounting policy recognition exemption for leases of low value assets with an initial fair value less than approximately £5,000
- leases not yet commenced: lease agreements where the underlying asset is not available for use on the transition date were not recognised as lease liabilities under IFRS 16
- extension and termination options reasonably certain to be exercised: under IAS 17 lease commitments only included non cancellable periods in the lease agreements while under IFRS 16 the lease term includes periods covered by extension and termination options. Extension and termination options are included within a number of lease agreements and provide the Group with operational flexibility. For lease contracts that include such options, the Group has applied judgement to determine the lease term, which can affect the amount of lease liabilities and right of use assets recognised.

Consolidated income statement

Under IFRS 16, the operating lease expense previously reported in operating costs has been replaced by a depreciation of the right of use asset, which is lower than the operating lease expense recognised under IAS 17, and a separate interest expense on the lease liabilities, recorded in finance costs. These changes result in a higher operating profit, operating margin and finance costs and in a lower profit before tax for the period. The Group transitioned to IFRS 16 using the modified retrospective approach without restating prior period comparatives, therefore prior period comparatives reported under IAS 17 are not directly comparable.

The adoption of IFRS 16 for the year ended 30 September 2020 has resulted in a £28 million increase in the Group's operating profit compared to the operating profit had the Group continued to apply IAS 17. This increase is offset by additional finance costs of £36 million and £4 million lower gain on sale and closure of businesses, resulting in a net decrease in the Group's profit before tax of £12 million.

Consolidated cash flow statement

There has been no overall cash flow impact arising from the application of IFRS 16. Lease payments are now presented as financing cash flows, representing payments of principal, and as operating cash flows, representing payments of interest. Variable lease payments that do not depend on an index or rate are not included in the lease liability and continue to be presented as operating cash flows. In prior years, operating lease payments were presented within cash flows from operating activities. This change in presentation has resulted in a £151 million increase in net cash from operating activities (excluding £1 million in relation to repayments of obligations under finance leases which existed before the transition to IFRS 16), offset by a decline in net cash from financing activities for the same amount.

Underlying and other alternative performance measures

Underlying and other alternative performance measures have been amended, where necessary, to reflect the adoption of IFRS 16. The impact of IFRS 16 on the Group's alternative performance measures includes the following:

- underlying operating profit has increased by £28 million, including £18 million in North America, £6 million in Europe and £4 million in Rest of World
- underlying basic earnings per share has decreased by 0.5 pence, reflecting higher finance costs on lease liabilities of £36 million offset by the increase in underlying operating profit
- the net debt definition has been updated to include the additional lease liabilities resulting from IFRS 16. As a result, net debt has increased by £939 million as at 30 September 2020 (excluding £3 million in relation to finance lease liabilities which existed before the transition to IFRS 16)
- free cash flow has been redefined to include the payment of lease principal amounts, which were excluded from free cash flow in the prior year

To provide a meaningful comparison with prior year which is reported under IAS 17 'Leases' the underlying operating profit and growth rates for the year ended 30 September 2020 have therefore also been presented in accordance with IAS 17 as shown in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3 SEGMENTAL REPORTING

REVENUE[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
YEAR ENDED 30 SEPTEMBER 2020				
Business & Industry	**3,901**	**2,559**	**921**	**7,381**
Education	**2,819**	**609**	**116**	**3,544**
Healthcare & Seniors	**4,536**	**922**	**394**	**5,852**
Sports & Leisure	**1,272**	**393**	**69**	**1,734**
Defence, Offshore & Remote	**218**	**565**	**904**	**1,687**
Combined sales of Group and share of equity accounted joint ventures[2,3]	**12,746**	**5,048**	**2,404**	**20,198**
YEAR ENDED 30 SEPTEMBER 2019[4]				
Business & Industry	5,077	3,383	1,211	9,671
Education	3,495	838	191	4,524
Healthcare & Seniors	4,422	976	448	5,846
Sports & Leisure	2,454	589	283	3,326
Defence, Offshore & Remote	246	605	934	1,785
Combined sales of Group and share of equity accounted joint ventures[2,3]	15,694	6,391	3,067	25,152

