COMPASS GROUP

Half year results announcement for the six months ended 31 March 2019

	Underlying[1] results			Statutory results		
	HY 2019	HY 2018[2]	Change	HY 2019	HY 2018[2]	Change
Revenue	£12.5 billion	£11.7 billion[3]	6.6%[4]	£12.3 billion	£11.3 billion	8.8%
Operating profit	£951 million	£899 million[3]	5.8%[3]	£913 million	£854 million	6.9%
Operating margin	7.5%	7.5%				
Earnings per share	42.9 pence	40.3 pence[3]	6.5%[3]	40.7 pence	37.9 pence	7.4%
Free cash flow	£530 million	£465 million	14.0%			
Interim dividend per share	13.1 pence	12.3 pence	6.5%	13.1 pence	12.3 pence	6.5%

[1] Full details of the underlying results can be found on pages 42 – 44.
[2] Prior period comparatives have been restated upon adoption of IFRS 15.
[3] Measured on a constant currency basis.
[4] Organic revenue growth.

Compass reports strong first half growth

Strong organic revenue growth of 6.6%

- Excellent performance in North America with broad based organic revenue growth of 7.9%
- Strong Europe organic revenue growth of 5.5% driven by UK Defence contract wins and continuing good growth in Continental Europe
- Rest of World growth of 3.2% with continuing good performance in developing markets

Operating profit up 5.8% at £951 million

- Operating margin maintained at 7.5%
- Operating efficiencies offset higher mobilisation costs and investments to support strategic execution

Strong cash generation, earnings and dividend growth

- Free cash flow increase of 14% to £530 million
- Interim dividend up 6.5% in line with constant currency earnings per share growth

Executing our strategy

- Strengthened and simplified our portfolio – completed several disposals and spent £370 million on bolt-on acquisitions during the period
- Implementing best practice, initially in our largest markets, for our Performance strategic priority
- Good momentum behind our People and Purpose strategic priorities

Statutory results

- Revenue, operating profit and earnings per share growth on a statutory basis was higher than underlying mainly due to the positive impact of foreign exchange during the period

Chief Executive's Statement

Dominic Blakemore, Group Chief Executive, said:

"Compass had a strong first half. Organic revenue growth was 6.6%, driven by excellent growth in North America, a strong performance in Europe, particularly in UK Defence, and good growth in Rest of World.

We maintained our strong margin whilst absorbing the increased mobilisation costs in Europe from the higher growth as well as strategic investments being made by the business. Our focus on efficiencies and pricing have continued to offset inflation and helped mitigate ongoing volume weakness in the UK and Continental Europe.

We have continued to invest in the business to support the exciting long term growth opportunities. During the first half we spent £370 million on bolt-on acquisitions, principally in North America. We have made further progress with our disposal programme and have now exited c. 2% of revenues of non-core businesses. This active portfolio management had a positive impact on the margin in the first half.

We are making good progress with our strategy of focusing on Performance, People and Purpose. In relation to our Performance priority we have codified our best practices around the Group and are now using our Management and Performance (MAP) framework to implement them across our larger markets. Increasingly, these initiatives are supported through technology and digital solutions which help drive efficiencies, optimise performance or improve the consumer experience. We have also begun the roll out of key People and Purpose initiatives.

Following the very strong first half performance we now increase our organic revenue growth guidance for the full year and expect to deliver organic revenue growth and margin progression similar to 2018. We remain mindful of the macro uncertainty in parts of Europe and its impact on the business.

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

Results presentation today

The results presentation for investors and analysts is being held today, Wednesday 15 May 2019, 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 33 0336 9105
UK Toll Free Number:	0800 358 6377
US Toll Number:	+1 323 794 2093
US Toll Free Number:	+1 866 548 4713
Participant PIN Code:	2954326#

Financial calendar

Ex-dividend date for 2019 interim dividend	20 June 2019
Record date for 2019 interim dividend	21 June 2019
Last day for DRIP elections	08 July 2019
Q3 trading update	25 July 2019
Payment date for 2019 interim dividend	29 July 2019
Full year results	26 November 2019

Enquiries

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Chief Executive's Statement (continued)

Basis of preparation

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

The Executive 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 46 and 47.

A summary of the adjustments from statutory results to underlying results is shown in note 11 on pages 42 and 43 and further detailed in the condensed consolidated income statement (page 17), reconciliation of free cash flow (page 24), note 3 segmental reporting (pages 33 and 34) and note 12 organic revenue and organic profit (page 44).

Group overview

Revenue for the Group grew by 6.6% on an organic basis. Excluding the impact of the timing of Easter we estimate growth was 6.4%. New business wins were 8.6% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was maintained at 94.8% as a result of our ongoing focus and investment in service and quality, and like for like revenue grew by 3.2% reflecting sensible price increases and strong volume growth in Sports & Leisure partially offset by weak volumes in Europe. On a statutory basis revenue increased by 8.8%, including the positive impact from foreign currency translation.

Underlying operating profit increased by 5.8% on a constant currency basis. Operating profit margin remained at 7.5% as we continue to work hard to drive efficiencies across the business to offset cost pressures including higher mobilisation costs from increased new business wins. 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 such as Europe and the USA where labour inflation persists. These efficiencies combined with price increases have enabled us to offset cost pressures and continue to reinvest in the business to support the exciting global growth opportunities we see. On a statutory basis operating profit grew by 6.9%, including the positive impact from foreign currency translation.

As a result of the business' continued strong earnings growth and cash flow generation we declare an interim dividend of 13.1 pence per share, up 6.5% on the prior year.

Chief Executive's Statement (continued)

Regional performances

North America – 61.7% Group revenue (2018[1]: 58.5%)

	Underlying		Change		
Regional financial summary	**2019**	2018[1]	Reported rates	Constant currency	Organic
Revenue	£7,691m	£6,706m	14.7%	9.0%	7.9%
Regional operating profit	£664m	£576m	15.3%	9.4%	8.2%
Regional operating margin	8.6%	8.6%	-		

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Our North American business delivered an excellent performance, with organic revenue growth of 7.9%. Growth was driven by continued good levels of net new business across all sectors. Like for like revenue growth benefited from pricing and positive trading from our Sports & Leisure sector which included some one-off events. The timing of Easter is estimated to have positively impacted the quarter by around 0.2%.

Growth in our Business & Industry sector was driven by continued strong net new business. New contract wins include CarMax and Florida Blue (a Guidewell company).

Solid organic revenue growth in our Healthcare & Seniors sector reflected good levels of new business. New contract wins include the Hahnemann University Hospital and the University of Chicago Medical Center & Ingalls Memorial Hospital.

Our Education sector reported good net new business during the period. Contract wins include the Simon Fraser University and the Rhode Island Department of Education.

Our Sports & Leisure sector has delivered double digit organic revenue growth driven by strong like for like volumes, primarily driven by timing of events and a continued excellent retention rate. Contract wins include the Nashville MLS Stadium and the Woodland Park Zoo.

Underlying operating profit of £664 million increased by 9.4% (£57 million) on a constant currency basis. Ongoing efficiency initiatives resulted in modest underlying margin progression during the period.

Chief Executive's Statement (continued)

Europe – 23.9% Group revenue (2018[1]: 25.3%)

	Underlying		Change		
Regional financial summary	**2019**	2018[1]	Reported rates	Constant currency	Organic
Revenue	£2,976m	£2,905m	2.4%	2.7%	5.5%
Regional operating profit	£192m	£197m	(2.5)%	(2.5)%	(4.5)%
Regional operating margin	6.5%	6.8%	(30)bps		

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Organic revenue in Europe grew by 5.5% reflecting momentum from new business wins, notably the significant Defence contracts in the UK, as well as continuing good growth across the Continent. The timing of Easter is estimated to have positively impacted the quarter by around 1%.

Our new contract wins during the period include Credit Agricole and Puy du Fou in France, CHTMAD in Portugal and NRK, the Norwegian Broadcasting Corporation. Contract extensions include Patek Philippe in Switzerland, San Juan de Dios Bética in Spain and Opel in Germany.

Underlying operating profit declined by 2.5% (£5 million) on a constant currency basis. Our focus on efficiencies and pricing have continued to offset inflation and have partially mitigated volume weakness in the UK and Continental Europe and the higher mobilisation costs associated with our strong growth. These cost increases were partially offset by the benefit of portfolio management. In aggregate the underlying operating margin declined by 30 basis points to 6.5%. Although macro uncertainties in Europe continue, our focus on growth and operating efficiencies is benefiting our business.

