Legal Entity Identifier (LEI) No. 2138008M6MH9OZ6U2T68

COMPASS GROUP

Half year results announcement for the six months ended 31 March 2021

	Underlying[1] results			Statutory results		
	HY 2021	HY 2020	Change	HY 2021	HY 2020[2]	Change
Revenue	£8.6bn	£12.2bn[3]	(30.4)%[4]	£8.4bn	£12.5bn	(32.4)%
Operating profit	£290m	£817m[3]	(64.5)%[3]	£168m	£775m	(78.3)%
Operating margin	3.4%	6.7%	(330)bps			
Earnings per share	9.6p	35.9p[3]	(73.3)%[3]	5.6p	36.7p	(84.7)%
Free cash flow	£359m	£186m	93.0%			
Operating cash flow				£563m	£545m	3.3%

1. Reconciliation of statutory to underlying results can be found on pages 32 to 34.
2. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
3. Measured on a constant currency basis.
4. Organic revenue growth.

Margin recovery continues; looking ahead with confidence

Performance summary

- Q2 operating margin at 4.2%, 20bps ahead of our pre close trading update and an increase of 150bps from Q1
- Restored more than half of our pre COVID margin during Q2, despite volumes being 72% of 2019 revenue
- Continued strong retention of 95.6%
- New business wins increased by about 20%[1] with first time outsourcing now accounting for around 50%, up from a third historically
- Strong underlying free cashflow of £359m driven by efficient working capital management
- Gross capex was 3.4% of underlying revenue as we continue to invest in growth opportunities
- Peak net debt to EBITDA ratio of 3.0 times

Strategy – positioning for the future

- Committed to the wellbeing of our people, clients, consumers and the communities we serve
- Focusing on reopening existing and new client sites safely
- Adapting our operating model to be more agile, digitally enabled and relevant to clients' changing expectations
- Excellent pipeline of new business as well as significant market opportunities from first time outsourcing
- Investing in attractive organic and inorganic opportunities to grow the business and support our recovery

Outlook

- Anticipate gradual improvement in revenue in Q3
- Expect Q3 margin to be between 4.5% and 5.0% absorbing the impact of reopenings and mobilisations
- Remain confident in rebuilding the Group underlying margin to above 7% before we return to pre COVID volumes

Statutory results

- Statutory revenue decreased by 32.4% as a result of the pandemic. Operating profit decreased by 78.3% due to the adverse impact of COVID and related actions to resize the business and adjust our cost base.

1. Annual revenues of new business wins compared with 2019.

Business Review

Dominic Blakemore, Group Chief Executive, said:

"During the first half of this financial year, by controlling the controllable, we delivered continued margin progression, strong cashflow and excellent client retention. This was despite further lockdowns and limited volume recovery.

With the gathering pace of vaccination rollouts across our major markets, we are working closely with our clients to prepare to reopen their sites safely, although the picture across the world remains mixed. Whilst we expect any revenue recovery to be gradual, we remain confident in our ability to return to a Group underlying margin above 7% before we return to pre COVID volumes.

Over the last six months, the "flight to trust" continued as clients sought quality partners with health and safety expertise, supply chain resilience, and financial stability. As a result, new business wins have increased due to the acceleration of first time outsourcing, which now accounts for about half of our growth. We remain committed to supporting future growth by investing in attractive opportunities to enhance our competitive advantages and further consolidate our position as the industry leader in food services.

Throughout the pandemic, we continued to develop our digital culinary platforms. These concepts complement the traditional on-site restaurant and now provide us with a variety of solutions from which to create a truly bespoke client offer. Along with digital innovation, COVID has also heightened client focus on diversity and inclusion and decarbonisation initiatives, reflecting and reinforcing our own strategic framework of People, Performance and Purpose. In the past week our UK and Ireland region has announced its commitment to be Net Zero by 2030, while today we are also announcing that the Board has decided to repay the funds our employees benefited from in the half year under the UK Government's Coronavirus Job Retention Scheme.

We are now a stronger, more agile business with new client propositions, improved digital capability and a more flexible cost structure. These factors, underpinned by a robust balance sheet, have created a strong platform from which the business will continue to recover and grow. In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth and shareholder returns over time."

Results presentation today

A recording of the results presentation for investors and analysts will be available on the Company's website today, Wednesday 12 May 2021, at 7.00 am. There will be a question and answer session at 8.00 am, accessible via the Company's website, www.compass-group.com, and you will be able to participate by dialing:

UK Toll Number:	+44 330 336 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:	3024541

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

Enquiries

Investors	Agatha Donnelly & Helen Javanshiri	+44 1932 573 000
Press	Tim Danaher & Fiona Micallef-Eynaud, Brunswick	+44 2074 045 959
Website	www.compass-group.com	

Business Review (continued)

Basis of preparation

Throughout the half year 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 representative of ongoing trading, facilitate meaningful period on period comparisons, and hence provide useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 37 and 38.

A summary of the adjustments from statutory results to underlying results is shown in note 11 on pages 32 to 34 and further detailed in the condensed consolidated income statement (page 17), reconciliation of free cash flow (page 23), note 2 segmental reporting (page 26) and note 12 organic revenue and organic profit (page 35).

Group overview

The pandemic has had a dramatic effect on Compass. Our people are at the heart of our business and the commitment shown by our colleagues around the world, many of whom have been on the front line, has been extraordinary. Compass has not been immune from the tragic consequences of the pandemic and we extend our deepest sympathies to the families of those colleagues that have lost their lives to COVID.

As expected, COVID continued to negatively affect our performance during the first six months of the year. Revenue remained at around 71% of our 2019 revenues as containment measures were extended over the winter months. Despite limited volume growth, we focused on controlling the controllable by continuing to manage our cost base, resize our workforce and evolve and adapt our operations. As a result, we improved our operating margins quarter on quarter and are now more than half way to recovering our pre COVID margin.

As restrictions start to ease, our priority is to help clients reopen safely as they restore operations and welcome consumers back to their premises. Whilst our focus is always on clients, throughout the pandemic we have continued to manage the business through the framework of People, Performance and Purpose to ensure that we continue to protect the interests of all our stakeholders.

Looking ahead, the pipeline of new business wins and client retention continues to be strong. We remain focused on sustainable margin recovery in line with our commitment to rebuild our Group underlying margin above 7% before we return to pre COVID volumes.

Performance

Our results reflect the dramatic impact COVID has had on our business. Our revenue for the six months declined by 30.4% on an organic basis as a result of the pandemic. This performance was in line with our expectations, given the protracted lockdown measures to contain the virus during the winter months. Retention during the first half has been strong at 95.6% as clients maintained their trusted food service provider during the pandemic and encouragingly, our new business wins were 5.4%.

Organic revenue

% organic change	**Q3 2020**	**Q4 2020**	**Q1 2021**	**Q2 2021**	**HY 2021**
Business & Industry	(50.7)%	(44.1)%	(43.4)%	(41.5)%	**(42.5)%**
Education	(60.2)%	(35.1)%	(37.0)%	(25.6)%	**(32.0)%**
Healthcare & Senior Living	(5.1)%	0.2%	0.8%	3.1%	**1.9%**
Sports & Leisure	(89.9)%	(78.9)%	(76.5)%	(66.6)%	**(72.2)%**
Defence, Offshore & Remote	(8.8)%	(7.6)%	(1.2)%	2.5%	**0.7%**
Group	**(44.3)%**	**(34.1)%**	**(33.7)%**	**(26.8)%**	**(30.4)%**

Business Review (continued)

Underlying revenue as % of 2019[1]	Q3 2020	Q4 2020	Q1 2021	Q2 2021	HY 2021
Business & Industry	50.6%	57.4%	61.5%	57.8%	**59.7%**
Education	40.1%	66.0%	66.9%	72.0%	**69.4%**
Healthcare & Senior Living	95.1%	100.7%	105.2%	105.2%	**105.2%**
Sports & Leisure	9.5%	20.4%	24.7%	28.3%	**26.4%**
Defence, Offshore & Remote	93.9%	94.5%	107.1%	108.6%	**107.8%**
Group	**56.4%**	**66.5%**	**71.1%**	**71.7%**	**71.3%**

1. On a constant currency basis.

In the first half of the year we have been operating at c.71% of our 2019 revenues with little overall change since the start of the financial year. Between Q1 and Q2 we saw small fluctuations in Business & Industry as lockdown measures were imposed and relaxed as well as in Education where schools in the UK reopened during March and higher education establishments in North America saw some increase in student numbers on campus.

On a statutory basis, revenue decreased by 32.4%, reflecting lower trading volumes as a result of COVID.

Operating profit and operating margin

When the pandemic hit in March 2020, we immediately took actions to reduce our food (MAP 3) costs, in unit labour and in unit overheads (MAP 4) and our above unit (MAP 5) costs to offset the impact of lower volumes and to adjust our business model to the new trading environment.

We have continued to resize the cost base and increase labour flexibility during the first half of the year and have incurred an additional £78m COVID-19 resizing charge. These actions, along with continued contract renegotiations, a focus on procurement and purchasing compliance, as well as general cost control, have allowed our margin to rebuild quarter on quarter despite subdued volumes.

Underlying operating profit decreased by 64.5% to £290m on a constant currency basis and our underlying operating margin was 3.4%. With our Q2 margin at 4.2% we have now restored our profitability to more than half of our pre COVID margin levels.

