COMPASS GROUP

Full year results announcement for the year ended 30 September 2018

	Underlying[1] results			Statutory results		
	2018	2017	Change	2018	2017	Change
Revenue	£23.24 billion	£21.84 billion[2]	5.5%[3]	£22.96 billion	£22.57 billion	1.8%
Operating profit	£1.74 billion	£1.63 billion[2]	7.1%[2]	£1.69 billion	£1.67 billion	1.5%
Operating margin	7.4%	7.4%				
Earnings per share	77.6 pence	69.0 pence[2]	12.5%[2]	71.0 pence	71.3 pence	(0.4)%
Free cash flow	£1.14 billion	£0.97 billion	17.1%			
Annual dividend per share	37.7 pence	33.5 pence	12.5%	37.7 pence	33.5 pence	12.5%

[1] Reconciliation of statutory to underlying results can be found on page 37.
[2] Measured on a constant currency basis.
[3] Organic revenue growth.

Compass reports strong results with organic revenue growth of 5.5%, excellent cash generation, earnings and dividend growth of 12.5%

Organic revenue up 5.5%

- Excellent growth in North America with organic revenue up 7.8%
- In Europe organic revenue grew by 2.1% driven by strong net new business in the UK
- Rest of World was up by 2.9% due to good growth in Turkey and Spanish speaking Latin America

Operating margin of 7.4%, up slightly as expected

- Continued mix benefit of higher margins in North America
- Strong improvement in Rest of World offset the margin pressures in the UK

Strong EPS and dividend growth

- Constant currency EPS growth of 12.5% and dividend up 12.5%

Executing our strategy of focusing on our core food business

- Making good progress on our disposal programme
- Consolidating best practices to be shared and adopted across the Group more systematically
- Net debt to EBITDA at 1.5x in line with leverage target

Statutory results

- Revenue, operating profit and earnings per share growth on a statutory basis were lower than underlying results mainly due to the adverse impact of foreign exchange during the year

Chief Executive's Statement

Dominic Blakemore, Group Chief Executive, said:

"Compass had another very strong year. Revenue growth was healthy, driven by excellent growth in North America, an acceleration in Europe and good progress in Rest of World.

We continue to drive operating efficiencies around the business and were able to move the margin slightly forward, with improvements in Rest of World offsetting a more difficult volume and cost environment in Europe, especially the UK.

Given the excellent cash generation and overall strength of the Group, we have invested in the business to support the exciting long term growth opportunities we see. At the same time, we continued to reward our shareholders with strong dividend growth while reducing our leverage back to our target of 1.5x net debt to EBITDA.

We are making progress with our strategy to focus on Performance, People and Purpose. We have codified our best practices around the Group and will now use our Management and Performance (MAP) framework to roll them out across our larger markets.

We are actively managing the portfolio to increase our focus on food and are in the process of disposing of up to 5% of revenues in non-core businesses. We continually look at bolt-on acquisition opportunities that strengthen our offer and meet our strict returns criteria.

Our expectations for FY2019 are positive. The pipeline of new contracts is strong and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress. We expect organic growth to be in the middle of our 4-6% range with modest margin progression.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue growth and margin improvement, combined with further returns to shareholders."

Results presentation today

The results presentation for investors and analysts is being held today, Tuesday 20 November 2018, at 9.00 a.m. at Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. A live webcast of the results presentation will be broadcast today at 9.00 a.m., accessible via the Company's website, www.compass-group.com. At the end of the presentation you will be able to participate in a question and answer session by dialling:

UK Toll Number:	+44 (0) 3303 369 105
UK Toll-Free Number:	+44 (0) 800 358 6377
US Toll Number:	+1 929 477 0324
US Toll-Free Number:	+1 800 458 4121
Participant PIN Code:	8377256#

Financial calendar

Ex-dividend date for 2018 final dividend	17 January 2019
Record date for 2018 final dividend	18 January 2019
Last day for DRIP elections	4 February 2019
Q1 Trading Update / Annual General Meeting	7 February 2019
2018 final dividend date for payment	25 February 2019
Half year results	15 May 2019

Enquiries

Investors	Sandra Moura & Helen Javanshiri	+44 1932 573 000
Press	Tim Danaher & Fiona Micallef-Eynaud, Brunswick	+44 207 404 5959
Website		www.compass-group.com

Chief Executive's Statement (continued)

Basis of preparation

Throughout this preliminary announcement, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. Underlying measures are defined in the glossary of terms on pages 40 to 41.

A summary of the adjustments from statutory results to underlying results is shown in note 9 on page 37 and further detailed in the consolidated income statement (page 23), reconciliation of free cash flow (page 29), note 2 segmental reporting (pages 30 to 31) and note 10 organic revenue and organic profit (page 38).

Group overview

Revenue for the Group grew by 5.5% on an organic basis. New business wins were 9.1% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was 94.9% as a result of our ongoing focus and investment, and like for like revenue grew by 1.5% reflecting sensible price increases partially offset by weak volumes in our commodity related business and in the UK. On a statutory basis, revenue grew by 1.8%, which reflects 5.5% organic growth offset by an impact of 3.7%, mainly due to adverse currency movements.

Underlying operating profit increased by 7.1% on a constant currency basis. Operating profit margin increased modestly as we continue to work hard to drive efficiencies across the business. We have maintained our focus on MAP 3 (cost of food) with initiatives such as supplier and product rationalisation, menu planning and waste reduction programmes. Optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads) with initiatives around better labour scheduling, workforce management, work design and an increased focus on training and retention have become ever more important in markets like the UK and the USA where labour inflation has been accelerating. These efficiencies combined with price increases have enabled us to offset cost pressures and continue to reinvest in the business to support the exciting growth opportunities we see around the world. On a statutory basis, operating profit grew by 1.5%, which reflects a 6.4% increase organically, offset by an impact of 4.9%, mainly due to the adverse impact of currency translation.

As a result of the business' continued strong earnings growth and cash flow generation we declared an annual dividend of 37.7 pence per share, up 12.5% on the prior year.

Chief Executive’s Statement (continued)

Regional performances

North America – 59.3% Group revenue (2017: 58.3%)

	Underlying		Change		
Regional financial summary	**2018**	2017	Reported rates	Constant currency	Organic
Revenue	**£13,785m**	£13,322m	3.5%	9.1%	7.8%
Regional underlying operating profit	**£1,120m**	£1,082m	3.5%	9.2%	8.1%
Regional underlying operating margin	**8.1%**	8.1%	-		

Our North American business delivered a very strong performance, with organic revenue growth of 7.8%. Growth was driven by good levels of new business wins and the retention rate remained excellent at around 97%. Like for like revenue growth was positive reflecting pricing and some positive volumes, especially in Sports & Leisure, offsetting ongoing declines in the Offshore & Remote sector, which remained challenging.

Our Business & Industry sector growth was driven by double digit new business. New contract wins include Lockheed Martin, Nvidia and Honda Canada.

Strong organic growth in our Healthcare & Seniors sector was driven by good net new business. New contract wins include Inspira Health Network, as well as additional business with HumanGood senior dining and Regional Health system.

A solid organic revenue performance in our Education sector reflects good retention and some like for like growth. Contract wins include the San José State University, Florida International University and Emerson College.

With a retention rate of close to 100%, and some improvements in like for like volumes, our Sports & Leisure business continues to deliver a strong organic revenue growth performance. Contract wins include the Levi’s Stadium, home of the San Francisco 49ers and the Kentucky International Convention Centre.

Our small Offshore & Remote business remains challenging due to ongoing volume declines, pricing pressures and client closures.

Underlying operating profit of £1,120 million increased by 9.2% (£94 million) on a constant currency basis. Margins were maintained with the benefits of ongoing efficiency initiatives offset by above average labour inflation and higher mobilisation costs.

Chief Executive's Statement (continued)

Europe – 24.9% Group revenue (2017: 24.5%[1])

Regional financial summary	Underlying 2018	Underlying 2017	Change Reported rates	Change Constant currency	Change Organic
Revenue[1]	**£5,783m**	£5,598m	3.3%	2.7%	2.1%
Regional underlying operating profit[1]	**£395m**	£411m	(3.9)%	(4.4)%	(4.6)%
Regional underlying operating margin[1]	**6.8%**	7.3%	(50)bps		

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

Organic revenue in Europe accelerated in the second half of the year as expected, with growth of 2.1% for the full year reflecting improving net new business, especially in the UK, Spain and in DACH (Germany, Austria and Switzerland).

