



Interim results announcement for the six months ended 31 March 2014

Ongoing operational delivery underpinning £1 billion return to shareholders

	Underlying ¹	Year on year change ²	Reported
Revenue	£8.7 billion	+4.2% ³	£8.7 billion
Operating profit	£647 million	+5.5%	£634 million
Profit before tax	£608 million	+5.7%	£595 million
Earnings per share	25.3 pence	+10.0%	24.8 pence
Free cash flow	£345 million	-10.6%	£324 million
Interim dividend per share	8.8 pence	+10.0%	8.8 pence

¹ The underlying column excludes the European exceptional and other non-underlying items. Full details can be found on pages 9 to 10.

² Measured on a constant currency basis, excluding free cash flow and interim dividend.

³ Organic revenue growth rate includes the positive impact from the timing of Easter of c.0.4%.

Positive first half year with good organic revenue growth

- Organic revenue growth of 4.2%, driven by strong new business growth
- Excellent performances in North America and Fast Growing & Emerging
- Economic conditions and new business growth in Europe & Japan starting to improve
- Healthy pipeline of new business across all regions

Further efficiencies enabling investment and delivering margin progression

- Operating profit margin increased by 10 basis points to 7.4%
- MAP programme continuing to drive operating efficiencies across all geographies
- Reinvesting for growth

Growth, performance and returns to shareholders: a proven and sustainable model

- £6 billion of announced returns to shareholders since 2006
- Proposed interim dividend of 8.8 pence, 10% ahead of last year
- Proposed capital return of £1 billion via a special dividend and ongoing £500 million share buyback
- Longer term, Compass remains well placed to capitalise on exciting structural growth opportunities in all its markets

Richard Cousins, Group Chief Executive, said:

“This has been another period of consistent delivery for Compass. Organic revenue growth of over 4% has been driven by strong growth in North America and Fast Growing & Emerging. Encouragingly, economic conditions and new business in Europe & Japan are starting to improve. The operating efficiencies we’ve generated have enabled us to invest in the many growth opportunities we see, as well as deliver an improvement in the operating margin of 10 basis points, taking it to 7.4%.

“Strong cash generation has underpinned our investment in the business and our commitment to reward shareholders. Based on the ongoing strength of our performance, the Board is proposing to increase the ordinary interim dividend by 10% to 8.8 pence per share and return a further £1 billion of cash to shareholders through a special dividend. Looking forward, the outsourcing proposition remains compelling and I’m positive about the opportunities for further revenue and margin progression.”

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Chief Executive's Statement

Group overview

Organic revenue growth in the first six months to 31 March has remained strong at 4.2%, including the positive impact from the timing of Easter of c.0.4%, which will reverse in the second half. On a reported basis, revenue declined by 1.6%, reflecting the negative currency translation impact.

During the first half, we delivered new business growth of 8.5%, driven by a good performance in MAP 1 (client sales and marketing) in North America, Fast Growing & Emerging and parts of Europe & Japan. Our retention rate also remained high at 93.5%, despite an above average number of business closures in Europe and the planned exit of certain contracts that have become uneconomic.

Like for like revenue growth of 2.2% reflects modest price increases and broadly flat like for like volume overall. Like for like volume continues to be broadly flat in North America, modestly positive in Fast Growing & Emerging and negative in Europe & Japan. We have retained our focus on increasing consumer participation and spend through MAP 2 (consumer sales and marketing) initiatives, developing innovative and exciting consumer propositions, and training our people.

Underlying operating profit increased by 5.5% in the first half on a constant currency basis, with the underlying operating profit margin increasing by 10 basis points to 7.4%. We have continued to generate efficiencies through embedding the MAP framework deeper into the business. We have maintained our focus on MAP 3 (cost of food) initiatives such as menu planning and supplier rationalisation, as well as MAP 4 (labour and in unit costs) and MAP 5 (above unit costs). These efficiencies are, in part, being reinvested in exciting growth opportunities around the world and helping us to manage negative like for like volumes in parts of Europe. They are also enabling us to deliver the further improvement in the operating profit margin.

Regional performances

North America – 48% Group revenue (2013: 46%)

Regional financial summary	2014	2013	Change			
			Reported	Constant currency	Organic	Adjusted organic ¹
Revenue	£4,151m	£4,059m	2.3%	7.0%	6.6%	6.3%
Operating profit (underlying)	£350m	£338m	3.6%	8.4%	-	-
Operating margin	8.4%	8.3%	10bps	-	-	-

¹ Adjusted organic estimates the impact of working days and adjusts for this.

We have delivered another strong performance in our North American business with revenue of £4.2 billion (2013: £4.1 billion) in the first half. Organic revenue growth of 6.6% (6.3% on a comparable working days basis) has been driven by high levels of new business wins across all sectors and excellent retention rates. Like for like volumes have remained broadly flat. The timing of the NHL lockout last year has given us a small benefit in the first half which will be reversed in the second half. This implied an underlying 6% organic growth which we expect to maintain through the second half of the year.

Chief Executive's Statement (continued)

Continued progress on operational efficiencies and leveraging of the overhead base have delivered over 8% operating profit growth, some £27 million, on a constant currency basis to £350 million (2013: £323 million) and further steady progress of 10 basis points in the margin to 8.4%.

The Business & Industry sector is growing well, underpinned by good levels of net new business and positive like for like revenue growth. New contract wins include L'Oreal, PDI DreamWorks, Nomura and Canada Post.

Organic revenue growth in the Healthcare & Seniors sector has been excellent with strong new business and above average retention rates. New wins include food service contracts with the Baptist Memorial Hospital System, Yale New Haven Hospital and the flagship Jackson Madison County General Hospital, as well as the provision of laundry services to Sutter Health and Presence Health.

The Education sector has seen good levels of new business wins, including additional support services contracts under the Texas A&M umbrella, as well as the Virginia Commonwealth University and food service contracts at Trent University and Montclair State University.

Double digit organic revenue growth in our Sports & Leisure business has been delivered through new business wins and high attendance levels at our sporting locations. New contract wins include the Indianapolis Motor Speedway and the FedEx Field, home of the Washington Redskins.

The ESS business, which provides food and support services to the energy and extractive sectors in Alaska, Canada and the Gulf of Mexico, delivered good levels of organic revenue growth. New contracts include Cliffs Natural Resources and the DeBeers Gahcho Kue Diamond Project.

Europe & Japan – 34% Group revenue (2013: 35%)

Regional financial summary	2014	2013	Change			
			Reported	Constant currency	Organic	Adjusted organic ¹
Revenue	£2,951m	£3,080m	(4.2)%	(1.8)%	(1.6)%	(2.1)%
Operating profit (underlying)	£213m	£212m	0.5%	2.4%	-	-
Operating margin	7.2%	6.9%	30bps	-	-	-

¹ Adjusted organic estimates the impact of working days and adjusts for this.

Economic conditions in Europe & Japan are starting to improve. Revenue totalled £3.0 billion (2013: £3.1 billion) for the period and we have seen an improvement in the organic revenue performance, with the decline reducing to 1.6% (2.1% on a comparable working days basis). Within this, as expected, like for like volumes remained negative during the first half of the year.

Chief Executive's Statement (continued)

An increased focus on MAP 1 is starting to deliver. We have seen good levels of new business, in particular in the UK & Ireland, France, Spain, the Netherlands and the Nordic region, and improving underlying retention. As expected, the reported retention rate continues to be impacted by our planned exit of certain uneconomic contracts which commenced last year. Important food service contract wins include Continental and Societe Generale in France, Google in Ireland and the 2014 Ryder Cup at Gleneagles, as well as multi service contracts with Shell in Germany and the Royal Navy in the UK, where we will serve 15,000 people across 12 sites. We have also retained contracts with SAP in Germany, Scania in Sweden, Societe Nationale Immobiliere in France and Addenbrooks Hospital in the UK. In Japan, we have won a food service contract with Bosch and a new multi site contract with the Metropolitan Police Academy, as well as retaining our contract with the Bank of Japan Fuchu.

Like for like volumes have declined by around 2.5% on a comparable days basis, an improvement on the 3.5% decline seen in the second half of 2013. In north and east Europe, like for like volumes were broadly flat overall and they remained slightly negative in the UK, France, Germany and Japan. In southern Europe, like for like volume trends have been negative in the first half but at a lower rate than last year.

Through good progress on cost reduction and operational efficiencies, we have delivered an increase in operating profit of £5 million on a constant currency basis to £213 million (2013: £208 million). This equates to 30 basis points of operating margin progression to 7.2%.

Fast Growing & Emerging – 18% Group revenue (2013: 19%)

Regional financial summary	2014	2013	Change			
			Reported	Constant currency	Organic	Adjusted organic ¹
Revenue	£1,557m	£1,665m	(6.5)%	9.3%	9.7%	9.4%
Operating profit (underlying)	£110m	£126m	(12.7)%	1.9%	-	-
Operating margin	7.1%	7.6%	(50)bps	-	-	-

¹ Adjusted organic estimates the impact of working days and adjusts for this.

In our Fast Growing & Emerging markets, we delivered an organic revenue increase of 9.7% (9.4% on a comparable working days basis) with revenue of £1.6 billion (2013: £1.7 billion). Operating profit increased by £2 million on a constant currency basis to £110 million (2013: £108 million). We have made further good progress in driving operational efficiencies and investing these in the business, in particular embedding a new regional management structure in the second half of last year. The associated costs have continued to flow through into the first half of this year and the operating margin was therefore 50 basis points below last year at 7.1%. We expect this to largely reverse in the second half of the year.

Organic revenue growth in Australia is slowing, as expected, driven principally by the slowdown in the offshore and remote sector, which began towards the end of last year. However, we have won and retained contracts with Conoco Phillips, AngloGold Ashanti and Melbourne Zoo.

Chief Executive's Statement (continued)

Outside Australia, in the emerging markets, we have seen good double digit organic revenue growth, primarily delivered by strong levels of new business as the structural shift to outsourcing accelerates. Like for like revenue also continues to grow.

Strong new business wins in India and China continue to underpin organic growth above the regional average. In India, we have won new business with HN Hospitals, and in China, with Nike. The UAE is also delivering above average growth for the region with new wins and retentions including the Cleveland Clinic, a multi speciality hospital, and a food service contract at the prestigious New York University.