On a statutory basis, operating profit decreased by 78.3%, reflecting lower trading volumes as a result of COVID.

Capital allocation

Our priority is to invest in growth opportunities, target a strong investment grade credit rating and restore our leverage ratio back to our target range of 1-1.5x net debt to EBITDA. Growth investment consists of (i) capital expenditure to support organic growth in both new business wins and retention of existing contracts, and (ii) bolt-on M&A opportunities that strengthen our capabilities and broaden our exposure. We have a proven track record of strong returns from our investment strategy evidenced by our historical returns on capital employed. At the appropriate time we will resume the ordinary dividend and, with any surplus cash, additional shareholder returns.

Business Review (continued)

Regional performance

North America – 60.4% Group revenue (2020: 64.0%)

Regional financial summary	Underlying 2021	Underlying 2020	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£5,160m**	£8,080m	(36.1)%	(33.0)%	(32.8)%
Regional operating profit	**£245m**	£654m	(62.5)%	(60.7)%	(60.6)%
Regional operating margin	**4.7%**	8.1%	(340)bps		

The continued impact of COVID on the business resulted in an organic revenue decline of 32.8% and revenues are around 70% of 2019 levels, an increase of 6% from Q4 2020. New business growth is 5.2%, with around 55% of new business wins in the first six months coming from first time outsourcing, and retention continues to be excellent at around 96.6%.

Our Sports & Leisure business has remained subdued throughout the first half of the year although some events towards the end of the period started to cautiously welcome a limited number of spectators. Our Education sector continues to see a mixed approach to reopening with hybrid curriculum delivery, especially across higher education, and has continued to be impacted by localised lockdowns. With the weighting towards ‘business’ our Business & Industry sub sectors continue to be significantly impacted by COVID with the return to offices being gradual. Our Healthcare & Senior Living business continued to expand with double digit new business growth and all sub sectors delivering organic revenue growth, which was especially strong in support services. Our remaining laundries business was disposed of during the period.

Underlying operating profit was £245m, a decrease of 62.5% due to the impact of COVID. The actions taken to mitigate the volume decline on margin, including resizing and purchasing compliance, as well as our focus on cost control, have allowed us to improve the margin quarter on quarter resulting in an operating margin for the half year of 4.7%, an increase of 180bps from Q4 2020, with Q2 at 5.6%.

Business Review (continued)

Europe – 26.4% Group revenue (2020[1]: 25.3%)

	Underlying		Change		
Regional financial summary	**2021**	2020[1]	Reported rates	Constant currency	Organic
Revenue	**£2,260m**	£3,185m	(29.0)%	(28.9)%	(32.8)%
Regional operating profit	**£32m**	£165m	(80.6)%	(80.4)%	(83.0)%
Regional operating margin	**1.4%**	5.2%	(380)bps		

1. Prior year comparatives have reclassified Middle East from our Rest of World region into our Europe region.

Organic revenue declined by 32.8% for the half year with revenues around 71% of 2019 levels, which is a modest 3% higher than Q4 2020. With exposure to the sectors most impacted by the pandemic, namely Business & Industry, Education and Sports & Leisure, as well as national and local lockdowns across the region, volumes were broadly unchanged from the second half of 2020. Encouragingly, new business growth is over 5% driven by the UK and Turkey. Around 40% of new business wins in the period are first time outsourcing, especially in the Business & Industry and Defence, Offshore & Remote sectors. Retention has continued to improve slightly since 2020 and is now at around 93.5%.

Governments across Europe continued to provide ongoing support for employees during the pandemic and, where appropriate, we utilised these schemes. We ceased participation in the UK Government's Coronavirus Job Retention Scheme and the Board has decided to repay the funds our employees benefited from in the half year.

With the current trading environment remaining uncertain and the pace of vaccinations slow across mainland Europe, we have continued with our resizing actions to adjust our cost base, which is a key driver of margin progression.

Underlying operating profit was £32m, a decrease of 80.6% due to the impact of COVID. The actions we have taken, including resizing, continued contract renegotiations and the focus on cost control, have resulted in operating margin for the half year of 1.4%, 580bps higher than Q4 2020, continuing the positive trend of quarter on quarter margin progression, with Q2 at 1.7%.

Business Review (continued)

Rest of World – 13.2% Group revenue (2020[1]: 10.7%)

Regional financial summary	Underlying 2021	Underlying 2020[1]	Change Reported rates	Change Constant currency	Change Organic
Revenue	**£1,131m**	£1,350m	(16.2)%	(11.2)%	(9.4)%
Regional operating profit	**£53m**	£74m	(28.4)%	(24.3)%	(22.1)%
Regional operating margin	**4.7%**	5.5%	(80)bps		

1. Prior year comparatives have reclassified Middle East from our Rest of World region into our Europe region.

Organic revenue declined by 9.4% as modest growth in Australia was more than offset by volume declines elsewhere, especially in Japan, which is weighted towards Business & Industry and continues to see localised lockdowns. As we saw in 2020, the region has not been as impacted by the pandemic given over 50% of its revenues are derived from the more resilient Defence, Offshore & Remote and Healthcare & Senior Living sectors. Revenues are around 82% of 2019 levels, a modest 3% improvement on Q4 2020.

Double digit new business growth in Australia and Chile driven by Offshore & Remote resulted in regional new business growth of 7.0%. Nearly 40% of new business wins came from first time outsourcing and a similar proportion from contracts previously held by smaller regional players. Continuing the improving trend, retention rates were 94.5% in the first half of the year.

Underlying operating profit was £53m, a decrease of 28.4% due to the impact of COVID. The actions taken to mitigate the volume decline on margin have allowed us to improve the margin quarter on quarter resulting in an operating margin for the half year of 4.7%, with Q2 at 5.4%.

Business Review (continued)

Strategy

Compass' addressable food service market is estimated to be at least £220bn. There remains a significant structural growth opportunity from first time outsourcing, as just over half the market is currently outsourced, as well as taking share from regional and large competitors. In recent months we have seen encouraging trends in the self- operated more defensive sectors, such as Healthcare & Senior Living, Education and Defence, Offshore & Remote.

Our strategic focus on food, with some specialised support services, remains relevant as food is our core competency. Being the largest global player, our procurement scale and focus on cost efficiencies, give us competitive advantages which translate into greater value for clients. Our sectorised and sub sectorised approach enables us to provide tailor made food services which meet their needs.

The pandemic has had a lasting effect on our operations and processes. In particular, it has proved to be an accelerant for new digital and culinary initiatives. During the COVID disruption, we adapted and refined these new models and have a complementary suite of solutions from which to create a truly bespoke offer. Clients are increasingly looking to us as an integral service partner at the heart of their reopening and recovery plans. These factors, combined with greater in unit labour flexibility and lower above unit costs, are evolving our operating model and improving the quality of the business.

With our focus on People and Purpose, combined with the evolving operating model and capital allocation priorities, we will continue to recover and drive performance, working towards creating sustainable long term value for all our stakeholders.

People

People are our greatest asset. Over the course of the pandemic the resilience, commitment and adaptability of our colleagues has been extraordinary. We truly believe our people and culture differentiate us from our competitors through our excellent service and proactive entrepreneurial approach and, on behalf of the Board, we would like to express our personal gratitude to everyone for their exceptional service during this testing period.

The safety and wellbeing of our teams has been our top priority. We used our expertise in specialist cleaning to train many of our colleagues in contamination prevention and in personal protection. Across all of our operations, we provided assistance and support to promote our colleagues' wellbeing and to help them deal with anxiety and uncertainty. We continue to invest in skills development to enable our colleagues to adapt to new circumstances as we prepare to reopen more sites.

One of the lasting and positive effects of the pandemic is the heightened focus on social mobility. We welcome people with varied experience from every type of background. In adopting this approach, we believe we are uniquely positioned to drive meaningful social change across the breadth of our operations in all sectors and geographies. We are committed to hiring, developing and retaining our diverse talent to ensure we have a truly engaged, high performing and fulfilled workforce and one which reflects the diverse communities we serve.

To demonstrate our resolve, we have invested time training the members of our Group Executive Committee on inclusive leadership, both to help them to challenge views and perspectives and to enhance their cultural awareness as we consider the broader ambitions of our diversity and inclusion agenda. We have made good progress on female representation at a leadership level; however, we recognise that we can still do more to champion women and support them to reach their full potential.

Purpose

The Purpose part of our strategy is focused around sustainability, underpinned by a safety culture. Our sustainability framework is comprised of three pillars: health and wellbeing, environmental game changers and how we can make the world a better place through our wider reach through communities and supply chains.

Safety has always been a top priority but during the pandemic, this became paramount to keep our employees, clients and consumers safe. We implemented enhanced hygiene protocols and operating procedures and, as we now pivot to reopening more sites, pre-opening and retraining programmes are underway.

Regarding sustainability, to focus our efforts we prioritised three initiatives (i) reducing food waste by rolling out food waste management tools and training to progress towards our goal to halve food waste by 2030; (ii) targeting our environmental impact including taking actions against climate change including reducing carbon emissions; and (iii) responsible sourcing through resilient and sustainable supply chains, including increasing our purchases of sustainable ingredients such as palm oil and fish and seafood, as well as high welfare animal products including cage free eggs and higher welfare chicken.

