This announcement contains inside information

COMPASS GROUP

Update on the impact of COVID-19 and half year results for the six months to 31 March 2020

Dominic Blakemore, Group Chief Executive, said:

'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. Since the beginning of the crisis, keeping our colleagues safe has been our overriding focus. Colleague and consumer safety will continue to guide everything we do as we move towards reopening more units over the months ahead.

The first five months covered by the results we are announcing today showed a continuation of the strong performance we reported last year, but it goes without saying that COVID-19 has changed everything. Compass is a resilient and adaptable organisation and we have moved quickly to manage cash and costs and increase liquidity. We are doing all we can to protect jobs by redeploying colleagues into units that remain open and using government job retention schemes where available.

The duration of the pandemic, and the pace at which containment measures are relaxed in different countries is unknown, which makes it a challenge to reliably assess the impact across our markets and our business. We are therefore withdrawing our previous growth and margin outlook for 2020. We remain, however, excited about the significant structural market opportunity globally and the potential for further organic revenue growth, margin improvement and returns to shareholders over time.

Given the uncertainty in the short term outlook, today we have launched a £2 billion equity raise to reduce leverage and increase our liquidity. A strong balance sheet will allow us to weather the crisis whilst continuing to invest in the business to enhance our competitive advantages, support our long term growth prospects and further consolidate our position as the industry leader in food services. Alongside a placing to institutional shareholders, I am pleased that we are giving our valued retail investors an opportunity to participate in the fundraising through a separate retail offer.

Although there are significant short term challenges, I firmly believe that Compass is now well-placed to succeed in a post COVID-19 world. The strengths which have delivered Compass success in the past are the same ones which will deliver success in the future. Our scale and focus on execution, our emphasis on trust and safety, and our financial resilience will put us in a strong position for the recovery and will allow us to generate sustainable long term value for all of our stakeholders.'

Our response to COVID-19

- We are managing the business in a balanced way to protect the interests of all our stakeholders during this challenging period
- People: The safety and wellbeing of the front line staff that are providing critical and essential services is our key priority, and we are protecting jobs by redeploying or furloughing employees where possible
- Purpose: Our Healthcare teams are supporting governments and Healthcare clients around the world. We are also preparing and delivering food to critical workers, the elderly, vulnerable and those in financial distress
- Performance:
  - In April, we have mitigated our cost base by around £500 million per month by taking a wide range of actions. These include a temporary reduction of 30% in the Group Chief Executive's salary, whilst the Group Board and Executive Committee have temporarily reduced their fees and salaries by 25%
  - We are managing cash tightly and have: reduced our capital expenditure, paused M&A and will not recommend an interim or final dividend for FY 2020
  - We have increased our committed credit facilities from £2.0 billion to £2.8 billion
  - We have obtained a waiver of the leverage covenant test in our US Private Placement agreements for the 30 September 2020 and 31 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 6 months proforma basis for March 2021
  - We have separately announced today a non-pre-emptive equity placing of new ordinary shares targeting gross proceeds of approximately £2.0 billion

COVID-19 impact on March and April trading

- Organic revenue declined by 20.4% in March and 46.1% in April
- The drop through[1] impact of lost revenues on operating profit was 28.5% in March and 23% in April

[1] Drop through is defined as margin on lost revenue.

Half year results for the six months ended 31 March 2020

	Underlying[1] results			**Statutory results**		
	HY 2020	HY 2019	Change	HY 2020	HY 2019	Change
Revenue	£12.6 billion	£12.4 billion[3]	1.6%[4]	£12.5 billion	£12.3 billion	1.2%
Operating profit	£854 million	£949 million[3]	(10.0)%[3]	£759 million	£913 million	(16.9)%
Operating profit (IAS 17 proforma)[2]	*£838 million*	*£949 million[3]*	*(11.7)%[3]*			
Operating margin	6.7%	7.5%	(80)bps			
Operating margin (IAS 17 proforma)[2]	*6.6%*	*7.5%*	*(90)bps*			
Earnings per share	37.6 pence	42.8 pence[3]	(12.1)%[3]	35.7 pence	40.7 pence	(12.3)%
Earnings per share (IAS 17 proforma)[2]	*37.7 pence*	*42.8 pence[3]*	*(11.9)%[3]*			
Free cash flow	£186 million	£530 million	(64.9)%			
Interim dividend per share	-	13.1 pence		-	13.1 pence	

[1] Full details of the underlying results can be found on pages 43 – 45.
[2] The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior period comparatives. As a result, the Group results for the six months ended 31 March 2020 are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.
[3] Measured on a constant currency basis.
[4] Organic revenue growth.

Strong results for the five months to the end of February

- Organic revenue growth of around 6%, with North America up 8.1%, Europe up 0.8% and Rest of World up 5.2%
- Operating profit margin had improved by around 20bps (10bps excluding the impact of IFRS 16), helped by savings from the cost action programme announced in November 2019

Performance for the six months to the end of March reflects the impact of COVID-19 on March trading

- Organic revenue increased by 1.6% in the first half
- Operating margin declined by 80bps (90bps excluding the impact of IFRS 16)
- Underlying free cash flow was £186 million

Statutory results

- Revenue grew by 1.2% driven by organic growth, offset by the negative impact of COVID-19. The decrease in operating profit mainly reflects the impact of COVID-19 and higher acquisition related costs, which were partially offset by the net savings related to the cost action programme and a modest benefit from the implementation of IFRS 16

Group Chief Executive's Statement

Results presentation today

The results presentation for investors and analysts will be available on the Company's website at 7:00am. There will be a question and answer session at 8:00am, and you will be able to participate by dialling:

UK Toll Number:	+44 (0) 330 336 9105
UK Toll Free Number:	0800 358 6377
US Toll Number:	+1 323 794 2093
US Toll Free Number:	+1 866 548 4713
Participant PIN Code:	1073780#

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

Enquiries

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Group Chief Executive's Statement (continued)

Basis of preparation

Throughout the interim 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 period on period comparisons, and hence provide more useful information to shareholders. Underlying measures are defined in the glossary of terms on pages 47 and 48.

A summary of the adjustments from statutory results to underlying results is shown in note 12 on pages 43 and 44 and further detailed in the condensed consolidated income statement (page 23), reconciliation of free cash flow (page 29), note 3 segmental reporting (page 36) and note 13 organic revenue and organic profit (page 45).

Group overview

Organic revenue grew by around 6% for the five months to February and declined by 20.4% in March, resulting in 1.6% organic revenue growth for the six months to March. On a statutory basis revenue increased by 1.2% due to organic growth, offset by the negative impact of COVID-19. In April around 50% of our business was closed due to country lock downs.

Underlying operating profit decreased by 10.0% on a constant currency basis (11.7% excluding the impact of IFRS 16). Operating profit margin improved by around 20bps for the five months to February (10bps excluding the impact of IFRS 16). For the six months to March operating profit margin decreased by 80bps (90bps excluding the impact of IFRS 16). On a statutory basis operating profit decreased by 16.9% mainly due to the negative impact of COVID-19, partially offset by organic growth and a modest benefit from the adoption of IFRS 16. The cost action programme announced in November 2019 has continued to progress and is delivering the savings initially anticipated with residual costs extending into 2021.

We recognise the importance of a dividend to our shareholders. However, we need to balance this with the impact that the COVID-19 pandemic has had on our business. As a result, as previously reported on 23 April, the Board has decided not to recommend an interim or a final dividend for the year ending 30 September 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

Impact of COVID-19 on trading and management actions

In April, around 50% of our business was closed due to country lock downs to contain the spread of COVID-19. The impact of government containment measures varies by sector: Sports & Leisure was fully closed, Education and Business & Industry were mostly closed (c. 65%) whilst our Healthcare & Seniors and Defence, Offshore & Remote businesses remained almost fully open.

The duration of the pandemic, the possibility of further waves of contagion and how the continued imposition of social distancing measures will affect the Group's financial performance remain unclear.

The severity of the impact COVID-19 has already had on the organisation, combined with the uncertainty of the outlook meant that we needed to take a series of measures to increase our resilience, manage the business for the long term and protect the interest of all our stakeholders.

Costs

In response to the dramatic reduction in revenue due to closures, we have proactively mitigated our cost base by around £500 million per month by taking a wide range of actions including: (i) limiting the use of variable forms of (MAP 4) in-unit labour such as over-time and redeploying or furloughing much of the fixed element of our in-unit labour, (ii) reducing (MAP 4) in-unit overheads such as rent, rates and concession fees and (iii) reducing salary, hours or furloughing (MAP 5) above-unit overhead employees. The Group Chief Executive has temporarily reduced his salary by 30%, whilst the Group Board and Executive Committee have temporarily reduced their fees and salaries by 25%. The drop through[1] impact of lost revenues on the half year operating profit was 28.5%, within our anticipated range of 25%-30%. As expected, in April drop through[1] rate has improved to 23%.

[1] Drop through is defined as margin on lost revenue.

Group Chief Executive's Statement (continued)

Cash

We are managing our cash tightly. Net capital expenditure for the first half of the year was £402 million and we expect second half net capital expenditure to be reduced to circa £200 million as we limit investment to projects that are associated with new contract wins or have been previously committed. All M&A activity for the second half of the year has been paused.

Balance sheet and liquidity

At 31 March 2020 net debt was £4,876 million, including additional £926 million related to the impact of IFRS 16, and net debt to EBITDA was 2.0x (excluding the impact of IFRS 16, net debt to EBITDA would have been 0.3x lower).

We have taken a series of steps to strengthen the Group's liquidity and increase the resilience of our balance sheet:

- In March, the Group qualified for, and drew down, £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF)
- On 24 March Standard & Poor's reaffirmed our long term (A) and short term (A-1) credit ratings and Moody's A3/P-2 long and short term credit ratings remain unchanged
- In April we put in place an additional Revolving Credit Facility[1] (RCF) of £800 million and now have total committed credit facilities of £2,800 million
- We have recently 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 6 months proforma basis for March 2021
- Today we have announced a non-pre-emptive equity placing of new ordinary shares targeting gross proceeds of approximately £2.0 billion. Including the raise our proforma net debt will be £2.9bn[2].

Together this package of measures will reduce our leverage and strengthen our financial liquidity. By increasing our resilience these measures allow us to weather the crisis whilst continuing to invest in the business to enhance our competitive advantages and support our long term growth prospects. This will put us in a strong position in the recovery and further consolidate our position as the industry leader in food services.

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

The placing

We have consulted with a number of our major shareholders on the rationale for, and the structure of, the placing prior to this announcement. Our directors believe that the placing is in the best interests of shareholders and will promote the success of the Group, and this view has been strengthened by the shareholder consultation we have undertaken.

Directors and members of our senior management team, including the Chairman, the Group Chief Executive and the Group Chief Financial Officer will be participating alongside the equity placing and intend to contribute around £1 million in total.

The placing has been structured as a non-pre-emptive offer so as to maximise the efficiency of the process. However, we recognise the importance of pre-emption rights to all our shareholders and we value our retail shareholders. To that end there will be a separate retail offer, which will give retail investors the opportunity to participate in the equity fundraising alongside the institutional placing.

[1] Contains no financial covenants.
[2] On an IFRS 16 basis.

Group Chief Executive's Statement (continued)

Regional performances

North America – 64.0% Group revenue (2019: 61.7%)

Regional financial summary	Underlying 2020	Underlying 2019[1]	Change Reported rates	Change Constant currency	Change Organic
Revenue	£8,080m	£7,691m	5.1%	3.9%	3.6%
Regional operating profit (as reported)	£654m	£664m	(1.5)%	(2.5)%	(3.7)%
Regional operating profit (proforma IAS 17)[1]	£645m	£664m	(2.9)%	(3.9)%	(5.0)%
Regional operating margin (as reported)	8.1%	8.6%	(50)bps		
Regional operating margin (proforma IAS 17)[1]	8.0%	8.6%	(60)bps		

[1] The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior period comparatives. As a result, the Group results for the six months ended 31 March 2020 are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

Our North American business delivered excellent growth across all sectors until the end of February. Organic revenue growth was 8.1% driven by strong net new business in Business & Industry (due to high levels of retention) and Healthcare & Seniors (double digit new business wins in the senior living sub sectors) and positive like for like growth (primarily driven by good volume growth due to the events calendar) in Sports & Leisure. Margins were stable, as pricing and like for like volume growth was offset by mobilisation costs on new business.