1. There is no inter-segmental trading.
2. This is the revenue measure considered by the chief operating decision maker.
3. Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,520 million (2019: £2,143 million). Underlying revenue from external customers arising in the US region was £12,005 million (2019: £14,747 million). Underlying revenue from external customers arising in all countries outside the UK from which the Group derives revenue was £18,678 million (2019: £23,009 million).
4. The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey and Middle East are now part of the Europe segment. Revenue of £537 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2020					
Underlying operating profit/(loss) before joint ventures and associates	**605**	**(57)**	**94**	**(85)**	**557**
Add: Share of profit before tax of joint ventures	**1**	**28**	**-**	**-**	**29**
Regional underlying operating profit/(loss)[1]	**606**	**(29)**	**94**	**(85)**	**586**
Add: Share of (loss)/profit of associates	**(28)**	**5**	**(2)**	**-**	**(25)**
Group underlying operating profit[1]	**578**	**(24)**	**92**	**(85)**	**561**

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2019[2]					
Underlying operating profit before joint ventures and associates	1,289	389	228	(80)	1,826
Add: Share of profit before tax of joint ventures	1	32	4	-	37
Regional underlying operating profit[1]	1,290	421	232	(80)	1,863
Add: Share of profit of associates	10	9	-	-	19
Group underlying operating profit[1]	1,300	430	232	(80)	1,882

1. Underlying operating profit is the profit measure considered by the chief operating decision maker.
2. The underlying operating profit relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey and Middle East are now part of the Europe segment. Regional underlying operating profit of £53 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4 TAX

RECOGNISED IN THE INCOME STATEMENT: INCOME TAX EXPENSE	2020 £m	2019 £m
CURRENT TAX		
Current year	**232**	387
Adjustment in respect of prior years	**(38)**	(29)
Current tax expense	**194**	358
DEFERRED TAX		
Current year	**(124)**	(8)
Impact of changes in statutory tax rates	**(3)**	(1)
Adjustment in respect of prior years	**8**	2
Deferred tax expense	**(119)**	(7)
TOTAL INCOME TAX		
Income tax expense	**75**	351

In April 2019, the European Commission published its final decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation concluding that part of the legislation is in breach of EU State Aid rules. The UK government and UK-based multinational companies, including Compass, have appealed to the General Court of the European Union against the decision. The UK government is required to start collection proceedings in advance of the appeal results but at present it is not possible to determine the amount that the UK government will seek to collect. If the decision of the European Commission is upheld, we have calculated our maximum potential liability to be £113 million at 30 September 2020. The final impact on the Group remains uncertain and our current assessment is that no provision is required.

The increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties has increased. The Group is currently subject to a number of reviews and audits in jurisdictions around the world that primarily relate to complex corporate tax issues. None of these audits is currently expected to have a material impact on the Group's financial position.

In addition, we continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. The federal tax authorities in Brazil have issued a number of notices of deficiency relating primarily to the PIS / COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 30 September 2020, the total amount assessed in respect of these matters is £36 million. The possibility of further assessments cannot be ruled out and the judicial process is likely to take a number of years to conclude. Based on the opinion of our local legal advisers, we do not currently consider it likely that we will have to settle a liability with respect to these matters, and on this basis, no provision has been recorded. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

Most of the Group's tax losses and other temporary differences recognised as deferred tax assets do not have an expiry date. The recognition of net deferred tax assets is based on the most recent financial budgets and forecasts approved by management.

Deferred tax assets have not been recognised in respect of tax losses of £263 million (2019: £232 million) and other temporary differences of £28 million (2019: £24 million). Of the unrecognised tax losses, £236 million (2019: £212 million) will expire at various dates between 2021 and 2028. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

5 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 underlying earnings per share figures have been calculated based on earnings excluding the effect of acquisition related costs, one-off pension charge, cost action programme charge and COVID-19 resizing costs, gains and losses on sale and closure of businesses, hedge accounting ineffectiveness, change in fair value of investments and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	2020 £m	2019[1] £m
Profit for the period attributable to equity shareholders of the Company	**133**	1,135
Adjustments stated net of tax:		
Acquisition related costs	**50**	41
One-off pension charge	**-**	10
Cost action programme and COVID-19 resizing costs	**147**	149
Net (gain)/loss on sale and closure of businesses	**(28)**	4
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**7**	12
Underlying profit for the year from operations	**309**	1,351

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

AVERAGE NUMBER OF ORDINARY SHARES	2020 Ordinary shares of $11^{1/20}$p each millions	2019 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,658**	1,586
Dilutive share options	**1**	1
Average number of shares for diluted earnings per share	**1,659**	1,587

	Basic earnings per share		Diluted earnings per share	
EARNINGS PER SHARE	2020 Earnings per share pence	2019[1] Earnings per share pence	2020 Earnings per share pence	2019[1] Earnings per share pence
From operations	**8.0**	71.6	**8.0**	71.5
Adjustments stated net of tax:				
Acquisition related costs	**3.0**	2.6	**3.0**	2.6
One-off pension charge	**-**	0.6	**-**	0.6
Cost action programme and COVID-19 resizing costs	**8.9**	9.4	**8.9**	9.4
Net (gain)/loss on sale and closure of businesses	**(1.7)**	0.2	**(1.7)**	0.2
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**0.4**	0.8	**0.4**	0.8
From underlying operations	**18.6**	85.2	**18.6**	85.1

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.