To play our part in fighting climate change, Compass Group has committed to reducing its carbon emissions in line with the 2015 Paris agreement and our target will be certified by the Science Based Targets Initiative in the coming months. Furthermore, Compass UK and Ireland have recently committed to net zero emissions, with work continuing around the Group to follow their lead in due course.

Summary and outlook

After a year of unparalleled disruption, we started to see the benefits from the decisive actions we took during the early months of the pandemic come through during the first six months of this year. With our focus on controlling the controllable, by renegotiating temporary client contracts, managing costs and resizing the business, we have delivered continued margin progression despite limited volume recovery.

With vaccination rollout underway in our major markets, we are encouraged by the easing of restrictions so we can now focus on working alongside clients to safely reopen their organisations. Our new agile operating model is even more relevant for clients and consumers seeking greater flexibility and convenience as we adapt to a new normal. The pipeline of new business has accelerated and our retention remains strong.

The Compass value creation model has proven very effective and remains unchanged. Our market leading position gives us benefits of scale which, combined with our focus on operational excellence and new business growth, drives organic revenue and underlying margin improvement. These factors are complemented by our disciplined capital allocation framework which supports growth, delivers attractive capital returns, ensures a robust balance sheet and rewards shareholders through dividends and additional shareholder returns.

We have created a strong platform from which to recover in the short term. Looking ahead, we remain very confident in the medium to long term growth potential as well as the exciting significant structural market opportunity globally.

Financial Results

Statatutory and underlying results

	2021			2020[1]		
	Statutory £m	Adjustments £m	Underlying[2] £m	Statutory £m	Adjustments £m	Underlying[2] £m
Revenue	**8,435**	**116**	**8,551**	12,476	139	12,615
Operating profit	**168**	**122**	**290**	775	79	854
Net gain on sale and closure of businesses	**14**	**(14)**	**-**	80	(80)	-
Net finance costs	**(49)**	**(7)**	**(56)**	(68)	3	(65)
Profit before tax	**133**	**101**	**234**	787	2	789
Tax	**(33)**	**(30)**	**(63)**	(201)	12	(189)
Profit after tax	**100**	**71**	**171**	586	14	600
Non-controlling interests	**-**	**-**	**-**	(3)	-	(3)
Attributable profit	**100**	**71**	**171**	583	14	597
Average number of shares (millions)	**1,784**	**-**	**1,784**	1,588	-	1,588
Basic earnings per share	**5.6p**	**4.0p**	**9.6p**	36.7p	0.9p	37.6p
EBITDA			**670**			1,227
Gross capex			**288**			420
Free cash flow			**359**			186

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
2. Definitions and reconciliations of underlying measures of performance can be found on pages 32 to 34, 37 and 38.

Statutory results

Revenue

On a statutory basis, revenue was £8,435m (2020: £12,476m), a decline of 32.4% due to the negative impact of COVID.

Operating profit

Operating profit was £168m (2020[1]: £775m), a decrease of 78.3%, mainly reflecting the negative impact of COVID and also driven by the costs associated with the programmes aimed at resizing the business, partially offset by the savings related to these programmes.

Statutory operating profit includes non-underlying item charges of £122m (2020[1]: £79m), including COVID-19 resizing costs of £78m (2020: £nil) and acquisition related costs of £41m (2020: £41m). A full list of non-underlying items is included in note 11.

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 to simplify its portfolio. Activity in the period has included the sale of our remaining US laundries business. A net gain of £15m on the sale of businesses (2020: £113m gain) is offset by £1m of exit costs (2020: £33m).

Finance costs

Net finance costs decreased to £49m (2020: £68m), mainly due to a reduction in net debt following the placing of shares in May 2020, the lower interest rates compared to the prior period and gains in unhedged derivatives.

Tax charge

Profit before tax was £133m (2020[1]: £787m), giving rise to an income tax expense of £33m (2020: £201m), equivalent to an effective tax rate of 24.8% (2020[1]: 25.5%). The decrease in rate primarily reflects the effective tax rate on the sale and closure of businesses and mix of profits by country taxed at different rates.

Earnings per share

Basic earnings per share were 5.6p (2020[1]: 36.7p), a decrease of 84.7%, mainly as a result of the negative impact of COVID and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.

Financial Results (continued)

Underlying results

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

A summary of the adjustments from statutory results to underlying results is shown in note 11 on pages 32 to 34 and further detailed in the condensed consolidated income statement (page 17), reconciliation of free cash flow (page 23), note 2 segmental reporting (page 26) and note 12 organic revenue and organic profit (page 35).

Revenue

On an organic basis, revenue decreased by 30.4%, reflecting the negative impact of COVID on our geographies and sectors since March 2020, as governments took steps to contain the spread of the virus.

Retention was excellent at 95.6% as clients maintained their trusted food service provider during the pandemic and new business growth was 5.4%.

In the first half of the year we have been operating at c.71% of our 2019 revenues. Although we saw small fluctuations between Q1 and Q2 in Business & Industry, as lockdown measures were imposed and relaxed, and Education, where schools in the UK reopened during March and higher education establishments in North America saw some increase in student numbers on campus, the overall Group position was broadly unchanged.

Operating profit and margin

With little volume recovery our strong mitigating actions across all MAP areas, which have included resizing the cost base, increasing levels of labour flexibility, contract renegotiations and improving procurement practises, have allowed our margin to rebuild quarter on quarter.

Underlying operating profit was £290m (2020: £854m), a decrease of 66%, reflecting the impact from COVID and the resulting lower volumes. On a constant currency basis, underlying operating profit has decreased by £527m, or 64.5% and our underlying operating margin was 3.4%. With our Q2 margin at 4.2% we have now restored profitability to more than half of our pre COVID margin levels.

Finance costs

The underlying net finance costs decreased to £56m (2020: £65m), mainly due to a reduction in net debt following the placing of shares in May 2020 and the lower interest rates compared to the prior year.

Tax charge

On an underlying basis, the tax charge was £63m (2020: £189m), equivalent to an effective tax rate of 26.9% (2020: 24.0%). The increase in rate primarily reflects the mix of profits by country being taxed at different rates and the impact of non tax deductible expenses against a lower profit base. The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

Earnings per share

On a constant currency basis, underlying basic earnings per share declined by 73.3% to 9.6p (2020: 35.9p). The decrease is driven by the negative impact of COVID and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

Free cash flow

Free cash flow totalled £233m (2020: £145m). In the six months, we made cash payments of £126m (2020: £41m) in relation to the programmes aimed at resizing the business. Adjusting for this, underlying free cash flow was £359m (2020: £186m), a 93% or £173m increase with underlying free cash flow conversion at 124% (2020: 22%).

With our focus on cash management we have improved collection processes, and where appropriate have taken advantage of indirect and payroll tax deferrals, some of which fall due in the second half of the year. Capex investments in the first half reflect delayed openings due to the pandemic as client locations remained closed and new business mobilisations were postponed.

Gross capital expenditure of £288m (2020: £420m) is equivalent to 3.4% (2020: 3.3%) of underlying revenue.

The working capital inflow, excluding provisions and pensions, was £119m (2020: £303m outflow).

The net interest outflow was £52m (2020: £61m).

The underlying cash tax rate was 25.6% (2020: 27.0%). The decrease is largely due to the reallocation of instalment payments made in respect of pre COVID periods offset against current year liabilities and the effect of tax losses arising in some jurisdictions.

Financial Results (continued)

Acquisitions and disposals

The total cash spent on acquisitions in the first half of the year, net of cash acquired, was £37m (2020: £446m), comprising £16m of bolt-on acquisitions and investments in associates, £13m of contingent consideration relating to prior years' acquisitions and £8m of transaction costs.

The Group has continued to simplify its portfolio and has sold its remaining US laundries business during the period. The Group received £1m (2020: £39m) 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 2021 shows that the average period to maturity is 4.2 years (2020: 4.1 years).

The Group has issued US Private Placement notes which contain financial covenants. These consist of a leverage covenant test and an interest cover covenant test which are tested semi-annually at 30 September and 31 March. The leverage covenant test stipulates that consolidated net debt must be below 3.5 times consolidated EBITDA and can be increased to 4 times without breach for a limited period of time subject to an additional coupon step up being paid. The Group had a waiver for the leverage covenant test for the period ended 31 March 2021. The interest cover covenant test stipulates that consolidated EBITDA must be above 3 times consolidated net finance costs and can be reduced to 2.5 times for a limited period subject to an additional coupon step up being paid. Consolidated EBITDA and consolidated interest costs are normally based on the preceding twelve months, but for the period ending 31 March 2021 have been reset to a six month pro forma basis. The interest cover ratio was 12.5 times for the pro forma period to 31 March 2021 (2020: 20.5). As noted in the glossary on pages 37 and 38, net debt, consolidated EBITDA and net finance costs are subject to certain accounting adjustments.

Standard & Poor reviewed the ratings on 21 December 2020 and the A/A-1 long and short term ratings and Negative Outlook remained unchanged. Moody's reviewed the ratings on 17 December 2020 and the A3/P-2 long and short term credit ratings and Stable Outlook remained unchanged.

As of 31 March 2021, the Group had access to £4,337m in total liquidity, including £2,800m (2020: £2,000m) in undrawn committed bank facilities, of which £800m matured on 3 April 2021, and £1,537m in cash net of overdrafts. Our solid financial position will allow us to weather the pandemic whilst continuing to invest in the business to strengthen our competitive advantages and support our long term growth prospects.