During March, our business felt the impact of COVID-19, and there was an organic revenue decrease of around 19% in the month, with the sectors outside Healthcare & Seniors seeing double digit organic revenue declines. In Sports & Leisure, stadia and entertainment venues shut, whilst in Education all our university and the majority of our school contracts closed. By the end of March approximately 50% of our business in North America was effectively closed. Despite this, organic revenue growth for the half year was 3.6%.

The operating margin in the half year was 8.1%, 50bps lower than the same period last year (60bps lower excluding the impact of IFRS 16) due to lower revenues in March. Underlying operating profit was £654 million, a reduction of 2.5% on a constant currency basis (3.9% excluding the benefit from IFRS 16). We have taken actions to mitigate our costs, including furloughs and salary reductions. We have not qualified for any material government support scheme, however, labour laws in North America allow relatively flexible cost actions.

Europe – 24.3% Group revenue (2019[1]: 25.1%)

	Underlying		Change		
Regional financial summary	**2020**	2019[1,2]	Reported rates	Constant currency	Organic
Revenue	£3,061m	£3,130m	(2.2)%	(0.5)%	(4.3)%
Regional operating profit (as reported)	£148m	£205m	(27.8)%	(26.4)%	(28.6)%
Regional operating profit (proforma IAS 17)[2]	£145m	£205m	(29.3)%	(27.9)%	(30.1)%
Regional operating margin (as reported)	4.8%	6.5%	(170)bps		
Regional operating margin (proforma IAS 17)[2]	4.7%	6.5%	(180)bps		

[1] Prior year comparatives have reclassified Turkey from our Rest of World region into our Europe region.

[2] The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior period comparatives. As a result, the Group results for the six months ended 31 March 2020 are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

As of the end of February organic revenue in our European business was growing at 0.8% - towards the top end of our anticipated 0%-1% range. Turkey and our business in Central Eastern Europe were delivering double digit organic revenue growth. Whilst the decline in Business & Industry volumes due to weak consumer confidence continued, this was being offset by pricing and a positive volume contribution from Sports & Leisure. During that period, the region's operating margins improved due to the benefits of the cost action programme announced in November 2019.

During March, COVID-19 impacted the region severely and as a result organic revenue decreased by around 30% in the month. Revenues in the UK decreased by around 24% (lower than the regional average as the UK has a higher proportion of business in sectors which have continued to operate such as Healthcare & Seniors and Defence, Offshore & Remote) while Continental Europe declined by around 32%. There were substantial organic revenue declines in Italy, Spain, France and Germany, all countries with large Business & Industry sectors. By the end of March, approximately 55% to 60% of our business in the region was effectively closed. This resulted in a half year organic revenue decline of 4.3%.

As a result of the revenue decline, the underlying operating profit for the half year was £148 million, a constant currency decline of 26.4% (27.9% excluding the benefit from IFRS 16). Operating margin was 4.8%, a 170bps reduction from last half year (180bps excluding the impact of IFRS 16). We have taken actions to mitigate our costs, including furloughs and salary reductions. We have also applied to participate in several government support schemes across the region, however, for the most part these benefits did not come through until April.

Group Chief Executive's Statement (continued)

Rest of World – 11.7% Group revenue (2019[1]: 13.2%)

Regional financial summary	Underlying 2020	Underlying 2019[1,2]	Change Reported rates	Change Constant currency	Change Organic
Revenue	£1,474m	£1,647m	(10.5)%	(6.2)%	3.1%
Regional operating profit (as reported)	£91m	£108m	(15.7)%	(11.7)%	-
Regional operating profit (proforma IAS 17)[2]	£87m	£108m	(19.4)%	(15.5)%	(4.5)%
Regional operating margin (as reported)	6.2%	6.6%	(40)bps		
Regional operating margin (proforma IAS 17)[2]	5.9%	6.6%	(70)bps		

[1] Prior year comparatives have reclassified Turkey from our Rest of World region into our Europe region.

[2] The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior period comparatives. As a result, the Group results for the six months ended 31 March 2020 are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

In the five month period to the end of February, organic revenue growth in our Rest of World region was 5.2% reflecting double digit new business wins in LATAM and good like for like growth in APAC, especially in our Australian Offshore & Remote business. COVID-19 had a minimal impact as our business in China and Hong Kong is relatively small.

March saw an increase in the impact of the COVID-19 containment measures across our APAC region, while in LATAM containment measures happened towards the end of the month. This resulted in an organic revenue decrease in March of around 7%, primarily due to double digit declines in China, Hong Kong and Japan. Some parts of the region remained in growth reflecting the higher exposure to the Defence, Offshore & Remote sector, which has been relatively unaffected by COVID-19. By the end of March, approximately one third of our business in the region was effectively closed. Organic revenue growth for the half year was 3.1% with operating profit of £91 million, a constant currency decline of 11.7% (15.5% excluding the benefit of IFRS 16).

The operating margin was 6.2%, a 40bps reduction from last half year (70bps excluding the impact of IFRS 16). Although we have taken actions to mitigate our costs, including furloughs and salary reductions, in some markets labour laws are relatively inflexible and there is no government support (e.g. LATAM). However, we are participating in government support schemes where available (e.g. Australia and New Zealand).

We continued the execution of our strategic portfolio review and disposed of 50% of our Japanese Highways business.

Strategy

To create sustainable long-term value, we manage the business by focusing on:

- People: their safety and wellbeing are our absolute priority. Our objective is to hire, develop and retain our people to ensure we have an engaged, high performing, diverse and fulfilled workforce
- Performance: deliver consistent financial results with excellent cash flow generation, a strong balance sheet and returns to shareholders when appropriate
- Purpose: safely caring for our people, consumers and the communities that we serve. We take responsibility for the environmental impact of our activities and for developing a sustainable supply chain by collaborating with our suppliers as well as our global non-governmental organisation (NGO) partners

The disruption brought about by COVID-19 creates short term challenges and medium term opportunities. At all times, we will continue 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.

Short term impact of COVID-19

The widespread disruption caused by the COVID-19 pandemic has changed our operations and how we deliver our service to many of our clients and consumers.

In the short term, our priority remains the health and safety of our employees. About 50% of our business is closed, and the sites that are open are all operating with enhanced Health and Safety protocols and Personal Protective Equipment (PPE) requirements and guidelines. We are recognising and rewarding our employees working in critical and essential services with bonuses and other benefits.

We are trying 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, Education and Defence. In the event redeployment has not been possible, employees have been furloughed according to local government support schemes and labour regulations. Most of our regions provide support through Employee Assistance Programmes and have set up funds or other mechanisms to support employees who might be facing financial difficulties as a result of these actions.

As country lock downs are relaxed and lifted, our focus will broaden on how to reopen units while enforcing social distancing. We have developed a framework and new guidelines on how to reopen units safely based on our experience in China and other Asian countries. We have strengthened our Health and Safety protocols which include recommendations on PPE, hygiene requirements and site layout solutions. As units reopen, we will work with our clients to adapt our offer and the way we deliver it, with features such as pre-packaged meals, take away, delivery and contactless payment. The menu is likely to be simplified to accommodate the changes in the way we will provide service. Finally, we will review and agree terms with our clients to reflect the cost structure of a more labour intensive way of preparing and delivering food safely.

Medium term impact of COVID-19

Although COVID-19 has brought about significant short term challenges, we believe it also presents us with medium term opportunities.

Market

As the largest player in the global market we are in a strong position to consolidate our position as the most trusted provider, able to offer clients and consumers the safest and most innovative solutions. With only about 50% of the market currently outsourced, approximately half of which is in the hands of small and regional players, we continue to see a large and exciting structural growth opportunity. We see no reason why this would change, and indeed would expect this trend to accelerate, post COVID-19. We believe our scale will be a vital advantage over smaller players, while corporates and other institutions will be more open to outsourcing as they seek best in class Health and Safety protocols, resilient food supply chains and financially strong suppliers.

Consumer themes

We believe the pandemic is changing consumer perceptions in four important ways, and consumers are beginning to ask a series of fundamental questions about their relationships with food, work and community:

- Trust and safety: Who do I trust to keep me safe? What measures are in place to enforce social distancing? Are there robust Health and Safety protocols and high levels of hygiene? Are there options that allow consumers not to have to go out and put themselves at risk?
- Work/life: what is work, education and leisure going to be like after this? Extended lockdowns are changing consumers' perception of work-life balance, relationships with family, friends and co-workers. Will certain industries embrace technology such that the experience of work will change more significantly? Separately, will economic recession have an impact on employment and disposable income levels?
- Physical & mental wellbeing: how do I boost my immune system? We expect increased interest in food and beverages that build the immune system and resilience. Mental health is a concern in the face of uncertainty and although some consumers will have adopted new exercise habits, post lock down obesity is also an increased risk.
- Purpose & Sustainability: how do I support my community? The crisis has created a new sense of altruism, with people creating informal networks to help the vulnerable and businesses switching core operations to help those in need. Lockdowns have reduced pollution levels and there is heightened awareness of the responsible use of resources. Issues around single use plastics (and their increased role during the pandemic), carbon footprint, sustainable sourcing and food waste are expected to be at the forefront of consumers' minds.

Sector dynamics

The way we provide food and hygiene services in Healthcare and Defence, Offshore and Remote already incorporates enhanced Health and Safety protocols, a more resilient supply chain and socially distanced ways of working. The closure of most of our Business & Industry, Education and Sports & Leisure business, combined with the way society has responded to lock downs with increased working from home and online learning, may result in more structural changes in what services we provide in those sectors and how.

Our experience in China and Asia has shown that Business & Industry is impacted in two different ways. In manufacturing, or other businesses where employees cannot work from home, solutions are required to allow employees to work and eat in a socially distanced way. That may result in longer shifts because there are fewer people on the floor at any point in time, which increases the length of the working day and requires food to be served over a longer period of time. In office based jobs where working from home is an option, we may see permanently lower populations on site. However, we expect higher on-site participation as consumers will not want to leave the building.

The role of food in the workplace is likely to change. The main priority will be how to make the food experience safe with social distancing, resilient supply chains and increased hygiene. Employees tend to associate access to a staff restaurant as an important indication that their employer cares about its employees. The experience of eating at work will seek to balance the role of food in nutrition and wellbeing with the role food plays in helping colleagues connect. Working from home may create new product lines such as "take home tomorrow's lunch" or home delivery options.

In Education, we expect an increased focus on stronger Health and Safety protocols and a secure supply chain. However, at this stage we don't expect to see material changes in how we provide our services in K-12 (kindergarten through to high school) because of the dual role that schools play in providing education at the same time as child care. It remains to be seen whether online education will impact higher education and populations on campus in a more structural way, or whether the campus experience will still be an integral part of higher education, with online as an additional way universities interact with their students.

Our Sports & Leisure sector is likely to be the last sector to reopen, and when it does, there will also likely be challenges around preparation of food and providing service in a socially distanced manner. This may require increased use of digital options to pre order, pre pay, click and collect as well as more labour to deliver the food to the spectators' seat. In addition, the food and drinks offer may need to be streamlined to enable the efficient execution of this modified service model.

Group Chief Executive's Statement (continued)

Compass Response

People

Our people remain the core of our business and the main source of our competitive advantage. Their safety and wellbeing continues to be and is our absolute priority.

Going forward we are likely to manage our workforce more flexibly across sectors, and training and development will be even more important if employees are to operate efficiently in different sites. We are also looking at ways to continue to train and reward unit managers, given their key role within the organisation, as well as provide them with more central administrative support to allow them to focus on health and safety as well as delivering excellent food and service.