Chief Executive's Statement (continued)

Rest of World – 14.4% Group revenue (2018[1]: 16.2%)

Regional financial summary	Underlying 2019	Underlying 2018[1]	Change Reported rates	Change Constant currency	Change Organic
Revenue	£1,801m	£1,855m	(2.9)%	2.8%	3.2%
Regional operating profit	£121m	£124m	(2.4)%	4.3%	2.6%
Regional operating margin	6.7%	6.7%	-		

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Organic revenue in our Rest of World region grew by 3.2% driven by a strong performance in Turkey and our Offshore & Remote business outside of Australia, notably Kazakhstan. The timing of Easter is estimated to have positively impacted the quarter by around 0.4%

The Business & Industry, Healthcare & Seniors and Education sectors of the region continue to perform well. We have experienced good growth in Turkey, Australia and our Spanish speaking Latin American businesses. New business wins include Doga Schools in Turkey, Siemens and WTC in Brazil, Sony in Japan and Navistar in Mexico. We continue to retain contracts, including Leatop Plaza in China, Victoria University of Wellington in New Zealand and Vale in Brazil.

Our Offshore & Remote business continued to contract in the first half as we lap the large Australian construction operation that moved to production towards the end of 2018. Elsewhere in Offshore & Remote we have continued to win and retain contracts including Codelco in Chile, Mining Texas in Colombia and Gold Road Gruyere in Australia.

Underlying operating profit improved by 4.3% (£5 million) on a constant currency basis, with the underlying operating margin remaining constant at the higher level delivered in 2018. We remain focused on driving efficiencies across the business.

Chief Executive's Statement (continued)

Strategy

Our refreshed strategy, announced a year ago, ensures that we further improve the long term quality and sustainability of our financial results.

We remain focused on food, our core competency. The global food services market is estimated to be more than £200 billion. With only about 50% of the market currently outsourced, of which approximately half is 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 global market. As we continue to grow and increase our scale, we further extend 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 important to ensure we meet our clients' and consumers' rapidly evolving tastes and needs.

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

Portfolio

To continue to drive our performance we are actively managing our portfolio of businesses. Targeted and disciplined bolt-on acquisitions are an effective way to strengthen our capabilities, broaden our offering and improve our scale. M&A has also proven to be an extraordinary source of talent. During the first half we invested £370 million, principally in North America. There remains a good pipeline of bolt-on opportunities across the Group.

We have continued to make progress on our disposal programme and during the first half completed several disposals generating £68 million of proceeds. This brings cumulative revenues now disposed or exited to c. 2% of Group revenue at an average margin of c. 3%. As previously indicated the overall programme, of up to £1.2bn revenues, is expected to be margin neutral on the business.

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.

Under the refreshed strategy we are codifying best practices and developing tools and templates to help us execute with more intensity and consistency across the Group. Our areas of focus are pricing, purchasing and productivity. We have begun with our larger markets and are rolling out initiatives depending on their maturity scale.

These initiatives are often supported through technology and digital – both in terms of driving efficiencies and optimising performance but also in developing products and services which improve the consumer experience. Our digital strategy is implemented locally in the most cost effective and relevant way for each market. We are making some investments into systems and processes that will ultimately unlock more efficiencies and leverage scale across the business in the long term.

Chief Executive's Statement (continued)

People

People are our biggest source of competitive advantage. They are the key to delivering excellent food service to our clients and consumers together with strong 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.

Our objective is to create an exceptional people business that is inclusive, engaged and committed to developing its people and providing them with the safest and fairest environment in which to work. We are launching initiatives and improving our processes to ensure we:

- 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

For example, during the first half we have developed comprehensive training workshops and practical tools for our unit managers. Having completed successful pilots in our two largest markets, we are now beginning to roll out the programme to all unit managers globally.

Purpose

Our purpose is first and foremost a social purpose, the foundation of which is a safety culture built around caring for our people and our consumers - delivering personal and food safety. We are integrating our sustainability strategy into the business focused 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. We are now building on this existing strength and working more proactively with our clients and consumers in those areas. For example, this year Stop Food Waste Day, which Compass USA founded three years ago, extended across 37 countries with awareness about the campaign potentially reaching more than 80 million people.

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; and (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 a strong first half. Organic revenue growth was 6.6%, driven by excellent growth in North America, a strong performance in Europe, particularly in UK Defence, and good growth in Rest of World.

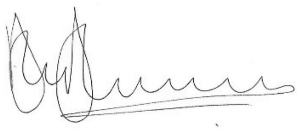
We maintained our strong margin whilst absorbing the increased mobilisation costs in Europe from the higher growth as well as strategic investments being made by the business. Our focus on efficiencies and pricing have continued to offset inflation and helped mitigate ongoing volume weakness in the UK and Continental Europe.

We have continued to invest in the business to support the exciting long term growth opportunities. During the first half we spent £370 million on bolt-on acquisitions, principally in North America. We have made further progress with our disposal programme and have now exited c. 2% of revenues of non-core businesses. This active portfolio management had a positive impact on the margin in the first half.

We are making good progress with our strategy of focusing on Performance, People and Purpose. In relation to our Performance priority we have codified our best practices around the Group and are now using our Management and Performance (MAP) framework to implement them across our larger markets. Increasingly, these initiatives are supported through technology and digital solutions which help drive efficiencies, optimise performance or improve the consumer experience. We have also begun the roll out of key People and Purpose initiatives.

Following the very strong first half performance we now increase our organic revenue growth guidance for the full year and expect to deliver organic revenue growth and margin progression similar to 2018. We remain mindful of the macro uncertainty in parts of Europe and its impact on the business.

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



Dominic Blakemore
Group Chief Executive
15 May 2019

Business Review

Segmental performance

	Underlying revenue[1]		Underlying revenue growth[2]		
	2019 £m	2018[3] £m	Reported Rates	Constant Currency	Organic
North America	**7,691**	6,706	14.7%	9.0%	7.9%
Europe	**2,976**	2,905	2.4%	2.7%	5.5%
Rest of World	**1,801**	1,855	(2.9)%	2.8%	3.2%
Total	**12,468**	11,466	8.7%	6.5%	6.6%

	Underlying operating profit[1]		Underlying operating margin[1]	
	2019 £m	2018[3] £m	2019	2018[3]
North America	**664**	576	8.6%	8.6%
Europe	**192**	197	6.5%	6.8%
Rest of World	**121**	124	6.7%	6.7%
Unallocated overheads	**(38)**	(32)		
Total before associates	**939**	865	7.5%	7.5%
Associates	**12**	11		
Total	**951**	876		

[1] Definitions of underlying measures of performance can be found in the glossary on pages 46 and 47.
[2] Reconciliation between the different growth rates is provided in the note 12 of the condensed financial statements.
[3] Prior period comparatives have been restated upon adoption of IFRS 15.

Statutory results

On a statutory basis, revenue was £12,326 million (2018[1]: £11,331 million), growth of 8.8% mainly driven by organic growth and partially by foreign currency translation.

Operating profit was £913 million (2018[1]: £854 million), an increase of 6.9% over the prior period, including the benefit of 2.2% from currency translation.

The Group has applied the new accounting standard IFRS 15 'Revenue from contracts with customers' in the current period. Comparatives for 2018 have been restated resulting in a net increase in operating profit and decrease in revenue of less than 1%.

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 in order to simplify its portfolio. The Group has successfully completed the sale of its businesses in South Africa, Vision Security Group in the UK and part of its US laundries business. As a result, the Group has recognised a net gain of £25 million on the sale of businesses including price adjustments to disposals completed in prior years. This gain was offset by £13 million exit costs relating to committed or completed business exits.

As at the balance sheet date, the Group has classified the remaining US laundries and some businesses in our Rest of World region as held for sale as these disposals are highly probable and expected to be completed within 12 months.

Net finance costs increased to £73 million (2018: £53 million) mainly due to the change in fair value of certain derivatives.

Profit before tax was £852 million (2018[1]: £793 million) giving rise to an income tax expense of £201 million (2018[1]: £187 million), equivalent to an effective tax rate of 23.6% (2018[1]: 23.6%).

Basic earnings per share were 40.7 pence (2018[1]: 37.9 pence), an increase of 7.4% as a result of higher profits and the positive impact of foreign exchange.

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Business Review (continued)

Underlying results

A summary of adjustments from statutory results to underlying results is shown in note 11 on pages 42 and 43. Underlying results are included in the condensed consolidated income statement (page 17), reconciliation of free cash flow (page 24), note 3 segmental reporting (pages 33 and 34) and note 12 organic revenue and organic profit (page 44).