The Group has access to considerable financial resources together with longer term contracts with a number of clients and suppliers across different geographic areas and industries. This, together with the resilience of the Group to a range of possible downside scenarios including those relating to the potential impacts of the COVID pandemic, provides the directors with a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Further details are set out in note 1 on page 24.

Net debt

Net debt decreased to £2,627m (2020 FY: £3,006m). The Group generated £359m of underlying free cash flow, after investing £272m in net capital expenditure, and spent £36m on acquisitions net of disposal proceeds. The remaining £56m reduction in net debt related predominantly to cash spent in relation to the cost action programme and COVID-19 resizing costs (£126m), partially offset by other non-cash movements and favourable currency translation (£182m).

Post employment benefit obligations

The decrease in the Compass Group Pension Plan (UK) surplus to £340m (2020 FY: £441m) and the reduction in the deficit in the rest of the Group's defined benefit pension schemes to £221m (2020 FY: £251m) reflect the actuarial gains and losses that occurred since the prior year IAS 19 actuarial valuation. The Compass Group Pension Plan (UK) surplus reduced mainly due to a decrease in the market value of plan assets as gilt and corporate bond yields have increased.

Focus on Risk

Our principal risks

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 changing environment in which it operates.

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.

Details of the principal risks facing the Group and mitigating actions are included on pages 41 to 49 of the 2020 Annual Report and remain largely unchanged, with the exception of climate change related risks and those associated with maintaining high social and ethical standards in our operations, which are recognised as new risks.

A post-Brexit deal on trade and other issues was agreed in December 2020 between the UK and the EU. While there is clearly more for the UK and EU to work through, we believe that the deal as agreed, coupled with our own contingency planning, means we do not expect any material financial or operational impact resulting from Brexit. We are confident that we can continue supporting and delivering great services for our UK and international clients and consumers.

Whilst the Group's operations continue to be disrupted by the COVID pandemic, we have successfully implemented action plans to mitigate a significant proportion of our cost base to preserve the profitability and liquidity of the Group. Our priority has also continued to be the health, safety and wellbeing of our employees, clients and consumers. Sites that are open are operating with enhanced health and safety protocols. Personal protective equipment requirements are in line with local government and public health guidance and there is a continued focus on mental health awareness.

A summary of the principal risks and uncertainties is set out below:

- Health and safety
  - The COVID pandemic and associated containment initiatives have significantly disrupted the Group's operations and further waves of the virus, or another pandemic, could cause further business risk.
  - Health and safety - Compass feeds millions of consumers and employs hundreds of thousands of people around the world every day. For that reason, setting the highest food hygiene and safety standards is of paramount importance and focus.
- People
  - Recruitment, retention and motivation – failure to attract, recruit, retain and motivate people with the right skills at all levels could limit the success of the Group.
- Clients and Consumers
  - Service delivery, contractual compliance and retention – 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 where aggressive pricing from our competitors could cause a reduction in our revenues and margins. Also, the emergence of new industry participants using disruptive technology could adversely affect our business.
- Economic and Political Environment
  - Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels. Increases in labour or food costs could also hamper our ability to deliver the right level of service in the most efficient way and impact margins. 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, bribery and corruption could have an adverse effect on the Group's reputation and performance.
  - The international corporate tax environment remains complex and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. We note, in particular, the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.
  - Information systems and technology – the digital world creates increasing risks for global businesses such as technology failures, cyber attacks and data breaches which can disrupt operations and cause reputational damage.

Focus on Risk (continued)

- Climate change
  - We recognise the impact of climate change to the environment and Compass; for example the operational impacts of extreme weather events, supply shortages caused by water scarcity and transition risks such as changes in technologies, markets and regulation. We are continually evaluating macroeconomic trends and insights from employees, clients, consumers and industry experts to develop and adapt our sustainability strategy which takes into consideration the forces that are impacting the global food system, our industry and our operations.
- Social and ethical standards
  - We rely on our people to deliver great service to our clients and consumers, so we recognise their welfare is the foundation of our culture and business. We remain vigilant in upholding the highest standards of business ethics with regards to human rights and social equality. To enhance our ability to counter the risks to our businesses and supply chains represented by Modern Slavery, we have focussed on the areas where our Human Rights strategy can have the greatest impact. This has been through our Human Rights Working Group, our Modern Slavery eLearning and ongoing work to strengthen and improve our human rights due diligence as part of our supplier evaluation and labour agency reviews.

Directors' responsibilities

The Interim Report complies with the Disclosure Guidance 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' adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and gives a true and fair view of the 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

Dominic Blakemore
Group Chief Executive Officer

Karen Witts
Group Chief Financial Officer

12 May 2021

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 2021 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 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted by the EU and the next annual financial statements will be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors are responsible for preparing the condensed set of financial statements included in the half yearly financial report in accordance with IAS 34 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Zulfikar Walji
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

12 May 2021

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Notes	Six months to 31 March 2021 Unaudited £m	2020[1] Unaudited £m
Revenue	2	**8,435**	12,476
Operating costs		**(8,281)**	(11,721)
Operating profit before joint ventures and associates		**154**	755
Share of profit after tax of joint ventures and associates		**14**	20
Operating profit		**168**	775
Underlying operating profit[2]	2, 11	**290**	854
Acquisition related costs		**(41)**	(41)
One-off pension charge		**(2)**	-
Cost action programme and COVID-19 resizing costs	3	**(78)**	(38)
Tax on share of profit of joint ventures		**(1)**	-
Net gain on sale and closure of businesses	10	**14**	80
Finance income		**4**	2
Finance costs		**(60)**	(67)
Other financing items gain/(loss)		**7**	(3)
Profit before tax		**133**	787
Income tax expense	4	**(33)**	(201)
Profit for the period		**100**	586
ATTRIBUTABLE TO			
Equity shareholders of the Company		**100**	583
Non-controlling interests		**-**	3
Profit for the period		**100**	586
BASIC EARNINGS PER SHARE (PENCE)	5	**5.6p**	36.7p
DILUTED EARNINGS PER SHARE (PENCE)	5	**5.6p**	36.7p

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.

2. Underlying operating profit excludes acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs, but includes share of profit after tax of associates and operating profit before tax of joint ventures. The reconciliation between statutory and underlying results is provided in note 11.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months to 31 March	
	2021 Unaudited £m	2020[1] Unaudited £m
Profit for the period	**100**	586
Other comprehensive income		
Items that are not subsequently reclassified to the income statement		
Remeasurement of post employment benefit obligations – gain	**30**	390
Return on plan assets, excluding interest income – loss	**(115)**	(200)
Tax credit/(charge) on items relating to the components of other comprehensive income	**18**	(47)
Change in fair value of financial assets at fair value through other comprehensive income	**2**	-
	(65)	143
Items that are or may be subsequently reclassified to the income statement		
Currency translation differences[2]	**(230)**	(85)
Reclassification adjustment for movements in foreign exchange on sale of businesses	**(24)**	(13)
	(254)	(98)
Total other comprehensive (loss)/income for the period	**(319)**	45
Total comprehensive (loss)/income for the period	**(219)**	631
ATTRIBUTABLE TO		
Equity shareholders of the Company	**(219)**	628
Non-controlling interests	**-**	3
Total comprehensive (loss)/income for the period	**(219)**	631

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
2. Includes gain of £54m in relation to the effective portion of the net investment hedge (six months to 31 March 2020: gain of £18m).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	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 2020	198	189	295	(2)	4,145	(35)	23	4,813
Profit for the period	-	-	-	-	-	100	-	100
Other comprehensive income								
Currency translation differences	-	-	-	-	(230)	-	-	(230)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	-	30	-	30
Return on plan assets, excluding interest income – loss	-	-	-	-	-	(115)	-	(115)
Tax on items relating to the components of other comprehensive income	-	-	-	-	-	18	-	18
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	-	(24)	-	-	(24)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	2	-	2
Total other comprehensive loss	-	-	-	-	(254)	(65)	-	(319)
Total comprehensive (loss)/income for the period	-	-	-	-	(254)	35	-	(219)
Fair value of share-based payments	-	-	-	-	10	-	-	10
Tax on items taken directly to equity	-	-	-	-	-	(2)	-	(2)
Change in the fair value of non-controlling interest put options	-	-	-	-	8	-	-	8
Purchase of own shares to satisfy employee share-based payments	-	-	-	(3)	-	-	-	(3)
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(2)	-	-	(2)
	198	189	295	(5)	3,907	(2)	23	4,605
Own shares issued under share schemes	-	-	-	2	-	-	-	2
At 31 March 2021	198	189	295	(3)	3,907	(2)	23	4,607

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[1] £m	Non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2020	254	4,170	7	(215)	(71)	4,145
Other comprehensive income						
Currency translation differences	-	-	-	(230)	-	(230)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	(24)	-	(24)
Total other comprehensive loss	-	-	-	(254)	-	(254)
Fair value of share-based payments	10	-	-	-	-	10
Change in the fair value of non-controlling interest put options	-	-	-	-	8	8
Release of share awards settled in existing shares purchased in the market	(2)	-	-	-	-	(2)
At 31 March 2021	262	4,170	7	(469)	(63)	3,907

1. Includes loss of £567m (30 September 2020: loss of £621m) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	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 30 September 2019[1]	176	182	295	(4)	4,362	(1,676)	27	3,362
Restate equity accounting[1]	-	-	-	-	-	25	-	25
At 1 October 2019, restated[1]	176	182	295	(4)	4,362	(1,651)	27	3,387
Profit for the period[1]	-	-	-	-	-	583	3	586
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)	726	3	631
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	(927)	30	4,029
Dividends paid to shareholders (note 6)	-	-	-	-	-	(427)	-	(427)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3)	(3)
Own shares issued under share schemes	-	-	-	3	-	-	-	3
At 31 March 2020[1]	176	182	295	(1)	4,277	(1,354)	27	3,602

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[2] £m	Non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2019	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. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
2. Includes a loss of £650m (30 September 2019: loss of £668m) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.