Performance

We believe that our capabilities will allow us to unlock opportunities brought about by these structural changes. We are well placed given our:

- Entrepreneurial culture focused on delivery of great food and service to meet different clients' needs
- Great people
- Best in class Health and Safety protocols including the use of appropriate PPE
- Scale combined with a transparent and resilient supply chain
- Expertise in infectious disease hygiene developed in our Healthcare & Seniors sector
- Financial discipline and strength to invest in new capabilities

Health and safety is likely to be a key differentiator with clients and consumers wanting nutritious food that is hygienically prepared with ingredients procured from safe supply chains. We are exploring a wide range of opportunities within food, and beyond, that encompass a wider notion of safety and wellbeing:

- Safety and nutrition will be key attributes with a greater focus on wellbeing to build and strengthen immunity
- Increased use of digital tools across our operations: to order, pay, book a delivery and manage the workforce
- Incorporate delivery options into our model, whether it be on site or off site, through third party or our own delivery applications
- Use of Compass' own central/dark kitchens or client sites in conjunction with new delivery solutions
- Leverage existing Healthcare cleaning capabilities to expand the offer into other sectors
- Provision of testing services on site, combining our expertise in hospitality with our procurement scale and capability

We are already beginning to explore some of these options and will continue to trial a wide range of solutions within these areas in our operations around the world. At this stage the pilots are on a small scale to allow us to learn quickly with minimal risk. As new solutions prove to be successful, we are prepared to roll them out quickly in other markets.

Purpose

We have a longstanding commitment to being a responsible business, and this has come to the fore in the way Compass has supported the communities in which it operates through the COVID-19 pandemic. We are determined to strengthen and deepen this commitment further, and in fact the new operating environment will require us to focus on our purpose to maximise its impact and effectiveness. To that end we are focusing our efforts on:

- Caring for and supporting the communities in which we operate by continuing to support initiatives to prepare and provide food to the elderly, vulnerable and those in financial distress
- Increasing the role of food in the management of health and wellbeing, ensuring maximum nutrition
- Improving the resilience, transparency and traceability of our supply chain, as well as using more regional suppliers to support local communities
- Contributing to a positive impact on climate change by reducing food waste and promoting a plant forward diet

Through the crisis and in its aftermath our aim is to remain open and flexible, so that we can adapt our model to meet evolving client and consumer needs while continuing to create sustainable long term value for all our stakeholders.

Group Chief Executive's Statement (continued)

Dividend

We recognise the importance of a dividend to our shareholders. However, we need to balance this with the exceptional circumstances that the COVID-19 pandemic represents. As a result, as previously reported on 23 April, the Board has decided not to recommend an interim or a final dividend for the year ending 30 September 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

Summary and outlook

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.

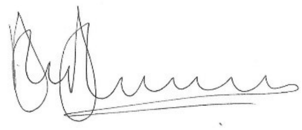
I want to extend my deepest sympathies to the families of those colleagues that have lost their lives to COVID-19. Since the beginning of the crisis, keeping our colleagues safe has been our overriding focus. Colleague and consumer safety will continue to guide everything we do as we move towards reopening more units over the months ahead.

The first five months covered by the results we are announcing today showed a continuation of the strong performance we reported last year, but it goes without saying that COVID-19 has changed everything. Compass is a resilient and adaptable organisation and we have moved quickly to manage cash and costs and increase liquidity. We are doing all we can to protect jobs by redeploying colleagues into units that remain open and using government job retention schemes where available.

The duration of the pandemic, and the pace at which containment measures are relaxed in different countries is unknown, which makes it a challenge to reliably assess the impact across our markets and our business. We are therefore withdrawing our previous growth and margin outlook for 2020. We remain, however, excited about the significant structural market opportunity globally and the potential for further organic revenue growth, margin improvement and returns to shareholders over time.

Given the uncertainty in the short term outlook, today we have launched a £2 billion equity raise to reduce leverage and increase our liquidity. The management actions we have taken, coupled with the strengthened balance sheet will allow us to weather the crisis whilst continuing to invest in the business to enhance our competitive advantages, support our long term growth prospects and further consolidate our position as the industry leader in food services.

Although there are significant short term challenges, I firmly believe that Compass is now well-placed to succeed in a post COVID-19 world. The strengths which have delivered Compass success in the past are the same ones which will deliver success in the future. Our scale and focus on execution, our emphasis on trust and safety, and our financial resilience will put us in a strong position for the recovery and will allow us to generate sustainable long term value for all of our stakeholders.



Dominic Blakemore
Group Chief Executive
19 May 2020

Segmental performance

	Underlying revenue[1]		Underlying revenue growth[2]		
	2020	2019[3]	Reported	Constant	Organic
	£m	£m	Rates	Currency	
North America	**8,080**	7,691	5.1%	3.9%	3.6%
Europe	**3,061**	3,130	(2.2)%	(0.5)%	(4.3)%
Rest of World	**1,474**	1,647	(10.5)%	(6.2)%	3.1%
Total	**12,615**	12,468	1.2%	1.6%	1.6%

	Underlying operating profit[1]			Underlying operating margin[1]		
	2020	2020[4]	2019[3,4]	2020	2020[4]	2019[3,4]
	(reported)	(proforma IAS 17)	(reported)	(reported)	(proforma IAS 17)	(reported)
	£m	£m	£m			
North America	**654**	645	664	8.1%	8.0%	8.6%
Europe	**148**	145	205	4.8%	4.7%	6.5%
Rest of World	**91**	87	108	6.2%	5.9%	6.6%
Unallocated overheads	**(42)**	(42)	(38)			
Total before associates	**851**	835	939	6.7%	6.6%	7.5%
Associates	**3**	3	12			
Total	**854**	838	951			

Statutory and underlying results

	2020			**2019[4]**		
	Statutory £m	**Adjustments £m**	**Underlying £m**	**Statutory £m**	**Adjustments £m**	**Underlying £m**
Revenue	**12,476**	**139**	**12,615**	12,326	142	12,468
Operating profit	**759**	**95**	**854**	913	38	951
Net gain on sale and closure of businesses	**80**	**(80)**	**-**	12	(12)	-
Net finance costs	**(68)**	**3**	**(65)**	(73)	18	(55)
Profit before tax	**771**	**18**	**789**	852	44	896
Tax	**(201)**	**12**	**(189)**	(201)	(9)	(210)
Profit after tax	**570**	**30**	**600**	651	35	686
Non-controlling interest	**(3)**	**-**	**(3)**	(5)	-	(5)
Attributable profit	**567**	**30**	**597**	646	35	681
Average number of shares (millions)	**1,588**	**-**	**1,588**	1,586	-	1,586
Basic earnings per share (pence)	**35.7p**	**1.9p**	**37.6p**	40.7p	2.2p	42.9p
EBITDA			**1,227**			1,234
Gross capex			**420**			415
Free cash flow			**186**			530

[1] Definitions of underlying measures of performance can be found in the glossary on pages 47 and 48.
[2] Reconciliation between the different growth rates is provided in the note 13 of the condensed financial statements.
[3] Prior year comparatives have reclassified Turkey 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 period comparatives. As a result, the Group results for the six months ended 31 March 2020 are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 2 and 13 for additional information.

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 £12,476 million (2019: £12,326 million), growth of 1.2% driven by organic growth, offset by the negative impact of COVID-19.

Operating profit
Operating profit was £759 million (2019: £913 million), a decrease of 16.9% over the prior period, mainly reflecting the negative impact of COVID-19 and higher acquisition related costs, which were partially offset by the net savings related to cost action programme and a modest benefit from the implementation of IFRS 16.

Statutory operating profit includes non-underlying items of £95 million (2019: £38 million). The most significant non-underlying items relate to £41 million of acquisition related costs (2019: £26 million) and £38 million of charges related to the Group's cost action programme (2019: £nil), which was only initiated in the second half of 2019. A full list of non-underlying profit 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 our Japanese Highways business. The Group has recognised a net gain of £113 million on the sale and closure of businesses (2019: £25 million gain), offset by £33 million of exit costs and asset write downs relating to committed or completed business exits (2019: £13 million).

As at the balance sheet date, the Group has assets and liabilities classified as held for sale in relation to certain businesses as these disposals are highly probable and expected to be completed within 12 months.

Finance costs
Net finance costs decreased to £68 million (2019: £73 million) mainly due to a reduction in the Group's cost of hedging and financing related losses compared to the prior period, offset by £18 million additional interest from the adoption of IFRS 16.

Tax charge
Profit before tax was £771 million (2019: £852 million), giving rise to an income tax expense of £201 million (2019: £201 million), equivalent to an effective tax rate of 26.1% (2019: 23.6%). The increase in rate primarily reflects the mix of profits by country taxed at different rates and the additional tax charge resulting from sale and closure of businesses.

Earnings per share
Basic earnings per share were 35.7 pence (2019: 40.7 pence), a decrease of 12.3%, mainly as a result of the negative impact of COVID-19.

Underlying results

We track our performance against underlying and other alternative performance measures, which we believe best 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 43 and 44 and further detailed in the condensed consolidated income statement (page 23), reconciliation of free cash flow (page 29), note 3 segmental reporting (page 36) and note 13 organic revenue and organic profit (page 45).

Revenue
Organic revenue grew by around 6% for the five months to February and declined by 20.4% in March, resulting in 1.6% organic revenue growth for the six months to March. The organic revenue growth decrease experienced in March 2020 reflects the fact that around 55% of our business was closed towards the end of the month as a result of COVID-19.

Operating profit
Underlying operating profit was £854 million (2019: £951 million), a decrease of 10.2%. If we restate 2019's profit at the 2020 average exchange rates, it would decrease by £2 million to £949 million. On a constant currency basis, underlying operating profit has therefore decreased by £95 million, or 10.0%. The impact of IFRS 16 in the first six months of 2020 was to increase underlying operating profit by £16 million.

Operating margin
Operating profit margin improved by 20bps for the five months to February (10bps excluding the impact of IFRS 16). On a reported basis the operating profit margin was 6.7% (6.6% excluding the impact of IFRS 16), reflecting the impact of COVID-19 (2019: 7.5%).

Finance costs
The underlying net finance cost increased to £65 million (2019: £55 million) mainly due to the adoption of IFRS 16 which resulted in an additional £18 million of net interest payable in the first half of 2020, offset by lower interest rates.

Tax charge
On an underlying basis, the tax charge was £189 million (2019: £210 million), equivalent to an effective tax rate of 24.0% (2019 FY: 23.3%). The increase in rate primarily reflects the mix of profits by country taxed at different rates. The tax environment continues to be very uncertain, with more challenging tax authority positions and investigations globally.

Earnings per share
On a constant currency basis, the underlying basic earnings per share decreased by 12.1% to 37.6 pence (2019: 42.8 pence). IFRS 16 adoption had a minor impact on underlying earnings per share.

Shareholder returns

Interim dividend
As a result of the impact of the COVID-19 pandemic, the Board has decided not to recommend an interim or a final dividend for the year ending 30 September 2020.

Share buyback programme
The Group did not buy back any shares during the period (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.

Underlying free cash flow

Free cash flow totalled £186 million (2019: £530 million), a decrease of 64.9%, as a result of the impact of COVID-19. Underlying free cash flow conversion was 22% (2019: 56%).

Gross capital expenditure of £420 million (2019: £415 million) is equivalent to 3.3% (2019: 3.3%) of underlying revenue.

The working capital outflow, excluding provisions and pensions, of £303 million (2019: £83 million) reflects the impact of COVID-19 and includes a £21 million outflow resulting from the first time adoption of IFRS 16.

The outflow related to post employment benefit obligations net of service costs was £6 million (2019: £9 million).

The net interest outflow was £61 million (2019: £53 million), of which £18 million relates to interest on lease payments.

The underlying cash tax rate was 27.0% (2019: 17.3%). The increase is largely due to the change in the UK's corporation tax instalment regime.

Acquisitions

The total cash spent on acquisitions in the first half, net of cash acquired, was £446 million (2019: £370 million), comprising £470 million, which mainly relate to the acquisition of Fazer Food Services, and other smaller bolt-on acquisitions and investments in associates, £9 million of contingent consideration relating to prior years' acquisitions and offset by £33 million of cash acquired net of acquisition transaction costs.

The main acquisition during the period was the purchase of 100% of the share capital of Fazer Food Services for an initial consideration of £364 million (€415 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.

Disposals

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 our Japanese Highways business.

As at the balance sheet date, the Group has assets and liabilities classified as held for sale in relation to certain businesses as these disposals are highly probable and expected to be completed within 12 months.