Underlying revenue

On an organic basis, revenue increased by 6.6%. New business wins were 8.6% driven by a strong performance across the regions. Our retention rate was 94.8% as a result of our ongoing focus and investment in service and quality. Like for like revenue growth was 3.2%, reflecting sensible price increases and strong volume growth in Sports & Leisure partially offset by weak volumes in Europe.

Underlying operating profit

Underlying operating profit was £951 million (2018[1]: £876 million), an increase of 8.6%. If we restate 2018's profit at the 2019 average exchange rates, it would increase by £23 million to £899 million. On a constant currency basis, underlying operating profit has therefore increased by £52 million, or 5.8%.

Underlying operating margin

With very strong revenue growth the operating profit margin remained unchanged from the prior half year at 7.5% as we continue to work hard to drive efficiencies across the business through our MAP framework. Cost efficiencies combined with price increases have enabled us to offset cost pressures and continue to reinvest in the business to support the exciting global growth opportunities we see.

Underlying finance costs

Underlying net finance cost was £55 million (2018: £55 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 £210 million (2018[1]: £195 million), equivalent to an effective tax rate of 23.5% (2018 FY[1]: 23.8%). The change primarily reflects the full year impact of 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. We expect the underlying tax rate to be around the same level for the full year.

Underlying basic earnings per share

On a constant currency basis, the underlying basic earnings per share increased by 6.5% to 42.9 pence (2018[1]: 40.3 pence).

Interim dividend

An interim dividend of 13.1 pence per share (2018: 12.3 pence) has been declared which represents growth of 6.5% in line with our constant currency earnings per share. The dividend will be paid on 29 July 2019 to shareholders on the register on 21 June 2019.

Purchase of own shares

The Group did not buy back any shares during the period (2018: £nil). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 7 February 2019.

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Free cash flow

Free cash flow totalled £530 million (2018: £465 million), an increase of 14%, which includes the benefit of approximately 3% from currency translation. Underlying free cash flow conversion was 56% (2018: 53%).

Gross capital expenditure of £415 million (2018: £399 million) is equivalent to 3.3% (2018: 3.5%) of underlying revenue. We continue to deliver strong returns on our capital expenditure across all regions. We expect capex in the full year to be up to 3.5% of underlying revenue.

The working capital outflow, excluding provisions and pensions, of £83 million (2018[1]: £38 million) reflects the seasonality of the business. For the full year, we expect the usual small outflow.

The outflow related to post employment benefit obligations net of service costs was £9 million (2018: £5 million). For the full year we expect an outflow of around £20 million.

The net interest outflow was £53 million (2018: £47 million).

The underlying cash tax rate was 17.3% (2018: 18.5%). For the full year, we expect the cash tax rate to be in range of 20 to 22 percent, reflecting the fact that proportionately more tax payments are made in the second half.

Acquisition payments

The total cash spent on acquisitions in the first half, net of cash acquired, was £370 million (2018: £328 million), comprising £358 million on bolt-on acquisitions and investments in associates, £15 million of contingent consideration relating to prior years' acquisitions and offset by £3 million of cash acquired net of acquisition transaction costs.

The main acquisition during the period was the purchase of 100% of the share capital of Client Rewards for an initial consideration of £163 million ($209 million). Client Rewards, is an Iowa based company, that provides procurement and supply chain management services.

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 in order to simplify its portfolio. The Group has successfully completed the sale of its businesses in South Africa, Vision Security Group in the UK and part of its US laundries business.

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 £68 million (2018: £10 million) in respect of disposal proceeds net of exit costs.

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 £281 million (2018 FY: £346 million) and the £229 million (2018 FY: £224 million) deficit in the rest of the Group's defined benefit pension schemes reflect the actuarial gains and losses occurred since the prior year IAS 19 actuarial valuation. The Compass Group Pension Plan (UK) surplus decreased mainly due to the reduction in yields on corporate bonds.

The Lloyds Banking Group`s High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. As a result, and based on actuarial advice, the Group has recognised £12 million of past service costs in the income statement. The final cost of equalising GMP may differ from this amount once this is agreed with the pension plan Trustees. This non-cash charge has been excluded from the Group's underlying operating profit.

[1] Prior period comparatives have been restated upon adoption of IFRS 15.

Business Review (continued)

Financial position

During the first six months of the year, net debt increased to £3,556 million (2018 FY: £3,383 million). The Group generated £530 million of free cash flow (2018: £465 million), including investing £395 million in net capital expenditure (2018: £369 million), and spent £302 million on acquisitions net of disposal proceeds (2018: £318 million). £403 million was paid in respect of the final dividend for 2018.

The remaining £2 million movement in net debt related predominantly to currency translation and other non-cash movements.

Related party transactions

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

Risks and uncertainties

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

A summary of the principal risks and uncertainties that face the business is set out on page 14.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 17 of the Consolidated Financial Statements of our 2018 Annual Report includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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

Karen Witts
Group Chief Financial Officer
15 May 2019

Focus on Risk

Identifying and managing risk

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

Following the UK's decision to exit the European Union (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 in our UK business, 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.

Details of the principal risks facing the Group are included on pages 35 to 37 of the 2018 Annual Report. These remain unchanged and are expected to continue to be relevant for the remaining six months of this financial year. A summary of the principal risks and uncertainties is set out below:

- Health and safety – Compass Group feeds millions of consumers and engages around 600,000 colleagues around the world every day. Therefore, setting the highest standards for food hygiene and safety is paramount
- Clients and Consumers
  - Clients and consumer sales and retention – our business relies on securing and retaining a diverse range of clients
  - Bidding – each year, the Group could bid for a large number of opportunities
  - Service delivery and contractual compliance – the Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to loss of business and/or claims
  - Competition – we operate in a highly competitive marketplace where aggressive pricing from our competitors could cause a reduction in our revenues and margins
- People
  - Recruitment – failure to attract and recruit people with the right skills at all levels could limit the success of the Group
  - Retention and motivation – retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group
- Economic and Political Environment
  - Economy – some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels
  - Cost inflation – increases in labour or food costs could hamper our ability to deliver the right level of service in the most efficient way
  - Political stability – as a global business, our operations and earnings may be adversely affected by political or economic instability
- Compliance and Fraud
  - Compliance and fraud – ineffective compliance management or evidence of fraud, could have an adverse effect on the Group's reputation and performance
  - International tax – as a Group we operate in an increasingly complex international corporate tax environment. A degree of uncertainty is inevitable and we note in particular the policy efforts being led by the EU and the OECD, which may have a material impact on the taxation of all international businesses
- Information systems and technology – the digital world brings risks such as technology failures, loss of confidential data and damage to brand reputation

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group. In addition, the geographic, sector and contract diversification of the Group helps to minimise the impact of individual risks on its consolidated results.

Directors' responsibilities

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

We confirm that to the best of our knowledge:

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

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

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

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

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

On behalf of the Board

A. Yapp

Alison Yapp
Group General Counsel and Company Secretary

15 May 2019

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

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

Directors are also required to:

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

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

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

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

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

Independent review report to Compass Group PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2019 is not prepared, in all material respects, in accordance with IAS *34 Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

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

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

Our responsibility

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

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

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

Paul Korolkiewicz
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
15 May 2019

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Notes	Six months to 31 March 2019 Unaudited £m	Six months to 31 March 2018 Unaudited (restated[1]) £m	Year ended 30 September 2018 (restated[1]) £m
Combined sales of Group and share of equity accounted joint ventures	2, 3,12	**12,468**	11,466	23,147
Less: share of sales of equity accounted joint ventures		**(142)**	(135)	(275)
Revenue	2	**12,326**	11,331	22,872
Operating costs	2	**(11,443)**	(10,502)	(21,229)
Operating profit before joint ventures and associates	2	**883**	829	1,643
Share of profit after tax of joint ventures and associates		**30**	25	50
Operating profit	2	**913**	854	1,693
Underlying operating profit[2]	2, 3, 12	**951**	876	1,744
Amortisation of intangibles arising on acquisition		**(27)**	(20)	(44)
Acquisition transaction costs		**(2)**	(1)	(4)
Adjustment to contingent consideration on acquisition		**3**	-	(1)
One-off pension charge		**(12)**	-	-
Tax on share of profit of joint ventures		**-**	(1)	(2)
Net gain/(loss) on sale and closure of businesses		**12**	(8)	(58)
Finance income		**3**	3	6
Finance costs		**(58)**	(58)	(120)
Other financing items (loss)/gain		**(18)**	2	2
Profit before tax	2	**852**	793	1,523
Income tax expense	2, 4	**(201)**	(187)	(385)
Profit for the period	2	**651**	606	1,138
ATTRIBUTABLE TO				
Equity shareholders of the Company	2	**646**	600	1,130
Non-controlling interests		**5**	6	8
Profit for the period	2	**651**	606	1,138
BASIC EARNINGS PER SHARE (PENCE)	2, 5	**40.7p**	37.9p	71.3p
DILUTED EARNINGS PER SHARE (PENCE)	2, 5	**40.7p**	37.9p	71.3p