Brazil and Turkey have again performed strongly. Brazil has seen an acceleration in new business wins, such as Carrefour and Agropalma in the B&I sector and Anglo American in the Remote business. New contracts in Turkey include Med Star Memorial Hospital and BSH Logistic.

Strategy

Focus on food

Food remains our core business. The structural opportunity in the outsourced food service market, estimated at more than £200 billion, is a key growth driver. With only around 50% of the market currently outsourced, it represents a significant opportunity. We believe the benefits of outsourcing will become ever more apparent as economic conditions and regulatory changes put increasing pressure on organisations' budgets. As one of the largest providers in all of our sectors, we are well placed to benefit from these trends.

Support and multi services

Support and multi services are also an important part of our business and we continue to win new contracts and expand the range of services we supply to our existing clients. Our largest sector in this market is Defence, Offshore & Remote, where the model is almost universally multi service. Outside this, we have an excellent support service business in North America and some well established operations in other parts of the world. This is a complex market and there are significant differences in client buying behaviour across countries, sectors and sub sectors. Our approach is therefore low risk and incremental, with strategies developed on a country by country basis to address the local and international opportunity.

Geographic spread and emerging markets

The Group has evolved significantly over the last 10 years from a predominantly European-based business with just over £11 billion of revenue to the £17.6 billion global business today. Over time, we expect the split of revenue to continue to evolve.

North America (48% of Group revenue) will remain the principal growth engine for the Group. We have a market leading business, which delivers high levels of growth and steady margin expansion. The outsourcing culture is vibrant and the addressable market is significant.

Chief Executive's Statement (continued)

The fundamentals of our businesses in Europe & Japan (34% of Group revenue) are good and we see many opportunities to drive growth in revenue and margin. The actions we have taken to reduce cost and make our operations more competitive are enabling us to increase investment in MAP 1 sales and retention. This, combined with better economic conditions, is delivering an improvement in organic revenue.

Fast Growing & Emerging (18% of Group revenue) is an exciting part of our business. We have a strong presence in key markets such as Australia, Brazil and Turkey, and we are growing rapidly in India and China. With the potential they offer, we are investing in opportunities and we would hope to see high levels of growth maintained well into the future.

Organic growth, supplemented by M&A

Quality and sustainable organic growth remains our key priority but we continue to seek infill acquisitions where they deliver value to the business. Our focus is on small to medium sized infill acquisitions in food and support services in our existing geographies, bringing on board quality businesses and strong management teams. We continue to target financial returns ahead of our cost of capital by the end of the second year.

Ongoing drive for efficiencies

We believe that we are only part of the way through the journey to drive further productivity in our cost of food (MAP 3) and our in unit costs (MAP 4), as well as being able to leverage the overhead base by controlling our above unit costs (MAP 5). The ongoing generation of efficiencies enables us to invest in the business and helps underpin our expectation of further margin progression.

Uses of cash and balance sheet priorities

The Group's cash flow generation remains excellent and it will continue to be a key part of the business model. Going forward, our priorities for how we use our cash are the same: (i) we will continue to invest in capital expenditure to support organic growth where we see good returns; (ii) we remain committed to growing the dividend broadly in line with constant currency earnings; (iii) we look to make small to medium sized infill acquisitions. After making these investments, we will maintain an efficient balance sheet through returns to shareholders whilst continuing to target strong investment grade credit ratings.

Special dividend

Given the ongoing strength of the Group's operational cash flows and our continued focus on organic growth and operating efficiency, our balance sheet leverage (measured by net debt to EBITDA) is expected to be below 1 times this year. Looking forward and taking into account the investment requirements of the business, we would expect this to fall in the future, resulting in a less efficient balance sheet. The Board therefore believes it is appropriate to increase the balance sheet leverage through returning £1 billion of cash to shareholders by way of a special dividend and share consolidation. Following the proposed return of cash, the Group's pro forma balance sheet leverage as at 31 March 2014 would have been approximately 1.5 times, which the Board believes is consistent with its policy of maintaining strong investment grade credit ratings.

Chief Executive's Statement (continued)

The Group also intends to continue with the current £500 million share buyback programme, announced on 27 November 2013, although purchases will be suspended until payment of the special dividend, if approved by shareholders, on 29 July 2014. As a result of this suspension, it is now expected that the buyback will be completed in 2015.

Board changes

The Company is pleased to announce the appointment of Carol Arrowsmith as a Non-executive Director of the Company with effect from 1 June 2014. The appointment forms part of an ongoing review of Board membership to ensure that an appropriate number of independent Non-executive Directors is maintained through orderly succession and without compromising the effectiveness of the Board and its committees. Carol will become Chairman of the Remuneration Committee with effect from 1 June 2014 when Sir Ian Robinson will step down from that role but will remain as the Company's Senior Independent Non-executive Director. Carol will become a member of the Audit and Nomination Committees and of the Corporate Responsibility Committee with effect from 1 June 2014.

Carol is currently a partner in Deloitte LLP and a Vice Chairman of the UK business. Carol will retire from Deloitte on 31 May 2014. For many years Carol led the executive remuneration practice at Deloitte and was a Director of the Remuneration Consultants Group, which represents the majority of executive remuneration firms advising UK Listed Companies, responsible for the stewardship and development of a voluntary Code of Conduct.

There are no matters which require disclosure in respect of Mrs Arrowsmith in accordance with LR 9.6.13 (2) to (6).

Summary and outlook

Compass has had a good first half year. We have delivered good levels of organic growth in North America and Fast Growing & Emerging, and economic conditions in Europe & Japan are starting to improve.

We have also delivered a further increase in the operating profit margin, driven by the high levels of efficiencies we have generated.

Looking out to the second half of the year, our expectations for the full year remain positive and unchanged, notwithstanding the translation impact of ongoing movements in foreign currencies. The pipeline of new contracts is encouraging and our focus on efficiencies gives us confidence in another period of delivery.

In the longer term, we remain excited about the significant structural growth opportunities in both food and support services globally and the potential for further revenue and margin growth.



Richard Cousins
Group Chief Executive
14 May 2014

Business Review

Financial Summary

For the six months ended 31 March	2014	2013	Increase/(decrease)
Continuing operations			
Revenue			
Constant currency	£8,659m	£8,309m	4.2%
Reported	£8,659m	£8,804m	(1.6)%
Organic growth	4.2%	4.1%	
Total operating profit			
Underlying at constant currency	£647m	£613m	5.5%
Underlying at reported rates	£647m	£650m	(0.5)%
Reported	£634m	£615m	3.1%
Operating margin			
Underlying at constant currency	7.4%	7.3%	10bps
Underlying at reported rates	7.4%	7.3%	10bps
Reported	7.3%	6.9%	40bps
Profit before tax			
Underlying at constant currency	£608m	£575m	5.7%
Underlying at reported rates	£608m	£611m	(0.5)%
Reported	£595m	£575m	3.5%
Basic earnings per share			
Underlying at constant currency	25.3p	23.0p	10.0%
Underlying at reported rates	25.3p	24.5p	3.5%
Reported	24.8p	23.1p	7.4%
Free cash flow			
Underlying	£345m	£386m	(10.6)%
Reported	£324m	£343m	(5.5)%
Dividends			
Interim dividend per ordinary share	8.8p	8.0p	10.0%

Business Review (continued)

Segmental performance Six months ended 31 March	Revenue		Revenue Growth		
	2014	2013	Reported	Constant	Organic
	£m	£m		Currency	
Continuing operations					
North America	4,151	4,059	2.3%	7.0%	6.6%
Europe & Japan	2,951	3,080	(4.2)%	(1.8)%	(1.6)%
Fast Growing & Emerging	1,557	1,665	(6.5)%	9.3%	9.7%
Total	8,659	8,804	(1.6)%	4.2%	4.2%

Segmental performance Six months ended 31 March	Total Operating Profit		Operating Margin	
	2014	2013	2014	2013
	£m	£m	%	%
Continuing operations				
North America	350	338	8.4%	8.3%
Europe & Japan	213	212	7.2%	6.9%
Fast Growing & Emerging	110	126	7.1%	7.6%
Unallocated central overheads	(32)	(32)	-	-
Excluding associates	641	644	7.4%	7.3%
Associates	6	6		
Underlying	647	650		
Amortisation of intangibles arising on acquisition	(11)	(14)		
Acquisition transaction costs	-	(2)		
Adjustment to contingent consideration on acquisition	(2)	1		
European exceptional	-	(20)		
Total	634	615		

Notes: (these refer to pages 1-14 of this document)

- (1) Unless stated otherwise, all figures in this document relate to the six months ended 31 March.
- (2) Unless stated otherwise the data shown on pages 1 -14 relates to the continuing business only.
- (3) Constant currency restates the prior period results to 2014's average exchange rates.
- (4) Total operating profit includes share of profit of associates.
- (5) Underlying operating profit and margin exclude European exceptional, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and loss on the disposal of US Corrections business.
- (6) Operating margin is based on revenue and operating profit excluding share of profit of associates.
- (7) Underlying net finance cost excludes hedge accounting ineffectiveness.
- (8) Underlying profit before tax excludes European exceptional, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and loss on disposal of US Corrections business.
- (9) Underlying basic earnings per share excludes European exceptional, amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustments to contingent consideration on acquisition, loss on disposal of US Corrections business and the tax attributable to those items as well as an adjustment to the exceptional recognition of tax losses.
- (10) Underlying free cash flow is adjusted for cash restructuring cost in the year related to European exceptional.
- (11) Organic revenue growth is calculated by adjusting for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current period exchange rates) and compares the current year results against the prior year.

Business Review (continued)

Revenue

Overall, reported revenue growth for the six months to 31 March 2014 was down 1.6%, but was an increase of 4.2% on a constant currency basis. Organic revenue growth for the period was 4.2%, after adjusting for the impact of acquisitions and disposals, comprising new business of 8.5%, a retention rate of 93.5% and like for like growth of 2.2%. On a comparable working day basis, organic revenue growth would have been approximately 3.8%.