Own shares held by the Group represent 233,252 ordinary shares in Compass Group PLC (31 March 2020: 30,111 ordinary shares, 30 September 2020: 147,058 ordinary shares) and are held by the Compass Group PLC All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 31 March 2021 was £3.4m (31 March 2020: £0.4m, 30 September 2020: £1.7m). The nominal value held at 31 March 2021 was £25,774 (31 March 2020: £3,327, 30 September 2020: £16,250).

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 2021

	Notes	At 31 March 2021 Unaudited £m	At 31 March 2020[1] Unaudited £m	At 30 September 2020 £m
NON-CURRENT ASSETS				
Goodwill		**4,487**	**4,751**	4,669
Other intangible assets		**1,585**	**1,705**	1,678
Contract fulfilment assets and contract costs		**898**	**1,018**	972
Right of use assets		**766**	**882**	860
Property, plant and equipment		**843**	**1,049**	970
Interests in joint ventures and associates	10	**261**	**394**	345
Other investments		**141**	**84**	75
Post employment benefit assets		**340**	**625**	441
Trade and other receivables		**117**	**108**	99
Deferred tax assets		**162**	**58**	146
Derivative financial instruments[2]	8, 9	**133**	**211**	237
Non-current assets		**9,733**	**10,885**	10,492
CURRENT ASSETS				
Inventories		**260**	**409**	310
Trade and other receivables		**2,167**	**2,845**	2,319
Tax recoverable		**100**	**80**	111
Cash and cash equivalents[2]	8	**1,674**	**732**	1,484
Derivative financial instruments[2]	8, 9	**5**	**25**	5
		4,206	**4,091**	4,229
Assets held for sale	10	**27**	**94**	13
Current assets		**4,233**	**4,185**	4,242
Total assets		**13,966**	**15,070**	14,734
CURRENT LIABILITIES				
Short term borrowings[2]	8	**(429)**	**(1,026)**	(106)
Short term lease liabilities[2]	8	**(179)**	**(191)**	(197)
Derivative financial instruments[2]	8, 9	**(4)**	**(16)**	(9)
Provisions		**(274)**	**(202)**	(337)
Current tax liabilities		**(199)**	**(209)**	(228)
Trade and other payables		**(3,498)**	**(4,340)**	(3,615)
		(4,583)	**(5,984)**	(4,492)
Liabilities directly associated with assets held for sale	10	**(6)**	**(40)**	(7)
Current liabilities		**(4,589)**	**(6,024)**	(4,499)
NON-CURRENT LIABILITIES				
Long term borrowings[2]	8	**(3,158)**	**(3,870)**	(3,673)
Long term lease liabilities[2]	8	**(666)**	**(738)**	(745)
Derivative financial instruments[2]	8, 9	**(3)**	**(3)**	(2)
Post employment benefit obligations		**(221)**	**(238)**	(251)
Provisions		**(299)**	**(237)**	(300)
Deferred tax liabilities		**(84)**	**(208)**	(120)
Trade and other payables		**(339)**	**(150)**	(331)
Non-current liabilities		**(4,770)**	**(5,444)**	(5,422)
Total liabilities		**(9,359)**	**(11,468)**	(9,921)
Net assets		**4,607**	**3,602**	4,813
EQUITY				
Share capital		**198**	**176**	198
Share premium account		**189**	**182**	189
Capital redemption reserve		**295**	**295**	295
Own shares		**(3)**	**(1)**	(2)
Other reserves		**3,907**	**4,277**	4,145
Retained earnings		**(2)**	**(1,354)**	(35)
Total equity shareholders' funds		**4,584**	**3,575**	4,790
Non-controlling interests		**23**	**27**	23
Total equity		**4,607**	**3,602**	4,813

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
2. Component of net debt.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Notes	Six months to 31 March **2021 Unaudited £m**	 2020 Unaudited £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	7	**677**	821
Interest paid		**(54)**	(63)
Tax received		**25**	-
Tax paid		**(85)**	(213)
Net cash from operating activities		**563**	545
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies[1]	10	**(34)**	(431)
Purchase of additional interest in joint ventures and associates		**(3)**	(15)
Proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs[1]		**1**	39
Purchase of intangible assets		**(78)**	(80)
Purchase of contract fulfilment assets		**(97)**	(146)
Purchase of property, plant and equipment		**(97)**	(171)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**16**	18
Proceeds from sale of other investments		**2**	12
Dividends received from joint ventures and associates		**2**	45
Interest received		**2**	2
Net cash from investing activities		**(286)**	(727)
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of own shares to satisfy employee share-based payments[2]		**(3)**	-
Increase in borrowings	8	**68**	2,133
Repayment of borrowings	8	**-**	(1,108)
Repayment of principal under lease liabilities	8	**(80)**	(77)
Equity dividends paid	6	**-**	(427)
Dividends paid to non-controlling interests		**-**	(3)
Net cash from financing activities		**(15)**	518
CASH AND CASH EQUIVALENTS			
Net increase in cash and cash equivalents		**262**	336
Cash and cash equivalents at beginning of the period[3]		**1,485**	399
Currency translation losses on cash and cash equivalents	8	**(71)**	(3)
Cash and cash equivalents at end of the period[3]		**1,676**	732

1. Net of cash acquired or disposed and payments received or made under warranties and indemnities.
2. Including stamp duty and brokers' commission.
3. Includes cash and cash equivalents as presented in the consolidated balance sheet of £1,674m (31 March 2020: £732m, 30 September 2020: £1,484m) and cash and cash equivalents presented in assets held for sale of £2m (31 March 2020: £nil, 30 September 2020: £1m).

RECONCILIATION OF FREE CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2021

	Six months to 31 March	
	2021 Unaudited £m	2020 Unaudited £m
Net cash from operating activities	**563**	545
Purchase of intangible assets	**(78)**	(80)
Purchase of contract fulfilment assets	**(97)**	(146)
Purchase of property, plant and equipment	**(97)**	(171)
Repayment of principal under lease liabilities	**(80)**	(77)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**16**	18
Proceeds from sale of other investments	**2**	12
Dividends received from joint ventures and associates	**2**	45
Interest received	**2**	2
Dividends paid to non-controlling interests	**-**	(3)
Free cash flow	**233**	145
Add back: cash related to cost action programme and COVID-19 resizing costs	**126**	41
Underlying free cash flow	**359**	186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The unaudited condensed consolidated financial statements for the six months ended 31 March 2021, which were approved by the Board on 12 May 2021, and the comparative information in relation to the half year ended 31 March 2020, 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 2020. 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 auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 30 September 2021 will be prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Going concern

The interim consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons stated below.

At 31 March 2021, the Group's financing arrangements included sterling and Euro bonds (£2,361m) and USD US Private Placements (USPP) (£1,086m). In addition, the Group has Revolving Credit Facilities of £2,800m (£800m matured on 3 April 2021, £140m committed to August 2024 and £1,860m committed to August 2025), which were fully undrawn and £1,537m in cash net of overdrafts. At the date of approving these interim consolidated financial statements, the funding position of the Group has remained unchanged and the cash position is not materially different.

The next term debt maturity is a USPP of $398m on 1 October 2021 and there are no other debt maturities in the 18 months to 30 September 2022.

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

The directors have prepared projected cash flow information for the period to 30 September 2022. The directors have considered the impact of COVID on future financial performance and cash flows with the key judgements being the likely time period of any further global wave of infections, the extent to which government enforced restrictions would impact volumes and the extent to which performance would recover subsequent to these restrictions being lifted.

In the base case scenario, the businesses that have been closed are assumed to continue reopening in a phased manner with a gradual recovery. In this base case scenario, the directors consider that the Group will continue to operate within its available committed facilities with significant headroom and meet its financial covenant obligations under its USPP debt agreements.

In a severe but plausible downside scenario, the directors have assumed that global COVID infections and government enforced restrictions remain and trading patterns will not recover through the period to 30 September 2022. The scenario mirrors the experience of the six month period to 31 March 2021. It has also been assumed that no additional debt is raised during the assessment period. This scenario also assumes a temporary cessation of M&A activity and no dividend payments as mitigating actions.

In this severe but plausible downside scenario modelled by the directors the Group continues to retain sufficient headroom and meets the financial covenant obligations under its USPP debt agreements.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least the period to 30 September 2022 and therefore have prepared the interim consolidated financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

1 BASIS OF PREPARATION (CONTINUED)

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 critical accounting judgements and the major sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 30 September 2020. Details of the estimates and judgements are included on pages 184 to 186 of the 2020 Annual Report.