The Group received £39 million (2019: £68 million) in respect of disposal proceeds net of exit costs.

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 31 March 2020 shows that the average period to maturity is 4.1 years (2019: 5.4 years).

We have taken steps to strengthen the Group's financial position. In March, the Group qualified for, and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF). In April, we put in place an additional Revolving Credit Facility[1] (RCF) of £800 million and now have total undrawn committed credit facilities of £2,800 million. 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 6 months proforma basis for March 2021. Finally, Standard & Poor's reaffirmed our long term (A) and short term (A-1) credit ratings on 24 March and Moody's A3/P-2 long and short term credit ratings remain unchanged.

[1] Contains no financial covenants.

Net debt
During the first six months of the year, net debt increased to £4,876 million (2019 FY: £3,272 million), including £926 million of debt added due to the adoption of IFRS 16. The Group generated £186 million of free cash flow (2019: £530 million), including investing £402 million in net capital expenditure (2019: £395 million), and spent £407 million on acquisitions net of disposal proceeds (2019: £302 million). £427 million was paid in respect of the final dividend for 2019. The remaining £30 million movement in net debt related predominantly to currency translation, cash spent in relation to the cost action programme and other non-cash movements.

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

The increase in the Compass Group Pension Plan (UK) surplus to £625 million (2019 FY: £448 million) and the reduction in the deficit in the rest of the Group's defined benefit pension schemes to £238 million (2019 FY: £259 million), reflect the actuarial gains and losses that occurred since the prior year IAS 19 actuarial valuation. The Compass Group Pension Plan (UK) surplus increased mainly due to an increase in the discount rate resulting from an increase in corporate bond yields, partially offset by a decrease in the fair value of the plan assets due to recent falls in the value of index-linked gilts and corporate bonds held.

Due to the impact of the COVID-19 pandemic outbreak in the real estate market, asset managers' valuations indicate that there is an uncertainty regarding the value of the Compass Group Pension Plan (UK) real estate investments. These investments only represent c. 7% of the UK plan assets at 31 March 2020. This short term volatility is not considered a risk for the UK pension plan given that the approximate duration of the UK Plan liabilities at 31 March 2020 is 17 years.

Related party transactions

Transactions with related parties have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

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 all other stakeholders.

A summary of the principal risks and uncertainties that face the business is set out on pages 18 to 20.

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 the interim financial statements. The factors considered by the directors in assessing the ability of the Group to continue as 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.

After making enquiries, 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 condensed financial statements. For this reason, they continue to adopt the going concern basis in preparing the condensed financial statements.

Karen Witts
Group Chief Financial Officer
19 May 2020

Focus on Risk

Identifying and managing risk

The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and consumers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates.

COVID-19 pandemic risk

The Group's operations have been significantly disrupted as a result of the recent and rapid development of the COVID-19 pandemic outbreak. The rapidity with which the COVID-19 pandemic has spread is causing unprecedented uncertainty around the world for businesses and communities alike.

Our priority remains the health and safety of our employees. About 50% of our business is closed, and the sites that are open are all operating with enhanced Health and Safety protocols and Personal Protective Equipment (PPE) requirements and guidelines, hygiene requirements and site layout solutions.

The acceleration of special containment measures which have been adopted by governments and clients across the globe to protect as many lives as possible, have required the Group to reduce or suspend business operations in certain countries and sectors whilst creating a very challenging environment for those areas of our business that have been able to continue to operate during these extraordinary times.

We have already implemented a wide range of mitigating actions to adapt to a situation which continues to evolve on a daily basis. These measures include:

- Employees
  Steps have been taken to ensure that we retain the skills and experience of our colleagues to leave us well placed to gradually mobilise resource as business returns to more normal levels. In line with local Government and Public Health guidance, provisions are in place to safeguard the health and safety of employees globally, including travel restrictions and remote working where possible to prevent the spread of the virus. All our regions provide support through Employee Assistance Programmes and have set up funds and other mechanisms to support employees who might be facing financial difficulties as a result of these actions. Where we are able to operate, we have stepped up health and safety precautions to ensure that our employees, clients and consumers remain safe.
- Profitability and liquidity
  Implemented action plans have mitigated a significant proportion of our cost base 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 have reduced our cost base by around £500 million per month by taking a wide range of actions including: (i) limiting the use of variable forms of in-unit labour (MAP 4) such as, over-time, redeploying or furloughing much of the fixed element of our in-unit labour; (ii) reducing (MAP 4) in-unit overheads such as rent, rates and concession fees and (iii) reducing salary, hours or furloughing above-unit overhead (MAP 5) employees. The Group Chief Executive has temporarily reduced his salary by 30%, whilst the Group Board and Executive Committee have temporarily reduced their fees and salaries by 25%.

  The Board has decided not to recommend an interim or a final dividend for the year ending 30 September 2020. The Company has a strong capital base, but the Board considers it prudent to cancel the 2020 interim and final dividend 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 Board will keep future dividends under review and will restart payments when it is appropriate to do so.

  The Group has increased its committed bank credit facilities, has obtained a waiver or reset covenant tests for the US Private Placement agreements for the 30 September 2020 and 31 March 2021 test dates, is proactively managing its working capital and has applied for government support packages such as temporary wage subsidy schemes and tax payment deadline extensions where possible.

Focus on Risk (continued)

- Governance and operational effectiveness
  Robust incident management and business continuity plans have been implemented throughout our business. Regional and Country Management meetings have been conducted remotely on a regular basis throughout the crisis, the Executive Committee has been meeting twice weekly and the frequency of Board meetings has also increased to ensure that the Group is able to respond to any immediate or emerging concerns and to closely monitor the effectiveness of strategic measures. In recent months, special measures have been put place to counter the severity of the COVID-19 outbreak, including remote working. Some internal control mechanisms are being adapted to ensure that our employees who are working remotely continue to operate effectively during this period of social distancing. Prior to the official government lock down, to ensure our technology infrastructure could support mass working from home we undertook several business continuity tests. This measure, coupled with our significant investment in collaboration technology, has ensured a smooth transition to remote working. We continue to closely monitor our infrastructure and any reliance we have on third parties to ensure business continuity of critical systems and processes.

  As a result of these special measures, business usage and reliance on the internet has risen greatly and this has led to a significant increase in the number of sophisticated malware and phishing attacks that organisations are experiencing. To mitigate the risk of these type of attacks, we have increased our awareness campaigns to help end users identify these attacks.

Other principal risks

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 stand-alone risk.

The UK is currently in a period of transition leading up to its withdrawal from the EU. We had already identified possible impacts on our food supply chain in the UK through potential increased import costs from weaker sterling, compounded by potential new import duties and tariffs, and on our labour force in the way of staff shortages and salary cost pressures and we have been taking actions to assess and mitigate against any impact of Brexit. The Board believes that whilst the efforts of all governments are focussed on the containment and eradication of COVID-19, the uncertainty about future arrangements between the UK and the EU, and the period for which existing EU laws for member states continue to apply to the UK, will persist. The Board will continue to monitor the potential impact and the Company will take necessary mitigating actions as appropriate.

Focus on Risk (continued)

Other than the impact of the COVID-19 pandemic outbreak, the principal risks affecting the Group are not materially different from those described on pages 42 to 45 of the 2019 Annual Report. Because of the nature of the COVID-19 outbreak, we believe that the pandemic presents a further principal standalone risk to the Group. All other risks continue to be relevant for the remaining six months of this financial year and are summarised below:

- Health and safety – Compass Group feeds millions of consumers and employs and engages hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount.
- People
  - Recruitment – failure to attract and recruit people with the right skills at all levels could limit the success of the Group.
  - Retention and motivation – 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.
- Clients and Consumers
  - Sales and retention – our business relies on securing and retaining a diverse range of clients.
  - Bidding – each year, the Group bids for a large number of opportunities.
  - Service delivery and contractual compliance – 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 loss of business and/or claims.
  - Competition and disruption – we operate in a highly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. The emergence of new industry participants using disruptive technology could adversely affect our business.
- Economic and Political Environment
  - Economy – some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels.
  - Cost inflation – increases in labour or food costs could hamper our ability to deliver the right level of service in the most efficient way.
  - Political stability – as a global business, our operations and earnings may be adversely affected by political or economic instability.
- Compliance and Fraud
  - Compliance and fraud – ineffective compliance management or evidence of fraud, could have an adverse effect on the Group's reputation and performance.
  - International tax – as a Group we operate in an increasingly complex international corporate tax environment. A degree of uncertainty is inevitable, and 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.
  - Information systems and technology – the digital world creates increasing risk for global businesses and brings risks such as technology failures, loss of confidential data and damage to brand reputation. The use of sophisticated phishing and malware attacks on businesses continues to rise with companies suffering operational disruption and loss of data.

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 addition, the geographic, sector and contract diversification of the Group helps to minimise the impact of individual risks on its consolidated results.

Directors' responsibilities

The Interim Report complies with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce a half-yearly financial report. The Interim Management Report is the responsibility of, and has been approved by, the directors.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and gives true and fair view of assets, liabilities, financial position and profit or loss of the Group;

- the Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors have permitted the auditor to undertake whatever inspections it considers to be appropriate for the purpose of enabling the auditor to conduct its review.

On behalf of the Board

Alison Yapp
Group General Counsel and Company Secretary

19 May 2020

The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS).

International Accounting Standard 34 (IAS 34), defines the minimum content of an interim financial report, including disclosures, and identifies the accounting recognition and measurement principles that should be applied to an interim financial report.

Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent review report to Compass Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Paul Korolkiewicz
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
19 May 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Notes	Six months to 31 March 2020 Unaudited £m	Six months to 31 March 2019[1] Unaudited £m
Combined sales of Group and share of equity accounted joint ventures	3, 13	**12,615**	12,468
Less: share of sales of equity accounted joint ventures		**(139)**	(142)
Revenue		**12,476**	12,326
Operating costs		**(11,721)**	(11,443)
Operating profit before joint ventures and associates		**755**	883
Share of profit after tax of joint ventures and associates		**4**	30
Operating profit		**759**	913
Underlying operating profit[2]	3, 13	**854**	951
Acquisition related costs		**(41)**	(26)
One-off pension charge		**-**	(12)
Cost action programme charge		**(38)**	-
Share of profit of joint ventures and associates held for sale		**(16)**	-
Net gain on sale and closure of businesses	11	**80**	12
Finance income		**2**	3
Finance costs		**(67)**	(58)
Other financing items loss		**(3)**	(18)
Profit before tax		**771**	852
Income tax expense	5	**(201)**	(201)
Profit for the period		**570**	651
ATTRIBUTABLE TO			
Equity shareholders of the Company		**567**	646
Non-controlling interests		**3**	5
Profit for the period		**570**	651
BASIC EARNINGS PER SHARE (PENCE)	6	**35.7p**	40.7p
DILUTED EARNINGS PER SHARE (PENCE)	6	**35.7p**	40.7p

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

[2] Underlying operating profit excludes acquisition related costs, one-off pension charge and cost action programme charge, but includes share of profit after tax of associates and operating profit before tax of joint ventures, including those classified as held for sale. The reconciliation between statutory and underlying results is provided in note 12.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Six months to 31 March	
	2020 Unaudited £m	2019[1] Unaudited £m
Profit for the period	**570**	651
Other comprehensive income		
Items that are not subsequently reclassified to the income statement		
Remeasurement of post employment benefit obligations – gain/(loss)	**390**	(230)
Return on plan assets, excluding interest income – (loss)/gain	**(200)**	159
Tax (charge)/credit on items relating to the components of other comprehensive income	**(47)**	12
	143	(59)
Items that are or may be subsequently reclassified to the income statement		
Currency translation differences	**(85)**	(16)
Reclassification adjustment for movements in foreign exchange on sale of businesses	**(13)**	16
	(98)	-
Total other comprehensive income/(loss) for the period	**45**	(59)
Total comprehensive income for the period	**615**	592
ATTRIBUTABLE TO		
Equity shareholders of the Company	**612**	587
Non-controlling interests	**3**	5
Total comprehensive income for the period	**615**	592