Operating profit

Underlying operating profit from continuing operations was £647 million (2013: £650 million), a decrease of 0.5% over the prior period. Trading results from our overseas operations are converted at the average exchange rates for the half year. In the first half of 2014, sterling has strengthened against many of the Group's key currencies (including the US and Canadian dollars, Euro, Yen, Australian dollar and Brazilian real). For the half year, if we restate 2013's half year profit at the 2014 half year average exchange rates, it would reduce by £37 million, or 5.7%. On a constant currency basis, underlying operating profit has therefore increased by £34 million or 5.5%. If the current spot rates were to continue through the second half of 2014 we would expect a negative currency impact of 6.8%, or £86 million, on 2013 full year underlying operating profit, together with a 6.4%, or £1,130 million, impact on 2013 full year revenue. The impact of currency movements is translation only.

Reported operating profit was £634 million (2013: £615 million), after the amortisation of intangibles arising on acquisition of £11 million (2013: £14 million), acquisition transaction costs of £nil (2013: £2 million) and adjustment to contingent consideration on acquisition of £2 million debit (2013: £1 million credit).

Finance costs

The underlying net finance cost was £39 million (2013: £39 million).

For the full year, we now expect an underlying net finance cost of around £90 million, including the cost of the additional debt required to finance the £1 billion special dividend and the ongoing £500 million share buyback.

Profit before tax

Profit before tax from continuing operations was £595 million (2013: £575 million).

On an underlying basis, profit before tax from continuing operations decreased by 0.5% to £608 million (2013: £611 million). On a constant currency basis, underlying profit before tax increased by £33 million or 5.7%.

Income tax expense

Income tax expense from continuing operations was £148 million (2013: £148 million).

On an underlying basis, the tax charge on continuing operations was £152 million (2013: £158 million), equivalent to an effective tax rate of 25% (2013: 26%). The reduction in underlying tax rate largely reflects the fall in the UK corporation tax rate. We expect the tax rate to average out at around the 25% level in the short to medium term.

Basic earnings per share

Basic earnings per share were 24.8 pence (2013: 23.1 pence).

Business Review (continued)

On an underlying basis, the basic earnings per share from continuing operations were 25.3 pence (2013: 24.5 pence), an increase of 3.3% compared to the prior year, or 10.0% on a constant currency basis.

	Attributable Profit		Basic Earnings Per Share		
	2014 £m	2013 £m	2014 pence	2013 pence	Change %
Six months ended 31 March					
Reported	445	424	24.8	23.1	7.4%
Adjustments	9	26	0.5	1.4	-
Underlying	454	450	25.3	24.5	3.3%
Constant currency	454	423	25.3	23.0	10.0%

Free cash flow

Free cash flow from continuing operations totalled £324 million (2013: £343 million). In the first half of 2014, we made cash payments of £21 million, net of tax, related to the European exceptional programme. Adjusting for this, free cash flow on an underlying basis would have been £345 million (2013: £386 million), a decrease of 10.6%.

Gross capital expenditure of £216 million (2012: £234 million), including assets purchased under finance leases of £1 million (2013: £1 million), is equivalent to 2.5% of revenues (2013: 2.7% of revenues). We continue to invest in projects where we see good returns and expect the rate of capital expenditure to revenue to continue at this level in the second half of the year.

The working capital outflow of £59 million (2013: £12 million) reflects the seasonality of the business and is in line with the historical average in the first half of the year. We have made further good progress on the collection of overdue debt and our guidance for the full year remains unchanged at broadly neutral.

The £22 million outflow (2013: £26 million) in respect of post-employment benefit obligations reflects the regular payments agreed with trustees to reduce deficits on defined benefit pension schemes, and is expected to continue at this level going forward.

The underlying cash tax rate (adjusted for the impact of European exceptional costs in prior years) was 23% (2013: 20%), based on underlying profit before tax for the continuing operations. For the full year we expect the cash tax rate to be around 24%, reflecting the fact that proportionately more tax payments are made in the second half.

The net interest outflow was £35 million (2013: £33 million).

Business Review (continued)

Acquisition payments

The total cash spend on acquisitions in the first half was £76 million. This includes £63 million on infill acquisitions and £13 million of deferred consideration relating to previous year acquisitions.

Proceeds from issue of share capital

The Group received cash of £2 million (2013: £10 million) from the issue of share capital in the period in connection with the exercise of employee share options.

Dividend

An interim dividend of 8.8 pence per share, an increase of 10%, will be paid on 26 June 2014 to shareholders on the register on 23 May 2014.

Special dividend

The Board is proposing, subject to shareholder approval, to return 56 pence per share, which is equivalent to £1 billion in aggregate, to shareholders through a special dividend and share consolidation. Shareholders can elect to receive their cash proceeds as income, capital or a combination of the two, although restrictions will apply to shareholders resident or located in certain territories. The special dividend and share consolidation will be subject to shareholder approval at an Extraordinary General Meeting on 11 June 2014. The special dividend will be paid on 29 July 2014 to shareholders on the register on 7 July 2014. Details of the share consolidation will be set out in a separate circular to shareholders. The Group has arranged committed bank finance to fund the special dividend which it expects to term out in the debt capital markets over the coming months.

Post-employment benefit obligations

The Group has continued to review and monitor its pension obligations throughout the period working closely with the Trustees and members of all schemes around the Group to ensure proper and prudent assumptions are used and adequate provision and contributions are made. An additional one-time contribution of £72 million was made to the UK scheme in March 2013.

The Group's pension deficit at 31 March 2014, calculated on the accounting basis in accordance with IAS 19, for all Group defined benefit schemes was £158 million (30 September 2013: £209 million, as restated).

Purchase of own shares

During the period, the Group completed the £400 million share buyback programme announced in November 2012 and began the £500 million share buyback programme announced in November 2013. In the six months ended 31 March 2014, a total of £200 million has been paid of which £95 million relates to the new programme. The Group intends to continue with the current £500 million share buyback programme, although purchases will be suspended until payment of the special dividend on 29 July 2014, if approved by shareholders. As a result of this suspension it is now expected that the buyback will be completed in 2015.

Risks and uncertainties

The Board takes a proactive approach to risk management with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders.

The Financial Reporting Council has recommended that companies comment on their exposure to risks from the eurozone crisis. The Group's liquidity risk (the ability to service short-term liabilities) is considered low in all scenarios other than a fundamental collapse of the financial markets.

Business Review (continued)

At 31 March 2014, 4% of the Group's revenues were generated from clients located in Italy, Spain, Portugal and the Republic of Ireland. The Group believes that any potential exposure in relation to outstanding receivables due from clients located in those countries is covered by its existing provisions. No clients or Group assets are located in Greece.

As uncertainty over the eurozone economies persists and government austerity measures take effect, growth rates and consumer demand can be expected to remain under pressure. The Group continues to monitor the level of exposures when responding to these risks and compiling business forecasts.

The principal risks and uncertainties facing the business and the activities the Group undertakes to mitigate these are set out in pages 15 -18, headed 'Focus on Risk'.

Related party transactions

Details of transactions with related parties are set out in note 17. These transactions have not, and are not expected to have, a material effect on the financial performance or position of the Group.

Post balance sheet events

Other than the special dividend noted above, there have been no material events since 31 March 2014.

Financial position

During the first six months of the year, net debt increased to £1,405 million (30 September 2013: £1,193 million). The increase includes £287 million paid in respect of the final dividend for 2013.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 20 of the Consolidated Financial Statements of our 2013 Annual Report includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Dominic Blakemore
Group Finance Director
14 May 2014

Focus on Risk

Our formula for identifying and managing risk

The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which we operate.

As set out in the Corporate Governance section within the Annual Report, the Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business.

The identification of risks and opportunities, the development of action plans to manage the risks and exploit the opportunities, and the continual monitoring of progress against agreed Key Performance Indicators are integral parts of the business process, and core activities throughout the Group.

Our process for identifying and managing risks is set out in detail in the Corporate Governance section of the Annual Report.

The table sets out the principal risks and uncertainties facing the business at the date of this Report. These do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this Report may also have an adverse effect on the Group.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk, each of which was disclosed in previous years' Annual Reports which can be found on our website at www.compass-group.com. We recognise that these risks remain important to the business and they are kept under review. However, we have focused our disclosures on those risks that are considered to be currently more significant to the Group.

Health, safety and environment		
Risk: Health and safety	Risk: Food safety	Risk: Environment
<p>Mitigation: There is potential for accidents in the workplace. Health and safety is our number one operational priority. All management meetings throughout the Group feature a health and safety update as their first agenda item. Furthermore, health and safety improvement KPIs have been included in the bonus plans for each of the business' management teams effective from 1 October 2012 onwards.</p>	<p>Mitigation: Compass feeds millions of consumers around the world every day, therefore setting the highest standards for food hygiene, and food safety is paramount. The Group has appropriate policies, procedures and standards in place to ensure full compliance with legal obligations and industry standards. The safety and quality of our Global Supply Chain continues to be assured through compliance against a robust set of standards. We have recently upgraded these standards and the audit programme that underpins them, to improve supply chain visibility and product integrity.</p>	<p>Mitigation Every day, everywhere, we look to make a positive contribution to the world in which we live and reduce the impact on the environment. We are committed to reducing direct emissions from our operations by 2017 and taking action through partnership with clients to reduce the consumption of energy, water and waste in our operations. Our Corporate Responsibility statement in the Annual Report describes our approach in more detail.</p>

Focus on Risk (continued)