Our new business performance includes contract wins with ING in the UK and the Netherlands, Generali in France, Aker BP in Norway and TAP in Portugal. Contract extensions include Peugeot in France, Total in Belgium, Siemens in Switzerland and Virgin Trains in the UK.

Underlying operating profit declined by 4.4% (£18 million) on a constant currency basis. The benefits from the cost of change actions taken in the first half of the year have been delivered in the second half of the year as expected, and the profit decline has stabilised in the fourth quarter. However, these benefits were not sufficient to offset the challenging volume and cost environment in the UK and additional mobilisation costs associated with the higher levels of organic revenue growth in the second half of the year. As a result, the underlying operating margin declined by 50 basis points to 6.8%.

Chief Executive's Statement (continued)

Rest of World – 15.8% Group revenue (2017: 17.2%[1])

Regional financial summary	Underlying 2018	Underlying 2017	Change: Reported rates	Change: Constant currency	Change: Organic
Revenue[1]	**£3,671m**	£3,932m	(6.6)%	2.6%	2.9%
Regional underlying operating profit[1]	**£276m**	£265m	4.2%	14.5%	15.1%
Regional underlying operating margin[1]	**7.5%**	6.7%	80bps		

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

Organic revenue in our Rest of World region grew by 2.9%. Excluding the Offshore & Remote business, organic revenue grew by 5.0% driven by a strong performance in Turkey and Spanish speaking Latin America. The Offshore & Remote business declined by 3.0%, a faster rate than the first half of the year as one of the last large construction contracts in Australia moved into production towards the end of the financial year.

Outside Australia, our commodity related business is stabilising and we have been winning and retaining contracts including Total in Argentina, Codelco Andina in Chile and Drummond in Colombia.

The Business & Industry, Healthcare and Education sectors of the region, especially in India, China and Turkey, continue to experience good growth, however Brazil remains challenging. New business wins include BIBS in China, Google in India, National Gallery of Victoria in Australia and Banvit in Turkey. We continue to retain contracts with The Warehouse in New Zealand, Kumamoto University Hospital in Japan and Mondelez in Brazil.

Underlying operating margins improved, reflecting the continued benefits from our 2015-2016 restructuring programme, improved overhead leverage in growing markets and the timing of contracts moving from construction to production. Underlying operating profit improved by 14.5% (£35 million) on a constant currency basis, with an underlying margin improvement of 80 basis points to 7.5%.

Chief Executive's Statement (continued)

Strategy

We have refreshed our strategy to ensure that we improve the long term quality and sustainability of our financial results. In addition to financial performance, companies are increasingly expected to manage social and environmental matters and demonstrate the good corporate practices that are so essential to sustainable long term growth. By stepping up the intensity with which we manage the business and with a disciplined focus on Performance, People and Purpose as our main strategic priorities, we are well placed to continue to create sustainable long term value for all of our stakeholders.

Performance

We remain focused on food, our core competence. The food services market is estimated to be more than £200 billion. With only about 50% of the market currently outsourced and another 26% of the market in the hands of small and regional players, we see a large and exciting structural growth opportunity.

The large and disparate nature of the food services market makes it impossible to offer clients a one size fits all solution. Therefore, we segment the market into various sectors and subsectors using our portfolio of B2B brands. This allows us to get close to our clients, understand their needs and create different and exciting offers that meet their requirements and differentiate us from the competition.

We are the largest player in the market. As we continue to grow and increase our scale, we further consolidate our competitive advantage and our position as the most efficient provider. This allows us to offer our clients and consumers the most exciting and innovative solutions, as well as the best value.

The ability to innovate is also very important to help meet our clients' and consumers' rapidly evolving tastes and needs. We have industry leading chefs who develop varied menus that reflect food trends in different markets. In North America, we also have a team that develops industry leading digital solutions for our clients including the use of apps and kiosks as well as a team dedicated to data analytics.

MAP culture

For over 10 years, we have used our Management and Performance (MAP) framework to drive performance across the business. It is a simple framework that we all use to help us focus on a common set of business drivers, whether it is winning new business in the right sectors with the right terms (MAP 1), increasing our consumer participation and spend (MAP 2), reducing our food costs (MAP 3), our labour costs (MAP 4) or our overheads (MAP 5).

We are stepping up the intensity with which we manage performance and will continue to use MAP to ensure we have a disciplined focus on execution.

We already have good processes with regards to sales and retention (MAP 1). We have developed a suite of best practices and processes to help us execute with more intensity and consistency across the Group. Our areas of focus will be pricing (MAP 2), purchasing (MAP 3) and productivity (MAP 4). We will start with our top 10 markets and expand the roll out and adoption to other markets in due course.

Portfolio

To continue to drive our performance we are actively managing our portfolio of businesses. Targeted and disciplined bolt-on acquisitions strengthen our capabilities and are an important way to enhance our organic growth potential. M&A has also proven to be an extraordinary source of talent. This year, our largest acquisition was Unidine in the USA which strengthened our capability in the growing and attractive senior living segment.

We have also decided to simplify our portfolio. This will allow us to focus on food, our core competence, in our key markets. The process will involve the disposal (and in the case of some smaller markets, exit) of up to 5% of revenues of non-core support services or food businesses based on their potential – be that market growth, scalability, or our own position and capability. For example, in 2018 we have sold our 'meals on wheels' business in the USA and exited Gabon.

Chief Executive's Statement (continued)

People

People are our biggest source of competitive advantage and the key to delivering great food and services to our clients and consumers together with great financial results. We are in the process of further enhancing our employee proposition to ensure we have an engaged, high performing, and fulfilled workforce that truly reflects the diversity of the societies we live in and the communities we serve.

We are committed to giving our people the safest and fairest environment in which to work. In addition, we are leveraging our market leadership and our great culture to:

- Attract and develop the best leaders
- Recruit, retain and develop the highest quality unit managers in the industry
- Have the best and most inclusive work places in the world with a fully engaged workforce
- Have a diverse workforce that mirrors the communities in which we operate

Purpose

Our purpose is first and foremost a social purpose, the foundation of which is a safety culture built around caring for people combined with personal and food safety. In addition, we want to integrate our sustainability strategy into the business. It will focus on:

- Increasing the role of health & wellbeing in our value proposition
- Taking targeted actions where we can make the greatest environmental difference
- Driving positive outcomes beyond our business to make the world a better place, such as our continued work with our suppliers to source product responsibly and our commitment to enriching local communities

We already have a strong commitment to corporate responsibility and great initiatives like Stop Food Waste Day. We are now building on this existing strength and working more proactively with our clients and consumers in those areas.

Cash, Balance Sheet and Returns To Shareholders

Excellent cash flow generation, a strong balance sheet and returns to shareholders continue to be an integral part of our business model. Our priorities for how we use our cash remain unchanged. We will continue to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) grow the dividend in line with underlying constant currency earnings per share; (iii) pursue M&A opportunities; our preference is for small to medium sized bolt-on acquisitions, where we look for returns greater than the cost of capital by the end of year two; (iv) maintain strong investment grade credit ratings by returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

Chief Executive’s Statement (continued)

Summary and outlook

Compass had another very strong year. Revenue growth was healthy, driven by excellent growth in North America, an acceleration in Europe and good progress in Rest of World.

We continue to drive operating efficiencies around the business and were able to move the margin slightly forward, with improvements in Rest of World offsetting a more difficult volume and cost environment in Europe, especially the UK.

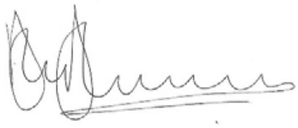
Given the excellent cash generation and overall strength of the Group, we have invested in the business to support the exciting long term growth opportunities we see. At the same time, we continued to reward our shareholders with strong dividend growth while reducing our leverage back to our target of 1.5x net debt to EBITDA.

We are making progress with our strategy to focus on Performance, People and Purpose. We have codified our best practices around the Group and will now use our Management and Performance (MAP) framework to roll them out across our larger markets.

We are actively managing the portfolio to increase our focus on food and are in the process of disposing of up to 5% of revenues in non-core businesses. We continually look at bolt-on acquisition opportunities that strengthen our offer and meet our strict returns criteria.

Our expectations for FY2019 are positive. The pipeline of new contracts is strong and our focus on organic growth, efficiencies and cash gives us confidence in achieving another year of progress. We expect organic growth to be in the middle of our 4-6% range with modest margin progression.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue growth and margin improvement, combined with further returns to shareholders.