The uncertainty that the COVID pandemic continues to have on the future financial performance of the Group requires critical judgement when deciding whether there is a material uncertainty in relation to events or conditions that may cast significant doubt on its ability to continue as a going concern. The condensed consolidated financial statements are prepared on a going concern basis and management have determined that there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern over the period assessed. Additional information on the judgement management has applied in adopting the going concern assumption is included on page 24.

Management has further considered the impact of the continued uncertainty and disruption caused by COVID on the recoverable amount of goodwill and the contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and other intangible assets), as well as the value of provisions for onerous contracts. Management perform an impairment assessment, taking into consideration the latest trading performance and the most recent management forecasts. Further details in relation to the impairment assessment are provided in note 3.

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 2020 which were prepared in accordance with IFRS as adopted by the EU.

New accounting pronouncements adopted

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

- 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’

There is no significant impact on these condensed consolidated financial statements as a result of adopting these new standards.

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 were not yet effective at 31 March 2021. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform' - phase 2
- Amendments to IAS 37 'Onerous contracts - cost of fulfilling a contract'
- Amendments to IAS 16 'Property, plant and equipment: proceeds before intended use'
- Amendments to IFRS 3 'Reference to conceptual framework'
- Amendments to IAS 1 'Classification of liabilities as current or non-current'
- Annual improvements to IFRS standards 2018-2020 cycle

The Group has further considered the impact of IBOR reform on its hedge accounting, please refer to note 9 for the details of the impact on the Group condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

2 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 2021				
Business & Industry	**1,295**	**1,034**	**365**	**2,694**
Education	**1,230**	**360**	**65**	**1,655**
Healthcare & Senior Living	**2,271**	**461**	**196**	**2,928**
Sports & Leisure	**264**	**106**	**22**	**392**
Defence, Offshore & Remote	**100**	**299**	**483**	**882**
Combined sales of Group and share of equity accounted joint ventures[2,3]	**5,160**	**2,260**	**1,131**	**8,551**
Less: share of sales of equity accounted joint ventures	**(10)**	**(106)**	**-**	**(116)**
Revenue	**5,150**	**2,154**	**1,131**	**8,435**
SIX MONTHS ENDED 31 MARCH 2020[4]				
Business & Industry	2,573	1,640	569	4,782
Education	1,968	459	75	2,502
Healthcare & Senior Living	2,319	487	203	3,009
Sports & Leisure	1,096	298	62	1,456
Defence, Offshore & Remote	124	301	441	866
Combined sales of Group and share of equity accounted joint ventures [2,3]	8,080	3,185	1,350	12,615
Less: share of sales of equity accounted joint ventures	(10)	(129)	-	(139)
Revenue	8,070	3,056	1,350	12,476

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 £659m (six months to 31 March 2020: £1,024m). Underlying revenue from external customers arising in the US region was £4,873m (six months to 31 March 2020: £7,586m). Underlying revenue from external customers arising in all countries outside the UK from which the Group derives revenue was £7,892m (six months to 31 March 2020: £11,591m).
4. The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Middle East is now part of the Europe segment. Revenue of £124m has been reclassified from Rest of World to Europe for the six months ended 31 March 2020.

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2021					
Underlying operating profit before joint ventures and associates	**243**	**16**	**53**	**(37)**	**275**
Add: Share of profit before tax of joint ventures	**2**	**16**	**-**	**-**	**18**
Regional underlying operating profit[1]	**245**	**32**	**53**	**(37)**	**293**
Add: Share of loss of associates	**(3)**	**-**	**-**	**-**	**(3)**
Group underlying operating profit[1]	**242**	**32**	**53**	**(37)**	**290**

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2020[2]					
Underlying operating profit before joint ventures and associates	654	148	74	(42)	834
Add: Share of profit before tax of joint ventures	-	17	-	-	17
Regional underlying operating profit[1]	654	165	74	(42)	851
Add: Share of profit of associates	-	3	-	-	3
Group underlying operating profit[1]	654	168	74	(42)	854

1. Underlying operating profit is the profit measure considered by the chief operating decision maker.
2. The underlying operating profit relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Middle East is now part of the Europe segment. Regional underlying operating profit of £17m has been reclassified from Rest of World to Europe for the six months ended 31 March 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

3 OPERATING COSTS

Impairment loss

The Group has considered any potential impairment triggers for goodwill and non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and other intangible assets) as at 31 March 2021.

The continued spread of COVID and the reintroduction of lockdowns as some of our major markets experience second and third waves of infections, impacted profitability of certain contracts although as a result of the mitigating actions undertaken by management the Group's overall performance remained resilient and profitability and cashflows were largely delivered in line with our expectations. Whilst there remains some uncertainty around the timing of the recovery from the pandemic there are no indicators of impairment that were identified in the period that has led to a change in our medium to longer term outlook for the business, therefore no impairment has been recorded in respect of goodwill for the six months to 31 March 2021.

There were no material changes during the six months to 31 March 2021 for onerous contract losses and contract related non-current assets impairment.

Government grants and other COVID assistance

The Group continues to utilise government support in light of the impact of COVID pandemic across the business, including the deferral of tax payments and furloughing staff during the period of protracted national lockdowns. During the six months to 31 March 2021, the Group has recognised £119m of labour related government support groupwide.

The Board has decided to repay the funds our employees benefited from through the UK Government's Coronavirus Job Retention Scheme in the half year.

Government grants compensating for expenses incurred are recognised as a deduction of the related expenses in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred.

COVID-19 resizing costs

When the pandemic hit in March 2020, the Group started to adjust its business model to the new trading environment and incurred £122m of resizing costs in the year ended 30 September 2020. The Group continues to take cost actions and a further charge for costs of £78m has been recognised during the six months to 31 March 2021 and further costs are expected in the second half of the year. Actions taken to date continue to deliver the savings initially anticipated. These costs are excluded from the Group's underlying results, please refer to note 11.

4 TAX

RECOGNISED IN THE CONDENSED CONSOLIDATED INCOME STATEMENT: INCOME TAX EXPENSE	Six months to 31 March 2021 £m	 2020 £m
Current Tax		
Current year	**79**	193
Adjustment in respect of prior years	**(6)**	1
Current tax expense	**73**	194
Deferred tax		
Current year	**(40)**	13
Impact of changes in statutory tax rates	**-**	(6)
Deferred tax (credit)/expense	**(40)**	7
Total income tax		
Income tax expense	**33**	201

At 30 September 2020, the Group disclosed a contingent liability with a maximum potential liability of £113m in respect of the European Commission's conclusion that part of the UK's Controlled Foreign Company legislation was in breach of EU State Aid rules. Subsequently, Compass has been notified by HMRC and the European Commission that the Group has not been a beneficiary of any such State Aid. Therefore, no contingent liability is disclosed in respect of this matter at 31 March 2021.

The UK Government has announced an increase in the UK corporation tax rate to 25% from 19% with effect from 1 April 2023. This has not been reflected in the measurement of deferred tax balances in the current period. If the rate change were applied to the deferred tax balance at 31 March 2021, the impact would be £17m, represented by an income statement credit of £12m and a £29m charge arising in other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS/

FOR THE SIX MONTHS ENDED 31 MARCH 2021

4 TAX (CONTINUED)

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

In addition, we continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. The federal tax authorities in Brazil have issued a number of notices of deficiency relating primarily to the PIS/COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 31 March 2021, the total amount assessed in respect of these matters is £34m (31 March 2020: £52m). 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 advisors, we do not currently consider it likely that we will have to settle a liability with respect to these matters, and on this basis, no provision has been recorded. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

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

Deferred tax assets have not been recognised in respect of tax losses of £267m (six months to 31 March 2020: £232m, year ended 30 September 2020: £263m) and other temporary differences of £28m (six months to 31 March 2020: £24m, year ended 30 September 2020: £28m). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

5 EARNINGS PER SHARE

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

	Six months to 31 March	
ATTRIBUTABLE PROFIT	**2021 £m**	2020[1] £m
Profit for the period attributable to equity shareholders of the Company	**100**	583
Adjustments stated net of tax:		
Acquisition related costs	**30**	33
One-off pension charge	**2**	-
Cost action programme and COVID-19 resizing costs	**60**	28
Net gain on sale and closure of businesses	**(16)**	(49)
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**(5)**	2
Underlying profit for the period from operations	**171**	597

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.

	Six months to 31 March	
AVERAGE NUMBER OF ORDINARY SHARES	**2021 Ordinary shares of $11^{1/20}$p each millions**	2020 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,784**	1,588
Dilutive share options	**-**	1
Average number of shares for diluted earnings per share	**1,784**	1,589

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

5 EARNINGS PER SHARE (CONTINUED)

BASIC EARNINGS PER SHARE	Basic earnings per share 2021 Earnings per share pence	Basic earnings per share 2020[1] Earnings per share pence	Diluted earnings per share 2021 Earnings per share pence	Diluted earnings per share 2020[1] Earnings per share pence
From operations	**5.6**	36.7	**5.6**	36.7
Adjustments stated net of tax:				
Acquisition related costs	**1.7**	2.1	**1.7**	2.1
One-off pension charge	**0.1**	-	**0.1**	-
Cost action programme and COVID-19 resizing costs	**3.4**	1.8	**3.4**	1.8
Net gain on sale and closure of businesses	**(0.9)**	(3.1)	**(0.9)**	(3.1)
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**(0.3)**	0.1	**(0.3)**	0.1
From underlying operations	**9.6**	37.6	**9.6**	37.6

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.