Clients and consumers		
Risk: Client retention	Risk: Service delivery and compliance with contract terms and conditions	Risk: Changes in client demand and consumer preferences
Mitigation: We have strategies which strengthen our long term relationships with our clients based on quality and value. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.	Mitigation: The Group's operating companies contract with a large number of clients. Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the appropriate contract terms and conditions.	Mitigation: We strive to meet client and consumer demand for quality, choice and value by developing innovative and nutritious food offers which suit the lifestyle, tastes and spending power of our customers in today's challenging economic environment.
Risk: Consolidation of food and support services	Risk: Bidding risk	
Mitigation: We have developed a range of support services to complement our existing food offer. These services are underpinned by the Compass Service Framework, our standard operating platform for support services, which gives us the ability to deliver to a consistent world-class standard globally and differentiates us from our competitors.	Mitigation: Each year, the Group's operating companies bid selectively for large numbers of contracts and a more limited number of concession opportunities. A rigorous tender process is in place which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards, prior to approval at an appropriate level in the organisation.	
People		
Risk: Recruitment	Risk: People retention and motivation	Risk: Succession Planning
Mitigation: Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience, appropriately qualified people and the seasonal nature of some of our business. However, the Group aims to mitigate this risk by efficient, time-critical resource management, mobilisation of existing, experienced employees within the organisation and through its training and development programmes, to meet its strategic aims.	Mitigation: Retaining and motivating the best people with the right skills is key to the long-term success of the Group. The Group has established training, development, performance management and reward programmes to develop, retain and motivate our best people. The Group has a well-established employee engagement initiative, Your Voice, which helps us to monitor, understand and respond to our employees' needs.	Mitigation: Succession planning is one of the key roles of the Board, to identify and develop employees' potential and to ensure that immediate and future resource is available for the Group to achieve its strategic and operational objectives. The Nomination Committee is responsible for making recommendations to the Board as a whole in respect of Board succession. Details can be found within the Annual Report.
Economic environment		
Risk: Economy	Risk: Food cost inflation	Risk: Labour cost inflation
Mitigation: Almost half of our business, the Healthcare & Seniors, Education and Defence, Offshore & Remote sectors, is less susceptible to economic downturns. Revenues in the remaining 51%, the Business & Industry and Sports & Leisure sectors, are more susceptible to economic conditions and employment levels. However, with the variable and flexible nature of our cost base, it is generally possible to contain the impact of like for like volume declines.	Mitigation: As part of our MAP framework, we seek to manage food price inflation through: cost indexation in our contracts, giving us the contractual right to review pricing with our clients; menu management to substitute ingredients in response to any forecast shortages and cost increases; and continuing to drive greater purchasing efficiencies through supplier rationalisation and compliance as well as understanding and reviewing market and global trends.	Mitigation: Our objective is always to deliver the right level of service in the most efficient way. As part of our MAP framework, we have been deploying tools and processes to optimise labour productivity, labour flexibility and exercise better control over other labour costs such as absenteeism, overtime and third party agency spend; and to improve our management of salary and benefit costs and control labour cost inflation.

Focus on Risk (continued)

Eurozone		
Risk: Operating performance	Risk: Asset impairment	
Mitigation: Recent conditions in the Eurozone indicate that growth rates and consumer demand will remain under pressure for some time. Approximately 15% of our revenues are generated by clients located in the Eurozone. Although the majority of the Group's revenues are generated outside of this region, a prolonged recessionary environment in the Eurozone may adversely impact Group revenues and operating profit. The Company continues to monitor closely its operations within the Eurozone and has in place both a cost reduction plan and an efficiency programme in this region to offset the adverse impact on profitability and to ensure that it is prepared to meet the ongoing challenges presented by the current environment.	Mitigation: Given the continued recessionary environment in the Eurozone, there is pressure on the carrying value of our assets in this region, including goodwill and receivables, with an increased risk of impairment. During our regular operational reviews, we diligently consider the assumptions underlying the carrying value of our assets, assess their recoverability and ensure that they are appropriately stated. The Group also performs goodwill impairment testing in all countries, at least annually, to ensure that the respective carrying values are adequately supported.	
Regulatory, political and competitive environment		
Risk: Regulation	Risk: Political stability	Risk: Competition
Mitigation: Changes to laws or regulations could adversely affect our performance. We engage with governments and non-governmental organisations directly or through appropriate trade associations to ensure that our views are represented. Regulation risk is also considered as part of our annual business planning process.	Mitigation: We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability. The Group remains vigilant to future changes presented by emerging markets or fledgling administrations. We engage with governments and non-governmental organisations to ensure the views of our stakeholders are represented and we try to anticipate and contribute to important changes in public policy.	Mitigation: We operate in a competitive marketplace. The level of concentration and outsource penetration varies by country and by sector. Some markets are relatively concentrated with two or three key players, others are highly fragmented and offer significant opportunities for consolidation and penetration into the self-operated market. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. We aim to minimise this by continuing to promote our differentiated propositions by focusing on our points of strength such as flexibility in our cost base, quality and value of service as well as continuing to innovate in the variety and quality of our services to clients.

Focus on Risk (continued)

Acquisitions and investments		
Risk: Acquisition and investment risk	Risk: Joint ventures	
Mitigation: Capital investments and potential acquisitions are subject to appropriate levels of due diligence and approval. Post acquisition integration and performance is closely managed and subject to regular review.	Mitigation: In some countries we operate through joint ventures which, if not managed effectively, could cause damage to the Group's reputation. Procedures are in place to ensure that joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.	
Fraud and compliance risk		
Mitigation: Ineffective compliance management could have an adverse effect on the Group's reputation and could result in significant financial penalties being levied or a criminal action being brought against the Company or its Directors. The Group's zero tolerance based Codes of Business Conduct and Ethics govern all aspects of our relationship with our stakeholders. All alleged breaches of the Codes are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls.	Reputation risk	Pensions risk
	Mitigation: Our brands are amongst the most successful and best established in our industry. They represent a key element of the Group's overall marketing and positioning. In the event that our brands or reputation are damaged this could adversely impact the Group's performance. The Group's zero tolerance based Codes of Business Conduct and Ethics are designed to safeguard the Company's assets, brands and reputation.	Mitigation: There are inherent funding risks associated with the provision of final salary pensions. Whilst we continue to operate some defined benefit schemes both in the UK and overseas, other than where required by local regulation or statute; these schemes are closed to new entrants. Further information is set out within the Annual Report.
Tax risk		
Mitigation: As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with the relevant laws and disclosure requirements. In an increasingly complex international tax environment, a degree of uncertainty is inevitable. However, we exercise our judgement and seek appropriate professional advice when calculating our tax liabilities and forecasting the recoverability of deferred tax assets. The effective rate of tax may be influenced by a number of factors, including changes in laws and accounting standards, which could increase the rate and the Group actively monitors these factors to identify the potential impact.	Information Technology/ Cyber risk	
	Mitigation: The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation. We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our customers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.	

Compass Group PLC
Condensed Financial Statements

Directors' responsibilities

The Interim Report complies with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services 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;
- the Interim Management Report includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR 4.2.7R; and
- the Interim Management Report includes a fair review of disclosure of related party transactions and changes therein, as required by DTR 4.2.8R.

On behalf of the Board



Mark J White
General Counsel and Company Secretary
14 May 2014

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

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

Directors are also required to:

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and which comply with the requirements of the Companies Act 2006. The Directors, having prepared the financial statements, have permitted the Auditor to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their review opinion.

The Directors are also responsible for the maintenance and integrity of the Compass Group PLC website.

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

Compass Group PLC
Condensed Financial Statements (continued)

Independent review report to Compass Group PLC

Introduction

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 2014 which comprises the condensed income statement, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed balance sheet, the condensed cash flow and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

Directors' responsibilities

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

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.



Anthony Sykes
On for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
14 May 2014

Compass Group PLC
Condensed Financial Statements (continued)

Condensed income statement

for the six months ended 31 March 2014

	Notes	Six months to 31 March				Before exceptional items Year ended 30 September 2013 ⁽²⁾ Audited £m	Exceptional items Year ended 30 September 2013 ^{(1) (2)} Audited £m	Year ended 30 September 2013 ⁽²⁾ Audited £m
		2014	Before exceptional items 2013	Exceptional items 2013 ⁽¹⁾	2013			
		Unaudited £m	Unaudited £m	Unaudited £m	Unaudited £m			
Continuing operations								
Revenue	3	8,659	8,804	-	8,804	17,557	-	17,557
Operating costs		(8,031)	(8,175)	(20)	(8,195)	(16,329)	(59)	(16,388)
Goodwill impairment		-	-	-	-	-	(377)	(377)
Operating profit	3	628	629	(20)	609	1,228	(436)	792
Share of profit of associates	3	6	6	-	6	10	-	10
Total operating profit	3	634	635	(20)	615	1,238	(436)	802
Loss on disposal of the US Corrections business		-	(1)	-	(1)	(1)	-	(1)
Finance income	4	3	4	-	4	8	-	8
Finance costs	4	(42)	(43)	-	(43)	(85)	-	(85)
Hedge accounting ineffectiveness	4	-	-	-	-	(3)	-	(3)
Profit before tax		595	595	(20)	575	1,157	(436)	721
Income tax expense	5	(148)	(154)	6	(148)	(303)	16	(287)
Profit for the period from continuing operations		447	441	(14)	427	854	(420)	434
Discontinued operations								
Profit for the period from discontinued operations	6	-	-	-	-	3	-	3
Continuing and discontinued operations								
Profit for the period		447	441	(14)	427	857	(420)	437
Attributable to								
Equity shareholders of the Company		445	438	(14)	424	849	(420)	429
Non-controlling interests		2	3	-	3	8	-	8
Profit for the period		447	441	(14)	427	857	(420)	437
Basic earnings per share (pence)								
From continuing operations	7	24.8p			23.1p			23.3p
From discontinued operations	7	-			-			0.2p
From continuing and discontinued operations	7	24.8p			23.1p			23.5p
Diluted earnings per share (pence)								
From continuing operations	7	24.7p			23.0p			23.2p
From discontinued operations	7	-			-			0.2p
From continuing and discontinued operations	7	24.7p			23.0p			23.4p

(1) Exceptional items include European exceptional and goodwill impairment.

(2) This represents an extract from the 2013 audited financial statements.

Compass Group PLC
Condensed Financial Statements (continued)

Analysis of operating profit

for the six months ended 31 March 2014

	Six months to 31 March		Year ended
	2014 Unaudited £m	2013 Unaudited £m	30 September 2013 ⁽²⁾ Audited £m
Continuing operations			
Underlying operating profit before share of profit of associates	641	644	1,255
Share of profit of associates	6	6	10
Underlying operating profit ⁽¹⁾	647	650	1,265
Amortisation of intangibles arising on acquisition	(11)	(14)	(25)
Acquisition transaction costs	-	(2)	(3)
Adjustment to contingent consideration on acquisition	(2)	1	1
Operating profit after costs relating to acquisitions and disposals before exceptional items	634	635	1,238
European exceptional	-	(20)	(59)
Goodwill impairment	-	-	(377)
Total operating profit	634	615	802

(1) Underlying operating profit excludes European exceptional and goodwill impairment, amortisation of intangibles arising on acquisition, acquisition transaction costs and adjustment to contingent consideration on acquisition.

(2) This represents an extract from the 2013 audited financial statements.