Dominic Blakemore
Group Chief Executive
20 November 2018

Business Review

2018 has been another strong year with good organic revenue growth of 5.5%, underlying margin of 7.4% and an increase in free cash flow of 17.1%.

Financial summary	2018 £m	2017 £m	Increase/ (decrease)
Revenue			
Underlying at constant currency	**23,239**	21,839	6.4%
Underlying at reported rates	**23,239**	22,852	1.7%
Statutory	**22,964**	22,568	1.8%
Organic growth	**5.5%**	4.0%	
Total operating profit			
Underlying at constant currency	**1,741**	1,626	7.1%
Underlying at reported rates	**1,741**	1,705	2.1%
Statutory	**1,690**	1,665	1.5%
Operating margin			
Underlying at reported rates	**7.4%**	7.4%	-
Profit before tax			
Underlying at constant currency	**1,627**	1,517	7.3%
Underlying at reported rates	**1,627**	1,591	2.3%
Statutory	**1,520**	1,560	(2.6)%
Basic earnings per share			
Underlying at constant currency	**77.6p**	69.0p	12.5%
Underlying at reported rates	**77.6p**	72.3p	7.3%
Statutory	**71.0p**	71.3p	(0.4)%
Free cash flow			
Underlying at reported rates	**1,141**	974	17.1%
Full year dividend per ordinary share	**37.7p**	33.5p	12.5%

Definitions of underlying measures of performance can be found in the glossary on pages 40 to 41.

Business Review (continued)

Segmental performance

	Underlying revenue[1]		Underlying revenue growth		
	2018	2017[2]	Reported	Constant	
	£m	£m	rates	currency	Organic
North America	**13,785**	13,322	3.5%	9.1%	7.8%
Europe	**5,783**	5,598	3.3%	2.7%	2.1%
Rest of World	**3,671**	3,932	(6.6)%	2.6%	2.9%
Total	**23,239**	22,852	1.7%	6.4%	5.5%

	Underlying operating profit[1]		Underlying operating margin[1]	
	2018	2017[2]	**2018**	2017[2]
	£m	£m	**%**	%
North America	**1,120**	1,082	**8.1%**	8.1%
Europe	**395**	411	**6.8%**	7.3%
Rest of World	**276**	265	**7.5%**	6.7%
Unallocated overheads	**(70)**	(70)		
Total before associates	**1,721**	1,688	**7.4%**	7.4%
Associates	**20**	17		
Total	**1,741**	1,705		

[1] Definitions of underlying measures of performance can be found in the glossary on pages 40 to 41.
[2] Prior year comparatives have reclassified Turkey from Europe region into Rest of World region.

Business Review (continued)

Statutory and underlying results

	2018			2017		
	Statutory £m	Adjustments £m	Underlying £m	Statutory £m	Adjustments £m	Underlying £m
Revenue	**22,964**	**275**	**23,239**	22,568	284	22,852
Operating profit	**1,690**	**51**	**1,741**	1,665	40	1,705
Net loss on sale and closure of businesses	**(58)**	**58**	**-**	-	-	-
Net finance costs	**(112)**	**(2)**	**(114)**	(105)	(9)	(114)
Profit before tax	**1,520**	**107**	**1,627**	1,560	31	1,591
Tax	**(387)**	**(3)**	**(390)**	(389)	(15)	(404)
Profit after tax	**1,133**	**104**	**1,237**	1,171	16	1,187
Non-controlling interest	**(8)**	**-**	**(8)**	(10)	-	(10)
Attributable profit	**1,125**	**104**	**1,229**	1,161	16	1,177
Average number of shares (millions)	**1,584**	**-**	**1,584**	1,628	-	1,628
Basic earnings per share (pence)	**71.0p**	**6.6p**	**77.6p**	71.3p	1.0p	72.3p
EBITDA			**2,241**			2,188
Gross capex			**813**			717
Free cash flow			**1,141**			974

Further details of the adjustments can be found in the consolidated income statement, note 2 segmental reporting and note 9 statutory and underlying results.

Statutory results

On a statutory basis, revenue was £22,964 million (2017: £22,568 million), an increase of 1.8%, which reflects 5.5% organic revenue growth offset by an impact of 3.7%, mainly due to adverse currency movements.

Operating profit was £1,690 million (2017: £1,665 million), an increase of 1.5% over the prior year which reflects a 6.4% increase organically, offset by an impact of 4.9%, mainly due to adverse currency movements.

As part of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses. As a result, the Group has recognised a net £58 million loss on sale and closure of businesses. This balance includes a £19 million write-down of net assets for businesses that are held for sale where the carrying amount was higher than net realisable value. The remaining £39 million consists of a net gain on disposal offset by asset write-downs and exit costs relating to committed or completed business exits.

Net finance costs were £112 million (2017: £105 million).

Profit before tax was £1,520 million (2017: £1,560 million) giving rise to an income tax expense of £387 million (2017: £389 million), equivalent to an effective tax rate of 25.5% (2017: 24.9%).

Basic earnings per share were 71.0 pence (2017: 71.3 pence), a decrease of 0.4% as the impact of foreign exchange offset higher profits.

Business Review (continued)

Underlying results

A summary of adjustments from statutory results to underlying results is shown in note 9 on page 37 and further detailed in the consolidated income statement (page 23), reconciliation of free cash flow from operations (page 29), the segmental reporting note (pages 30 to 31) and the organic revenue and organic profit note (page 38).

Underlying revenue

On an organic basis, revenue increased by 5.5%. New business wins were 9.1% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was 94.9% as a result of our ongoing focus and investment, and like for like revenue grew by 1.5% reflecting sensible price increases partially offset by weak volumes in our commodity related business and in the UK.

Underlying operating profit

Underlying operating profit was £1,741 million (2017: £1,705 million), an increase of 2.1%. If we restate 2017's profit at the 2018 average exchange rates, it would have decreased by £79 million to £1,626 million. On a constant currency basis, underlying operating profit has therefore increased by £115 million, or 7.1%.

Underlying operating margin

We continue to drive efficiencies across the business through our MAP framework. Operating profit margin increased modestly as we continued to work hard to drive efficiencies across the business. Cost efficiencies combined with price increases enable us to offset cost pressures and continue to reinvest in the business to support the exciting growth opportunities we see around the world.

Underlying finance costs

The underlying net finance cost was £114 million (2017: £114 million). For 2019, we expect an underlying net finance cost of around £120 million.

Underlying tax charge

On an underlying basis, the tax charge was £390 million (2017: £404 million), equivalent to an effective tax rate of 24.0% (2017: 25.4%). The change primarily reflects the reduction in the US federal tax rate introduced by the enactment of the Tax Cuts and Jobs Act and the continuing impact of the implementation of OECD BEPS measures in certain countries in which we operate. The tax environment continues to be very uncertain, with more aggressive tax authority positions and investigations globally. However, our current expectations are that the 2019 effective tax rate will remain consistent with the 2018 rate.

Underlying basic earnings per share

The underlying basic earnings per share was 77.6 pence (2017: 69.0 pence), an increase of 12.5% on a constant currency basis.

Business Review (continued)

Dividends

Our dividend policy is to grow the dividend in line with growth in underlying constant currency earnings per share. In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

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

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

Compass Group PLC, the Parent Company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the Parent Company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for dividend payments. The distributable reserves of the Parent Company include the balance on the profit and loss account reserve, which at 30 September 2018 amounted to £1,436 million.

The Group is currently in a strong position to continue to fund its dividend which continues to be well covered by cash generated by the business. Details on the Group's going concern assessment can be found on page 18.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 19 to 22 that could adversely impact the performance of the Group although we believe we have the ability to mitigate those risks as outlined on pages 20 to 22.

It is proposed that a final dividend of 25.4 pence per share be paid on 25 February 2019 to shareholders on the register on 18 January 2019. This will result in a total dividend for the year of 37.7 pence per share (2017: 33.5 pence per share), a year on year increase of 12.5%. The dividend is covered 2.1 times on an underlying earnings basis and 2.1 times on a cash basis.

The final dividend of 25.4 pence will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 4 February 2019.

Purchase of own shares

The Group did not buy back any shares during the period (2017: £19 million). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 8 February 2018.

Shareholder return

The market price of the Group's ordinary shares at the close of the financial year was 1,706.00 pence per share (2017: 1,583.00 pence per share).

Business Review (continued)

Free cash flow

Free cash flow totalled £1,141 million (2017: £974 million). Free cash flow conversion was 66% (2017: 57%).