[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.
[2] Underlying operating profit excludes amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition and one-off pension charge, but includes share of profit after tax of associates and operating profit before tax of joint ventures. The reconciliation between statutory and underlying results is provided in note 11.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

		Six months to 31 March		
		2019 Unaudited £m	2018 Unaudited (restated[1]) £m	Year ended 30 September 2018 (restated[1]) £m
Profit for the period	2	**651**	606	1,138
Other comprehensive income				
Items that are not subsequently reclassified to the income statement				
Remeasurement of post employment benefit obligations – (loss)/gain		**(230)**	6	68
Return on plan assets, excluding interest income – gain		**159**	73	21
Tax credit/(charge) on items relating to the components of other comprehensive income		**12**	(26)	(29)
		(59)	53	60
Items that are or may be subsequently reclassified to the income statement				
Tax on items relating to the components of other comprehensive income		**-**	-	(1)
Currency translation differences		**(16)**	(67)	(76)
Reclassification adjustment for movements in foreign exchange on sale of businesses		**16**	-	-
		-	(67)	(77)
Total other comprehensive loss for the period		**(59)**	(14)	(17)
Total comprehensive income for the period	2	**592**	592	1,121
ATTRIBUTABLE TO				
Equity shareholders of the Company	2	**587**	586	1,113
Non-controlling interests		**5**	6	8
Total comprehensive income for the period	2	**592**	592	1,121

[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	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
As at 30 September 2018, as reported	176	182	295	4,208	(2,246)	25	2,640
Impact of change in accounting standards - IFRS 15	-	-	-	-	27	-	27
As at 30 September 2018, restated[1]	176	182	295	4,208	(2,219)	25	2,667
Impact of change in accounting standards - IFRS 9	-	-	-	-	(15)	-	(15)
As at 1 October 2018, restated[1]	176	182	295	4,208	(2,234)	25	2,652
Profit for the period	-	-	-	-	646	5	651
Other comprehensive income							
Currency translation differences	-	-	-	(16)	-	-	(16)
Remeasurement of post employment benefit obligations – loss	-	-	-	-	(230)	-	(230)
Return on plan assets, excluding interest income – gain	-	-	-	-	159	-	159
Tax on items relating to the components of other comprehensive income	-	-	-	-	12	-	12
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	16	-	-	16
Total other comprehensive loss	-	-	-	-	(59)	-	(59)
Total comprehensive income for the period	-	-	-	-	587	5	592
Fair value of share-based payments	-	-	-	11	-	-	11
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	-	(1)	(1)
Change in the fair value of non-controlling interest put options	-	-	-	(2)	-	-	(2)
	176	182	295	4,217	(1,647)	29	3,252
Dividends paid to Compass shareholders (note 6)	-	-	-	-	(403)	-	(403)
Dividends paid to non-controlling interests	-	-	-	-	-	(4)	(4)
As at 31 March 2019	176	182	295	4,217	(2,050)	25	2,845

[1] The Group has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' effective for the period ended 31 March 2019. IFRS 15 has been applied retrospectively and comparatives for the prior period and year end have been restated, whilst IFRS 9 has been applied prospectively from 1 October 2018 by adjusting the opening balance sheet at that date. Additional information about the transitional impact of these standards is included in notes 1 and 2.

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
As at 1 October 2018	232	4,170	7	(130)	(71)	4,208
Other comprehensive income						
Currency translation differences	-	-	-	(16)	-	(16)
Reclassification adjustment for movements in foreign exchange on sale of businesses	-	-	-	16	-	16
Total other comprehensive loss	-	-	-	-	-	-
Fair value of share-based payments	11	-	-	-	-	11
Change in the fair value of non-controlling interest put options	-	-	-	-	(2)	(2)
As at 31 March 2019	243	4,170	7	(130)	(73)	4,217

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 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
As at 1 October 2017, as reported	176	182	295	4,320	(2,875)	22	2,120
Impact of change in accounting standards - IFRS 15	-	-	-	-	22	-	22
As at 1 October 2017, restated[1]	176	182	295	4,320	(2,853)	22	2,142
Profit for the period[1]	-	-	-	-	600	6	606
Other comprehensive income							
Currency translation differences	-	-	-	(67)	-	-	(67)
Remeasurement of post employment benefit obligations – gain	-	-	-	-	6	-	6
Return on plan assets, excluding interest income – gain	-	-	-	-	73	-	73
Tax on items relating to the components of other comprehensive income	-	-	-	-	(26)	-	(26)
Total other comprehensive (loss)/income	-	-	-	(67)	53	-	(14)
Total comprehensive (loss)/income for the period	-	-	-	(67)	653	6	592
Fair value of share-based payments	-	-	-	6	-	-	6
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	(5)	-	(5)
Change in the fair value of non-controlling interest put options	-	-	-	(46)	-	-	(46)
	176	182	295	4,213	(2,205)	28	2,689
Dividends paid to Compass shareholders (note 6)	-	-	-	-	(353)	-	(353)
Dividends paid to non-controlling interests	-	-	-	-	-	(7)	(7)
As at 31 March 2018[1]	176	182	295	4,213	(2,558)	21	2,329

[1] Prior period comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.

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
As at 1 October 2017	211	4,170	7	(53)	(15)	4,320
Other comprehensive income						
Currency translation differences	-	-	-	(67)	-	(67)
Total other comprehensive loss	-	-	-	(67)	-	(67)
Fair value of share-based payments	6	-	-	-	-	6
Change in the fair value of non-controlling interest put options	-	-	-	-	(46)	(46)
As at 31 March 2018	217	4,170	7	(120)	(61)	4,213

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED 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
As at 1 October 2017, as reported	176	182	295	4,320	(2,875)	22	2,120
Impact of change in accounting standards - IFRS 15	-	-	-	-	22	-	22
As at 1 October 2017, restated[1]	176	182	295	4,320	(2,853)	22	2,142
Profit for the period[1]	-	-	-	-	1,130	8	1,138
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)	1,190	8	1,121
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 interest put options	-	-	-	(56)	-	-	(56)
Other changes	-	-	-	-	(4)	-	(4)
	176	182	295	4,208	(1,671)	34	3,224
Dividends paid to Compass shareholders (note 6)	-	-	-	-	(548)	-	(548)
Dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
As at 30 September 2018[1]	176	182	295	4,208	(2,219)	25	2,667

[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.

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
As 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 interest put options	-	-	-	-	(56)	(56)
As at 30 September 2018	232	4,170	7	(130)	(71)	4,208

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	As at 31 March 2019 Unaudited £m	As at 31 March 2018 Unaudited (restated[1]) £m	As at 30 September 2018 (restated[1]) £m
NON-CURRENT ASSETS				
Goodwill		**4,420**	4,137	4,270
Other intangible assets	2	**1,333**	996	1,105
Contract assets	2	**889**	720	838
Property, plant and equipment		**1,002**	1,003	1,006
Interests in joint ventures and associates		**218**	264	263
Other investments		**78**	65	73
Post employment benefit assets		**281**	341	346
Trade and other receivables		**103**	104	105
Deferred tax assets		**62**	88	45
Derivative financial instruments*	8, 9	**108**	83	83
Non-current assets		**8,494**	7,801	8,134
CURRENT ASSETS				
Inventories		**385**	368	353
Trade and other receivables	2	**2,873**	2,756	2,852
Tax recoverable		**76**	78	69
Cash and cash equivalents*	8	**609**	405	969
Derivative financial instruments*	8, 9	**2**	28	34
		3,945	3,635	4,277
Assets held for sale	10	**177**	-	236
Current assets		**4,122**	3,635	4,513
Total assets		**12,616**	11,436	12,647
CURRENT LIABILITIES				
Short term borrowings*	8	**(56)**	(750)	(813)
Derivative financial instruments*	8, 9	**(6)**	(9)	(12)
Provisions		**(161)**	(141)	(167)
Current tax liabilities		**(263)**	(240)	(227)
Trade and other payables		**(4,321)**	(3,927)	(4,317)
		(4,807)	(5,067)	(5,536)
Liabilities directly associated with assets held for sale	10	**(17)**	-	(72)
Current liabilities		**(4,824)**	(5,067)	(5,608)
NON-CURRENT LIABILITIES				
Long term borrowings*	8	**(4,201)**	(3,313)	(3,611)
Derivative financial instruments*	8, 9	**(12)**	(9)	(33)
Post employment benefit obligations		**(229)**	(225)	(224)
Provisions		**(217)**	(237)	(227)
Deferred tax liabilities	2	**(77)**	(75)	(57)
Trade and other payables		**(211)**	(181)	(220)
Non-current liabilities		**(4,947)**	(4,040)	(4,372)
Total liabilities		**(9,771)**	(9,107)	(9,980)
Net assets		**2,845**	2,329	2,667
EQUITY				
Share capital		**176**	176	176
Share premium account		**182**	182	182
Capital redemption reserve		**295**	295	295
Other reserves		**4,217**	4,213	4,208
Retained earnings	2	**(2,050)**	(2,558)	(2,219)
Total equity shareholders' funds		**2,820**	2,308	2,642
Non-controlling interests		**25**	21	25
Total equity		**2,845**	2,329	2,667