6 DIVIDENDS

The Board has decided not to recommend an interim dividend for the six months ended 31 March 2021 (2020: nil).

DIVIDENDS ON ORDINARY SHARES	Six months to 31 March 2021 Dividends per share pence	Six months to 31 March 2021 £m	Six months to 31 March 2020 Dividends per share pence	Six months to 31 March 2020 £m
Amounts recognised as distributions to equity shareholders during the period:				
Final 2019	**-**	**-**	**26.9**	**427**
Total dividends	**-**	**-**	**26.9**	**427**

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

7 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	Six months to 31 March 2021 £m	Six months to 31 March 2020 £m
Operating profit before joint ventures and associates	**154**	755
Adjustments for:		
Acquisition related costs	**41**	41
One-off pension charge	**2**	-
Cost action programme and COVID-19 resizing costs	**78**	38
Amortisation of intangible assets	**48**	43
Amortisation of contract fulfilment assets	**96**	97
Amortisation of contract prepayments	**13**	12
Depreciation of property, plant and equipment	**127**	143
Depreciation of right of use assets	**83**	78
Unwind of costs to obtain contracts	**8**	7
Impairment losses - contract related	**13**	-
Loss/(gain) on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**16**	(3)
Other non-cash changes	**(3)**	-
Decrease in provisions	**(99)**	(58)
Investment in contract prepayments	**(16)**	(23)
Increase in costs to obtain contracts	**(8)**	(14)
Post employment benefit obligations net of service costs	**(5)**	(6)
Share-based payments - charged to profits	**10**	14
Operating cash flows before movement in working capital	**558**	1,124
Decrease/(increase) in inventories	**11**	(7)
Decrease in receivables	**3**	158
Increase/(decrease) in payables	**105**	(454)
Cash generated from operations	**677**	821

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

8 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.

NET DEBT	Six months to 31 March 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 2021 £m	Net debt 2020 £m	Year ended 30 September 2020 £m
At 1 October	**(97)**	**(3,682)**	**(3,779)**	**(942)**	**231**	**1,484**	**(3,006)**	(3,272)	(3,272)
Implementation of IFRS 16[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(995)	(995)
At 1 October, as adjusted[1]	**(97)**	**(3,682)**	**(3,779)**	**(942)**	**231**	**1,484**	**(3,006)**	(4,267)	(4,267)
Net increase in cash and cash equivalents	**-**	**-**	**-**	**-**	**-**	**262**	**262**	337	1,091
Cash outflow from repayment of bank loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1,038	1,578
Cash inflow from borrowing bank loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1,228)	(1,578)
Cash outflow from repayment of loan notes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	156
Cash outflow from repayment of commercial paper	**-**	**-**	**-**	**-**	**-**	**-**	**-**	70	815
Cash inflow from issuance of commercial paper	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(875)	(815)
Cash (inflow)/outflow from other changes in gross debt	**(67)**	**4**	**(63)**	**-**	**(5)**	**-**	**(68)**	(30)	(48)
Cash outflow from repayment of obligations under lease liabilities	**-**	**-**	**-**	**80**	**-**	**-**	**80**	77	152
New lease liabilities and amendments	**-**	**-**	**-**	**(39)**	**-**	**-**	**(39)**	(85)	(174)
Reclassified to held for sale	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	87	(1)
Currency translation gains/(losses)	**27**	**176**	**203**	**37**	**(61)**	**(71)**	**108**	24	40
Other non-cash movements	**-**	**52**	**52**	**19**	**(34)**	**-**	**37**	(24)	45
Carried forward	**(137)**	**(3,450)**	**(3,587)**	**(845)**	**131**	**1,674**	**(2,627)**	(4,876)	(3,006)

1. Adjusted as a result of the Group's adoption of IFRS 16 'Leases' on 1 October 2019.

OTHER NON-CASH MOVEMENTS IN NET DEBT	Six months to 31 March 2021 £m	2020 £m	Year ended 30 September 2020 £m
Amortisation of fees and discount on issuance	**(2)**	(1)	(5)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**54**	-	(12)
Bank and other borrowings	**52**	(1)	(17)
Leases acquired through business acquisition	**-**	(24)	(22)
Leases derecognised on sale and closure of businesses	**19**	-	75
COVID lease payment reductions	**-**	-	3
Lease liabilities	**19**	(24)	56
Changes in the value of derivative financial instruments including accrued income	**(34)**	1	6
Other non-cash movements	**37**	(24)	45

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

9 FINANCIAL INSTRUMENTS

The Group held certain financial instruments at fair value at 31 March 2021.

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	At 31 March 2021 Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
Interest rate swaps				
Fair value hedges[1]	**-**	**89**	**-**	**-**
Not in a hedging relationship[2]	**-**	**3**	**(2)**	**(1)**
Cross currency swaps				
Fair value hedges[1]	**-**	**41**	**-**	**(2)**
Forward currency contracts				
Net investment hedges[3]	**3**	**-**	**-**	**-**
Not in a hedging relationship[2]	**2**	**-**	**(2)**	**-**
Total	**5**	**133**	**(4)**	**(3)**

DERIVATIVE FINANCIAL INSTRUMENTS	At 31 March 2020 Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
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	At 30 September 2020 Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
Interest rate swaps				
Fair value hedges[1]	-	122	-	-
Not in a hedging relationship[2]	2	-	(9)	(2)
Cross currency swaps				
Fair value hedges[1]	-	115	-	-
Forward currency contracts				
Net investment hedges[3]	3	-	-	-
Total	5	237	(9)	(2)

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 2021

9 FINANCIAL INSTRUMENTS (CONTINUED)

Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'
A Group treasury led project is in progress to manage the transition to alternative benchmark rates. Discussions are expected to begin shortly with the syndicate banks regarding the £2,000m borrowing facility. With regard to the derivative contracts, the Group and all of its derivative counterparties have adopted the ISDA 2020 IBOR Fallbacks Protocol. This protocol amends the fallback provisions incorporated in the derivative contracts so that when a particular IBOR rate ceases to exist or to represent the underlying market, it will be replaced by an applicable risk free rate plus a spread on the next reset date.

10 ACQUISITIONS AND SALE AND CLOSURE OF BUSINESSES

Acquisitions
There were no material acquisitions for the six months ended 31 March 2021. The total cash spent on acquisitions in the first half, net of cash acquired, was £34m (six months to 31 March 2020: £431m).

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 the remaining US laundries business. The Group has recognised a net gain of £15m on the sale of businesses (six months to 31 March 2020: £113m gain) offset by £1m exit costs (six months to 31 March 2020: £33m).

As at 31 March 2021, the Group has assets and liabilities classified as held for sale in relation to certain 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 £27m (31 March 2020: £94m) and liabilities of £6m (31 March 2020: £40m) in respect of these businesses.

The sale process for some businesses in the Europe region that were held for sale at 31 March 2020 was paused in the second half of 2020. As a result, these businesses were no longer classified as held for sale at 30 September 2020 and prior period comparatives were restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for the relevant joint ventures and associates using the equity method as they ceased to be classified as held for sale.

As a result, the Group has restated prior period comparatives as follows:
- to reclassify the £33m carrying value of interests in joint ventures and associates included within assets held for sale to the Group's interests in joint ventures and associates; and
- to recognise a £16m share of profit of joint ventures and associates for the six months to 31 March 2020 and further £25m for the year ended 30 September 2019 with the corresponding increase in the Group's interests in joint ventures and associates. This change has not impacted the Group's underlying results, which already included these profits. As a result, as at 31 March 2020 interests in joint ventures and associates has increased to £394m (£320m previously reported), assets held for sale has decreased to £94m (£127m previously reported) and share of profit of joint ventures and associates has increased to £20m (£4m previously reported) for the six months to 31 March 2020.

11 STATUTORY AND UNDERLYING RESULTS

		Six months to 31 March 2021							
			Adjustments						
	Notes	2021 Statutory £m	1	2	3	4	5	6	2021 Underlying £m
Operating profit		**168**	**41**	**2**	**78**	**1**	**-**	**-**	**290**
Net gain on sale and closure of businesses	10	**14**	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**
Net finance cost		**(49)**	**-**	**-**	**-**	**-**	**-**	**(7)**	**(56)**
Finance income		**4**	**-**	**-**	**-**	**-**	**-**	**-**	**4**
Finance costs		**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**(60)**
Other financing items		**7**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**
Profit before tax		**133**	**41**	**2**	**78**	**1**	**(14)**	**(7)**	**234**
Income tax expense		**(33)**	**(11)**	**-**	**(18)**	**(1)**	**(2)**	**2**	**(63)**
Tax rate		**24.8%**							**26.9%**
Profit for the period		**100**	**30**	**2**	**60**	**-**	**(16)**	**(5)**	**171**
Profit attributable to equity shareholders of the Company		**100**	**30**	**2**	**60**	**-**	**(16)**	**(5)**	**171**
Average number of shares (millions)		**1,784**							**1,784**
BASIC EARNINGS PER SHARE (PENCE)	5	**5.6**	**1.7**	**0.1**	**3.4**	**-**	**(0.9)**	**(0.3)**	**9.6**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

11 STATUTORY AND UNDERLYING RESULTS (CONTINUED)

		Six months to 31 March 2020							
			Adjustments						
	Notes	2020[1] Statutory £m	1	2	3	4	5	6	2020 Underlying £m
Operating profit		775	41	-	38	-	-	-	854
Net gain on sale and closure of businesses	10	80	-	-	-	-	(80)	-	-
Net finance cost		(68)	-	-	-	-	-	3	(65)
Finance income		2	-	-	-	-	-	-	2
Finance costs		(67)	-	-	-	-	-	-	(67)
Other financing items		(3)	-	-	-	-	-	3	-
Profit before tax		787	41	-	38	-	(80)	3	789
Income tax expense		(201)	(8)	-	(10)	-	31	(1)	(189)
Tax rate		25.5%							24.0%
Profit for the period		586	33	-	28	-	(49)	2	600
Non-controlling interests		(3)	-	-	-	-	-	-	(3)
Profit attributable to equity shareholders of the Company		583	33	-	28	-	(49)	2	597
Average number of shares (millions)		1,588							1,588
BASIC EARNINGS PER SHARE (PENCE)[2]	5	36.7	2.1	-	1.8	-	(3.1)	0.1	37.6

1. Prior period comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 10.
2. 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 £27m.