6 DIVIDENDS

The Company announced on 23 April 2020 that the Board had decided not to pay an interim dividend (2019: 13.1 pence per share) or to recommend the payment of a final dividend (2019: 26.9 pence per share) in respect of the year ended 30 September 2020.

	2020		2019	
DIVIDENDS ON ORDINARY SHARES	Dividends per share pence	£m	Dividends per share pence	£m
Amounts recognised as distributions to equity shareholders during the year:				
Final 2018	**-**	**-**	25.4	403
Interim 2019	**-**	**-**	13.1	208
Final 2019	**26.9**	**427**	-	-
Total dividends	**26.9**	**427**	38.5	611

The Board recognises the importance of dividends to the Company's shareholders and will keep future dividends under review and will restart payments when it is appropriate to do so.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 OPERATING COSTS

Cost action programme

The cost action programme, which was announced in November 2019, includes a series of actions aimed to manage the Group's cost base in light of the deteriorating economic outlook, volume weakness and decline in consumer spending observed at that time. Charges have continued to be incurred in the current year where the cost actions of the original plan had not been fully implemented in the prior year.

The Group's consolidated income statement includes a cost action programme charge of £75 million (2019: £190 million). The cost action programme charge in the current year mainly relates to redundancy costs while the 2019 charge includes £120 million in respect of losses on onerous contracts and impairment of non-current assets.

A total of £66 million (2019: £29 million) has been paid during the year in relation to this programme.

COVID-19 resizing costs

Given the trading backdrop from the impact of COVID-19, the Group is taking prompt actions to ensure there is a right sized labour model for the future and has incurred £122 million of costs. The programme will continue into 2021.

A total of £42 million (2019: £nil) has been paid during the year in relation to this programme.

Impairment losses

The Group has tested for impairment all of its contract related non-current assets (contract fulfilment assets and contract costs right of use assets, property, plant and equipment and intangible assets) where there are indicators of impairment. Impairment indicators were considered to be present when client contracts had low profitability or were loss making due to a reduction in volumes as a result of COVID-19. In these instances, management has estimated the recoverable value of these assets and compared it to their carrying value in order to estimate any impairment to be recorded. As a result, the Group recorded impairment charges of £88 million.

Management has considered the impact of reasonable changes in assumptions used, including a further sustained impact of COVID-19 and a slower recovery than forecast. The Group's client base spreads across numerous countries and sectors comprising a large portfolio of client contracts individually of relative low value. As a result, a reasonable change in assumptions would not lead to a material change in the next 12 months to the impairment charge recorded.

Prior year contract related non-current asset impairment charges were included within the overall cost action programme charge, these costs were excluded from the Group's underlying results as they related to contracts that were being restructured and the overall effect of these charges would have been distortive to margins both at Group and regional level. The Group's measure of underlying performance identified the cost action programme as a specific adjusting item.

In the current year, given the pervasive impact that COVID-19 has had on the Group's business, the Group has considered that separating contract asset impairments and onerous contract provisions from the Group's underlying performance would be inappropriate as the Group's overall profitability has been materially impacted by COVID-19 and these charges are the direct consequences of lower volumes arising from COVID-19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

8 GOODWILL

GOODWILL	2020 £m	2019 £m
Cost		
At 1 October	**5,092**	4,786
Additions	**249**	198
Reclassification to assets held for sale	**(23)**	(25)
Disposals	**-**	(13)
Currency adjustment	**(129)**	146
At 30 September	**5,189**	5,092
Impairment		
At 1 October	**516**	516
Currency adjustment	**4**	-
At 30 September	**520**	516
Net carrying value		
At 30 September	**4,669**	4,576

GOODWILL BY BUSINESS SEGMENT	2020 £m	2019 £m
USA	**2,071**	2,160
Canada	**184**	189
Total North America	**2,255**	2,349
UK	**1,456**	1,446
Finland	**125**	2
Rest of Europe[1]	**543**	446
Total Europe	**2,124**	1,894
Japan	**127**	142
Rest of World[1]	**163**	191
Total Rest of World	**290**	333
Total	**4,669**	4,576