Gross capital expenditure of £813 million (2017: £717 million), including assets purchased under finance leases of £2 million (2017: £2 million), is equivalent to 3.5% of underlying revenues (2017: 3.1% of underlying revenues). We continue to deliver strong returns on our capital expenditure across all regions. In 2019 we expect capital expenditure to be around 3.5% of revenue.

The working capital inflow, excluding provisions and pensions, was £148 million (2017: £62 million outflow). This inflow was better than expected due to strong working capital management, especially in North America. This includes a positive inflow of around £70 million due to the timing of our payroll run in September. This payroll inflow is a reversal of the outflow which occurred in 2016.

The cash outflow in respect of post employment benefit obligations was £8 million (2017: £14 million). In 2019 we expect a total outflow for the Group of around £20 million.

The net interest outflow was £95 million (2017: £97 million).

The underlying cash tax rate was in line with expectations at 20% (2017: 21%).

Acquisition payments

The total cash spent on acquisitions in the year, net of cash acquired, was £420 million (2017: £96 million), comprising £406 million of bolt-on acquisitions, £19 million of contingent consideration relating to prior years' acquisitions offset by £5 million of cash acquired net of acquisition transaction costs.

The Group made several bolt-on acquisitions during the year, including the purchase of 80% of the share capital of Unidine for an initial consideration of £234 million ($305 million). Unidine is a Massachusetts based company that operates as a caterer in the healthcare and seniors market.

Disposals

As part of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses. As at the balance sheet date, the Group has classified certain businesses as held for sale as these disposals are highly probable and expected to be completed within 12 months.

The Group received £39 million (2017: £19 million) in respect of the disposal of some small, non core businesses.

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.

The Compass Group Pension Plan (UK) surplus of £346 million (2017: £259 million) and the £224 million (2017: £231 million) deficit in the rest of the Group's defined benefit pension schemes reflect the actuarial gains and losses that have occurred since the prior year IAS 19 actuarial valuation and the disposal of one of our pension schemes in the US.

A judgement on the recent Lloyds Banking Group High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. Initial estimates indicate that this obligation could be between 1% to 2% of the gross liabilities of the Group's UK defined benefit pension plan (£20 million - £40 million). The effects of the ruling will be recognised in the next financial year when the obligation to amend the plan's benefits has arisen.

The total pensions charge for defined benefit contribution schemes in the year was £110 million (2017: £123 million) and £24 million (2017: £20 million) for defined benefit schemes.

Business Review (continued)

Return on capital employed

Return on capital employed was 20.3% (2017: 20.3%) based on net operating profit after tax at the underlying effective tax rate of 24.0% (2017: 25.4%). The average capital employed was £6,499 million (2017: £6,218 million).

On a constant currency basis, the increase in return on capital employed was 10 basis points.

Related party transactions

Details of transactions with related parties are set out in note 29 of the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Financial position

The ratio of net debt to market capitalisation of £27,121 million as at 30 September 2018 was 12.5% (2017: 13.8%). Net debt decreased to £3,383 million (2017: £3,446 million). The ratio of net debt to EBITDA was 1.5x, in line with the target ratio. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

The Group generated £1,141 million of free cash flow (2017: £974 million), including investing £757 million in net capital expenditure, and spent £413 million on acquisitions net of disposal proceeds and investments in associated undertakings. £353 million was paid in respect of the final dividend for the financial year 2017 and £195 million was paid for the interim 2018 dividend.

The remaining £117 million movement in net debt related predominantly to foreign currency translation and other non-cash movements.

Liquidity risk

The Group finances its borrowings from a number of sources including the bank, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. During the year the Group issued £250 million 2025 Eurobonds and €500 million 2028 Eurobonds to refinance debt maturing in October 2018 and February 2019.

The maturity profile of the Group’s principal borrowings at 30 September 2018 shows that the average period to maturity is 5.4 years (2017: 5.6 years).

The Group’s undrawn committed bank facilities at 30 September 2018 were £1,690 million (2017: £1,387 million).

Financial management

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

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

Business Review (continued)

Foreign currency risk

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

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

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

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year, reducing to 60% fixed for the second year and 40% fixed for the third year.

Group tax policy

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

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

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

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

Risks and uncertainties

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

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 19 to 22.

Business Review (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities.

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

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the Annual Report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Johnny Thomson
Group Finance Director
20 November 2018

Focus on Risk

Identifying and managing risk

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

As set out in the Corporate Governance section in 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 maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

The tables on pages 20 to 22 set out the principal risks and uncertainties facing the business at the date of this Report. These have been subject to robust assessment and review. They do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this Report, may also have an adverse effect on the Group. As a global business operating in countries and regions with diverse economic and political conditions, the Group's operations and earnings may be adversely affected by political or economic instability, including instability caused by the implementation of the UK's decision to exit the European Union (Brexit) and political reform in the USA.

Following Brexit there is significant uncertainty about the process of withdrawal from the European Union, the timeframe, the outcome of negotiations about future arrangements between the UK and the European Union, and the period for which existing European Union laws for member states continue to apply to the UK. The Board views the potential impact of Brexit as an integral part of its principal risks rather than as a stand-alone risk. We have identified a potential impact on our food supply chain and labour force, and we are taking actions to assess and mitigate against any impact. It is not yet clear what the full impact will be whilst negotiations continue to take place. As the process of Brexit evolves, the Board will continue to assess the impact of any resulting changes and the extent to which they affect the Group.

The Group has significant operations and a substantial employee base in the USA, where the current administration has initiated broad policy changes including federal taxes and proposed tariffs on international trade. The Tax Cuts and Jobs Act introduced substantial and wide-ranging changes but further clarification and regulation may have an effect on future tax charges. The Board is monitoring developments and will continue to assess the impact of any changes.

In accordance with the provisions of the UK Corporate Governance Code 2016, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern and viability statements can be found on pages 33 and 34 of the Strategic Report.

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Additionally, there are risks (such as those relating to the eurozone economy, pensions, and acquisitions and investments) which vary in importance depending on changing conditions. All risks disclosed in previous years can be found in the annual reports available 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 the disclosures on pages 20 and 22 on those risks that are currently considered to be more significant to the Group.

Focus on Risk (continued)

Principal risks

Increased risk | Static risk

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
HEALTH AND SAFETY		
Health and safety **2018** 2017	The health and safety of our consumers and our people is at the heart of what we do. We are focused on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation. Compass feeds millions of consumers and employs thousands of people around the world every day. Therefore, setting the highest standards for food hygiene and safety is paramount.	All management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items. Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. The safety and quality of our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.
CLIENTS AND CONSUMERS		
Client and consumer sales retention **2018** 2017	Our business relies on securing and retaining a diverse range of clients.	We have strategies which strengthen our long term relationships with our clients and consumers based on quality, value and innovation. Our business model is structured so that we are not reliant on one particular sector, geography or group of clients.
Bidding **2018** 2017	Each year, the Group could bid for a large number of opportunities.	A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical risks) and rewards, prior to approval at an appropriate level in the organisation.
Service delivery and contractual compliance **2018** 2017	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to loss of business and/or claims.	Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.
Competition **2018** 2017	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. 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 and by focusing our strengths, such as flexibility in our cost base, quality, value of service and innovation.

Focus on Risk (continued)

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
PEOPLE		
Recruitment **2018** ↑ 2017 →	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 amongst candidates and appropriately qualified people, and the seasonal nature of some of our business. The increase is due to economic and political conditions where a combination of high employment and a shortage in the resource pool has made the labour market more competitive.	The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology and through offering training and development programmes.
Retention and motivation **2018** → 2017 →	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group.	The Group has established training, development, performance management and reward programmes to help retain, develop and motivate our best people. The Group has a number of well established initiatives which help us to monitor the level of engagement and to respond to our people's needs.
ECONOMIC AND POLITICAL ENVIRONMENT		
Economy **2018** ↑ 2017 ↑	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions, e.g. trade sanctions have increased the risk to the business in some jurisdictions.	With the variable and flexible nature of our cost base, it is generally possible to contain the impact of these adverse conditions.
Cost inflation **2018** ↑ 2017 ↑	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or food, especially in countries such as Brazil, could constitute a risk to our ability to do this. Increases in inflation have increased cost pressures in some locations.	As part of our MAP framework, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and with the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.
Political stability **2018** ↑ 2017 ↑	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability caused, for example, by the UK's decision to leave the EU. This may put pressure on our food supply chain and UK labour force.	The Group remains vigilant to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy. We are working with our suppliers to assess the impact of Brexit on our supply chain. We are also working on our recruitment and retention strategies to mitigate any impact on our labour supply.
COMPLIANCE AND FRAUD		
Compliance and fraud **2018** ↑ 2017 ↑	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance if significant financial penalties are levied or a criminal action is brought against the Company or its directors.	The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls. Regulation and compliance risk is also considered as part of our annual business planning process.