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 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 2019[1]	176	182	295	(4)	4,362	(1,676)	27	3,362
Profit for the period	-	-	-	-	-	567	3	570
Other comprehensive income								
Currency translation differences	-	-	-	-	(85)	-	-	(85)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	-	390	-	390
Return on plan assets, excluding interest income – loss	-	-	-	-	-	(200)	-	(200)
Tax on items relating to the components of other comprehensive income	-	-	-	-	-	(47)	-	(47)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	-	(13)	-	-	(13)
Total other comprehensive (loss)/income	-	-	-	-	(98)	143	-	45
Total comprehensive (loss)/income for the period	-	-	-	-	(98)	710	3	615
Fair value of share-based payments	-	-	-	-	14	-	-	14
Tax on items taken directly to equity	-	-	-	-	-	(2)	-	(2)
Change in the fair value of non-controlling interest put options	-	-	-	-	2	-	-	2
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(3)	-	-	(3)
	176	182	295	(4)	4,277	(968)	30	3,988
Dividends paid to shareholders (note 7)	-	-	-	-	-	(427)	-	(427)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3)	(3)
Own shares issued under share schemes	-	-	-	3	-	-	-	3
At 31 March 2020	176	182	295	(1)	4,277	(1,395)	27	3,561

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2019[1]	259	4,170	7	5	(79)	4,362
Other comprehensive income	-	-	-	-	-	-
Currency translation differences	-	-	-	(85)	-	(85)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	(13)	-	(13)
Total other comprehensive loss	-	-	-	(98)	-	(98)
Fair value of share-based payments	14	-	-	-	-	14
Change in the fair value of non-controlling interest put options	-	-	-	-	2	2
Release of share awards settled in existing shares purchased in the market	(3)	-	-	-	-	(3)
At 31 March 2020	270	4,170	7	(93)	(77)	4,277

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 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 period	-	-	-	-	-	646	5	651
Other comprehensive income								
Currency translation differences	-	-	-	-	(16)	-	-	(16)
Remeasurement of post employment benefit obligations – loss	-	-	-	-	-	(230)	-	(230)
Return on plan assets, excluding interest income – gain	-	-	-	-	-	159	-	159
Tax on items relating to the components of other comprehensive income	-	-	-	-	-	12	-	12
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	-	16	-	-	16
Total other comprehensive loss	-	-	-	-	-	(59)	-	(59)
Total comprehensive income for the period	-	-	-	-	-	587	5	592
Fair value of share-based payments	-	-	-	-	11	-	-	11
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	-	-	(1)	(1)
Change in the fair value of non-controlling interest put options	-	-	-	-	(2)	-	-	(2)
	176	182	295	-	4,217	(1,647)	29	3,252
Dividends paid to shareholders (note 7)	-	-	-	-	-	(403)	-	(403)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4)	(4)
At 31 March 2019	176	182	295	-	4,217	(2,050)	25	2,845

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for 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	-	-	-	(16)	-	(16)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	16	-	16
Total other comprehensive loss	-	-	-	-	-	-
Fair value of share-based payments	11	-	-	-	-	11
Change in the fair value of non-controlling interest put options	-	-	-	-	(2)	(2)
At 31 March 2019	243	4,170	7	(130)	(73)	4,217

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

Own shares held by the Group represent 30,111 ordinary shares in Compass Group PLC (31 March 2019: nil ordinary shares, 30 September 2019: 187,455 ordinary shares) and are held by the Compass Group All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 31 March 2020 was £0.4 million (six months to 31 March 2019: £nil, year ended 30 September 2019: £3.9 million). The nominal value held at 31 March 2020 was £3,327 (six months to 31 March 2019: £nil, year ended 30 September 2019: £20,714).

ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for long term incentive plans.

The merger reserve arose in 2000 following the demerger from Granada Compass plc.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2020

	Notes	At 31 March 2020 Unaudited £m	At 31 March 2019[1] Unaudited £m	At 30 September 2019[1] £m
NON-CURRENT ASSETS				
Goodwill		**4,751**	4,420	4,576
Other intangible assets		**1,705**	1,333	1,426
Contract fulfilment assets and contract costs		**1,018**	889	976
Right of use assets		**882**	-	-
Property, plant and equipment		**1,049**	1,002	1,052
Interests in joint ventures and associates		**320**	218	226
Other investments		**84**	78	96
Post employment benefit assets		**625**	281	448
Trade and other receivables		**108**	103	96
Deferred tax assets		**58**	62	76
Derivative financial instruments[2]	9, 10	**211**	108	207
Non-current assets		**10,811**	8,494	9,179
CURRENT ASSETS				
Inventories		**409**	385	404
Trade and other receivables		**2,845**	2,873	3,051
Tax recoverable		**80**	76	88
Cash and cash equivalents[2]	9	**732**	609	398
Derivative financial instruments[2]	9, 10	**25**	2	-
		4,091	3,945	3,941
Assets held for sale	11	**127**	177	190
Current assets		**4,218**	4,122	4,131
Total assets		**15,029**	12,616	13,310
CURRENT LIABILITIES				
Short term borrowings[2]	9	**(1,026)**	(56)	(186)
Short term lease liabilities[2]	9	**(191)**	-	-
Derivative financial instruments[2]	9, 10	**(16)**	(6)	(6)
Provisions		**(202)**	(161)	(223)
Current tax liabilities		**(209)**	(263)	(247)
Trade and other payables		**(4,340)**	(4,321)	(4,718)
		(5,984)	(4,807)	(5,380)
Liabilities directly associated with assets held for sale	11	**(40)**	(17)	(30)
Current liabilities		**(6,024)**	(4,824)	(5,410)
NON-CURRENT LIABILITIES				
Long term borrowings[2]	9	**(3,870)**	(4,201)	(3,679)
Long term lease liabilities[2]	9	**(738)**	-	-
Derivative financial instruments[2]	9, 10	**(3)**	(12)	(6)
Post employment benefit obligations		**(238)**	(229)	(259)
Provisions		**(237)**	(217)	(266)
Deferred tax liabilities		**(208)**	(77)	(114)
Trade and other payables		**(150)**	(211)	(214)
Non-current liabilities		**(5,444)**	(4,947)	(4,538)
Total liabilities		**(11,468)**	(9,771)	(9,948)
Net assets		**3,561**	2,845	3,362
EQUITY				
Share capital		**176**	176	176
Share premium account		**182**	182	182
Capital redemption reserve		**295**	295	295
Own shares		**(1)**	-	(4)
Other reserves		**4,277**	4,217	4,362
Retained earnings		**(1,395)**	(2,050)	(1,676)
Total equity shareholders' funds		**3,534**	2,820	3,335
Non-controlling interests		**27**	25	27
Total equity		**3,561**	2,845	3,362

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

[2] Component of net debt.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Notes	Six months to 31 March 2020 Unaudited £m	2019[1] Unaudited £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	8	**821**	1,101
Interest paid		**(63)**	(56)
Tax received		**-**	16
Tax paid		**(213)**	(171)
Net cash from operating activities		**545**	890
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies[2]	11	**(431)**	(346)
Purchase of additional interest in joint ventures and associates		**(15)**	(24)
Proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs[2]	11	**39**	68
Purchase of intangible assets		**(80)**	(102)
Purchase of contract fulfilment assets		**(146)**	(148)
Purchase of property, plant and equipment		**(171)**	(154)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**18**	19
Proceeds from sale of other investments		**12**	-
Dividends received from joint ventures and associates[3]		**45**	26
Interest received		**2**	3
Net cash from investing activities		**(727)**	(658)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in borrowings	9	**2,133**	1,002
Repayment of borrowings	9	**(1,108)**	(1,213)
Repayment of principal under lease liabilities	9	**(77)**	(2)
Equity dividends paid	7	**(427)**	(403)
Dividends paid to non-controlling interests		**(3)**	(4)
Net cash from financing activities		**518**	(620)
CASH AND CASH EQUIVALENTS			
Net increase/(decrease) in cash and cash equivalents		**336**	(388)
Cash and cash equivalents at beginning of the year[4]		**399**	991
Currency translation (losses)/gains on cash and cash equivalents		**(3)**	6
Cash and cash equivalents at end of the period[4]		**732**	609

[1] The comparative period results 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] Includes dividends received from joint ventures and associates classified as held for sale.

[4] Includes cash and cash equivalents as presented in the condensed consolidated balance sheet of £732 million (31 March 2019: £609 million, 30 September 2019: £398 million) and cash and cash equivalents presented in assets held for sale of £nil (31 March 2019 £nil, 30 September 2019: £1 million).

RECONCILIATION OF FREE CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2020

	Six months to 31 March	
	2020 **Unaudited** **£m**	2019[1] Unaudited £m
Net cash from operating activities	**545**	890
Purchase of intangible assets	**(80)**	(102)
Purchase of contract fulfilment assets	**(146)**	(148)
Purchase of property, plant and equipment	**(171)**	(154)
Repayment of principal under lease liabilities[2]	**(77)**	-
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**18**	19
Proceeds from sale of other investments	**12**	-
Dividends received from joint ventures and associates	**45**	26
Interest received	**2**	3
Dividends paid to non-controlling interests	**(3)**	(4)
Free cash flow	**145**	530
Add back: Cash related to cost action programme in the period	**41**	-
Underlying free cash flow	**186**	530

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

[2] Free cash flow has been redefined on adoption of IFRS 16 to include the payment of lease principal amounts. As a result, the Group's reported free cash flow also includes repayments of obligations under finance leases, which were excluded from free cash flow in the prior period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), and have been prepared on the basis of International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that are effective for the year ending 30 September 2020.

The unaudited condensed consolidated financial statements for the six months ended 31 March 2020, which were approved by the Board on 19 May 2020, and the comparative information in relation to the half year ended 31 March 2019, do not comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and should be read in conjunction with the Annual Report for the year ended 30 September 2019. Those accounts have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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 the condensed consolidated financial statements. The condensed consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

The Group is a well rated and established borrower which operates with a low leverage and has a business model which is expected to remain robust post crisis allowing deleveraging. Standard & Poor's reaffirmed the Group's long term (A) and short term (A-1) credit ratings on 24 March and Moody's A3/P-2 long and short term credit ratings remain unchanged.

At 31 March 2020, the Group's financing arrangements amounted to £4,495 million and consisted of USD, Sterling and Euro Bonds (£2,348 million), US Private Placements (USPP) (£1,331 million) and Commercial Paper (CP) (£816 million, including £600 million from the Bank of England's Covid Corporate Financing Facility). In addition, the Group had £732 million cash in bank and a committed Revolving Credit Facility of £2,000 million expiring in 2024 with an option to extend, subject to lenders consent, for a further 2 years, which had been drawn down by £202 million.

On 3 April 2020, the Group signed an additional £800 million committed Revolving Credit Facility which matures in October 2021. The only term debt maturing in the 18 months to 30 September 2021 is $200 million (£161 million) of USPP debt in September 2020. CP of £816 million matures in the period from April 2020 to March 2021.

The USPP debt (£1,331 million) is subject to a leverage covenant (net debt to EBITDA<=4x) and an interest cover covenant (EBITDA/net interest expense>=2.5x). These financial covenants are tested on 31 March and 30 September every year. As at 31 March 2020, the financial covenants were met. The Group's other financing arrangements do not contain any financial covenants.

The directors have prepared projected cash flow scenarios for eighteen months from the date of their approval of these condensed consolidated financial statements. The directors have considered various scenarios in assessing the impact of COVID-19 on future financial performance and cash flows with the key judgement applied being the likely time period of government enforced restrictions and the extent to which performance would recover subsequent to these restrictions being lifted. In these scenarios, the financial performance of the Group's Healthcare & Seniors and Defence, Offshore & Remote sectors which account for c. 30% of revenue remain largely unaffected by COVID-19 while 75% of our Business & Industry and Education sectors, and 100% of our Sports & Leisure sectors are closed.

In the base case scenario, where the business that is closed starts to reopen in a phased manner and gradually recovers towards the end of this financial year, the directors consider that the Group will continue to operate within its available committed facilities with sufficient headroom.