1. Goodwill relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Europe segment. Goodwill of £47 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit (CGU) is determined from value in use calculations. The key assumptions for these calculations are externally derived long term growth rates, pre-tax discount rates and operating cash flow forecasts (revenue and operating margins) derived from the most recent financial budgets and forecasts approved by management covering a five year period. Budgets and forecasts are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and like for like growth and taking into consideration external economic factors, including the impact of COVID-19. Cash flows beyond the five year period are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

	2020		2019	
GROWTH AND DISCOUNT RATES	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	**1.9%**	**8.3%**	1.9%	6.8%
Canada	**1.8%**	**8.8%**	2.1%	7.3%
UK	**1.7%**	**7.3%**	2.0%	6.7%
Finland	**1.6%**	**7.9%**	1.7%	6.5%
Rest of Europe[1]	**0.7%-10.6%**	**7.5%-25.8%**	1.1%-9.6%	6.1%-19.8%
Japan	**0.8%**	**9.8%**	1.2%	7.2%
Rest of World[1]	**1.1%-4.1%**	**7.3%-16.7%**	0.9%-4.0%	5.6%-13.0%

1. Growth and discount rates relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Europe segment. Residual growth rates in Europe range from 0.7% to 3.8%, with the exception to Turkey which has a 10.6% growth rate.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

8 GOODWILL (CONTINUED)

Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the different CGUs within the business, the size of the short term shock of the pandemic combined with higher discount rates and lower long term growth rates due to continued global economic uncertainty have reduced the level of headroom in certain CGUs in comparison to prior year. The Group has performed a sensitivity analysis based on changes in key assumptions considered to be reasonably possible by management leaving all other assumptions unchanged. Sensitivity analysis for the year ended 30 September 2020 has identified the UK CGU as being sensitive to reasonably possible changes in key assumptions. The Group has also considered the instability caused by the UK's decision to exit the European Union (Brexit) when assessing the future performance of the UK business. The UK goodwill principally relates to the Granada transaction in 2001. The estimated recoverable amount of the Group's operations in the UK exceed its carrying value by £285 million.

The associated impact of changes in key assumptions on the impairment assessment is presented in the table below. The sensitivity analysis presented is prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

DECREASE IN RECOVERABLE AMOUNT LESS CARRYING VALUE	UK £m
Increase in pre-tax discount rate by 0.1%	**(51)**
Decrease in projected operating profit by 3%	**(77)**
Decrease in the long term growth rate by 0.1%	**(44)**

In order for the recoverable amount to be equal to the carrying value, the discount rate would have to be increased by 0.6% or operating cash flow decreased by 11% or the long term growth rate decreased to 1%. The directors consider that changes in key assumptions of this magnitude are reasonably possible in the current environment.

Other than as disclosed above, the directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the net operating assets of the individually significant CGUs disclosed above to fall below their carrying values.

9 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	2020 £m	2019 £m
Operating profit before joint ventures and associates	**290**	1,570
Adjustments for:		
Acquisition related costs	**70**	54
One-off pension charge	**-**	12
Cost action programme and COVID-19 resizing costs	**197**	190
Amortisation of intangible assets	**93**	88
Amortisation of contract fulfilment assets	**195**	184
Amortisation of contract prepayments	**26**	23
Depreciation of property, plant and equipment	**287**	282
Depreciation of right of use assets	**164**	-
Unwind of costs to obtain contracts	**15**	14
Impairment losses - contract related assets[1]	**88**	-
Impairment losses – other	**4**	-
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**31**	-
Other non-cash changes	**(3)**	(2)
Decrease in provisions	**(17)**	(41)
Investment in contract prepayments	**(40)**	(30)
Increase in costs to obtain contracts	**(28)**	(19)
Decrease in post employment benefit obligations	**(9)**	(15)
Share-based payments – (credited)/charged to profits	**(2)**	27
Operating cash flows before movement in working capital	**1,361**	2,337
Decrease/(increase) in inventories	**102**	(30)
Decrease/(increase) in receivables	**676**	(121)
(Decrease)/increase in payables	**(921)**	210
Cash generated from operations	**1,218**	2,396

1. Cost action programme charge includes impairment losses of £2 million (2019: £54 million).

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

10 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, lease liabilities and derivative financial instruments, net of cash and cash equivalents.