The Executive Committee manages and assesses the performance of the Group using various underlying and other alternative performance measures. These measures are not recognised under EU-adopted IFRS and may not be directly comparable with alternative performance measures used by other companies. Underlying and other alternative performance measures are defined in the glossary of terms on pages 37 and 38. Underlying operating profit is considered to better reflect ongoing trading, facilitate meaningful year on year comparison and hence provides financial measures that, together with the results prepared in accordance with adopted IFRS, provide better analysis of the results of the Group. In determining the adjustments to arrive at underlying 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.

1. **Acquisition related costs**
   Represent charges in respect of intangible assets acquired through business combinations, direct costs incurred as part of a business combination or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity.
2. **One-off pension charge**
   One-off pension charge in relation to GMP equalisation.
3. **Cost action programme and COVID-19 resizing costs**
   Charges related to actions taken to adjust our cost base and further cost actions taken to adjust our business to the new trading environment in light of the COVID pandemic, see note 3 for additional details.
4. **Tax on share of profit of joint ventures**
   Reclassification of tax on share of profit of joint ventures to income tax expense.
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 10 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 2021

11 STATUTORY AND UNDERLYING RESULTS (CONTINUED)

UNDERLYING EBITDA	Six months to 31 March 2021 £m	 2020 £m
Underlying operating profit	**290**	854
Depreciation of property, plant and equipment and right of use assets	**210**	221
Amortisation of intangible assets, contract fulfilment assets and contract prepayments (excluding amortisation of intangibles arising on acquisition)	**157**	152
Impairment losses - contract related	**13**	-
Underlying EBITDA	**670**	1,227

GROSS CAPEX	Six months to 31 March 2021 £m	 2020 £m
Purchase of intangible assets	**78**	80
Purchase of contract fulfilment assets	**97**	146
Purchase of property, plant and equipment	**97**	171
Investment in contract prepayments	**16**	23
Gross capex	**288**	420

FREE CASH FLOW CONVERSION	Six months to 31 March 2021 £m	 2020 £m
Underlying free cash flow	**359**	186
Underlying operating profit	**290**	854
Free cash flow conversion	**124%**	22%

NET DEBT TO EBITDA	31 March 2021 £m	 2020 £m
Underlying EBITDA for the prior year	**1,418**	2,459
Less: underlying EBITDA for the prior first half year	**(1,227)**	(1,234)
Underlying EBITDA for the prior second half year	**191**	1,225
Underlying EBITDA for the current half year	**670**	1,227
12 months underlying EBITDA	**861**	2,452
Net debt	**2,627**	4,876
Net debt to EBITDA ratio (times)	**3.0**	2.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

12 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Group £m
SIX MONTHS TO 31 MARCH 2021					
Combined sales of Group and share of equity accounted joint ventures	**5,160**	**2,260**	**1,131**	-	**8,551**
% decrease reported rates	(36.1)%	(29.0)%	(16.2)%	-	(32.2)%
% decrease constant currency	(33.0)%	(28.9)%	(11.2)%	-	(29.6)%
Organic adjustments	(35)	-	(1)	-	(36)
Organic revenue	5,125	2,260	1,130	-	8,515
% organic change	**(32.8)%**	**(32.8)%**	**(9.4)%**	-	**(30.4)%**
SIX MONTHS TO 31 MARCH 2020[1]					
Combined sales of Group and share of equity accounted joint ventures	**8,080**	**3,185**	**1,350**	-	**12,615**
Currency adjustments	(378)	(7)	(76)	-	(461)
Constant currency underlying revenue	7,702	3,178	1,274	-	12,154
Organic adjustments	(71)	186	(27)	-	88
Organic revenue	7,631	3,364	1,247	-	12,242
SIX MONTHS TO 31 MARCH 2021					
Regional underlying operating profit	**245**	**32**	**53**	(37)	293
Share of loss of associates	(3)	-	-	-	(3)
Group underlying operating profit	242	32	53	(37)	**290**
Underlying operating margin (excluding associates)	**4.7%**	**1.4%**	**4.7%**	-	**3.4%**
% decrease reported rates	(62.5)%	(80.6)%	(28.4)%	-	(66.0)%
% decrease constant currency	(60.7)%	(80.4)%	(24.3)%	-	(64.5)%
Organic adjustments	(1)	-	-	-	(1)
Regional underlying organic operating profit (excluding associates)	**244**	**32**	**53**	(37)	292
Group underlying organic operating profit (including associates)	241	32	53	(37)	**289**
% organic change	**(60.6)%**	**(83.0)%**	**(22.1)%**	-	**(65.4)%**
SIX MONTHS TO 31 MARCH 2020[1]					
Regional underlying operating profit	**654**	**165**	**74**	(42)	851
Share of profit of associates	-	3	-	-	3
Group underlying operating profit	654	168	74	(42)	**854**
Underlying operating margin (excluding associates)	**8.1%**	**5.2%**	**5.5%**	-	**6.7%**
Currency adjustments	(31)	(2)	(4)	-	(37)
Regional constant currency underlying operating profit (excluding associates)	**623**	**163**	**70**	(42)	814
Group constant currency underlying operating profit (including associates)	623	166	70	(42)	**817**
Organic adjustments	(4)	25	(2)	-	19
Regional underlying organic operating profit (excluding associates)	**619**	**188**	**68**	(42)	833
Share of profit from associates – constant currency	-	3	-	-	3
Group underlying organic operating profit (including associates)	619	191	68	(42)	**836**

1. Prior period comparatives have reclassified Middle East from Rest of World region into Europe region.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

13 RELATED PARTY DISCLOSURES

Full details of the Group's related party relationships, transactions and balances are given in the Group's financial statements for the year ended 30 September 2020. There have been no material changes in these relationships for the six months to 31 March 2021 or up to the date of this report. 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.

14 POST BALANCE SHEET EVENTS

There are no material post balance sheet events.

15 EXCHANGE RATES

	Six months to 31 March	
	2021	2020
AVERAGE EXCHANGE RATE FOR THE PERIOD[1]		
Australian Dollar	**1.81**	1.93
Brazilian Real	**7.44**	5.56
Canadian Dollar	**1.74**	1.71
Chilean Peso	**1,003.19**	1,008.04
Euro	**1.13**	1.16
Japanese Yen	**142.45**	139.03
New Zealand Dollar	**1.93**	2.02
Norwegian Krone	**11.94**	11.99
Turkish Lira	**10.46**	7.67
UAE Dirham	**4.95**	4.71
US Dollar	**1.35**	1.28
CLOSING EXCHANGE RATE AS AT THE END OF THE PERIOD[1]		
Australian Dollar	**1.81**	2.03
Brazilian Real	**7.79**	6.43
Canadian Dollar	**1.73**	1.76
Chilean Peso	**991.17**	1,056.84
Euro	**1.17**	1.13
Japanese Yen	**152.46**	133.86
New Zealand Dollar	**1.97**	2.09
Norwegian Krone	**11.78**	13.02
Turkish Lira	**11.42**	8.17
UAE Dirham	**5.07**	4.55
US Dollar	**1.38**	1.24

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.
Free cash flow	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.
Interest cover covenant test	The ratio of EBITDA to net finance costs after certain accounting adjustments.
Leverage covenant test	The ratio of net debt to EBITDA after certain accounting adjustments.
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	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 12 months underlying EBITDA.
NOPAT	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Organic profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying operating profit.
Organic profit	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying revenue.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	○ acquisition related costs ○ one-off pension charge ○ cost action programme and COVID-19 resizing costs ○ tax on share of profit of joint ventures ○ gain/(loss) on sale and closure of businesses ○ other financing items including hedge accounting ineffectiveness and change in the fair value of investments
Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying impairment, depreciation and amortisation of intangible assets and contract prepayments.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.

Glossary of terms (continued)

Underlying free cash flow	Free cash flow adjusted for the cost action programme and COVID-19 resizing costs.
Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating profit - Group	Includes share of profit after tax of associates and profit before tax of joint ventures, but excludes the specific adjusting items.
Underlying operating profit - Region	Includes share of profit before tax of joint ventures, but excludes the specific adjusting items and profit after tax of associates.
Underlying profit before tax	Excludes 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.

Important Notices

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, 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.