In a severe but plausible downside scenario the directors have assumed that there are widespread government restrictions lasting for at least 6 months and that the Group continues to lose approximately 55% of its expected revenue in the second half of the financial year recovering gradually thereafter for 12 months to September 2021 with every £1 billion of lost revenue resulting in approximately £250 million - £280 million loss before tax after taking into account cost containment measures. It has also been assumed that discretionary capital expenditure would be reduced, M&A activity is suspended, and temporary cessation of dividend payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (CONTINUED)

In the severe but plausible downside scenario modelled by the directors, due to the significant loss in the next 6 months, whilst the Group continues to retain sufficient committed headroom on liquidity, the leverage covenant under the Group's USPP agreements could be potentially breached over the next two testing dates (September 2020 and March 2021) and would require mitigating actions to be put in place. Consequently, the Group has obtained waivers of the leverage covenant test in our USPP agreements for the 30 September 2020 and 31 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 6 months proforma basis for March 2021.

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. We will continue to review the full range of funding options available to us, to strengthen our liquidity and balance sheet position so as to maximise our commercial opportunities over the medium term.

Based on the above analysis the directors believe that it remains appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Judgements and estimates

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's accounting policies do not include any critical judgements. The policies which require the most use of management estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2019, with the exception of the adoption of IFRS 16, which requires the use of additional assumptions and estimates as set out in note 2.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 30 September 2019, with the exception of the adoption of new and amended standards as set out below.

The unprecedented challenges caused by the COVID-19 outbreak, and specifically the inherent uncertainty in forecasting the Group's full year mix of profits, have made it difficult to reliably estimate the Group's annual effective tax rate therefore the year to date actual tax calculation has been used to represent the best estimate of the annual effective tax rate.

New accounting pronouncements adopted

Accounting standards, interpretations and amendments that have been adopted by the Group in the current period:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IAS 28 'Long term interests in associates and joint ventures'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Annual improvements to IFRS standards 2015–2017 cycle

The Group has updated its accounting policies to reflect the impact of IFRS 16 as described below. There is no significant impact on this condensed consolidated financial statements as a result of adopting other new IFRS standards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

1 BASIS OF PREPARATION (CONTINUED)

IFRS 16 'Leases'

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'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model. Under IFRS 16, leases, other than short term leases and leases of low value assets, give rise to the recognition of lease liabilities for future lease payments and corresponding right of use assets, representing the right to use the leased item.

On transition the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition for each lease. The right of use assets have been measured at an amount equal to the lease liability on adoption, adjusted for pre-existing lease prepayments, accrued lease expenses and lease provisions. As a result, on transition the Group has recognised lease liabilities of £995 million and right of use assets of £956 million. As at 31 March 2020, the right of use assets were £882 million and the lease liabilities were £929 million. Adoption of IFRS 16 has no impact on the Group’s ability to comply with the covenant requirements of its borrowing facilities.

The Group’s lease portfolio mainly consists of offices, concessions and other assets such as catering equipment, vending machines and motor vehicles.

The Group has applied the following expedients in relation to the adoption of IFRS 16:

- Reliance was placed on existing onerous lease assessments under IAS 37 to impair right of use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption
- Leases with a lease term end date within one year of the date of initial application were not recognised on the balance sheet. Rental payments for these leases are accounted on a straight line basis in the consolidated income statement
- No reassessment was performed as to whether existing contracts are, or contain, a lease at the date of initial application

Further details of the impact of the adoption of the new leasing standard and the change in the Group's accounting policy are disclosed in note 2.

New accounting pronouncements to be adopted

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 31 March 2020. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IFRS 3 ‘Definition of a business’
- Amendments to IAS 1 and IAS 8 ‘Definition of material’
- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'

2 IMPACT OF THE ADOPTION OF IFRS 16

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 October 2019, where they are different from those applied in earlier periods.

IFRS 16 ‘Leases’ – impact of the adoption

The Group 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

2 IMPACT OF THE ADOPTION OF IFRS 16 (CONTINUED)

Condensed consolidated balance sheet

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 September 2019 (IAS 17 basis) £m	IFRS 16 transition adjustments £m	**At 1 October 2019 (IFRS 16 basis) £m**
NON-CURRENT ASSETS			
Right of use assets	-	956	956
Property, plant and equipment	1,052	(4)	1,048
Deferred tax assets	76	-	76
Other non-current assets	8,051	-	8,051
Non-current assets	9,179	952	10,131
CURRENT ASSETS			
Trade and other receivables	3,051	(7)	3,044
Other current assets	1,080	-	1,080
Current assets	4,131	(7)	4,124
Total assets	13,310	945	14,255
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)
Deferred tax liabilities	(114)	-	(114)
Other non-current liabilities	(479)	-	(479)
Non-current liabilities	(4,538)	(824)	(5,362)
Total liabilities	(9,948)	(945)	(10,893)
Net assets	3,362	-	3,362

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, £87 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 and US laundries businesses held for sale at 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 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.

Condensed 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 in the six months ended 31 March 2020 has resulted in a £16 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 £18 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 £6 million.

Condensed 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 £76 million increase in net cash from operating activities, 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 £16 million, including £9 million in North America, £3 million in Europe and £4 million in Rest of World
- Underlying basic earnings per share has decreased by 0.1 pence, reflecting higher finance costs on lease liabilities of £18 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 £926 million as at 31 March 2020
- Free cash flow has been redefined to include the payment of lease principal amounts. As a result, the Group's reported free cash flow also includes repayments of obligations under finance leases, which were excluded from free cash flow in the prior year

To provide a meaningful comparison with prior period which is reported under IAS 17 'Leases' the underlying operating profit and growth rates for the six months ended 31 March 2020 have therefore also been presented in accordance with IAS 17 as shown in note 13.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

2 IMPACT OF THE ADOPTION OF IFRS 16 (CONTINUED)

IFRS 16 'Leases' – accounting policies applied since 1 October 2019

Following the adoption of IFRS 16, the Group's accounting policy in respect of leases is as follows:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. The Group allocates the consideration in the contract to each lease and non-lease component. The non-lease component, where it is separately identifiable, is not included in the right of use asset.

When a lease is recognised in a contract the Group recognises a right of use asset and a lease liability at the lease commencement date. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases of low value assets with an initial fair value less than approximately £5,000 and short term leases of 12 months or less. For these leases, the lease payments are charged to the income statement as an operating expense on a straight line basis over the period of the lease.

The right of use asset is initially measured at cost, comprising the initial lease liability adjusted for any lease payments already made, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. The right of use asset is subsequently depreciated on a straight line basis over the shorter of the lease term or the useful life of the underlying asset. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. The right of use asset is tested for impairment if there are any indicators of impairment.

The lease liability is measured at the present value of the lease payments that are reasonably certain and not paid at the commencement date, discounted at the lessee's incremental borrowing rate specific to the term, country and start date of the lease. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, by discounting the revised lease payments as follows:

- Using the initial discount rate at the inception of the lease when lease payments change as a result of changes to residual value guarantees and changes in an index other than a floating interest rate
- Using a revised discount rate when lease payments change as a result of the Group's reassessment of whether it is reasonably certain to exercise a purchase, extension or termination option, changes in the lease term or as a result of a change in floating interest rates

The lease term is the non cancellable period beginning at the contract commencement date plus periods covered by an option to extend the lease, if it is reasonably certain that the Group will exercise the option, and periods covered by an option to terminate the lease, if it is reasonably certain that the Group will not exercise this option.

Variable lease payments that are not included in the measurement of the lease liability are recognised in the consolidated income statement in the period in which the event or condition that triggers payment occurs.

Critical accounting estimates, assumptions and judgements in applying IFRS 16

The policies that require the most use of management estimation and judgement relate to the determination of the lease term and the calculation of the discount rate for future lease payments. The application of IFRS 16 does not require any critical judgements.

- Lease terms may be different to the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the Group. Termination and extension options are negotiated to provide operational flexibility in managing the leased asset portfolio and align it with the Group's business needs. Judgement is required in assessing whether these optional periods should be included when determining the lease term. The assessment of whether the Group is reasonably certain to exercise such options is made at the lease commencement date and subsequently reassessed if there are significant events or changes in circumstances within the control of the Group. Lease terms are assessed based on the Group's business plans and historical experience.

- The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms and conditions. The calculation of the incremental borrowing rate for each lease contract requires judgement. The incremental borrowing rate is determined using a series of inputs including a risk free rate based on government bond rates, a credit risk adjustment based on corporate bonds in order to incorporate the credit worthiness of the lessee and adjustments specific to the lease, such as term, country and currency.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

3 SEGMENTAL REPORTING

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and our Rest of World markets. The following table presents Group revenues disaggregated by geographical segment and sector:

REVENUE[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
SIX MONTHS ENDED 31 MARCH 2020				
Business & Industry	**2,573**	**1,607**	**602**	**4,782**
Education	**1,968**	**455**	**79**	**2,502**
Healthcare & Seniors	**2,319**	**466**	**224**	**3,009**
Sports & Leisure	**1,096**	**298**	**62**	**1,456**
Defence, Offshore & Remote	**124**	**235**	**507**	**866**
Combined sales of Group and share of equity accounted joint ventures[2,3,4]	**8,080**	**3,061**	**1,474**	**12,615**
SIX MONTHS ENDED 31 MARCH 2019[5]				
Business & Industry	2,372	1,690	641	4,703
Education	1,900	475	98	2,473
Healthcare & Seniors	2,153	469	256	2,878
Sports & Leisure	1,150	262	141	1,553
Defence, Offshore & Remote	116	234	511	861
Combined sales of Group and share of equity accounted joint ventures[2,3]	7,691	3,130	1,647	12,468

[1] There is no inter-segmental trading.
[2] This is the underlying 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 £1,024 million (six months to 31 March 2019: £1,066 million). Underlying revenue from external customers arising in the US region was £7,586 million (six months to 31 March 2019: £7,211 million). Underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £11,591 million (six months to 31 March 2019: £11,402 million).
[4] Includes revenue of joint ventures classified as held for sale.
[5] 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 is now part of the Europe segment. Revenue of £154 million has been reclassified from Rest of World to Europe for the six months ended 31 March 2019.

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2020					
Underlying operating profit before joint ventures and associates	**654**	**148**	**74**	**(42)**	**834**
Add: Share of profit before tax of joint ventures[1]	**-**	**-**	**17**	**-**	**17**
Regional underlying operating profit[2]	**654**	**148**	**91**	**(42)**	**851**
Add: Share of profit of associates	**-**	**3**	**-**	**-**	**3**
Group underlying operating profit[2]	**654**	**151**	**91**	**(42)**	**854**

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2019[3]					
Underlying operating profit before joint ventures and associates	663	205	91	(38)	921
Add: Share of profit before tax of joint ventures	1	-	17	-	18
Regional underlying operating profit[2]	664	205	108	(38)	939
Add: Share of profit of associates	6	6	-	-	12
Group underlying operating profit[2]	670	211	108	(38)	951

[1] Includes share of profit of joint ventures and associates classified as held for sale.
[2] Underlying operating profit is the profit measure considered by the chief operating decision maker.
[3] 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 is now part of the Europe segment. Regional underlying operating profit of £13 million has been reclassified from Rest of World to Europe for the six months ended 31 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

4 IMPAIRMENT REVIEW

In the light of the uncertainty caused by the COVID-19 outbreak, the Group has tested goodwill for impairment as at 31 March 2020.

As a result of the uncertainty caused by the COVID-19 outbreak, there is a wide range of potential outcomes regarding the possible future performance in each of the countries in which the Group operates. The directors, however, 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 Group's cash-generating units to fall below their carrying values.

5 TAX

RECOGNISED IN THE CONDENSED CONSOLIDATED INCOME STATEMENT: INCOME TAX EXPENSE	Six months to 31 March	
	2020 £m	2019 £m
CURRENT TAX		
Current year	**193**	214
Adjustment in respect of prior years	**1**	(11)
Current tax expense	**194**	203
DEFERRED TAX		
Current year	**13**	(2)
Impact of changes in statutory tax rates	**(6)**	-
Deferred tax expense/(credit)	**7**	(2)
TOTAL INCOME TAX		
Income tax expense	**201**	201

The tax charge for the period has been calculated as described in note 1.