* Component of net debt.
[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Notes	Six months to 31 March 2019 Unaudited £m	Six months to 31 March 2018 Unaudited (restated[1]) £m	Year ended 30 September 2018 (restated[1]) £m
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	2, 7	**1,101**	1,020	2,270
Interest paid		**(56)**	(50)	(101)
Tax received		**16**	11	26
Tax paid		**(171)**	(163)	(349)
Net cash from operating activities		**890**	818	1,846
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of subsidiary companies[2]	10	**(346)**	(323)	(420)
Purchase of additional interest in joint operations and investments in associated undertakings		**(24)**	-	(32)
Proceeds from sale of subsidiary companies and associated undertakings net of exit costs[2]		**68**	10	39
Purchase of intangible assets	2	**(102)**	(103)	(164)
Purchase of contract fulfilment assets	2	**(148)**	(108)	(261)
Purchase of property, plant and equipment	2	**(154)**	(172)	(359)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**19**	30	54
Purchase of other investments		**-**	(3)	(8)
Proceeds from sale of other investments		**-**	-	1
Dividends received from joint ventures and associates		**26**	7	35
Interest received		**3**	3	6
Net cash used in investing activities		**(658)**	(659)	(1,109)
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		**-**	-	1
Purchase of non-controlling interests		**-**	(5)	(5)
Increase in borrowings	8	**1,002**	550	1,506
Repayment of borrowings	8	**(1,213)**	(302)	(1,074)
Repayment of obligations under finance leases	8	**(2)**	(2)	(6)
Equity dividends paid	6	**(403)**	(353)	(548)
Dividends paid to non-controlling interests		**(4)**	(7)	(9)
Net cash used in financing activities		**(620)**	(119)	(135)
CASH AND CASH EQUIVALENTS				
Net (decrease)/increase in cash and cash equivalents[3]	8	**(388)**	40	602
Cash and cash equivalents at beginning of the year[3]	8	**991**	387	387
Currency translation (losses)/gains on cash and cash equivalents	8	**6**	(22)	2
Cash and cash equivalents at end of the period[3]		**609**	405	991

[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.
[2] Net of cash acquired or disposed and payments received or made under warranties and indemnities.
[3] Includes cash and cash equivalents as presented in the condensed consolidated balance sheet of £609 million (31 March 2018: £405 million and 30 September 2018: £969 million) and cash and cash equivalents presented in assets held for sale of £nil (31 March 2018: £nil and 30 September 2018: £22 million).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

RECONCILIATION OF FREE CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2019

		Six months to 31 March		Year ended 30 September 2018
		2019 Unaudited £m	2018 Unaudited (restated[1]) £m	(restated[1]) £m
Net cash from operating activities	2	**890**	818	1,846
Purchase of intangible assets	2	**(102)**	(103)	(164)
Purchase of contract fulfilment assets	2	**(148)**	(108)	(261)
Purchase of property, plant and equipment	2	**(154)**	(172)	(359)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**19**	30	54
Purchase of other investments		**-**	(3)	(8)
Proceeds from sale of other investments		**-**	-	1
Dividends received from joint ventures and associates		**26**	7	35
Interest received		**3**	3	6
Dividends paid to non-controlling interests		**(4)**	(7)	(9)
Free cash flow		**530**	465	1,141

[1] Prior period and year end comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 March 2019 have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (IAS 34), and have been prepared on the basis of International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that are effective for the year ending 30 September 2019.

The unaudited condensed consolidated financial statements for the six months ended 31 March 2019, which were approved by the Board on 15 May 2019, and the comparative information in relation to the half year ended 31 March 2018, do not comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and should be read in conjunction with the Annual Report for the year ended 30 September 2018. Those accounts have been reported upon by the Group’s auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 13.

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group’s accounting policies do not include any critical judgements. The policies which require the most use of management estimation were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2018.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 30 September 2018 except as described below.

New accounting pronouncements adopted

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

- IFRS 15 ‘Revenue from contracts with customers’
- IFRS 9 ‘Financial instruments’
- Amendments to IFRS 2 – Classification and measurement of share based payment transactions
- IFRIC 22 – Foreign currency transactions and advance consideration
- Annual improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 1 and IAS 28

The Group has updated its accounting policies to reflect the impact of IFRS 15 and IFRS 9 as described below. There is no significant impact on this interim financial report as a result of adopting other new IFRS standards.

IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 ‘Revenue from contracts with customers’ and subsequent amendments ‘Clarifications to IFRS 15’ on 1 October 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes additional disclosure requirements. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied.

The Group has applied the standard on a fully retrospective basis, restating prior period and year end comparatives and electing to use the following expedients:

- Expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the comparative reporting periods presented before 1 October 2018
- Expedients in relation to the use of hindsight in contracts with variable consideration and contracts that were completed and/or modified before the beginning of the comparative periods presented

The adjustment to opening retained earnings at 1 October 2017 arising from the changes to revenue recognition amounted to 1% of total equity. Further details of the change in the Group`s accounting policy in respect of revenue recognition and an explanation of the impact on the Group`s prior period financial statements are set out in note 2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1 BASIS OF PREPARATION (CONTINUED)

IFRS 9 'Financial instruments'

The Group has adopted IFRS 9 'Financial Instruments' on 1 October 2018. The cumulative retrospective impact of the application of the standard has been reflected as an adjustment to equity on the date of adoption. The Group has not restated comparative information for prior periods.

The amendments to IFRS 9 mainly relate to the classification and measurement of financial instruments. IFRS 9 largely retains the existing requirements in IAS 39 'Financial Instruments: Recognition and Measurement' for the classification and measurement of financial liabilities; however, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. The Group elected to continue to apply the hedge accounting guidance in IAS 39.

With respect to provisions for impairment of trade receivables, IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The Group, from 1 October 2018, measure provisions for impairment of trade receivables at an amount equal to lifetime expected credit losses. In determining credit risk, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience, and forward-looking information. The Group considers the model and the assumptions used in calculating these expected credit losses as sources of estimation uncertainty.

The application of IFRS 9 at 1 October 2018 results in a £15 million adjustment to retained earnings reflective of an additional provision for impairment of trade receivables of £19 million net of a deferred tax asset of £4 million.

New accounting pronouncements to be adopted

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 31 March 2019. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

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

IFRS 16 ‘Leases’

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases' and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 October 2019.

IFRS 16 is expected to have a material impact on the Group’s consolidated financial statements. The Group will adopt IFRS 16 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption. Descriptions of the primary impacts on the Group’s accounting and the Group’s adoption approach are disclosed in the Annual Report and accounts for the year ended 30 September 2018.