Focus on Risk (continued)

RISKS	DESCRIPTION	EXAMPLES OF MITIGATION
COMPLIANCE AND FRAUD		
International tax **2018** ↑ 2017 →	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. However, the increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes has increased. We note in particular the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.	We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.
INFORMATION SYSTEMS AND TECHNOLOGY		
Information systems and technology **2018** ↑ 2017 ↑	The digital world creates many risks for a global business including technology failures, loss of confidential data and damage to brand reputation, through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications or underlying equipment or communication networks, could delay day-to-day decision making, management reporting and efficient product delivery. Increased use of technology has increased the potential exposure to cyber crime.	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 clients, consumers, 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
Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Total 2018 £m	Total 2017 £m
Combined sales of Group and share of equity accounted joint ventures	2	**23,239**	22,852
Less: share of sales of equity accounted joint ventures		**(275)**	(284)
Revenue		**22,964**	22,568
Operating costs		**(21,324)**	(20,945)
Operating profit before joint ventures and associates		**1,640**	1,623
Share of profit after tax of joint ventures and associates		**50**	42
Operating profit		**1,690**	1,665
Underlying operating profit[1]	2	**1,741**	1,705
Amortisation of intangibles arising on acquisition		**(44)**	(39)
Acquisition transaction costs		**(4)**	(2)
Adjustment to contingent consideration on acquisition		**(1)**	3
Tax on share of profit of joint ventures		**(2)**	(2)
Net loss on sale and closure of businesses	8	**(58)**	-
Finance income		**6**	6
Finance costs		**(120)**	(120)
Other financing items		**2**	9
Profit before tax		**1,520**	1,560
Income tax expense	3	**(387)**	(389)
Profit for the year		**1,133**	1,171
ATTRIBUTABLE TO			
Equity shareholders of the Company		**1,125**	1,161
Non-controlling interests		**8**	10
Profit for the year		**1,133**	1,171
BASIC EARNINGS PER SHARE (PENCE)	4	**71.0p**	71.3p
DILUTED EARNINGS PER SHARE (PENCE)	4	**71.0p**	71.3p

[1] Underlying operating profit excludes amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, but includes share of profit after tax of associates and operating profit of joint ventures. The reconciliation between statutory and underlying results is provided in note 9.

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £m	2017 £m
Profit for the year	**1,133**	1,171
Other comprehensive income		
Items that are not reclassified subsequently to the income statement		
Remeasurement of post employment benefit obligations – gain	**68**	125
Return on plan assets, excluding interest income – gain/(loss)	**21**	(96)
Tax on items relating to the components of other comprehensive income	**(30)**	(8)
	59	21
Items that may be reclassified subsequently to the income statement		
Currency translation differences	**(76)**	(47)
Total other comprehensive loss for the year	**(17)**	(26)
Total comprehensive income for the year	**1,116**	1,145
ATTRIBUTABLE TO		
Equity shareholders of the Company	**1,108**	1,135
Non-controlling interests	**8**	10
Total comprehensive income for the year	**1,116**	1,145

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Attributable to equity shareholders of the Company						
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2017	176	182	295	4,320	(2,875)	22	2,120
Profit for the year	-	-	-	-	1,125	8	1,133
Other comprehensive income							
Currency translation differences	-	-	-	(76)	-	-	(76)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	68	-	68
Return on plan assets, excluding interest income – gain	-	-	-	-	21	-	21
Tax on items relating to the components of other comprehensive income	-	-	-	(1)	(29)	-	(30)
Total other comprehensive (loss)/income	-	-	-	(77)	60	-	(17)
Total comprehensive (loss)/income for the year	-	-	-	(77)	1,185	8	1,116
Fair value of share-based payments	-	-	-	21	-	-	21
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	(5)	4	(1)
Tax on items taken directly to equity	-	-	-	-	1	-	1
Change in the fair value of non-controlling interests put options	-	-	-	(56)	-	-	(56)
Other changes	-	-	-	-	(4)	-	(4)
	176	182	295	4,208	(1,698)	34	3,197
Dividends paid to Compass shareholders (note 5)	-	-	-	-	(548)	-	(548)
Dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
At 30 September 2018	176	182	295	4,208	(2,246)	25	2,640

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation Reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other Reserves £m
At 1 October 2017	211	4,170	7	(53)	(15)	4,320
Other comprehensive income						
Currency translation differences	-	-	-	(76)	-	(76)
Tax on items relating to the components of other comprehensive income	-	-	-	(1)	-	(1)
Total other comprehensive (loss)	-	-	-	(77)	-	(77)
Fair value of share-based payments	21	-	-	-	-	21
Change in the fair value of non-controlling interests put options	-	-	-	-	(56)	(56)
At 30 September 2018	232	4,170	7	(130)	(71)	4,208

Compass Group PLC
Consolidated Financial Statements (continued)

	Attributable to equity shareholders of the Company						
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2016	176	182	295	4,359	(2,507)	15	2,520
Profit for the year	-	-	-	-	1,161	10	1,171
Other comprehensive income							
Currency translation differences	-	-	-	(47)	-	-	(47)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	125	-	125
Return on plan assets, excluding interest income – loss	-	-	-	-	(96)	-	(96)
Tax on items relating to the components of other comprehensive income	-	-	-	(1)	(7)	-	(8)
Total other comprehensive (loss)/ income	-	-	-	(48)	22	-	(26)
Total comprehensive (loss)/income for the year	-	-	-	(48)	1,183	10	1,145
Fair value of share-based payments	-	-	-	21	-	-	21
Use of treasury shares to satisfy employee share scheme awards	-	-	-	(3)	-	-	(3)
Tax on items taken directly to equity	-	-	-	-	3	-	3
Share buyback[1]	-	-	-	-	(19)	-	(19)
Other changes	-	-	-	(9)	(1)	10	-
	176	182	295	4,320	(1,341)	35	3,667
Dividends paid to Compass shareholders (note 5)	-	-	-	-	(1,534)	-	(1,534)
Dividends paid to non-controlling interests	-	-	-	-	-	(13)	(13)
At 30 September 2017	176	182	295	4,320	(2,875)	22	2,120

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2016	193	4,170	7	(5)	(6)	4,359
Other comprehensive income						
Currency translation differences	-	-	-	(47)	-	(47)
Tax on items relating to the components of other comprehensive income	-	-	-	(1)	-	(1)
Total other comprehensive loss	-	-	-	(48)	-	(48)
Fair value of share-based payments	21	-	-	-	-	21
Use of treasury shares to satisfy employee share scheme awards	(3)	-	-	-	-	(3)
Other changes	-	-	-	-	(9)	(9)
At 30 September 2017	211	4,170	7	(53)	(15)	4,320

[1] Includes stamp duty and brokers' commission.

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Notes	2018 £m	2017 £m
NON-CURRENT ASSETS			
Goodwill		**4,270**	3,994
Other intangible assets		**1,903**	1,537
Property, plant and equipment		**1,006**	1,000
Interests in joint ventures and associates		**263**	220
Other investments		**73**	63
Post employment benefit assets		**346**	259
Trade and other receivables		**105**	104
Deferred tax assets*		**45**	132
Derivative financial instruments**		**83**	139
Non-current assets		**8,094**	7,448
CURRENT ASSETS			
Inventories		**353**	353
Trade and other receivables		**2,857**	2,701
Tax recoverable*		**69**	86
Cash and cash equivalents**		**969**	387
Derivative financial instruments**		**34**	4
		4,282	3,531
Assets held for sale		**236**	-
Current assets		**4,518**	3,531
Total assets		**12,612**	10,979
CURRENT LIABILITIES			
Short term borrowings**		**(813)**	(20)
Derivative financial instruments**		**(12)**	(6)
Provisions		**(167)**	(132)
Current tax liabilities*		**(227)**	(227)
Trade and other payables		**(4,317)**	(3,892)
		(5,536)	(4,277)
Liabilities directly associated with assets held for sale		**(72)**	-
Current liabilities		**(5,608)**	(4,277)
NON-CURRENT LIABILITIES			
Long term borrowings**		**(3,611)**	(3,939)
Derivative financial instruments**		**(33)**	(11)
Post employment benefit obligations		**(224)**	(231)
Provisions		**(227)**	(266)
Deferred tax liabilities*		**(49)**	(48)
Trade and other payables		**(220)**	(87)
Non-current liabilities		**(4,364)**	(4,582)
Total liabilities		**(9,972)**	(8,859)
Net assets		**2,640**	2,120
EQUITY			
Share capital		**176**	176
Share premium account		**182**	182
Capital redemption reserve		**295**	295
Other reserves		**4,208**	4,320
Retained earnings		**(2,246)**	(2,875)
Total equity shareholders' funds		**2,615**	2,098
Non-controlling interests		**25**	22
Total equity		**2,640**	2,120