	Gross debt							
NET DEBT	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Lease liabilities £m	Derivative financial instruments £m	Total gross debt £m	Cash and cash equivalents £m	Net debt £m
At 1 October 2018	(76)	(4,342)	(4,418)	(6)	72	(4,352)	969	(3,383)
Net decrease in cash and cash equivalents	-	-	-	-	-	-	(579)	(579)
Cash outflow from repayment of bank loans	-	1,830	1,830	-	-	1,830	-	1,830
Cash inflow from borrowing of bank loans	-	(1,830)	(1,830)	-	-	(1,830)	-	(1,830)
Cash outflow from repayment of loan notes	-	195	195	-	-	195	-	195
Cash outflow from repayment of bonds	-	530	530	-	-	530	-	530
Cash outflow from other changes in gross debt	60	2	62	-	14	76	-	76
Cash outflow from repayments of obligations under finance leases	-	-	-	4	-	4	-	4
New finance leases	-	-	-	(1)	-	(1)	-	(1)
Reclassified as held for sale	-	-	-	-	-	-	(1)	(1)
Currency translation (losses)/gains	(1)	(64)	(65)	-	(30)	(95)	9	(86)
Other non-cash movements	-	(166)	(166)	-	139	(27)	-	(27)
At 30 September 2019	(17)	(3,845)	(3,862)	(3)	195	(3,670)	398	(3,272)
Implementation of IFRS 16[1]	**-**	**-**	**-**	**(995)**	**-**	**(995)**	**-**	**(995)**
At 1 October 2019, as adjusted[1]	**(17)**	**(3,845)**	**(3,862)**	**(998)**	**195**	**(4,665)**	**398**	**(4,267)**
Net increase in cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**-**	**1,091**	**1,091**
Cash outflow from repayment of bank loans	**-**	**1,578**	**1,578**	**-**	**-**	**1,578**	**-**	**1,578**
Cash inflow from borrowing of bank loans	**-**	**(1,578)**	**(1,578)**	**-**	**-**	**(1,578)**	**-**	**(1,578)**
Cash outflow from repayment of loan notes	**-**	**156**	**156**	**-**	**-**	**156**	**-**	**156**
Cash inflow from issuance of commercial paper	**-**	**(815)**	**(815)**	**-**	**-**	**(815)**	**-**	**(815)**
Cash outflow from repayment of commercial paper	**-**	**815**	**815**	**-**	**-**	**815**	**-**	**815**
Cash inflow from other changes in gross debt	**(79)**	**1**	**(78)**	**-**	**30**	**(48)**	**-**	**(48)**
Cash outflow from repayment of obligations under lease liabilities	**-**	**-**	**-**	**152**	**-**	**152**	**-**	**152**
New lease liabilities and amendments	**-**	**-**	**-**	**(174)**	**-**	**(174)**	**-**	**(174)**
Reclassified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Currency translation (losses)/gains	**(1)**	**23**	**22**	**22**	**-**	**44**	**(4)**	**40**
Other non-cash movements	**-**	**(17)**	**(17)**	**56**	**6**	**45**	**-**	**45**
At 30 September 2020	**(97)**	**(3,682)**	**(3,779)**	**(942)**	**231**	**(4,490)**	**1,484**	**(3,006)**

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1. Finance lease liabilities were reclassified to lease liabilities on adoption of IFRS 16.

OTHER NON-CASH MOVEMENTS IN NET DEBT	2020 £m	2019 £m
Amortisation of fees and discount on issuance	**(5)**	(6)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**(12)**	(160)
Bank and other borrowings	**(17)**	(166)
Leases acquired through business acquisition	**(22)**	-
Leases derecognised on sale and closure of businesses	**75**	-
COVID-19 lease payment reductions	**3**	-
Lease liabilities	**56**	-
Changes in the value of derivative financial instruments including accrued income	**6**	139
Other non-cash movements	**45**	(27)

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11 ACQUISITIONS AND SALE AND CLOSURE OF BUSINESSES

ACQUISITIONS

The total cash spent on acquisitions during the year, net of cash acquired, was £464 million (2019: £451 million). The most significant acquisition during the period relates to Fazer Food Services.

On 31 January 2020, the Group acquired 100% of the issued share capital of Fazer Food Services for an initial consideration of £363 million (€414 million) net of cash acquired. The remaining contingent consideration is payable within seven years and dependent on the operation of an earn-out. The net present value of the contingent consideration payable was £56 million (€66 million) at the date of acquisition. Fazer Food Services is a leading food service business in the Nordic region with operations in Finland, Sweden, Norway and Denmark, across several sectors including Business & Industry, Education, Healthcare & Seniors and Defence. The preliminary goodwill in relation to the assets acquired is £198 million. This goodwill represents the premium the Group paid to acquire a company that complements its existing businesses and creates significant opportunities and other synergies.