Condensed statement of comprehensive income

for the six months ended 31 March 2014

	Notes	Six months to 31 March		Year ended
		2014 Unaudited £m	2013 Unaudited £m	30 September 2013 ⁽¹⁾ £m
Profit for the period		447	427	437
Other comprehensive income				
Items that are not reclassified subsequently to profit or loss				
Remeasurement of post employment benefit obligations - gain/(loss)	10	(17)	(216)	(80)
Return on plan assets, excluding interest income - gain/(loss)	10	45	189	119
Tax on items relating to the components of other comprehensive income		(5)	5	(9)
		23	(22)	30
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		(81)	95	(80)
		(81)	95	(80)
Total other comprehensive income/(loss) for the period		(58)	73	(50)
Total comprehensive income for the period		389	500	387
Attributable to				
Equity shareholders of the Company		388	497	379
Non-controlling interests		1	3	8
Total comprehensive income for the period		389	500	387

(1) This represents an extract from the 2013 audited financial statements.

Compass Group PLC
Condensed Financial Statements (continued)

Condensed statement of changes in equity

for the six months ended 31 March 2014

	Six months to 31 March							Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non- controlling interests £m	
At 1 October 2013 as previously reported	180	400	55	(1)	4,374	(2,226)	9	2,791
Past service cost recognised in accordance with IAS 19	-	-	-	-	-	(1)	-	(1)
At 1 October 2013 as restated	180	400	55	(1)	4,374	(2,227)	9	2,790
Profit for the period	-	-	-	-	-	445	2	447
Other comprehensive income								
Currency translation differences	-	-	-	-	(80)	-	(1)	(81)
Remeasurement of post-retirement employee benefits	-	-	-	-	-	28	-	28
Tax on items relating to the components of other comprehensive income	-	-	-	-	-	(5)	-	(5)
Total other comprehensive income	-	-	-	-	(80)	23	(1)	(58)
Total comprehensive income for the period	-	-	-	-	(80)	468	1	389
Issue of shares (for cash)	-	2	-	-	-	-	-	2
Fair value of share-based payments	-	-	-	-	7	-	-	7
Tax on items taken directly to equity	-	-	-	-	-	1	-	1
Share buy back ⁽¹⁾	(2)	-	2	-	-	(200)	-	(200)
Release of LTIP award settled by issue of new shares	-	5	-	-	(5)	-	-	-
Other changes	-	-	-	1	(2)	2	(1)	-
	178	407	57	-	4,294	(1,956)	9	2,989
Dividends paid to Compass shareholders (note 8)	-	-	-	-	-	(287)	-	(287)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2)	(2)
At 31 March 2014	178	407	57	-	4,294	(2,243)	7	2,700

	Six months to 31 March				
	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
At 1 October 2013	162	4,170	7	35	4,374
Other comprehensive income					
Currency translation differences	-	-	-	(80)	(80)
Total other comprehensive income	-	-	-	(80)	(80)
Total comprehensive income for the period	-	-	-	(80)	(80)
Fair value of share-based payments	7	-	-	-	7
Release of LTIP award settled by issue of new shares	(5)	-	-	-	(5)
Other changes	-	-	-	(2)	(2)
At 31 March 2014	164	4,170	7	(47)	4,294

(1) Including stamp duty and brokers' commission.

Compass Group PLC
Condensed Financial Statements (continued)

Condensed statement of changes in equity (continued)

for the six months ended 31 March 2013

	Six month ended 31 March							Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non- controlling interests £m	
	At 1 October 2012 as previously reported	186	386	49	(1)	4,445	(1,834)	
Past service cost recognised in accordance with IAS 19	-	-	-	-	-	(1)	-	(1)
At 1 October 2012 as restated	186	386	49	(1)	4,445	(1,835)	10	3,240
Profit for the period	-	-	-	-	-	424	3	427
Other comprehensive income								
Currency translation differences	-	-	-	-	95	-	-	95
Remeasurement of post-retirement employee benefits	-	-	-	-	-	(27)	-	(27)
Tax on items relating to the components of other comprehensive income	-	-	-	-	-	5	-	5
Total other comprehensive income	-	-	-	-	95	(22)	-	73
Total comprehensive income for the period	-	-	-	-	95	402	3	500
Issue of shares (for cash)	-	10	-	-	-	-	-	10
Fair value of share-based payments	-	-	-	-	7	-	-	7
Tax on items taken directly to equity	-	-	-	-	-	3	-	3
Share buy back ⁽¹⁾	(3)	-	3	-	-	(241)	-	(241)
Release of LTIP award settled by issue of new shares	-	-	-	-	(6)	-	-	(6)
Other changes	-	-	-	-	-	(1)	(1)	(2)
	183	396	52	(1)	4,541	(1,672)	12	3,511
Dividends paid to Compass shareholders (note 8)	-	-	-	-	-	(259)	-	(259)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2)	(2)
At 31 March 2013 as restated	183	396	52	(1)	4,541	(1,931)	10	3,250

	Six months to 31 March				
	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
At 1 October 2012	156	4,170	7	112	4,445
Other comprehensive income					
Currency translation differences	-	-	-	95	95
Total other comprehensive income	-	-	-	95	95
Total comprehensive income for the period	-	-	-	95	95
Fair value of share-based payments	7	-	-	-	7
Release of LTIP award settled by issue of new shares	(6)	-	-	-	(6)
At 31 March 2013	157	4,170	7	207	4,541

(1) Including stamp duty and brokers' commission.

Compass Group PLC
Condensed Financial Statements (continued)

Condensed balance sheet

as at 31 March 2014

	Notes	As at to 31 March		Year ended
		2014 Unaudited £m	2013 Restated £m	30 September 2013 ⁽¹⁾ £m
Non-current assets				
Goodwill		3,551	4,169	3,620
Other intangible assets		932	903	886
Property, plant and equipment		717	731	714
Interests in associates		84	88	84
Other investments		42	42	41
Trade and other receivables		62	92	83
Deferred tax assets*		250	303	265
Derivative financial instruments**		46	83	63
Non-current assets		5,684	6,411	5,756
Current assets				
Inventories		260	279	255
Trade and other receivables		2,082	2,241	2,072
Tax recoverable*		40	25	32
Cash and cash equivalents**		699	674	1,006
Derivative financial instruments**		11	5	7
Current assets		3,092	3,224	3,372
Total assets		8,776	9,635	9,128
Current liabilities				
Short-term borrowings**		(289)	(120)	(104)
Derivative financial instruments**		(2)	(5)	(3)
Provisions	9	(162)	(206)	(189)
Current tax liabilities*		(170)	(171)	(162)
Trade and other payables		(3,010)	(3,126)	(3,054)
Current liabilities		(3,633)	(3,628)	(3,512)
Non-current liabilities				
Long-term borrowings**		(1,866)	(1,946)	(2,161)
Derivative financial instruments**		(4)	(1)	(1)
Post-employment benefit obligations	10	(158)	(310)	(209)
Provisions	9	(309)	(373)	(342)
Deferred tax liabilities*		(39)	(39)	(38)
Trade and other payables		(67)	(88)	(75)
Non-current liabilities		(2,443)	(2,757)	(2,826)
Total liabilities		(6,076)	(6,385)	(6,338)
Net assets		2,700	3,250	2,790
Equity				
Share capital		178	183	180
Share premium account		407	396	400
Capital redemption reserve		57	52	55
Less: Own shares		-	(1)	(1)
Other reserves		4,294	4,541	4,374
Retained earnings		(2,243)	(1,931)	(2,227)
Total equity shareholders' funds		2,693	3,240	2,781
Non-controlling interests		7	10	9
Total equity		2,700	3,250	2,790

* Component of current and deferred taxes. ** Component of net debt.

(1) This represents an extract from the 2013 audited financial statements, restated for past service cost recognised in accordance with IAS 19.

Compass Group PLC
Condensed Financial Statements (continued)

Condensed cash flow statement

for the six months ended 31 March 2014

	Notes	Six months to 31 March		Year ended
		2014 Unaudited £m	2013 Unaudited £m	30 September 2013 ⁽³⁾ £m
Cash flow from operating activities				
Cash generated from operations	12	685	698	1,485
One-off employer contributions to post-employment benefit obligations		-	(72)	(72)
Interest paid		(38)	(36)	(71)
Interest element of finance lease rentals		-	(1)	(2)
Tax received		15	10	24
Tax paid		(143)	(121)	(257)
Net cash from/(used in) operating activities of continuing operations		519	478	1,107
Net cash used in operating activities of discontinued operations		-	-	-
Net cash from/(used in) operating activities		519	478	1,107
Cash flow from investing activities				
Purchase of subsidiary companies and investments in associated undertakings ⁽¹⁾	11	(76)	(63)	(104)
Proceeds from sale of subsidiary companies and associated undertakings - discontinued activities ⁽¹⁾		-	-	(1)
Proceeds from sale of subsidiary companies and associated undertakings - continuing activities ⁽¹⁾		-	-	8
Tax on profits from sale of subsidiary companies and associated undertakings		-	-	-
Purchase of intangible assets		(93)	(95)	(191)
Purchase of property, plant and equipment		(122)	(138)	(276)
Proceeds from sale of property, plant and equipment/intangible assets		12	16	33
Proceeds from sale of other investments		2	7	9
Dividends received from associated undertakings		5	1	6
Interest received		3	4	8
Net cash used in investing activities by continuing operations		(269)	(268)	(508)
Net cash used in investing activities by discontinued operations		-	-	-
Net cash from/(used in) investing activities		(269)	(268)	(508)
Cash flow from financing activities				
Proceeds from issue of ordinary share capital		2	10	9
Purchase of own shares ⁽²⁾		(200)	(241)	(446)
Net increase/(decrease) in borrowings	13	(51)	215	554
Repayment of obligations under finance leases	13	(2)	(3)	(9)
Equity dividends paid	8	(287)	(259)	(404)
Dividends paid to non-controlling interests		(2)	(2)	(6)
Net cash from/(used in) financing activities by continuing operations		(540)	(280)	(302)
Net cash from/(used in) financing activities		(540)	(280)	(302)
Cash and cash equivalents				
Net increase/(decrease) in cash and cash equivalents	13	(290)	(70)	297
Cash and cash equivalents at beginning of the year		1,006	728	728
Currency translation losses on cash and cash equivalents		(17)	16	(19)
Cash and cash equivalents at end of the period		699	674	1,006

(1) Net of cash acquired or disposed and payments received or made under warranties and indemnities.