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

Approved by the Board of Directors on 20 November 2018 and signed on their behalf by

DOMINIC BLAKEMORE, Director
JOHNNY THOMSON, Director

Compass Group PLC
Consolidated Financial Statements (continued)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £m	2017 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	6	**2,297**	2,068
Interest paid		**(101)**	(103)
Tax received		**26**	25
Tax paid		**(349)**	(357)
Net cash from operating activities		**1,873**	1,633
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies[1]		**(420)**	(96)
Purchase of additional interest in joint operations and investments in associated undertakings		**(32)**	(5)
Proceeds from sale of subsidiary companies and associated undertakings[1]		**39**	19
Purchase of intangible assets		**(425)**	(339)
Purchase of property, plant and equipment[2]		**(386)**	(376)
Proceeds from sale of property, plant and equipment/intangible assets		**54**	32
Purchase of other investments		**(8)**	(8)
Proceeds from sale of other investments		**1**	-
Dividends received from joint ventures and associates		**35**	39
Interest received		**6**	6
Net cash used in investing activities		**(1,136)**	(728)
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of own shares[3]		**-**	(19)
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		**1**	-
Purchase of non-controlling interests		**(5)**	-
Increase in borrowings		**1,506**	1,290
Repayment of borrowings		**(1,074)**	(571)
Repayment of obligations under finance leases		**(6)**	(6)
Equity dividends paid	5	**(548)**	(1,534)
Dividends paid to non-controlling interests		**(9)**	(13)
Net cash used in financing activities		**(135)**	(853)
CASH AND CASH EQUIVALENTS			
Net increase in cash and cash equivalents		**602**	52
Cash and cash equivalents at beginning of the year		**387**	346
Currency translation gains/(losses) on cash and cash equivalents		**2**	(11)
Total cash and cash equivalents		**991**	**387**
Cash reclassified as held for sale		**(22)**	-
Cash and cash equivalents at end of the year		**969**	387

[1] Net of cash acquired or disposed and payments received or made under warranties and indemnities.

[2] Includes property, plant and equipment purchased under client commitments.

[3] Includes stamp duty and brokers' commission.

Compass Group PLC
Consolidated Financial Statements (continued)

RECONCILIATION OF FREE CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £m	2017 £m
Net cash from operating activities	**1,873**	1,633
Purchase of intangible assets	**(425)**	(339)
Purchase of property, plant and equipment	**(386)**	(376)
Proceeds from sale of property, plant and equipment/intangible assets	**54**	32
Purchase of other investments	**(8)**	(8)
Proceeds from sale of other investments	**1**	-
Dividends received from joint ventures and associates	**35**	39
Interest received	**6**	6
Dividends paid to non-controlling interests	**(9)**	(13)
Underlying free cash flow	**1,141**	974

Compass Group PLC
Consolidated Financial Statements (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 BASIS OF PREPARATION

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

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its Reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying its Report and did not contain statements under s498(2) or (3) Companies Act 2006.

2 SEGMENTAL REPORTING

REVENUE[1]	Geographical segments North America £m	Geographical segments Europe £m	Geographical segments Rest of World £m	Total £m
YEAR ENDED 30 SEPTEMBER 2018				
Combined sales of Group and share of equity accounted joint ventures[2,3]	**13,785**	**5,783**	**3,671**	**23,239**
YEAR ENDED 30 SEPTEMBER 2017				
Combined sales of Group and share of equity accounted joint ventures[2,3,4]	13,322	5,598	3,932	22,852

REVENUE[1]	Sectors Business & Industry £m	Sectors Education £m	Sectors Healthcare & Seniors £m	Sectors Sports & Leisure £m	Sectors Defence, Offshore & Remote £m	Total £m
YEAR ENDED 30 SEPTEMBER 2018						
Combined sales of Group and share of equity accounted joint ventures[2]	**9,111**	**4,142**	**5,454**	**2,840**	**1,692**	**23,239**
YEAR ENDED 30 SEPTEMBER 2017						
Combined sales of Group and share of equity accounted joint ventures[2]	8,847	4,124	5,264	2,820	1,797	22,852

[1] There is no inter-segmental trading.
[2] This is the revenue measure considered by the chief operating decision maker.
[3] Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £2,190 million (2017: £2,070 million). Underlying revenue from external customers arising in the US was £12,938 million (2017: £12,449 million). Underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £21,049 million (2017: £20,782 million).
[4] The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. £313 million of revenue have been reclassified from Europe to Rest of World for the year ended 30 September 2017.

OPERATING PROFIT	Geographical segments North America £m	Geographical segments Europe £m	Geographical segments Rest of World £m	Geographical segments Central Activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2018					
Underlying operating profit before joint ventures and associates	**1,118**	**395**	**246**	**(70)**	**1,689**
Add: Share of profit before tax of joint ventures	**2**	**-**	**30**	**-**	**32**
Regional underlying operating profit[1]	**1,120**	**395**	**276**	**(70)**	**1,721**
Add: Share of profit of associates	**14**	**6**	**-**	**-**	**20**
Group underlying operating profit[1]	**1,134**	**401**	**276**	**(70)**	**1,741**

[1] Underlying operating profit is the profit measure considered by the chief operating decision maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

2 SEGMENTAL REPORTING CONTINUED

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2017					
Underlying operating profit before joint ventures and associates[1]	1,079	411	241	(70)	1,661
Add: Share of profit before tax of joint ventures	3	-	24	-	27
Regional underlying operating profit[1,2]	1,082	411	265	(70)	1,688
Add: Share of profit of associates	12	5	-	-	17
Group underlying operating profit[1,2]	1,094	416	265	(70)	1,705

[1] The operating profit relating to the Group's geographical segments of Europe and Rest of World has been represented to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. As a result, regional underlying operating profit of £17 million has been reclassified from Europe to Rest of World.

[2] Underlying operating profit is the profit measure considered by the chief operating decision maker.

3 TAX

RECOGNISED IN THE INCOME STATEMENT: INCOME TAX EXPENSE	**2018 £m**	2017 £m
CURRENT TAX		
Current year	**380**	424
Adjustment in respect of prior years	**(11)**	(47)
Current tax expense	**369**	377
DEFERRED TAX		
Current year	**17**	7
Impact of changes in statutory tax rates	**(4)**	2
Adjustment in respect of prior years	**5**	3
Deferred tax expense	**18**	12
TOTAL INCOME TAX		
Income tax expense	**387**	389

The impact of changes in statutory rates relates principally to the reduction of the federal tax rate in the United States from 35% to 21% from 1 January 2018 following the enactment of the Tax Cuts and Jobs Act. US federal deferred taxes as at 30 September 2018 have been calculated at 21%. The impact of the reduction in tax rate on deferred tax assets and liabilities through the income statement is not significant but there is a resulting one off charge of £13 million to other comprehensive income in respect of deferred tax assets arising on post-employment benefits.

On 24 November 2017, the European Commission published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation finding that the legislation is in breach of the EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this investigation, the timing of which, including any appeal, is uncertain. We have concluded our maximum potential liability to be some £108 million at 30 September 2018. We do not consider that any provision is required in respect of this amount based on our current assessment of the issue.