The impact of adopting IFRS 16 on the Group’s consolidated balance sheet on 1 October 2019 will depend on the portfolio of leases and macroeconomic factors such as interest and foreign exchange rates at that date. However, the lease liability to be recognised on 1 October 2019 will not be prepared on the basis of factors that existed on 31 March 2019 and changes to the following items over the current financial year will each impact the amount to be recognised as an incremental lease liability on 1 October 2019:

- The Group’s lease portfolio as a result of lease terminations and inceptions
- Lease term changes as a result of events arising during the year
- Interest rates and discounting
- Foreign exchange rates
- Short term and low value lease commitments

The recognition by the Group of an additional lease liability at 1 October 2019 will have limited impact on retained earnings as a right-of-use asset will generally be equal to the additional liability that will be recognised, subject to adjustments to the right-of-use asset for the derecognition of lease related accruals and prepayments and for onerous lease provisions already held on the balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

1 BASIS OF PREPARATION (CONTINUED)

Whilst net cash flow is not impacted by IFRS 16, both net cash inflows from operating activities and payments classified within cash flow from financing activities will increase, as payments made at lease inception or subsequently will be treated as a repayment of lease liabilities.

2 IMPACT OF THE ADOPTION OF IFRS 15

IFRS 15 'Revenue from contracts with customers' – accounting policies applied since 1 October 2018

Following the adoption of IFRS 15, the Group's accounting policy in respect of revenue is as follows:

Revenue represents income derived from contracts for the provision of food and support services by the Group to customers in exchange for consideration in the normal course of business. The Group's revenue is comprised of revenues under its contracts with clients. Clients engage the Group to provide food and support services at their locations. Depending on the type of client and service, we are paid either by our client and/or directly by the consumers to whom we have been provided access by our client, such as the client's employees, visitors, pupils, patients and spectators.

Performance obligations

The Company recognises revenue when its performance obligations are satisfied. Performance obligations are satisfied as control of the goods and services is transferred to the client and/or consumers. In certain cases, clients engage us to provide food and support services in a single multi service contract. We recognise revenue for each separate performance obligation in respect of food and support services as these are provided. There is little judgment involved in determining if a performance obligation has been satisfied.

At contract inception, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract. Performance obligations are usually clearly identified within Compass' contracts and revenue is recognised for each separate performance obligation. Generally, where Compass has the obligation to its clients to make available the provision of foodservice for a predetermined period, its performance obligation represents a series of services delivered over time. There are also contracts under which Compass sells products directly to consumers and these performance obligations represent a transfer of a good at a point in time.

Transaction price

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding value added tax and similar sales taxes. For example, the transaction price may be based on a price per meal, which may vary with volume, or could be based on costs incurred plus an agreed management fee.

Compass' contracts may also include a range of variable components including performance bonus and penalties, fixed and variable paybacks and discounts, which give rise to variable consideration. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it may be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised.

The Group makes a variety of ongoing payments to clients, such as commissions, concession rentals, reimbursement of utility costs, performance penalties, fixed or variable paybacks and discounts. These are assessed for treatment as consideration paid to customers and where they are not in exchange for a distinct good or service they are recognised as a reduction of the transaction price. In addition, the Group may make a cash payment to a client typically at the start of a contract which is not an investment in service assets and does not generate or enhance the Group's resources. Such payments are reported as prepayments and, as they are considered not to be in exchange for a distinct good or service, they are charged to the income statement as a deduction to revenue recognised over the contract term rather than as an operating cost.

Any element of the variable consideration, price step down or discount is included in the total transaction price to be allocated across all performance obligations unless it relates to only one performance obligation in the contract.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

Timing of revenue recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time.

The Group has determined that most of its performance obligations are satisfied over time as the client simultaneously receives and consumes the benefits provided by the Group as the food service and/or support service are rendered at the client site. In these circumstances revenue is recognised at the amount which the Group has the right to invoice, where that amount corresponds directly with the value to the customer of the Group's performance completed to date. Where the Group is contracted to sell directly to consumers, for example in a retail café concession, the performance obligation is satisfied at a point in time, namely when the products are sold to the consumer.

Costs to obtain a contract

Costs incurred during the bidding period, prior to a contract being awarded, are expensed to the income statement. Costs incurred in securing the contract after preferred bidder status has been obtained are generally expensed as incurred, unless they fulfil the conditions for capitalisation as an asset.

The incremental costs to obtain a contract with a customer, such as commissions to the salesforce, are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period. Only commission directly attributable to an individual contract award are capitalised, while commissions payable due to multiple contract wins or due to a portfolio of client contracts are expensed as incurred as they cannot be directly attributable to an identified contract.

Costs to fulfil a contract

Costs incurred in the fulfilment of the Group's obligations to the client under the contract are recognised within contract assets and include contributions towards service assets, such as kitchen and restaurant fit out costs and equipment, which are capitalised as contract fulfilment assets. Contract fulfilment costs covered within the scope of another accounting standard, such as property, plant and equipment and intangible assets are not capitalised as contract fulfilment assets but are treated according to other standards.

Utilisation, derecognition and impairment of contract fulfilment assets and capitalised costs to obtain a contract

Contract fulfilment assets are amortised on a straight line basis over the shorter of the life of the client contract and the useful economic life of the assets. The amortisation charge is included within operating costs. Costs incurred to obtain a contract are unwound over the life of the client contract as an expense.

Capitalised costs are derecognised either when disposed of or when no further economic benefits are expected to flow from their use or disposal.

Whenever impairment indicators exist, the Group determines the recoverability of the contract fulfilment assets and capitalised costs to obtain a contract by comparing the carrying amount of the contract assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

IFRS 15 'Revenue from contracts with customers' – impact of the adoption

The impact of the adoption of IFRS 15 'Revenue from contracts with customers' on the Group's consolidated financial statements is included below. IFRS 15 has been adopted retrospectively and comparatives for the six months ended 31 March 2018 and the year ended 30 September 2018 have been restated. The following tables show the impact of these changes on each of the Group's primary statement line items affected. Where practical, line items which are not impacted by the restatement have been aggregated within the relevant sub-totals. The impact of the new standard is also explained in more detail within the footnotes that follow the tables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

Condensed consolidated income statement (extract)

	Notes	Six months to 31 March 2018 As previously reported £m	IFRS 15 £m	**Six months to 31 March 2018 Restated £m**	Year ended 30 September 2018 As previously reported £m	IFRS 15 £m	**Year ended 30 September 2018 Restated £m**
Combined sales of Group and share of equity accounted joint ventures	(i), (iv)	11,510	(44)	**11,466**	23,239	(92)	**23,147**
Less: share of sales of equity accounted joint ventures		(135)	-	**(135)**	(275)	-	**(275)**
Revenue	(i), (iv)	11,375	(44)	**11,331**	22,964	(92)	**22,872**
Operating costs	(i), (ii), (iv)	(10,547)	45	**(10,502)**	(21,324)	95	**(21,229)**
Operating profit before joint ventures and associates		828	1	**829**	1,640	3	**1,643**
Share of profit after tax of joint ventures and associates		25	-	**25**	50	-	**50**
Operating profit		853	1	**854**	1,690	3	**1,693**
Underlying operating profit		875	1	**876**	1,741	3	**1,744**
Net loss on sale and closure of businesses		(8)	-	**(8)**	(58)	-	**(58)**
Finance costs and other financing items		(53)	-	**(53)**	(112)	-	**(112)**
Profit before tax		792	1	**793**	1,520	3	**1,523**
Income tax expense	(ii)	(189)	2	**(187)**	(387)	2	**(385)**
Profit for the period		603	3	**606**	1,133	5	**1,138**
ATTRIBUTABLE TO							
Equity shareholders of the Company		597	3	**600**	1,125	5	**1,130**
Non-controlling interests		6	-	**6**	8	-	**8**
Profit for the period		603	3	**606**	1,133	5	**1,138**
BASIC EARNINGS PER SHARE (PENCE)		37.7p	0.2p	**37.9p**	71.0p	0.3p	**71.3p**
DILUTED EARNINGS PER SHARE (PENCE)		37.7p	0.2p	**37.9p**	71.0p	0.3p	**71.3p**

Condensed consolidated statement of comprehensive income (extract)

	Six months to 31 March 2018 As previously reported £m	IFRS 15 £m	**Six months to 31 March 2018 Restated £m**	Year ended 30 September 2018 As previously reported £m	IFRS 15 £m	**Year ended 30 September 2018 Restated £m**
Profit for the period	603	3	**606**	1,133	5	**1,138**
Total other comprehensive loss for the period	(14)	-	**(14)**	(17)	-	**(17)**
Total comprehensive income for the period	589	3	**592**	1,116	5	**1,121**
ATTRIBUTABLE TO						
Equity shareholders of the Company	583	3	**586**	1,108	5	**1,113**
Non-controlling interests	6	-	**6**	8	-	**8**
Total comprehensive income for the period	589	3	**592**	1,116	5	**1,121**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

Condensed consolidated balance sheet (extract)