(2) Includes stamp duty and brokers' commission.

(3) This represents an extract from the 2013 audited financial statements.

Compass Group PLC
Condensed Financial Statements (continued)

Reconciliation of free cash flow from continuing operations

for the six months ended 31 March 2014

	Six months to 31 March		Year ended 30 September 2013 Audited £m
	2014 Unaudited £m	2013 Unaudited £m	
Net cash from operating activities of continuing operations	519	478	1,107
One-off employer contributions to post-employment benefit obligations	-	72	72
Purchase of intangible assets	(93)	(95)	(191)
Purchase of property, plant and equipment	(122)	(138)	(276)
Proceeds from sale of property, plant and equipment/intangible assets	12	16	33
Proceeds from sale of other investments	2	7	9
Dividends received from associated undertakings	5	1	6
Interest received	3	4	8
Dividends paid to non-controlling interests	(2)	(2)	(6)
Free cash flow from continuing operations	324	343	762
Add back: Cash restructuring costs in the year	21	43	72
Underlying free cash flow	345	386	834

Compass Group PLC
Condensed Financial Statements (continued)

Notes to the condensed financial statements

for the six months ended 31 March 2014

1 Basis of preparation

The unaudited condensed financial statements for the six months ended 31 March 2014 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34'), and have been prepared on the basis of International Financial Reporting Standards ('IFRSs') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union that are effective for the year ending 30 September 2014.

The unaudited condensed financial statements for the six months ended 31 March 2014, which were approved by the Board on 14 May 2014 and the comparative information in relation to the year ended 30 September 2013, 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 2013. Those accounts have been reported upon by the Group's previous auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 14.

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 30 September 2013.

During the period, the Group has adopted IAS 19 'Employee Benefits' (revised 2011) ('IAS19 R') which makes changes to the recognition, measurement and disclosure of defined benefit pension schemes. The impact, which has required a restatement of the prior period results, can be summarised as follows:

* IAS19 R requires the interest on the net defined benefit liability to be calculated by applying a high quality corporate bond yield to the net defined benefit liability. This has had no impact on the net pension interest charge for the half year to 31 March 2013 and the year to 30 September 2013.

* IAS19 R requires that all past service cost should be recognised, even if the benefits have not vested. Past service cost of £1 million has therefore been reflected as a restatement of opening retained earnings.

2 Seasonality of operations

Overall, seasonality is not a significant factor across the Group, although organic revenue growth in the first six months to 31 March 2014 benefited from a positive impact of c.0.4% relating to the timing of Easter.

Within individual sectors and geographies we do see some seasonal effects.

Revenues in the Education sector are lower outside term time and activity in the Business & Industry sector in Europe slows down throughout the summer.

Compass Group PLC
Condensed Financial Statements (continued)

3 Segmental reporting

for the six months ended 31 March 2014

Revenues	Geographical segments			Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	
Six months ended 31 March 2014				
External revenue	4,151	2,951	1,557	8,659
Six months ended 31 March 2013				
External revenue	4,059	3,080	1,665	8,804
Year ended 30 September 2013				
External revenue	8,150	6,039	3,368	17,557

Revenues	Products and services: Sectors					Total £m
	Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	
Six months ended 31 March 2014						
External revenue	3,428	1,558	1,749	880	1,044	8,659
Six months ended 31 March 2013						
External revenue	3,529	1,566	1,743	858	1,108	8,804
Year ended 30 September 2013						
External revenue	7,121	2,820	3,559	1,784	2,273	17,557

(1) There is no inter-segmental trading.

(2) Continuing revenues from external customers arising in the UK, the Group's country of domicile, were £883 million (six months to March 2013: £901 million, year ended 30 September 2013: £1,813 million). Continuing revenues from external customers arising in all foreign countries from which the Group derives revenues were £7,776 million (six months to March 2013: £7,903 million, year ended 30 September 2013: £15,744 million).

Compass Group PLC
Condensed Financial Statements (continued)

3 Segmental reporting (continued)

Result	Geographical segments				Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	
Six months ended 31 March 2014					
Operating profit before associates, exceptional items and costs relating to acquisitions	350	213	110	(32)	641
European exceptional	-	-	-	-	-
Goodwill impairment	-	-	-	-	-
Operating profit before associates and costs relating to acquisitions	350	213	110	(32)	641
Less: Amortisation of intangibles arising on acquisition	(5)	(3)	(3)	-	(11)
Less: Acquisition transaction costs	-	-	-	-	-
Less: Adjustment to contingent consideration on acquisition	-	-	(2)	-	(2)
Operating profit before associates - continuing	345	210	105	(32)	628
Add: Share of profit of associates	3	3	-	-	6
Total operating profit - continuing	348	213	105	(32)	634
Loss on disposal of US Corrections business					-
Finance income					3
Finance costs					(42)
Hedge accounting ineffectiveness					-
Profit before tax					595
Income tax expense					(148)
Profit for the period from continuing operations					447

Result	Geographical segments				Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	
Six months ended 31 March 2013					
Operating profit before associates, exceptional items and costs relating to acquisitions	338	212	126	(32)	644
European exceptional	-	(20)	-	-	(20)
Operating profit before associates and costs relating to acquisitions	338	192	126	(32)	624
Less: Amortisation of intangibles arising on acquisition	(5)	(3)	(6)	-	(14)
Less: Acquisition transaction costs	-	-	-	(2)	(2)
Add: Adjustment to contingent consideration on acquisition	1	-	-	-	1
Operating profit before associates - continuing	334	189	120	(34)	609
Add: Share of profit of associates	3	3	-	-	6
Total operating profit - continuing	337	192	120	(34)	615
Loss on disposal of US Corrections business	-	-	-	-	(1)
Finance income					4
Finance costs					(43)
Hedge accounting ineffectiveness					-
Profit before tax					575
Income tax expense					(148)
Profit for the period from continuing operations					427

Compass Group PLC
Condensed Financial Statements (continued)

3 Segmental reporting (continued)

Result	Geographical segments				Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	
Year ended 30 September 2013					
Operating profit before associates, exceptional items and costs relating to acquisitions	657	420	242	(64)	1,255
European exceptional	-	(59)	-	-	(59)
Goodwill impairment	-	(377)	-	-	(377)
Operating profit before associates and costs relating to acquisitions	657	(16)	242	(64)	819
Less: Amortisation of intangibles arising on acquisition	(10)	(6)	(9)	-	(25)
Less: Acquisition transaction costs	(1)	(1)	(1)	-	(3)
Add: Adjustment to contingent consideration on acquisition	1	-	-	-	1
Operating profit before associates - continuing	647	(23)	232	(64)	792
Add: Share of profit of associates	6	4	-	-	10
Total operating profit - continuing	653	(19)	232	(64)	802
Loss on disposal of US Corrections business					(1)
Finance income					8
Finance costs					(85)
Hedge accounting ineffectiveness					(3)
Profit before tax					721
Income tax expense					(287)
Profit for the year from continuing operations					434

Compass Group PLC
Condensed Financial Statements (continued)

3 Segmental reporting (continued)

	Geographical segments				Unallocated		Total £m
	North America £m	Europe & Japan £m	Fast Growing & Emerging £m	Central activities £m	Current and deferred tax £m	Net debt £m	
Balance sheet							
As at 31 March 2014							
Total assets	3,186	3,252	1,285	7	290	756	8,776
Total liabilities	(1,460)	(1,375)	(644)	(227)	(209)	(2,161)	(6,076)
Net assets/(liabilities)	1,726	1,877	641	(220)	81	(1,405)	2,700
<i>Total assets include:</i>							
Interests in associates	50	34	-	-	-	-	84
Non-current assets⁽¹⁾	2,360	2,365	658	5	250	46	5,684
As at 31 March 2013							
Total assets	3,276	3,746	1,521	2	328	762	9,635
Total liabilities	(1,500)	(1,667)	(769)	(167)	(210)	(2,072)	(6,385)
Net assets/(liabilities)	1,776	2,079	752	(165)	118	(1,310)	3,250
<i>Total assets include:</i>							
Interests in associates	50	38	-	-	-	-	88
Non-current assets⁽¹⁾	2,459	2,773	792	1	303	83	6,411
As at 30 September 2013							
Total assets	3,188	3,242	1,317	8	297	1,076	9,128
Total liabilities	(1,459)	(1,456)	(705)	(249)	(200)	(2,269)	(6,338)
Net assets/(liabilities)	1,729	1,786	612	(241)	97	(1,193)	2,790
<i>Total assets include:</i>							
Interests in associates	51	33	-	-	-	-	84
Non-current assets⁽¹⁾	2,359	2,371	693	5	265	63	5,756

(1) Non-current assets located in the UK, the Group's country of domicile, were £1,747 million (31 March 2013: £2,306 million, 30 September 2013: £1,730 million). Non-current assets located in all foreign countries in which the Group holds assets were £3,942 million (31 March 2013 £4,105 million, 30 September 2013: £4,016 million).

Compass Group PLC
Condensed Financial Statements (continued)

4 Financing income, costs and related (gains)/losses

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

	Six months to 31 March		Year Ended
	2014 £m	2013 £m	30 September 2013 £m
Finance income			
Bank interest	3	4	8
Total finance income	3	4	8
Finance costs			
Interest on bank loans and overdrafts	5	4	8
Interest on other loans	31	29	60
Finance lease interest	1	1	2
Interest on bank loans, overdrafts, other loans and finance leases	37	34	70
Unwinding of discount on provisions	2	2	4
Interest on net post employment benefit obligations	3	7	11
Total finance costs	42	43	85
Analysis of finance costs by defined IAS 39⁽¹⁾ category			
Fair value through profit or loss (unhedged derivatives)	(1)	-	2
Derivatives in a fair value hedge relationship	(12)	(10)	(24)
Derivatives in a net investment hedge relationship	2	2	5
Other financial liabilities	48	42	87
Interest on bank loans, overdrafts, other loans and finance leases	37	34	70
Fair value through profit or loss (unwinding of discount on provisions)	2	2	4
Outside of the scope of IAS 39 (net pension scheme charge)	3	7	11
Total finance costs	42	43	85

(1) IAS 39 'Financial Instruments: Recognition and Measurement'.