Deferred tax assets have not been recognised in respect of tax losses of £41 million (2017: £54 million) and other temporary differences of £20 million (2017: £23 million). Of the total tax losses, £26 million (2017: £44 million) will expire at various dates between 2019 and 2021. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

4 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 underlying earnings per share figures have been calculated based on earnings excluding the effect of the amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, non-controlling interest put options, gains and losses on disposal of businesses, hedge accounting ineffectiveness, change in fair value of investments and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	**2018 £m**	2017 £m
Profit for the period attributable to equity shareholders of the Company	**1,125**	1,161
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	**33**	25
Acquisition transaction costs	**3**	2
Adjustment to contingent consideration on acquisition	**1**	(3)
Net loss on sale and closure of businesses	**68**	-
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**(1)**	(8)
Underlying attributable profit for the year from operations	**1,229**	1,177

AVERAGE NUMBER OF SHARES (MILLIONS OF ORDINARY SHARES)	**2018 Ordinary shares of 11 1/20p each millions**	2017 Ordinary shares of 11 1/20p each millions
Average number of shares for basic earnings per share	**1,584**	1,628
Dilutive share options	**1**	1
Average number of shares for diluted earnings per share	**1,585**	1,629

	2018 Earnings per share pence	2017 Earnings per share pence
BASIC EARNINGS PER SHARE		
From operations	**71.0**	71.3
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	**2.1**	1.5
Acquisition transaction costs	**0.2**	0.1
Adjustment to contingent consideration on acquisition	**0.1**	(0.2)
Net loss on sale and closure of businesses	**4.3**	-
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**(0.1)**	(0.4)
From underlying operations	**77.6**	72.3

Compass Group PLC
Consolidated Financial Statements (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

4 EARNINGS PER SHARE CONTINUED

	2018 Earnings per share pence	2017 Earnings per share pence
DILUTED EARNINGS PER SHARE		
From operations	**71.0**	71.3
Adjustments stated net of tax:		
Amortisation of intangible assets arising on acquisition	**2.1**	1.5
Acquisition transaction costs	**0.2**	0.1
Adjustment to contingent consideration on acquisition	**0.1**	(0.2)
Net loss on sale and closure of businesses	**4.3**	-
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**(0.1)**	(0.4)
From underlying operations	**77.6**	72.3

5 DIVIDENDS

A final dividend in respect of 2018 of 25.4 pence per share, £402 million in aggregate[1], has been proposed, giving a total dividend in respect of 2018 of 37.7 pence per share (2017: 33.5 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 7 February 2019 and has not been included as a liability in these financial statements.

	2018		2017[2]	
DIVIDENDS ON ORDINARY SHARES	Dividends per share pence	£m	Dividends per share pence	£m
Amounts recognised as distributions to equity shareholders during the year:				
Final 2016	**-**	**-**	21.1	347
Interim 2017	**-**	**-**	11.2	184
Final 2017	**22.3**	**353**	-	-
Interim 2018	**12.3**	**195**	-	-
Total dividends	**34.6**	**548**	32.3	531

[1] Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2018 (1,584 million shares).
[2] In addition, a special dividend of 61.0 pence per share, £1,003 million in aggregate, was declared in the year ended 30 September 2017.

Compass Group PLC
Consolidated Financial Statements (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

6 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS	**2018 £m**	2017 £m
Operating profit from operations	**1,640**	1,623
Adjustments for:		
Acquisition transaction costs	**4**	2
Amortisation of intangible assets	**233**	221
Amortisation of intangible assets arising on acquisition	**44**	39
Depreciation of property, plant and equipment	**267**	262
Profit on disposal of property, plant and equipment/intangible assets	**(7)**	-
Decrease in provisions	**(45)**	(24)
Decrease in post employment benefit obligations	**(8)**	(14)
Share-based payments - charged to profits	**21**	21
Operating cash flows before movement in working capital	**2,149**	2,130
Increase in inventories	**(30)**	(11)
Increase in receivables	**(187)**	(152)
Decrease in payables	**365**	101
Cash generated by operations	**2,297**	2,068

Compass Group PLC
Consolidated Financial Statements (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

7 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.

		Gross debt						
NET DEBT	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 £m
At 1 October 2016	346	(27)	(3,355)	(3,382)	(14)	176	(3,220)	(2,874)
Net increase in cash and cash equivalents	52	-	-	-	-	-	-	52
Cash outflow from repayment of bank loans	-	-	536	536	-	-	536	536
Cash inflow from borrowing of bank loans	-	-	(301)	(301)	-	-	(301)	(301)
Cash outflow from repayment of loan notes	-	-	35	35	-	-	35	35
Cash inflow from issue of bonds	-	-	(942)	(942)	-	-	(942)	(942)
Cash (inflow)/outflow from other changes in gross debt	-	16	1	17	-	(64)	(47)	(47)
Cash outflow from repayments of obligations under finance leases	-	-	-	-	6	-	6	6
Increase in net debt as a result of new finance leases	-	-	-	-	(2)	-	(2)	(2)
Currency translation (losses)/gains	(11)	3	17	20	-	80	100	89
Other non-cash movements	-	-	68	68	-	(66)	2	2
At 30 September 2017	387	(8)	(3,941)	(3,949)	(10)	126	(3,833)	(3,446)
Net increase in cash and cash equivalents	**602**	**-**	**-**	**-**	**-**	**-**	**-**	**602**
Cash outflow from repayment of bank loans	**-**	**-**	**1,074**	**1,074**	**-**	**-**	**1,074**	**1,074**
Cash inflow from borrowing of bank loans	**-**	**-**	**(772)**	**(772)**	**-**	**-**	**(772)**	**(772)**
Cash inflow from issue of bonds	**-**	**-**	**(686)**	**(686)**	**-**	**-**	**(686)**	**(686)**
Reclassified as held for sale	**(22)**	**-**	**-**	**-**	**-**	**-**	**-**	**(22)**
Cash (inflow)/outflow from other changes in gross debt	**-**	**(67)**	**17**	**(50)**	**-**	**2**	**(48)**	**(48)**
Cash outflow from repayments of obligations under finance leases	**-**	**-**	**-**	**-**	**6**	**-**	**6**	**6**
Increase in net debt as a result of new finance leases	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**	**(2)**
Currency translation gains/(losses)	**2**	**(1)**	**(62)**	**(63)**	**-**	**(6)**	**(69)**	**(67)**
Other non-cash movements	**-**	**-**	**28**	**28**	**-**	**(50)**	**(22)**	**(22)**
At 30 September 2018	**969**	**(76)**	**(4,342)**	**(4,418)**	**(6)**	**72**	**(4,352)**	**(3,383)**

Other non-cash movements are comprised as follows:

OTHER NON-CASH MOVEMENTS IN NET DEBT	**2018 £m**	2017 £m
Amortisation of fees and discount on issuance	**(4)**	(3)
Loans acquired through business acquisition	**(12)**	-
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**44**	71
Bank and other borrowings	**28**	68
Changes in the value of derivative financial instruments including accrued income	**(50)**	(66)
Other non-cash movements	**(22)**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

8 ACQUISITIONS AND SALE AND CLOSURE OF BUSINESSES

ACQUISITIONS

The total cash spent on acquisitions during the year, net of cash acquired, was £420 million (2017: £96 million). The most significant acquisition during the period relates to Unidine.

On 29 December 2017, Compass Group USA, Inc., a USA subsidiary of the Group, purchased 80% of the share capital of Unidine Corp. for an initial consideration of £234 million ($305 million). Unidine Corp. is a Massachusetts based company that operates as a caterer in the healthcare and seniors market. The preliminary goodwill in relation to the assets acquired is £193 million ($252 million). This goodwill is provisional and will be finalised within 12 months of the acquisition date. Changes are expected to principally relate to the valuation of contracts acquired. This goodwill represents the premium the Group paid to acquire a company that complements its existing businesses and creates significant opportunities for cross selling and other synergies.

SALE AND CLOSURE OF BUSINESSES

Following a strategic review of the business, the Group decided to take actions to simplify its portfolio of businesses based on an assessment of market growth opportunity, scalability, the Group's market position and capabilities.

As a result of this review and some prior year disposals, the Group consolidated income statement includes a £58 million net loss on sale and closure of businesses (2017: £nil) and a related tax charge of £10 million. This balance includes a £19 million write-down of net assets for businesses that are held for sale where the carrying amount was higher than net realisable value. The remaining £39 million consists of a net gain on disposal offset by asset write-downs and exit costs relating to committed or completed business exits.

As at the balance sheet date, the Group has classified certain businesses, including South Africa, Vision Security Group in the UK and part of our US laundries business as held for sale as these disposals are highly probable and are expected to be completed within 12 months. The sale of Vision Security Group to Mitie Group plc completed after the balance sheet date in October 2018.