SALE AND CLOSURE OF BUSINESSES

As a result of the strategic review of the business, the Group has continued to sell or exit its operations in a number of countries, sectors or businesses in order to simplify its portfolio. Activity in the period has included the sale of 50% of the Japanese Highways business. The Group has recognised a net gain of £115 million on the sale and closure of businesses (2019: £50 million gain), offset by £56 million of exit costs and asset write downs relating to committed or completed business exits (2019: £57 million).

The Group's consolidated balance sheet includes assets of £13 million (2019: £135 million) and liabilities of £7 million (2019: £30 million) in respect of businesses held for sale. This decrease is driven by the Group's decision to pause the disposal of the remaining US laundries and some businesses in Rest of World due to the market volatility caused by COVID-19. As a result, management no longer considers these disposals are highly probable and likely to be completed within 12 months, therefore these businesses are no longer classified as held for sale.

Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively as they cease to be classified as held for sale. As a result, the Group has restated prior year comparatives as follows:

- to reclassify the £55 million carrying value of interest in joint ventures and associates included within assets held for sale to the Group's interest in joint ventures and associates
- to recognise a £25 million share of profit of joint ventures and associates with the corresponding increase in the Group's interest in joint ventures and associates. This change has not impacted the Group's underlying results, which already included these profits.

As a result, prior year interest in joint ventures and associates has increased to £306 million (£226 million previously reported), share of profit of joint ventures and associates has increased to £56 million (£31 million previously reported) and assets held for sale has decreased to £135 million (£190 million previously reported).

12 STATUTORY AND UNDERLYING RESULTS

	Notes	2020 Statutory £m	Adjustments 1	2	3	4	5	2020 Underlying £m
Operating profit	3	294	70	-	197	-	-	561
Net gain on sale and closure of businesses		59	-	-	-	(59)	-	-
Net finance cost		(143)	-	-	-	-	9	(134)
Finance income		10	-	-	-	-	-	10
Finance costs		(144)	-	-	-	-	-	(144)
Other financing items		(9)	-	-	-	-	9	-
Profit before tax		210	70	-	197	(59)	9	427
Income tax expense		(75)	(20)	-	(50)	31	(2)	(116)
Tax rate		35.7%						27.2%
Profit for the year		135	50	-	147	(28)	7	311
Non-controlling interests		(2)	-	-	-	-	-	(2)
Profit attributable to equity shareholders of the Company		133	50	-	147	(28)	7	309
Average number of shares (million)		1,658						1,658
BASIC EARNINGS PER SHARE (PENCE)	5	8.0	3.0	-	8.9	(1.7)	0.4	18.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12 STATUTORY AND UNDERLYING RESULTS (CONTINUED)

	Notes	2019[1] Statutory £m	Adjustments 1	2	3	4	5	2019 Underlying £m
Operating profit	3	1,626	54	12	190	-	-	1,882
Net loss on sale and closure of businesses		(7)	-	-	-	7	-	-
Net finance cost		(125)	-	-	-	-	15	(110)
Finance income		12	-	-	-	-	-	12
Finance costs		(122)	-	-	-	-	-	(122)
Other financing items		(15)	-	-	-	-	15	-
Profit before tax		1,494	54	12	190	7	15	1,772
Income tax expense		(351)	(13)	(2)	(41)	(3)	(3)	(413)
Tax rate		23.5%						23.3%
Profit for the year		1,143	41	10	149	4	12	1,359
Non-controlling interests		(8)	-	-	-	-	-	(8)
Profit attributable to equity shareholders of the Company		1,135	41	10	149	4	12	1,351
Average number of shares (million)		1,586						1,586
BASIC EARNINGS PER SHARE (PENCE)[2]	5	71.6	2.6	0.6	9.4	0.2	0.8	85.2

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 11.
2. Underlying constant currency earnings per share is based on a Group constant currency profit attributable to equity shareholders of the Company and includes a negative constant currency adjustment of £22 million net of £7 million positive constant currency adjustment to income tax expense.

The Executive Committee manages and assesses the performance of the Group using various underlying and other alternative performance measures. These measures are not recognised under EU-adopted IFRS and may not be directly comparable with alternative performance measures used by other companies. Underlying and other alternative performance measures are defined in the glossary of terms on pages 53 and 54. Underlying operating profit is considered to better reflect ongoing trading, facilitate meaningful year on year comparison and hence provides financial measures that, together with the results prepared in accordance with adopted IFRS, provide better analysis of the results of the Group. In determining the adjustments to arrive at underlying result, we use a set of established principles relating to the nature and materiality of individual items or group of items, including, for example, events which (i) are outside the normal course of business, (ii) are incurred in a pattern that is unrelated to the trends in the underlying financial performance of our ongoing business, or (iii) are related to business acquisitions or disposals as they are not part of the Group's ongoing trading business, and the associated cost impact arises from the transaction rather than from the continuing business. Adjustments from statutory to underlying results are explained further below.