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps and interest rate swaps to hedge the risks associated with changes in foreign currency exchange rates and interest rates. As explained in section Q of the Group's accounting policies in the Annual Report for the year ended 30 September 2013, such derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

Compass Group PLC
Condensed Financial Statements (continued)

4 Financing income, costs and related (gains)/losses (continued)

Fair value measurement

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments are shown at fair value in the balance sheet. The fair values have been determined by reference to Level 2 techniques in the hierarchy described above. The fair values of derivative financial instruments represent the maximum credit exposure.

	Six months to 31 March		Year Ended
	2014	2013	30 September
Financing related (gains)/losses	£m	£m	2013
			£m
Hedge accounting ineffectiveness			
Unrealised net (gains)/losses on unhedged derivative financial instruments ⁽¹⁾	-	(1)	-
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge ⁽²⁾	1	14	47
Unrealised net (gains)/losses on the hedged item in a designated fair value hedge	(1)	(13)	(44)
Total hedge accounting ineffectiveness (gains)/losses	-	-	3

Change in the fair value of investments and non-controlling interest put options

Change in the fair value of investments ^{(1), (3)}	-	-	-
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(1) Categorised as 'fair value through profit or loss' (IAS 39).

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

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

Compass Group PLC
Condensed Financial Statements (continued)

5 Tax

The income tax expense on continuing operations for the period is based on an estimated full year effective tax rate of 25% (last full year 26%).

	Six months to 31 March				Before exceptional items Year ended 30 September 2013 £m	Exceptional items Year ended 30 September 2013 £m	Year ended 30 September 2013 £m
	2014 £m	2013 £m	Exceptional items 2013 £m	Total 2013 £m			
Recognised in the income statement:							
Income tax expense on continuing operations							
Current tax							
Current year	147	161	(10)	151	299	(26)	273
Adjustment in respect of prior years	(2)	(1)	-	(1)	(3)	-	(3)
Current tax expense/(credit)	145	160	(10)	150	296	(26)	270
Deferred tax							
Current year	3	(6)	4	(2)	1	10	11
Impact of changes in statutory tax rates	-	-	-	-	5	-	5
Adjustment in respect of prior years	-	(1)	-	(1)	(1)	-	(1)
Deferred tax expense/(credit)	3	(7)	4	(3)	5	10	15
Income tax expense on continuing operations excluding exceptional recognition of tax losses arising in prior years	148	153	(6)	147	301	(16)	285
Current tax credit on exceptional recognition of tax losses arising in prior years	-	-	-	-	-	-	-
Deferred tax expense/(credit) on exceptional recognition of tax losses arising in prior years	-	1	-	1	2	-	2
Total tax expense/(credit) on exceptional recognition of tax losses arising in prior years	-	1	-	1	2	-	2
Total income tax							
Income tax expense/(credit) on continuing operations	148	154	(6)	148	303	(16)	287

The Group does not recognise deferred tax assets in respect of tax losses and other temporary differences where the recovery is uncertain. Unrecognised deferred tax assets in respect of tax losses and other temporary differences amount to £57m (30 September 2013: £50 million). No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas operations as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The impact of the changes in statutory rates for the year ended 30 September 2013 related principally to the reduction of the UK corporation tax rate from 24% to 23% from 1 April 2013, 21% from 1 April 2014, and 20% from 1 April 2015. These changes resulted in a deferred tax charge arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

Compass Group PLC
Condensed Financial Statements (continued)

6 Discontinued operations

Period ended 31 March 2014 and 2013

There is no profit or loss from discontinued operations for the six months ended 31 March 2014 and 2013.

Year ended 30 September 2013

The profit for the year from discontinued operations was £3 million.

7 Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the year. The adjusted earnings per share figures have been calculated based on earnings excluding the effect of discontinued operations, European exceptional, goodwill impairment, the loss on disposal of US Corrections business, the amortisation of intangible assets arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, hedge accounting ineffectiveness, the change in the fair value of investments, the tax attributable to these amounts and the exceptional recognition of tax losses. These items are excluded in order to show the underlying trading performance of the Group.

	Six months to 31 March		Year ended 30 September
	2014 £m	2013 £m	2013 £m
Attributable profit			
Profit for the year attributable to equity shareholders of the Company	445	424	429
Less: Profit for the year from discontinued operations	-	-	(3)
Attributable profit for the year from continuing operations	445	424	426
Add back: Amortisation of intangible assets arising on acquisition (net of tax)	8	10	18
Add back: Acquisition transaction costs (net of tax)	-	1	3
Add back: Adjustment to contingent consideration on acquisition (net of tax)	1	(1)	(1)
Add back: European exceptional (net of tax)	-	14	43
Add back: Goodwill impairment	-	-	377
Add back: Loss on disposal of US Corrections business (net of tax)	-	1	1
Add back: Loss from hedge accounting ineffectiveness (net of tax)	-	-	2
Add back: Exceptional recognition of tax losses	-	1	2
Underlying attributable profit for the year from continuing operations	454	450	871

Compass Group PLC
Condensed Financial Statements (continued)

7 Earnings per share (continued)

	Six months to 31 March		Year ended 30 September
	2014	2013	2013
Average number of shares (millions of ordinary shares of 10p each)			
Average number of shares for basic earnings per share	1,795	1,838	1,827
Dilutive share options	6	7	8
Average number of shares for diluted earnings per share	1,801	1,845	1,835

	Six months to 31 March		Year ended 30 September
	2014 Earnings per share pence	2013 Earnings per share pence	2013 Earnings per share pence
Basic earnings per share (pence)			
From continuing and discontinued operations	24.8	23.1	23.5
From discontinued operations	-	-	(0.2)
From continuing operations	24.8	23.1	23.3
Amortisation of intangible assets arising on acquisition (net of tax)	0.4	0.5	1.0
Acquisition transaction costs (net of tax)	-	0.1	0.2
Adjustment to contingent consideration on acquisition (net of tax)	0.1	(0.1)	(0.1)
European exceptional (net of tax)	-	0.8	2.4
Goodwill impairment	-	-	20.6
Loss on disposal of US Corrections business (net of tax)	-	-	0.1
Hedge accounting ineffectiveness (net of tax)	-	-	0.1
Exceptional recognition of tax losses	-	0.1	0.1
From underlying continuing operations	25.3	24.5	47.7

Diluted earnings per share (pence)			
From continuing and discontinued operations	24.7	23.0	23.4
From discontinued operations	-	-	(0.2)
From continuing operations	24.7	23.0	23.2
Amortisation of intangible assets arising on acquisition (net of tax)	0.4	0.5	1.0
Acquisition transaction costs (net of tax)	-	0.1	0.2
Adjustment to contingent consideration on acquisition (net of tax)	0.1	(0.1)	(0.1)
European exceptional (net of tax)	-	0.8	2.4
Goodwill impairment	-	-	20.5
Loss on disposal of US Corrections business (net of tax)	-	-	0.1
Hedge accounting ineffectiveness (net of tax)	-	-	0.1
Exceptional recognition of tax losses	-	0.1	0.1
From underlying continuing operations	25.2	24.4	47.5

Compass Group PLC
Condensed Financial Statements (continued)

8 Dividends

The interim dividend of 8.8 pence per share (2013: 8.0 pence per share), £157 million in aggregate ⁽¹⁾, is payable on 26 June 2014 to shareholders on the register at the close of business on 23 May 2014. The dividend was approved by the Board after the balance sheet date, and has therefore not been reflected as a liability in the interim financial statements.

	Six months to 31 March		Year ended
	2014 Unaudited £m	2013 Unaudited £m	30 September 2013 Audited £m
Dividends on ordinary shares of 10p each			
<i>Amounts recognised as distributions to equity shareholders during the year:</i>			
Final 2012 - 14.1p per share	-	259	259
Interim 2013 - 8.0p per share	-	-	145
Final 2013 - 16.0p per share	287	-	-
Total dividends	287	259	404

(1) Based on the number of shares in issue at 31 March 2014 (1,785 million shares).

Compass Group PLC
Condensed Financial Statements (continued)

9 Provisions

Provisions	Six months to 31 March							Year ended 30 September 2013	
	Insurance	Provisions in respect of discontinued and disposed businesses	Onerous contracts	Legal and other claims	Reorganisation	Other	Total	Total	Total
	£m	£m	£m	£m	£m	£m	2014 £m	2013 £m	£m
Brought forward	228	47	56	91	67	42	531	603	603
Reclassified ⁽¹⁾	(1)	-	(11)	(3)	-	(2)	(17)	(9)	(4)
Expenditure in the year	(4)	(1)	(8)	(5)	(22)	(6)	(46)	(66)	(135)
Charged to income statement	14	-	2	1	6	1	24	32	95
Credited to income statement	-	-	(5)	(1)	(2)	(7)	(15)	(8)	(30)
Business acquisitions	-	-	1	-	-	1	2	-	-
Unwinding of discount on provisions	-	-	2	-	-	-	2	2	3
Currency adjustment	(6)	-	-	(2)	(1)	(1)	(10)	25	(1)
Carried forward	231	46	37	81	48	28	471	579	531

(1) Reclassifications between provision types and between other balance sheet line items.

Provisions	As at 31 March		As at 30 September 2013
	2014 £m	2013 £m	£m
Current	162	206	189
Non-current	309	373	342
Total provisions	471	579	531

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

Provisions in respect of discontinued and disposed of businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received.

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

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

Provisions for re-organisation includes provision for redundancy costs.

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

Provisions are discounted to present value where the effect is material using the Group's weighted average cost of capital.

Compass Group PLC
Condensed Financial Statements (continued)

10 Post-employment benefit obligations

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Group makes employer contributions to the various schemes in existence within the range of 1% to 39% of pensionable salaries. The arrangements are described in more detail in note 23 of the Annual Report for the year ended 30 September 2013.