	Notes	1 October 2017 As previously reported £m	IFRS 15 £m	**1 October 2017 Restated £m**	31 March 2018 As previously reported £m	IFRS 15 £m	**31 March 2018 Restated £m**	30 September 2018 As previously reported £m	IFRS 15 £m	**30 September 2018 Restated £m**
NON-CURRENT ASSETS										
Other intangible assets	(iii), (iv)	1,537	(701)	**836**	1,680	(684)	**996**	1,903	(798)	**1,105**
Contract assets	(ii), (iii)	-	738	**738**	-	720	**720**	-	838	**838**
Other non-current assets		5,911	-	**5,911**	6,085	-	**6,085**	6,191	-	**6,191**
Non-current assets		7,448	37	**7,485**	7,765	36	**7,801**	8,094	40	**8,134**
CURRENT ASSETS										
Trade and other receivables	(iv)	2,701	(5)	**2,696**	2,759	(3)	**2,756**	2,857	(5)	**2,852**
Other current assets		830	-	**830**	879	-	**879**	1,661	-	**1,661**
Current assets		3,531	(5)	**3,526**	3,638	(3)	**3,635**	4,518	(5)	**4,513**
Total assets		10,979	32	**11,011**	11,403	33	**11,436**	12,612	35	**12,647**
NON-CURRENT LIABILITIES										
Deferred tax liabilities	(ii)	(48)	(10)	**(58)**	(67)	(8)	**(75)**	(49)	(8)	**(57)**
Other non-current liabilities		(4,534)	-	**(4,534)**	(3,965)	-	**(3,965)**	(4,315)	-	**(4,315)**
Non-current liabilities		(4,582)	(10)	**(4,592)**	(4,032)	(8)	**(4,040)**	(4,364)	(8)	**(4,372)**
CURRENT LIABILITIES										
Current liabilities		(4,277)	-	**(4,277)**	(5,067)	-	**(5,067)**	(5,608)	-	**(5,608)**
Total liabilities		(8,859)	(10)	**(8,869)**	(9,099)	(8)	**(9,107)**	(9,972)	(8)	**(9,980)**
Net assets		2,120	22	**2,142**	2,304	25	**2,329**	2,640	27	**2,667**
EQUITY										
Retained earnings		(2,875)	22	**(2,853)**	(2,583)	25	**(2,558)**	(2,246)	27	**(2,219)**
All other reserves		4,995	-	**4,995**	4,887	-	**4,887**	4,886	-	**4,886**
Total equity		2,120	22	**2,142**	2,304	25	**2,329**	2,640	27	**2,667**

Impact on condensed consolidated cash flow statement and cash generated from operations (extract)

	Notes	31 March 2018 As previously reported £m	IFRS 15 £m	**31 March 2018 Restated £m**	30 September 2018 As previously reported £m	IFRS 15 £m	**30 September 2018 Restated £m**
Operating profit before joint ventures and associates	(ii)	828	1	**829**	1,640	3	**1,643**
Amortisation of intangible assets	(iii)	113	(80)	**33**	233	(164)	**69**
Amortisation of contract fulfilment assets	(iii)	-	80	**80**	-	164	**164**
Unwind of costs to obtain contracts	(ii)	-	6	**6**	-	13	**13**
Unwind of contract prepayments	(iv)	-	11	**11**	-	21	**21**
Investment in contract prepayments	(iv)	-	(16)	**(16)**	-	(27)	**(27)**
Increase in costs to obtain contracts	(ii)	-	(7)	**(7)**	-	(16)	**(16)**
Operating cash flows from movement in working capital	(iv)	(27)	(11)	**(38)**	147	(21)	**126**
Other cash generated from operations		122	-	**122**	277	-	**277**
Cash generated from operations		1,036	(16)	**1,020**	2,297	(27)	**2,270**
Other cash flows from operating activities		(202)	-	**(202)**	(424)	-	**(424)**
Net cash from operating activities		834	(16)	**818**	1,873	(27)	**1,846**
Purchase of intangible assets	(iii)	(211)	108	**(103)**	(425)	261	**(164)**
Purchase of contract fulfilment assets	(iii)	-	(108)	**(108)**	-	(261)	**(261)**
Purchase of property, plant and equipment	(iv)	(188)	16	**(172)**	(386)	27	**(359)**
Other cash flows from investing activities		(276)	-	**(276)**	(325)	-	**(325)**
Net cash used in investing activities		(675)	16	**(659)**	(1,136)	27	**(1,109)**
Net cash used in financing activities		(119)	-	**(119)**	(135)	-	**(135)**
Net increase in cash and cash equivalents		40	-	**40**	602	-	**602**

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

Impact on consolidated free cash flow (extract)

	Notes	31 March 2018 As previously reported £m	IFRS 15 £m	**31 March 2018 Restated £m**	30 September 2018 As previously reported £m	IFRS 15 £m	**30 September 2018 Restated £m**
Net cash from operating activities	(iv)	834	(16)	**818**	1,873	(27)	**1,846**
Purchase of intangible assets	(iii)	(211)	108	**(103)**	(425)	261	**(164)**
Purchase of contract fulfilment assets	(iii)	-	(108)	**(108)**	-	(261)	**(261)**
Purchase of property, plant and equipment	(iv)	(188)	16	**(172)**	(386)	27	**(359)**
Other		30	-	**30**	79	-	**79**
Free cash flow		465	-	**465**	1,141	-	**1,141**

As a result of the adoption of IFRS 15 'Revenue from contracts with customers' from 1 October 2018, the following adjustments were made to restate the amounts recognised in the consolidated income statement and balance sheet of previous periods:

Adjustments to the condensed consolidated income statement

	Adjustments for the six months ended 31 March 2018			**Six months to 31 March 2018**	Adjustments for the year ended 30 September 2018			**Year ended 30 September 2018**
	Consideration payable to customer (i)	Capitalisation of costs to obtain a contract (ii)	Contract prepayments (iv)	**Restated £m**	Consideration payable to customer (i)	Capitalisation of costs to obtain a contract (ii)	Contract prepayments (iv)	**Restated £m**
Revenue	(33)	-	(11)	**(44)**	(71)	-	(21)	**(92)**
Operating costs	33	1	11	**45**	71	3	21	**95**
Operating profit	-	1	-	**1**	-	3	-	**3**
Income tax expense	-	2	-	**2**	-	2	-	**2**
Profit for the period	-	3	-	**3**	-	5	-	**5**

Adjustments to the condensed consolidated balance sheet

	Adjustments to the balance sheet as at 1 October 2017			**1 October 2017**	Adjustments to the balance sheet as at 31 March 2018			**31 March 2018**
	Capitalisation of costs to obtain a contract (ii)	Contract fulfilment assets (iii)	Contract prepayments (iv)	**Restated £m**	Capitalisation of costs to obtain a contract (ii)	Contract fulfilment assets (iii)	Contract prepayments (iv)	**Restated £m**
Other intangible assets	-	(706)	5	**(701)**	-	(687)	3	**(684)**
Contract assets	32	706	-	**738**	33	687	-	**720**
Trade and other receivables - current	-	-	(5)	**(5)**	-	-	(3)	**(3)**
Deferred tax liabilities	(10)	-	-	**(10)**	(8)	-	-	**(8)**
Net assets	22	-	-	**22**	25	-	-	**25**

	Adjustments to the balance sheet as at 30 September 2018			**30 September 2018**
	Capitalisation of costs to obtain a contract (ii)	Contract fulfilment assets (iii)	Contract prepayments (iv)	**Restated £m**
Other intangible assets	-	(803)	5	**(798)**
Contract assets	35	803	-	**838**
Trade and other receivables - current	-	-	(5)	**(5)**
Deferred tax liabilities	(8)	-	-	**(8)**
Net assets	27	-	-	**27**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

(i) Consideration payable to a customer
The Group makes a variety of payments to clients, such as commissions, concession rentals, reimbursement of utility costs, performance penalties, fixed or variable paybacks and discounts. The adjustments under IFRS 15 for consideration payable to a customer primarily relate to reclassifications of some of these payments from operating costs to a deduction from revenue. The Group has conducted a detailed assessment of payments to clients to establish where these are not in exchange for a distinct good or service and therefore should be reported as a deduction from revenue. This change results in a reduction to revenue and no change to operating profit. The consolidated income statements for the six months ended 31 March 2018 and for the year ended 30 September 2018 were restated to recognise a reduction in revenue of £33 million and £71 million respectively. These amounts were previously reported as operating costs.