1. Acquisition related costs
Represent charges in respect of intangible assets acquired through business combinations, direct costs incurred as part of a business combination or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity.

2. One-off pension charge
One-off pension charge in relation to GMP equalisation.

3. Cost action programme and COVID-19 resizing costs
Charges related to actions taken to adjust our cost base and further cost actions taken to adjust our business to the new trading environment in light of the COVID-19 pandemic. See note 7 for additional details.

4. Net gain/(loss) on sale and closure of businesses
These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets. See note 11 for additional details.

5. Other financing items
Represent financing items including hedge accounting ineffectiveness and change in the fair value of investments.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

13 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				
	North America £m	Europe £m	Rest of World £m	Other £m	Group £m
2020 (as reported)					
Combined sales of Group and share of equity accounted joint ventures	**12,746**	**5,048**	**2,404**	**-**	**20,198**
% decrease reported rates	(18.8)%	(21.0)%	(21.6)%	-	(19.7)%
% decrease constant currency	(18.4)%	(19.9)%	(15.5)%	-	(18.5)%
Organic adjustments	-	(233)	(36)	-	(269)
Organic revenue	12,746	4,815	2,368	-	19,929
% organic change	**(18.5)%**	**(24.0)%**	**(7.9)%**	**-**	**(18.8)%**
2019[1] (as reported)					
Combined sales of Group and share of equity accounted joint ventures	**15,694**	**6,391**	**3,067**	**-**	**25,152**
Currency adjustments	(74)	(87)	(222)	-	(383)
Constant currency underlying revenue	15,620	6,304	2,845	-	24,769
Organic adjustments	16	32	(275)	-	(227)
Organic revenue	15,636	6,336	2,570	-	24,542
2020[2] (as reported)					
Regional underlying operating profit/(loss)[1]	**606**	**(29)**	**94**	(85)	586
Share of (loss)/profit of associates[1]	(28)	5	(2)	-	(25)
Group underlying operating profit[1]	578	(24)	92	(85)	**561**
Underlying operating margin (excluding associates)	**4.8%**	**(0.6)%**	**3.9%**	**-**	**2.9%**
% decrease reported rates	(53.0)%	(106.9)%	(59.5)%	-	(70.2)%
% decrease constant currency	(52.8)%	(107.0)%	(56.1)%	-	(69.7)%
Organic adjustments	-	9	(5)	-	4
Regional underlying organic operating profit/(loss) (excluding associates)	**606**	**(20)**	**89**	(85)	590
Group underlying organic operating profit (including associates)	578	(15)	87	(85)	**565**
% organic change	**(53.1)%**	**(104.8)%**	**(51.1)%**	**-**	**(69.2)%**
2020[2] (IAS 17 proforma)					
Regional underlying operating profit/(loss)[1]	**588**	**(35)**	**90**	(85)	558
Share of (loss)/profit of associates[1]	(28)	5	(2)	-	(25)
Group underlying operating profit[1]	560	(30)	88	(85)	**533**
Underlying operating margin (excluding associates)	**4.6%**	**(0.7)%**	**3.7%**	**-**	**2.8%**
% decrease reported rates	(54.4)%	(108.3)%	(61.2)%	-	(71.7)%
% decrease constant currency	(54.2)%	(108.4)%	(57.9)%	-	(71.2)%
Organic adjustments	-	9	(5)	-	4
Regional underlying organic operating profit/(loss) (excluding associates)	**588**	**(26)**	**85**	(85)	562
Group underlying organic operating profit (including associates)	560	(21)	83	(85)	**537**
% organic change	**(54.5)%**	**(106.2)%**	**(53.3)%**	**-**	**(70.7)%**
2019[1] (as reported)					
Regional underlying operating profit[3]	**1,290**	**421**	**232**	(80)	1,863
Share of profit of associates[3]	10	9	-	-	19
Group underlying operating profit[3]	1,300	430	232	(80)	**1,882**
Underlying operating margin (excluding associates)	**8.2%**	**6.6%**	**7.6%**	-	**7.4%**
Currency adjustments – profit	(6)	(6)	(18)	-	(30)
Regional constant currency underlying profit (excluding associates)	**1,284**	**415**	**214**	(80)	1,833
Group constant currency underlying operating profit (including associates)[3]	1,294	424	214	(80)	**1,852**
Organic adjustments	9	4	(32)	-	(19)
Regional underlying organic operating profit (excluding associates)	**1,293**	**419**	**182**	(80)	1,814
Share of profit from associates – constant currency	10	9	-	-	19
Group underlying organic operating profit (including associates)[3]	1,303	428	182	(80)	**1,833**