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 they 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 31 March 2020. However, our ultimate liability may be lower as the computation will depend on the facts of each individual case. 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 and there have been no significant developments in respect of any of these since 30 September 2019.

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 31 March 2020, the total amount assessed in respect of these matters is £52 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.

Deferred tax assets have not been recognised in respect of tax losses of £232 million (31 March 2019: £30 million) and other temporary differences of £24 million (31 March 2019: £17 million). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

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FOR THE SIX MONTHS ENDED 31 MARCH 2020

6 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 the acquisition related costs, one-off pension charge, cost action programme charge, 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, but including share of profit of joint ventures and associates classified as held for sale. These items are excluded in order to show the underlying trading performance of the Group.

	Six months to 31 March	
ATTRIBUTABLE PROFIT	**2020 £m**	2019 £m
Profit for the period attributable to equity shareholders of the Company	**567**	646
Adjustments stated net of tax:		
Acquisition related costs	**33**	19
One-off pension charge	**-**	10
Cost action programme charge	**28**	-
Share of profit of joint ventures and associates held for sale	**16**	-
Net gain on sale and closure of businesses	**(49)**	(10)
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**2**	16
Underlying attributable profit for the period from operations	**597**	681

	Six months to 31 March	
AVERAGE NUMBER OF ORDINARY SHARES	**2020 Ordinary shares of 11 1/20p each millions**	2019 Ordinary shares of 11 1/20p each millions
Average number of shares for basic earnings per share	**1,588**	1,586
Dilutive share options	**1**	1
Average number of shares for diluted earnings per share	**1,589**	1,587

	Basic earnings per share		Diluted earnings per share	
BASIC EARNINGS PER SHARE (PENCE)	**2020 Earnings per share pence**	2019 Earnings per share pence	**2020 Earnings per share pence**	2019 Earnings per share pence
From operations	**35.7**	**40.7**	**35.7**	40.7
Adjustments stated net of tax:				
Acquisition related costs	**2.1**	**1.2**	**2.1**	1.2
One-off pension charge	**-**	**0.6**	**-**	0.6
Cost action programme charge	**1.8**	**-**	**1.8**	-
Share of profit of joint ventures and associates held for sale	**1.0**	**-**	**1.0**	-
Net gain on sale and closure of businesses	**(3.1)**	**(0.6)**	**(3.1)**	(0.6)
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**0.1**	**1.0**	**0.1**	1.0
From underlying operations	**37.6**	**42.9**	**37.6**	42.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7 DIVIDENDS

The Board has decided not to recommend an interim dividend for the six months ended 31 March 2020 (2019: 13.1 pence per share).

DIVIDENDS ON ORDINARY SHARES	Six months to 31 March 2020 Dividends per share pence	Six months to 31 March 2020 £m	Six months to 31 March 2019 Dividends per share pence	Six months to 31 March 2019 £m
Amounts recognised as distributions to equity shareholders during the period:				
Final 2018	**-**	**-**	**25.4**	**403**
Final 2019	**26.9**	**427**	**-**	**-**
Total dividends	**26.9**	**427**	**25.4**	**403**

8 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	Six months to 31 March 2020 £m	Six months to 31 March 2019 £m
Operating profit before joint ventures and associates	**755**	883
Adjustments for:		
Acquisition related costs	**41**	26
One-off pension charge	**-**	12
Cost action programme charge	**38**	-
Amortisation of intangible assets	**43**	44
Amortisation of contract fulfilment assets	**97**	89
Amortisation of contract prepayments	**12**	10
Depreciation of property, plant and equipment	**143**	140
Depreciation of right of use assets	**78**	-
Unwind of costs to obtain contracts	**7**	6
(Gain)/loss on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**(3)**	2
Other non-cash changes	**-**	(2)
Decrease in provisions	**(58)**	(10)
Investment in contract prepayments	**(23)**	(10)
Increase in costs to obtain contracts	**(14)**	(8)
Post employment benefit obligations net of service costs	**(6)**	(9)
Share-based payments - charged to profits	**14**	11
Operating cash flows before movement in working capital	**1,124**	1,184
Increase in inventories	**(7)**	(26)
Decrease/(increase) in receivables	**158**	(56)
Decrease in payables	**(454)**	(1)
Cash generated from operations	**821**	1,101

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

9 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.

	Six months to 31 March								For the year ended 30 September 2019 £m
NET DEBT	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Lease liabilities £m	Derivative financial instruments £m	Cash and cash equivalents £m	Net debt 2020 £m	Net debt 2019 £m	
At 1 October	**(17)**	**(3,845)**	**(3,862)**	**(3)**	**195**	**398**	**(3,272)**	(3,383)	(3,383)
Implementation of IFRS 16[1]	**-**	**-**	**-**	**(995)**	**-**	**-**	**(995)**	-	-
At 1 October, as adjusted[1]	**(17)**	**(3,845)**	**(3,862)**	**(998)**	**195**	**398**	**(4,267)**	(3,383)	(3,383)
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**337**	**337**	(366)	(579)
Cash outflow from repayment of bank loans	**-**	**1,038**	**1,038**	**-**	**-**	**-**	**1,038**	443	1,830
Cash inflow from borrowing bank loans	**-**	**(1,228)**	**(1,228)**	**-**	**-**	**-**	**(1,228)**	(1,002)	(1,830)
Cash outflow from repayment of loan notes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	193	195
Cash outflow from repayment of bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	527	530
Cash inflow from issuance of commercial paper	**-**	**(875)**	**(875)**	**-**	**-**	**-**	**(875)**	-	-
Cash outflow from repayment of commercial paper	**-**	**70**	**70**	**-**	**-**	**-**	**70**	-	-
Cash (inflow)/outflow from other changes in gross debt	**(31)**	**-**	**(31)**	**-**	**1**	**-**	**(30)**	50	76
Cash outflow from repayment of obligations under lease liabilities	**-**	**-**	**-**	**77**	**-**	**-**	**77**	2	4
Increase in net debt as a result of new lease liabilities	**-**	**-**	**-**	**(85)**	**-**	**-**	**(85)**	(1)	(1)
Reclassified to held for sale	**-**	**-**	**-**	**87**	**-**	**-**	**87**	-	(1)
Currency translation (losses)/gains	**(2)**	**(5)**	**(7)**	**14**	**20**	**(3)**	**24**	(3)	(86)
Other non-cash movements	**-**	**(1)**	**(1)**	**(24)**	**1**	**-**	**(24)**	(16)	(27)
Carried forward	**(50)**	**(4,846)**	**(4,896)**	**(929)**	**217**	**732**	**(4,876)**	(3,556)	(3,272)

[1] The comparative period results have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 2.

OTHER NON-CASH MOVEMENTS IN NET DEBT	Six months to 31 March 2020 £m	2019 £m	For the year ended 30 September 2019 £m
Amortisation of fees and discount on issuance	**(1)**	(3)	(6)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**-**	(79)	(160)
Bank and other borrowings	**(1)**	(82)	(166)
Leases acquired through business acquisition	**(24)**	-	-
Lease liabilities	**(24)**	-	-
Changes in the value of derivative financial instruments including accrued income	**1**	66	139
Other non-cash movements	**(24)**	(16)	(27)

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9 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (CONTINUED)

At 31 March 2020, the Group's financing arrangements amounted to £4,495 million and consisted of USD, Sterling and Euro Bonds (£2,348 million), US Private Placements (USPP) (£1,331 million) and Commercial Paper (CP) (£816 million, including £600 million from the Bank of England's Covid Corporate Financing Facility). In addition, the Group had £732 million cash in bank and a committed Revolving Credit Facility of £2,000 million expiring in 2024 with an option to extend, subject to lenders consent for a further 2 years, which had been drawn down by £202 million.

On 3 April 2020, the Group signed an additional £800 million committed Revolving Credit Facility which matures in October 2021. The total available committed credit facilities including this additional credit facility is now £2,800 million. The only term debt maturing in the 18 months to 30 September 2021 is $200 million (£161 million) of USPP debt in September 2020. CP of £816 million mature in the period from April 2020 to March 2021. The maturity profile of the Group's principal borrowings at 31 March 2020 shows that the average period to maturity is 4.1 years (2019: 5.4 years).

10 FINANCIAL INSTRUMENTS

The Group held certain financial instruments at fair value at 31 March 2020.

The fair values have been determined by reference to Level 2 inputs as defined by the fair values hierarchy of IFRS 13 'Fair value measurements'. There were no transfers between levels in the current and comparative periods.

All derivative financial instruments are shown at fair value on the balance sheet and are present values determined from future cashflows discounted at rates derived from market sourced data. The fair values of derivative financial instruments represent the maximum credit exposure.

DERIVATIVE FINANCIAL INSTRUMENTS	Six months ended 31 March 2020 Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps				
Fair value hedges[1]	**-**	**121**	**-**	**-**
Not in a hedging relationship[2]	**-**	**2**	**(9)**	**(3)**
Cross currency swaps				
Fair value hedges[1]	**-**	**88**	**-**	**-**
Forward currency contracts				
Net investment hedges[3]	**4**	**-**	**-**	**-**
Not in a hedging relationship[2]	**21**	**-**	**(7)**	**-**
Total	**25**	**211**	**(16)**	**(3)**

DERIVATIVE FINANCIAL INSTRUMENTS	Six months ended 31 March 2019 Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps				
Fair value hedges[1]	-	51	-	-
Not in a hedging relationship[2]	2	1	-	(7)
Cross currency swaps				
Fair value hedges[1]	-	56	-	(5)
Forward currency contracts				
Net investment hedges[3]	-	-	(2)	-
Not in a hedging relationship[2]	-	-	(4)	-
Total	2	108	(6)	(12)

[1] Derivatives that are designated and effective as hedging instruments carried at fair value (IFRS 9).
[2] Derivatives carried at 'fair value through profit or loss' (IFRS 9).
[3] Derivatives that are designated and effective in net investment hedges carried at fair value (IFRS 9).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

10 FINANCIAL INSTRUMENTS (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS	Year ended 30 September 2019 Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps				
Fair value hedges[1]	-	99	-	-
Not in a hedging relationship[2]	-	1	(3)	(6)
Cross currency swaps				
Fair value hedges[1]	-	107	-	-
Forward currency contracts				
Fair value hedges[1]	-	-	(2)	-
Not in a hedging relationship[2]	-	-	(1)	-
Total	-	207	(6)	(6)

[1] Derivatives that are designated and effective as hedging instruments carried at fair value (IFRS 9).
[2] Derivatives carried at 'fair value through profit or loss' (IFRS 9).

11 ACQUISITIONS AND SALE AND CLOSURE OF BUSINESSES

ACQUISITIONS

The total cash spent on acquisitions in the first half, net of cash acquired, was £431 million (2019: £346 million). The most significant acquisition during the period relates to Fazer Food Services.

On 31 January 2020, the Group acquired 100% of the share capital of Fazer Food Services for an initial consideration of £364 million (€415 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 main assets acquired include client contract related intangible assets of £250 million and brand names of £22 million. The preliminary goodwill in relation to the assets acquired is £196 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.

This goodwill is provisional and will be finalised within 12 months of the acquisition date. Changes are expected to principally relate to the valuation of intangible assets and the final adjustments to the purchase price, which are based on completion accounts to be finalised in the second half of the financial year.

Fazer Food Services contributed to the Group's results for the six months ended 31 March 2020 revenue of £77 million and operating loss of £1 million, mainly due to the negative impact of COVID-19. If the acquisition had occurred on 1 October 2019, it is estimated that the combined sales of Group and equity accounted joint ventures for the six months ended 31 March 2020 would have been £12,768 million and total Group operating profit (including associates) would have been £868 million.

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.

During the period ended 31 March 2020, the Group has successfully completed the disposal of several businesses which were held for sale at 30 September 2019, including 50% of its Japanese Highways business. The Group's condensed consolidated income statement includes a £113 million net gain on sale and closure of businesses (six months to 31 March 2019: £25 million), offset by £33 million of asset write downs and exit costs relating to committed or completed business exits (six months to 31 March 2019: £13 million).