Compass Group PLC
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

9 STATUTORY AND UNDERLYING RESULTS

	Notes	2018 Statutory £m	Adjustments 1	2	3	4	5	6	2018 Underlying £m
Operating profit	2	**1,690**	**44**	**4**	**1**	**2**	**-**	**-**	**1,741**
Net loss on sale and closure of businesses		**(58)**	**-**	**-**	**-**	**-**	**58**	**-**	**-**
Net finance cost		**(112)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(114)**
Finance income		**6**	**-**	**-**	**-**	**-**	**-**	**-**	**6**
Finance costs		**(120)**	**-**	**-**	**-**	**-**	**-**	**-**	**(120)**
Other financing items		**2**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
Profit before tax		**1,520**	**44**	**4**	**1**	**2**	**58**	**(2)**	**1,627**
Income tax expense		**(387)**	**(11)**	**(1)**	**-**	**(2)**	**10**	**1**	**(390)**
Tax rate		**25.5%**							**24.0%**
Profit for the year		**1,133**	**33**	**3**	**1**	**-**	**68**	**(1)**	**1,237**
Non-controlling interests		**(8)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**
Profit attributable to equity shareholders of the Company		**1,125**	**33**	**3**	**1**	**-**	**68**	**(1)**	**1,229**
Average number of shares		**1,584**	**-**	**-**	**-**	**-**	**-**	**-**	**1,584**
BASIC EARNINGS PER SHARE (PENCE)	4	**71.0**	**2.1**	**0.2**	**0.1**	**-**	**4.3**	**(0.1)**	**77.6**

	Notes	2017 Statutory £m	Adjustments 1	2	3	4	5	6	2017 Underlying £m
Operating profit	2	1,665	39	2	(3)	2	-	-	1,705
Net finance cost		(105)	-	-	-	-	-	(9)	(114)
Finance income		6	-	-	-	-	-	-	6
Finance costs		(120)	-	-	-	-	-	-	(120)
Other financing items		9	-	-	-	-	-	(9)	-
Profit before tax		1,560	39	2	(3)	2	-	(9)	1,591
Income tax expense		(389)	(14)	-	-	(2)	-	1	(404)
Tax rate		24.9%							25.4%
Profit for the year		1,171	25	2	(3)	-	-	(8)	1,187
Non-controlling interests		(10)	-	-	-	-	-	-	(10)
Profit attributable to equity shareholders of the Company		1,161	25	2	(3)	-	-	(8)	1,177
Average number of shares		1,628	-	-	-	-	-	-	1,628
BASIC EARNINGS PER SHARE (PENCE)	4	71.3	1.5	0.1	(0.2)	-	-	(0.4)	72.3

Underlying profit and underlying earnings per share measures are not recognised measures under EU-adopted IFRS and may not be directly comparable with adjusted measures used by other companies. Underlying operating profit is considered by the Board to better reflect the economic substance of the Group's trading during the year and provides financial measures that, together with the results prepared in accordance with adopted IFRS, provide better analysis of the results of the Group.

Adjustments:
1. Amortisation of intangibles arising on acquisition
2. Acquisition transaction costs
3. Adjustment to contingent consideration on acquisition
4. Tax on share of profit of joint ventures
5. (Loss)/profit on sale and closure of businesses
6. Other financing items including hedge accounting ineffectiveness and change in the fair value of investments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				
	North America £m	Europe[1] £m	Rest of World[1] £m	Other £m	Group £m
2018					
Combined sales of Group and share of equity accounted joint ventures	**13,785**	**5,783**	**3,671**	**-**	**23,239**
% growth reported rates	3.5%	3.3%	(6.6)%	-	1.7%
% growth constant currency	9.1%	2.7%	2.6%	-	6.4%
Organic adjustments	(209)	(38)	(7)	-	(254)
Organic revenue	13,576	5,745	3,664	-	22,985
% growth organic	**7.8%**	**2.1%**	**2.9%**	**-**	**5.5%**
2017					
Combined sales of Group and share of equity accounted joint ventures	**13,322**	**5,598**	**3,932**	**-**	**22,852**
Currency adjustments	(691)	31	(353)	-	(1,013)
Constant currency underlying revenue	12,631	5,629	3,579	-	21,839
Organic adjustments	(34)	(3)	(17)	-	(54)
Organic revenue	12,597	5,626	3,562	-	21,785
2018					
Regional underlying operating profit	**1,120**	**395**	**276**	**(70)**	1,721
Share of profit of associates	14	6	-	-	20
Group underlying operating profit	1,134	401	276	(70)	**1,741**
Underlying operating margin (excl. associates)	**8.1%**	**6.8%**	**7.5%**	**-**	**7.4%**
% growth reported rates	3.5%	(3.9)%	4.2%	-	2.1%
% growth constant currency	9.2%	(4.4)%	14.5%	-	7.1%
Organic adjustments	(15)	(1)	(1)	-	(17)
Regional underlying organic operating profit (excl. associates)	1,105	394	275	(70)	1,704
Group underlying organic operating profit (incl. associates)	1,119	400	275	(70)	1,724
% growth organic	**8.1%**	**(4.6)%**	**15.1%**	**-**	**6.4%**
2017					
Regional underlying operating profit	**1,082**	**411**	**265**	**(70)**	1,688
Share of profit of associates	12	5	-	-	17
Group underlying operating profit	1,094	416	265	(70)	**1,705**
Underlying operating margin (excl. associates)	**8.1%**	**7.3%**	**6.7%**	**-**	**7.4%**
Currency adjustments – profit	(56)	2	(24)	-	(78)
Currency adjustments – associates	(1)	-	-	-	(1)
Regional constant currency underlying profit (excl. associates)	**1,026**	**413**	**241**	(70)	1,610
Group constant currency underlying operating profit (incl. associates)	1,037	418	241	(70)	**1,626**
Organic adjustments	(4)	-	(2)	-	(6)
Regional underlying organic operating profit (excl. associates)	**1,022**	**413**	**239**	(70)	1,604
Share of profit from associates – constant currency	11	5	-	-	16
Group underlying organic operating profit (incl. associates)	1,033	418	239	(70)	**1,620**

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

11 POST BALANCE SHEET EVENTS

A judgement on the recent Lloyds Banking Group High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. The judgement indicates that Trustees should amend scheme benefits to equalise for the effect of unequal GMPs and indicates an acceptable range of methods for how to do so. Initial estimates indicate that this obligation could be between 1% to 2% of the gross liabilities of the Group's UK defined benefit pension plan (£20 million - £40 million). The effects of the ruling will be recognised in the next financial year when the obligation to amend the plan's benefits has arisen.

12 EXCHANGE RATES

	2018	2017
AVERAGE EXCHANGE RATE FOR THE YEAR[1]		
Australian Dollar	**1.77**	1.67
Brazilian Real	**4.73**	4.09
Canadian Dollar	**1.73**	1.68
Chilean Peso	**850.39**	837.69
Euro	**1.13**	1.15
Japanese Yen	**149.06**	141.38
New Zealand Dollar	**1.93**	1.78
Norwegian Krone	**10.88**	10.55
Turkish Lira	**5.92**	4.44
UAE Dirham	**4.95**	4.69
US Dollar	**1.35**	1.28
CLOSING EXCHANGE RATE AS AT 30 SEPTEMBER[1]		
Australian Dollar	**1.80**	1.71
Brazilian Real	**5.21**	4.24
Canadian Dollar	**1.69**	1.68
Chilean Peso	**860.15**	857.49
Euro	**1.12**	1.13
Japanese Yen	**148.12**	151.02
New Zealand Dollar	**1.97**	1.86
Norwegian Krone	**10.62**	10.68
Turkish Lira	**7.83**	4.77
UAE Dirham	**4.79**	4.93
US Dollar	**1.30**	1.34

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

Glossary of terms

Capital employed	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Constant currency	Restates the prior year results to the current year's average exchange rates.
Free cash flow	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Gross capital expenditure	Includes the purchase of intangible assets and property, plant and equipment, including assets purchased under finance leases and client prepayments.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net capital expenditure	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
Net debt	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
Net debt to EBITDA	Net debt divided by underlying EBITDA.
NOPAT	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
Organic profit growth	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying operating profit.
Organic profit	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
Organic revenue growth	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying revenue.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	amortisation of intangibles arising on acquisition; acquisition transaction costs; adjustment to contingent consideration on acquisition; tax on share of profit of joint ventures; (loss)/profit on sale and closure of businesses; change in the fair value of investments; other financing items including hedge accounting ineffectiveness.
Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying depreciation and amortisation.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Free cash flow adjusted for cash restructuring costs in the year relating to the 2012 and 2013 European exceptional programme.
Underlying net finance cost	Excludes specific adjusting items.

Glossary of terms (continued)

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