	Six months to 31 March				Year ended 30 September	
	UK £m	USA £m	Other £m	Total 2014 £m	Total 2013 £m	Total 2013 £m
Movement in the fair value of plan assets						
Brought forward	1,772	250	127	2,149	1,899	1,899
Currency adjustment	-	(8)	(3)	(11)	20	(3)
Interest income on plan assets	39	5	2	46	42	86
Return on plan assets, excluding interest income	33	13	(1)	45	189	119
Employee contributions	-	9	1	10	10	17
Employer contributions ⁽¹⁾	15	9	8	32	108	146
Benefits paid	(29)	(14)	(10)	(53)	(56)	(95)
Disposals and plan settlements	-	-	(2)	(2)	(9)	(20)
Carried forward	1,830	264	122	2,216	2,203	2,149

	Six months to 31 March				Year ended 30 September	
	UK £m	USA £m	Other £m	Total 2014 £m	Total 2013 £m	Total 2013 £m
Movement in the present value of post employment benefit obligations						
Brought forward	1,790	352	216	2,358	2,261	2,261
Currency adjustment	-	(11)	(5)	(16)	32	(2)
Current service cost	1	5	4	10	12	21
Interest expense on benefit obligations	39	7	3	49	49	97
Re-measurement of defined benefit obligations	-	14	3	17	216	80
Employee contributions	-	9	1	10	10	17
Benefits paid	(29)	(14)	(10)	(53)	(56)	(95)
Disposals and plan settlements	-	-	(2)	(2)	(11)	(21)
Acquisitions	-	-	1	1	-	-
Carried forward	1,801	362	211	2,374	2,513	2,358

(1) Group contributions in the six months to 31 March 2014 include an exceptional advance payment of £nil (six months to 31 March 2013: £72 million, year ended 30 September 2013: £72 million).

Compass Group PLC
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10 Post-employment benefit obligations (continued)

	As at 31 March		As at 30 September
	2014 £m	2013 £m	2013 £m
Post-employment benefit obligations recognised in the balance sheet			
Present value of post-employment benefit obligations ⁽¹⁾	2,374	2,513	2,358
Fair value of plan assets	(2,216)	(2,203)	(2,149)
Post-employment benefit obligations recognised in the balance sheet	158	310	209

(1) As disclosed in note 1, Basis of preparation, a past service cost of £1 million has been recognised in the balance sheet as at 31 March 2013 and 30 September 2013.

Re-measurements reported in the condensed statement of comprehensive income are as follows:

	As at 31 March		As at 30 September
	2014 £m	2013 £m	2013 £m
Re-measurements			
Re-measurement of post employment benefit obligations - gain/(loss)	(17)	(216)	(80)
Return on plan assets, excluding interest income - gain/(loss)	45	189	119
Re-measurements shown in the condensed statement of comprehensive income	28	(27)	39

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11 Business combinations

The Group has completed a number of small infill acquisitions in several countries for total consideration of £76 million. These are not considered to be material to the Group.

12 Reconciliation of operating profit to cash generated by operations

	Six months to 31 March		Year ended
	2014	2013	30 September 2013
	£m	£m	£m
Operating profit from continuing operations	628	609	792
<i>Adjustments for:</i>			
Acquisition transaction costs	-	2	3
Adjustment to contingent consideration for prior year acquisitions	-	1	-
Amortisation of intangible assets	63	57	118
Amortisation of intangible assets arising on acquisition	11	14	25
Depreciation of property, plant and equipment	92	88	181
(Gain)/loss on disposal of property, plant and equipment/intangible assets	-	-	-
Goodwill impairment	-	-	377
Increase/(decrease) in provisions	(35)	(42)	(71)
Increase/(decrease) in post-employment benefit obligations	(22)	(26)	(54)
Share-based payments - charged to profits	7	7	12
Operating cash flows before movement in working capital	744	710	1,383
Decrease/(increase) in inventories	(10)	(3)	1
Decrease/(increase) in receivables	(85)	(15)	3
Increase in payables	36	6	98
Cash generated by continuing operations	685	698	1,485

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Condensed Financial Statements (continued)

13 Reconciliation of net cash flow to movement in net debt

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

	Six months to 31 March									As at 30 September 2013 £m
	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m	Total gross debt £m	Net debt 2014 £m	Net debt 2013 £m	
Net debt										
Brought forward	1,006	(20)	(2,224)	(2,244)	(21)	66	(2,199)	(1,193)	(973)	(973)
Net increase/(decrease) in cash and cash equivalents	(290)	-	-	-	-	-	-	(290)	(70)	297
Cash outflow from repayment of bonds	-	-	-	-	-	-	-	-	-	(563)
Cash (inflow)/outflow from other changes in gross debt		(6)	73	67	-	(16)	51	51	(215)	9
Cash outflow from repayment of obligations under finance leases	-	-	-	-	2	-	2	2	3	9
Increase in net debt as a result of new finance leases taken out	-	-	-	-	(1)	-	(1)	(1)	(1)	(2)
Currency translation gains/(losses)	(17)	2	37	39	1	14	54	37	(44)	32
Other non-cash movements	-	-	2	2	-	(13)	(11)	(11)	(10)	(2)
Carried forward	699	(24)	(2,112)	(2,136)	(19)	51	(2,104)	(1,405)	(1,310)	(1,193)

Other non-cash movements are comprised as follows:

	Six months to 31 March		As at 30 September 2013 £m
	2014 £m	2013 £m	
Other non-cash movements in net debt			
Amortisation of fees and discount on issuance	(1)	(1)	(2)
Amortisation of the fair value adjustment in respect of the £250 million Sterling Eurobond redeemable in 2014	2	2	4
Swap monetisation credit	-	-	-
Changes in the fair value of bank and other borrowings in a designated fair value hedge	1	13	44
Bank and other borrowings	2	14	46
Changes in the value of derivative financial instruments including accrued income	(13)	(24)	(48)
Other non-cash movements	(11)	(10)	(2)

Compass Group PLC
Condensed Financial Statements (continued)

14 Contingent liabilities

	As at 31 March		Year ended 30 September
	2014	2013	2013
	£m	£m	£m
Performance bonds, guarantees and indemnities			
Performance bonds, guarantees and indemnities (including those of associated undertakings) ⁽¹⁾	409	379	414

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

Performance bonds, guarantees and indemnities

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

Eurest Support Services

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

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

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

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

Other litigation and claims

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

In addition, the Group is subject to periodic tax audits covering corporate, employee and sales taxes in the various jurisdictions in which it operates. None of these are currently expected to have a material impact on the Group's financial position.

Outcome

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

Compass Group PLC
Condensed Financial Statements (continued)

15 Capital commitments

	As at 31 March		As at 30 September 2013 £m
	2014 £m	2013 £m	
Capital commitments			
Contracted for but not provided for	139	110	151

The majority of capital commitments are for intangible assets.

16 Operating lease and concessions commitments

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

There has been no material change to the level of future minimum rentals payable under non-cancellable operating leases and concession agreements since 30 September 2013.

17 Related party transactions

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

Subsidiaries

Transactions between the Ultimate Parent Company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

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

Associates

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

Key management personnel

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

Compass Group PLC
Condensed Financial Statements (continued)

18 Post balance sheet events

The Board is proposing, subject to shareholder approval, to return 56 pence per share, which is equivalent to £1 billion in aggregate, to shareholders through a special dividend and share consolidation. Shareholders can elect to receive their cash proceeds as income, capital or a combination of the two, although restrictions will apply to shareholders resident or located in certain territories. The special dividend and share consolidation will be subject to shareholder approval at an Extraordinary General Meeting on 11 June 2014. The special dividend will be paid on 29 July 2014 to shareholders on the register on 7 July 2014. Details of the share consolidation will be set out in a separate circular to shareholders. The Group has arranged committed bank finance to fund the special dividend which it expects to term out in the debt capital markets over the coming months.

19 Exchange rates

Exchange rates	Six months to 31 March		Year ended
	2014	2013	30 September 2013
Average exchange rate for the period			
Australian Dollar	1.80	1.52	1.58
Brazilian Real	3.79	3.21	3.30
Canadian Dollar	1.77	1.59	1.59
Euro	1.20	1.21	1.19
Japanese Yen	166.95	136.37	143.83
Norwegian Krone	9.96	8.97	9.09
South African Rand	17.18	13.87	14.50
Swedish Krona	10.63	10.32	10.25
Swiss Franc	1.47	1.47	1.46
Turkish Lira	3.47	2.83	2.90
UAE Dirham	6.04	5.81	5.75
US Dollar	1.64	1.58	1.57
Closing exchange rate as at the end of the period			
Australian Dollar	1.80	1.46	1.73
Brazilian Real	3.76	3.06	3.60
Canadian Dollar	1.84	1.54	1.66
Euro	1.21	1.18	1.20
Japanese Yen	171.69	142.77	158.90
Norwegian Krone	9.98	8.86	9.74
South African Rand	17.54	13.93	16.30
Swedish Krona	10.81	9.87	10.40
Swiss Franc	1.47	1.44	1.46
Turkish Lira	3.57	2.75	3.28
UAE Dirham	6.12	5.58	5.95
US Dollar	1.67	1.52	1.62

(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.

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Condensed Financial Statements (continued)

Notes:

- (a) Compass Group is one of the world's leading foodservice and support services company with annual revenue of £18 billion operating in around 50 countries.
- (b) MAP is a simple, but clearly defined Group operating framework. MAP focuses on five key value drivers, enabling the businesses to deliver disciplined, profitable growth with the focus more on organic growth and like for like growth.

The five key value drivers are:

- MAP 1: Client sales and marketing
- MAP 2: Consumer sales and marketing
- MAP 3: Cost of food
- MAP 4: Unit costs
- MAP 5: Above unit overheads

- (c) The timetable for payment of the interim dividend of 8.8p per share is as follows:

Ex dividend date:	21 May 2014
Record date:	23 May 2014
Payment date:	26 June 2014

- (d) The Interim Results Announcement was approved by the Directors on 13 May 2014.

The Interim Results Announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

- (e) Forward looking statements

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

- (f) A presentation for analysts and investors will take place at 9:30 a.m. (BST/London) on Wednesday 14 May 2014 at Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ.

The live presentation can also be accessed via both a teleconference and webcast:

- To listen to the live presentation via teleconference, dial +44 (0) 20 3003 2666.
- To view the presentation slides and/or listen to a live webcast of the presentation, go to www.compass-group.com or www.cantos.com.
- Please note that remote listeners will not be able to ask questions during the Q&A session.

A replay recording of the presentation will also be available via teleconference and webcast:

- A teleconference replay of the presentation will be available from 12:00 noon (BST/London) on Wednesday 14 May 2014 for ten working days. To hear the replay, dial +44 (0) 20 8196 1998, conference reference 1661841.
- A webcast replay of the presentation will be available for six months at www.compass-group.com and www.cantos.com

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