1. Prior year comparatives have reclassified Turkey and Middle East from Rest of World region into Europe region.
2. Underlying operating results and growth rates reported under IFRS 16 'Leases' from 1 October 2019. The Group has adopted IFRS 16 using the modified retrospective approach to transition and has accordingly not restated prior year comparatives, therefore the results for the year ended 30 September 2020 prepared on an IFRS 16 basis are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented under IAS 17. Additional information about the impact of IFRS 16 included in note 1.
3. Underlying revenue and underlying operating profit include share of profit of joint ventures and associates classified as held for sale during the year.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

15 EXCHANGE RATES

	2020	2019
AVERAGE EXCHANGE RATE FOR THE YEAR[1]		
Australian Dollar	**1.89**	1.81
Brazilian Real	**6.21**	4.96
Canadian Dollar	**1.72**	1.69
Chilean Peso	**1,013.12**	875.59
Euro	**1.14**	1.13
Japanese Yen	**137.83**	140.53
New Zealand Dollar	**2.00**	1.92
Norwegian Krone	**12.03**	11.02
Turkish Lira	**8.34**	7.16
UAE Dirham	**4.71**	4.69
US Dollar	**1.28**	1.28
CLOSING EXCHANGE RATE AS AT 30 SEPTEMBER[1]		
Australian Dollar	**1.80**	1.83
Brazilian Real	**7.29**	5.13
Canadian Dollar	**1.73**	1.63
Chilean Peso	**1,018.50**	897.37
Euro	**1.10**	1.13
Japanese Yen	**136.43**	133.18
New Zealand Dollar	**1.96**	1.97
Norwegian Krone	**12.10**	11.20
Turkish Lira	**9.96**	6.96
UAE Dirham	**4.75**	4.53
US Dollar	**1.29**	1.23

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

Glossary of terms

Capital employed	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Constant currency	Restates the prior year results to the current year's average exchange rates.
EM & OR restructuring	Emerging Markets and Offshore & Remote restructuring.
Free cash flow[1]	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, contract prepayments and costs to obtain client contracts, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of noncurrent assets, net cash interest, net cash tax, payment of lease principal amounts, dividends received from joint ventures and associated undertakings and dividends paid to non-controlling interests.
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Gross capital expenditure	Includes the purchase of intangible assets, contract fulfilment assets, property, plant and equipment and investment in contract prepayments. Assets purchased under finance leases were included in gross capital expenditure until 2019.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net capital expenditure	Gross capital expenditure less proceeds from sale of property, plant and equipment, intangible assets and cash proceeds from derecognition of contract fulfilment assets and contract prepayments.
Net debt[1]	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, net of cash and cash equivalents.
Net debt to EBITDA	Net debt divided by underlying EBITDA.
NOPAT	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Organic profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year’s underlying operating profit.
Organic profit	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year’s underlying revenue.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	○ acquisition related costs ○ one-off pension charge ○ cost action programme and COVID-19 resizing costs ○ tax on share of profit of joint ventures ○ gain/(loss) on sale and closure of businesses ○ other financing items including hedge accounting ineffectiveness and change in the fair value of investments
Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying impairment, depreciation and amortisation of intangible assets and contract prepayments.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Free cash flow adjusted for costs in the year relating to the cost action programme and COVID-19 resizing costs.

Glossary of terms (continued)

Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin - Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin - Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying operating profit - Group	Includes share of profit after tax of associates and profit before tax of joint ventures but excludes the specific adjusting items.
Underlying operating profit - Region	Includes share of profit before tax of joint ventures but excludes the specific adjusting items, profit after tax of associates and EM & OR restructuring.
Underlying profit before tax	Excludes specific adjusting items.
Underlying revenue	Combined sales of Group and share of joint ventures.
Underlying tax charge	Excludes tax attributable to specific adjusting items.

1. Following the adoption of IFRS 16 on a modified retrospective basis on 1 October 2019 the definitions of these alternative performance measures have been updated. Additional information about the impact of IFRS 16 is included in note 1.