As at 31 March 2020, the Group has assets and liabilities classified as held for sale in relation to certain businesses, including the remaining US laundries and some businesses in our Rest of the World region, as these disposals are highly probable and expected to be completed within 12 months. The Group’s condensed consolidated balance sheet includes assets of £127 million (31 March 2019: £177 million) and liabilities of £40 million (31 March 2019: £17 million) in respect of these businesses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

12 STATUTORY AND UNDERLYING RESULTS

		Six months to 31 March 2020							
			Adjustments						
	Notes	2020 Statutory £m	1	2	3	4	5	6	2020 Underlying £m
Operating profit	3	**759**	**41**	**-**	**38**	**16**	**-**	**-**	**854**
Net gain on sale and closure of businesses		**80**	**-**	**-**	**-**	**-**	**(80)**	**-**	**-**
Net finance cost		**(68)**	**-**	**-**	**-**	**-**	**-**	**3**	**(65)**
Finance income		**2**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
Finance costs		**(67)**	**-**	**-**	**-**	**-**	**-**	**-**	**(67)**
Other financing items		**(3)**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
Profit before tax		**771**	**41**	**-**	**38**	**16**	**(80)**	**3**	**789**
Income tax expense		**(201)**	**(8)**	**-**	**(10)**	**-**	**31**	**(1)**	**(189)**
Tax rate		**26.1%**							**24.0%**
Profit for the period		**570**	**33**	**-**	**28**	**16**	**(49)**	**2**	**600**
Non-controlling interests		**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Profit attributable to equity shareholders of the Company		**567**	**33**	**-**	**28**	**16**	**(49)**	**2**	**597**
Average number of shares		**1,588**							**1,588**
BASIC EARNINGS PER SHARE (PENCE)	6	**35.7**	**2.1**	**-**	**1.8**	**1.0**	**(3.1)**	**0.1**	**37.6**

		Six months to 31 March 2019							
			Adjustments						
	Notes	2019 Statutory £m	1	2	3	4	5	6	2019 Underlying £m
Operating profit	3	913	26	12	-	-	-	-	951
Net gain on sale and closure of businesses		12	-	-	-	-	(12)	-	-
Net finance cost		(73)	-	-	-	-	-	18	(55)
Finance income		3	-	-	-	-	-	-	3
Finance costs		(58)	-	-	-	-	-	-	(58)
Other financing items		(18)	-	-	-	-	-	18	-
Profit before tax		852	26	12	-	-	(12)	18	896
Income tax expense		(201)	(7)	(2)	-	-	2	(2)	(210)
Tax rate		23.6%							23.5%
Profit for the period		651	19	10	-	-	(10)	16	686
Non-controlling interests		(5)	-	-	-	-	-	-	(5)
Profit attributable to equity shareholders of the Company		646	19	10	-	-	(10)	16	681
Average number of shares		1,586							1,586
BASIC EARNINGS PER SHARE (PENCE)[1]	6	40.7	1.2	0.6	-	-	(0.6)	1.0	42.9

[1] Underlying constant currency earnings per share is based on a Group constant currency profit attributable to equity shareholders of the Company and includes negative constant currency adjustment of £2 million.

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 adjusted measures used by other companies. Underlying and other alternative performance measures are defined in the glossary of terms on pages 47 and 48. Underlying operating profit is considered to better reflect ongoing trading, facilitate meaningful period on period 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 results, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

12 STATUTORY AND UNDERLYING RESULTS (CONTINUED)

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 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 charge

Charges related to actions taken to adjust our cost base, see page 4 and 14 for additional details

4. Share of profit of joint ventures and associates held for sale

The Group's share of profit of joint ventures and associates after these were classified as held for sale

5. (Loss)/gain 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

6. Other financing items including hedge accounting ineffectiveness

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

13 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				
	North America £m	Europe £m	Rest of World £m	Other £m	Group £m
SIX MONTHS TO 31 MARCH 2020 (as reported)					
Combined sales of Group and share of equity accounted joint ventures[1]	**8,080**	**3,061**	**1,474**	**-**	**12,615**
% growth/(decrease) reported rates	5.1%	(2.2)%	(10.5)%	-	1.2%
% growth/(decrease) constant currency	3.9%	(0.5)%	(6.2)%	-	1.6%
Organic adjustments	-	(105)	(28)	-	(133)
Organic revenue	8,080	2,956	1,446	-	12,482
% growth organic	**3.6%**	**(4.3)%**	**3.1%**	**-**	**1.6%**
SIX MONTHS TO 31 MARCH 2019[2] (as reported)					
Combined sales of Group and share of equity accounted joint ventures	**7,691**	**3,130**	**1,647**	**-**	**12,468**
Currency adjustments	82	(53)	(76)	-	(47)
Constant currency underlying revenue	7,773	3,077	1,571	-	12,421
Organic adjustments	23	11	(169)	-	(135)
Organic revenue	7,796	3,088	1,402	-	12,286
SIX MONTHS TO 31 MARCH 2020[3] (as reported)					
Regional underlying operating profit[1]	**654**	**148**	**91**	**(42)**	851
Share of profit of associates[1]	-	3	-	-	3
Group underlying operating profit[1]	654	151	91	(42)	**854**
Underlying operating margin (excluding associates)	**8.1%**	**4.8%**	**6.2%**	-	**6.7%**
% decrease reported rates	(1.5)%	(27.8)%	(15.7)%	-	(10.2)%
% decrease constant currency	(2.5)%	(26.4)%	(11.7)%	-	(10.0)%
Organic adjustments	-	(1)	(2)	-	(3)
Regional underlying organic operating profit (excluding associates)	**654**	**147**	**89**	(42)	848
Group underlying organic operating profit (including associates)[1]	654	150	89	(42)	**851**
% growth organic	**(3.7)%**	**(28.6%)**	**-**	**-**	**(10.2)%**
SIX MONTHS TO 31 MARCH 2020[3] (IAS 17 proforma)					
Regional underlying operating profit[1]	**645**	**145**	**87**	**(42)**	835
Share of profit of associates[1]	-	3	-	-	3
Group underlying operating profit[1]	645	148	87	(42)	**838**
Underlying operating margin (excluding associates)	**8.0%**	**4.7%**	**5.9%**	-	**6.6%**
% decrease reported rates	(2.9)%	(29.3%)	(19.4%)	-	(11.9)%
% decrease constant currency	(3.9)%	(27.9%)	(15.5)%	-	(11.7)%
Organic adjustments	-	(1)	(2)	-	(3)
Regional underlying organic operating profit (excluding associates)	**645**	**144**	**85**	(42)	832
Group underlying organic operating profit (including associates)[1]	645	147	85	(42)	**835**
% growth organic	**(5.0)%**	**(30.1%)**	**(4.5)%**	**-**	**(11.9)%**
SIX MONTHS TO 31 MARCH 2019[2] (as reported)					
Regional underlying operating profit	**664**	**205**	**108**	**(38)**	939
Share of profit of associates	6	6	-	-	12
Group underlying operating profit	670	211	108	(38)	**951**
Underlying operating margin (excluding associates)	**8.6%**	**6.5%**	**6.6%**	**-**	**7.5%**
Currency adjustments – profit	7	(4)	(5)	-	(2)
Currency adjustments – associates	-	-	-	-	-
Regional constant currency underlying operating profit (excluding associates)	**671**	**201**	**103**	(38)	937
Group constant currency underlying operating profit (including associates)	677	207	103	(38)	**949**
Organic adjustments	8	5	(14)	-	(1)
Regional underlying organic operating profit (excluding associates)	**679**	**206**	**89**	(38)	936
Share of profit from associates – constant currency	6	6	-	-	12
Group underlying organic operating profit (including associates)	685	212	89	(38)	**948**

[1] Underlying revenue and underlying operating profit include share of profit of joint ventures and associates classified as held for sale.
[2] Prior period comparatives have reclassified Turkey from Rest of World region into Europe region.
[3] 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 periods, therefore the results for the six months ended 31 March 2020 prepared on an IFRS 16 basis are not directly comparable with those reported in the prior period under IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 31 March 2020 have therefore also been presented under IAS 17. Additional information about the impact of IFRS 16 included in note 2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

14 POST BALANCE SHEET EVENTS

The COVID-19 pandemic outbreak has continued to impact the operations of the Group after 31 March 2020. The containment measures adopted by governments and clients in Continental Europe and North America, resulted in the closure of the vast majority of our Sports & Leisure and Education business in these regions, with our Business & Industry volumes being severely impacted.

On 3 April 2020, Compass Group PLC signed an additional £800 million committed Revolving Credit Facility. This facility has no financial covenants and matures in October 2021.

The Group has obtained waivers of the leverage covenant test in our USPP agreements for the 30 September 2020 and 31 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 6 months proforma basis for March 2021.

Today we have announced a non-pre-emptive equity placing of new ordinary shares targeting gross proceeds of approximately £2.0 billion.

15 EXCHANGE RATES

	Six months to 31 March	
	2020	2019
AVERAGE EXCHANGE RATE FOR THE PERIOD[1]		
Australian Dollar	**1.93**	1.81
Brazilian Real	**5.56**	4.96
Canadian Dollar	**1.71**	1.72
Chilean Peso	**1,008.04**	872.76
Euro	**1.16**	1.14
Japanese Yen	**139.03**	144.63
New Zealand Dollar	**2.02**	1.92
Norwegian Krone	**11.99**	11.00
Turkish Lira	**7.67**	7.10
UAE Dirham	**4.71**	4.76
US Dollar	**1.28**	1.30
CLOSING EXCHANGE RATE AS AT THE END OF THE PERIOD[1]		
Australian Dollar	**2.03**	1.83
Brazilian Real	**6.43**	5.07
Canadian Dollar	**1.76**	1.74
Chilean Peso	**1,056.84**	886.69
Euro	**1.13**	1.16
Japanese Yen	**133.86**	144.23
New Zealand Dollar	**2.09**	1.91
Norwegian Krone	**13.02**	11.22
Turkish Lira	**8.17**	7.36
UAE Dirham	**4.55**	4.79
US Dollar	**1.24**	1.30

[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 non-current 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	o acquisition related costs; o one-off pension charge; o cost action programme charge; o share of profit of joint ventures and associates held for sale; o tax on share of profit of joint ventures; o gain/(loss) on sale and closure of businesses; o change in the fair value of investments; o other financing items including hedge accounting ineffectiveness.
Underlying basic earnings per share	Excludes/includes 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 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 2019 cost action programme.

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, including those classified as held for sale, but excludes the specific adjusting items.
Underlying operating profit - Region	Includes share of profit before tax of joint ventures, including those classified as held for sale, but excludes the specific adjusting items, profit after tax of associates and EM & OR restructuring.
Underlying profit before tax	Excludes/includes specific adjusting items.
Underlying revenue	The 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 2.

Important Notices

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is being released on behalf of Compass Group PLC by Alison Yapp, Group General Counsel and Company Secretary.

The materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States, Australia, Canada, Japan or South Africa or in any jurisdiction in which such offers or sales are unlawful (the “Restricted Jurisdictions”). Any securities issued in connection with an offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or under any applicable securities laws of any state, province, territory, county or jurisdiction of the United States. Accordingly, unless an exemption under relevant securities laws is applicable, any such securities may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into the Restricted Jurisdictions if to do so would constitute a violation of the relevant laws of, or require registration of such securities in, the relevant jurisdiction. There will be no public offer of Securities in the United States.

Certain statements contained in this Announcement constitute "forward-looking statements" with respect to the financial condition, performance, strategic initiatives, objectives, results of operations and business of the Company. All statements other than statements of historical facts included in this Announcement are, or may be deemed to be, forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "anticipates", "estimates", "projects", "will", "may", "would", "could" or "should", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Company's operations. Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results, performance or achievements to differ materially from those projected or implied in any forward-looking statements. The important factors that could cause the Company's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the macroeconomic and other impacts of COVID-19, economic and business cycles, the terms and conditions of the Company's financing arrangements, foreign currency rate fluctuations, competition in the Company's principal markets, acquisitions or disposals of businesses or assets and trends in the Company's principal industries. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Announcement may not occur. The forward-looking statements contained in this Announcement speak only as of the date of this Announcement. The Company and its directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law or regulation, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the rules of the London Stock Exchange or the FCA.