(ii) Capitalisation of costs to obtain a contract
Prior to adoption of IFRS 15, the Group's policy was to expense commissions paid to the salesforce on winning or retaining client contracts as incurred. Under IFRS 15, there is a requirement to recognise as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover them. These costs are then unwound over the life of the contract to which they relate on a straight line basis. Only commission directly attributable to individual contract award are capitalised, while commissions payable due to multiple contract wins or due to a portfolio of client contracts will continue to be expensed as incurred as they cannot be directly attributable to an identified contract.

From a balance sheet perspective, this change has resulted in an adjustment of £32 million at the opening balance sheet date as at 1 October 2017 to recognise the net book value of the costs to obtain a contract as a contract asset. The opening balance sheet as at 1 October 2017 has also been adjusted to recognise the associated deferred tax liability of £10 million. The consolidated balance sheets as at 31 March 2018 and 30 September 2018 were also restated to recognise the additional net book value of the costs to obtain a contract in those periods for £1 million and £3 million respectively.

The consolidated income statements for the six months ended 31 March 2018 and for the year ended 30 September 2018 were restated to recognise a net decrease in operating costs of £1 million and £3 million respectively due to the de-recognition of commissions paid to the salesforce now capitalised as contract assets (£7 million for the six months ended 31 March 2018 and £16 million for the year ended 30 September 2018) net of the charge recorded for the period in relation to these assets (£6 million for the six months ended 31 March 2018 and £13 million for the year ended 30 September 2018). The consolidated income statement for the six months ended 31 March 2018 and for the year ended 30 September 2018 were also restated to recognise a reduction in the deferred tax liability of £2 million, giving a rise to an income statement deferred tax credit of the same amount.

(iii) Contract fulfilment assets
The Group has historically classified certain client investments as contract intangible assets as a result of having to rely on, or analogise to, requirements that were not developed specifically for contracts with customers. As a result of the implementation of IFRS 15, all client investments previously classified as intangible assets that relate to contributions towards assets that the Group uses in the performance of its obligations in its contracts with clients have now been reclassified within contract assets. This new classification better represents the underlying nature of these assets as they are used in the fulfilment of the Group's performance obligations to its clients and improve the revenue generated from our client contracts. These investments represent contributions towards service assets such as catering equipment rather than unrestricted payments, which are treated as contract prepayments.

As a result, a balance sheet reclassification from intangible assets to contract fulfilment assets of £706 million was made at the opening balance sheet date as at 1 October 2017. The consolidated balance sheets as at 31 March 2018 and 30 September 2018 were also restated to recognise the additional reclassification adjustments to contract fulfilment assets in those periods of £19 million and £97 million respectively, which includes increases in the net book value of contract fulfilment assets of £11 million and £76 million net of the impact of foreign currency translation loss of £30 million and gain of £21 million respectively.

(iv) Contract Prepayments
The Group may give signing-on bonuses and cash payments to its clients which the client can use at its own discretion. Prior to IFRS 15, such payments were considered contract prepayments, which then were charged to operating costs over the period in which the Group was expected to benefit from those contracts. Under IFRS 15, these payments are assessed for treatment as 'consideration payable to a customer' and where they are not in exchange for a distinct good or service they continue to be recorded as a contract prepayment, however they are charged to the income statement as a deduction to revenue recognised over the contract term rather than an operating cost. As a result, the consolidated income statements for the six months ended 31 March 2018 and for the year ended 30 September 2018 were restated to recognise a reduction in revenue of £11 million and £21 million respectively.

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2 IMPACT OF THE ADOPTION OF IFRS 15 (CONTINUED)

The Group has conducted a detailed review of its contract prepayments resulting in a net reclassification of £5 million, £3 million and £5 million of payments to clients from contract prepayments to intangible assets at the opening balance sheet date as at 1 October 2017 and as at 31 March 2018 and 30 September 2018 respectively.

In the consolidated cash flow statement, these client prepayments are reclassified from investing activities to cash flow from operations.

(v) Other adjustments and disclosure requirements

The Group has assessed whether other adjustments were required as a result of the transition to IFRS 15 and concluded that the standard did not have a significant impact on the timing and recognition of revenue.

The Group is a food service and support services provider and generates revenue by providing these services. Revenue is recognised when the service is performed or when the goods (i.e. food, drinks or meals) are sold. Revenue recognised often corresponds to the amount invoiced or to be invoiced for services delivered in the year, with the associated cost of delivery recognised as incurred. There are no significant judgements associated with this approach.

As required for the condensed consolidated interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information to show the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 3 for the disclosure on disaggregated revenue.

3 SEGMENTAL REPORTING

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

	Geographical segments			
REVENUE[1]	North America £m	Europe £m	Rest of World £m	Total £m
SIX MONTHS ENDED 31 MARCH 2019				
Business & Industry	**2,372**	**1,570**	**761**	**4,703**
Education	**1,900**	**444**	**129**	**2,473**
Healthcare & Seniors	**2,153**	**466**	**259**	**2,878**
Sports & Leisure	**1,150**	**262**	**141**	**1,553**
Defence, Offshore & Remote	**116**	**234**	**511**	**861**
Combined sales of Group and share of equity accounted joint ventures[2,3]	**7,691**	**2,976**	**1,801**	**12,468**
SIX MONTHS ENDED 31 MARCH 2018[4]				
Business & Industry	2,002	1,642	787	4,431
Education	1,696	439	122	2,257
Healthcare & Seniors	1,936	444	264	2,644
Sports & Leisure	964	203	140	1,307
Defence, Offshore & Remote	108	177	542	827
Combined sales of Group and share of equity accounted joint ventures[2,3]	6,706	2,905	1,855	11,466
YEAR ENDED 30 SEPTEMBER 2018[4]				
Business & Industry	4,251	3,254	1,542	9,047
Education	3,092	778	241	4,111
Healthcare & Seniors	3,997	904	528	5,429
Sports & Leisure	2,160	426	287	2,873
Defence, Offshore & Remote	218	400	1,069	1,687
Combined sales of Group and share of equity accounted joint ventures[2,3]	13,718	5,762	3,667	23,147

[1] There is no inter-segmental trading.
[2] This is the revenue measure considered by the chief operating decision maker.
[3] Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,066 million (six months to 31 March 2018: £1,056 million, year ended 30 September 2018: £2,179 million). Underlying revenue from external customers arising in the US region was £7,211 million (six months to 31 March 2018: £6,279 million, year ended 30 September 2018: £12,875 million). Continuing revenue from external customers arising in all foreign countries from which the Group derives revenue was £11,402 million (six months to 31 March 2018: £10,410 million, year ended 30 September 2018: £20,968 million).
[4] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

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3 SEGMENTAL REPORTING (CONTINUED)

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2019					
Underlying operating profit before joint ventures and associates	**663**	**192**	**104**	**(38)**	**921**
Add: Share of profit before tax of joint ventures	**1**	**-**	**17**	**-**	**18**
Regional underlying operating profit[1]	**664**	**192**	**121**	**(38)**	**939**
Add: Share of profit of associates	**6**	**6**	**-**	**-**	**12**
Group underlying operating profit[1]	**670**	**198**	**121**	**(38)**	**951**

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2018[2]					
Underlying operating profit before joint ventures and associates	575	197	110	(32)	850
Add: Share of profit before tax of joint ventures	1	-	14	-	15
Regional underlying operating profit[1]	576	197	124	(32)	865
Add: Share of profit of associates	7	4	-	-	11
Group underlying operating profit[1]	583	201	124	(32)	876

OPERATING PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2018[2]					
Underlying operating profit before joint ventures and associates	1,121	395	246	(70)	1,692
Add: Share of profit before tax of joint ventures	2	-	30	-	32
Regional underlying operating profit[1]	1,123	395	276	(70)	1,724
Add: Share of profit of associates	14	6	-	-	20
Group underlying operating profit[1]	1,137	401	276	(70)	1,744

[1] Underlying operating profit is the profit measure considered by the chief operating decision maker.
[2] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 TAX

RECOGNISED IN THE INCOME STATEMENT: INCOME TAX EXPENSE	Six months to 31 March 2019 £m	Six months to 31 March 2018 (restated[1]) £m	Year ended 30 September 2018 (restated[1]) £m
CURRENT TAX			
Current year	**214**	193	380
Adjustment in respect of prior years	**(11)**	(11)	(11)
Current tax expense	**203**	182	369
DEFERRED TAX			
Current year	**(2)**	8	17
Impact of changes in statutory tax rates	**-**	(2)	(6)
Adjustment in respect of prior years	**-**	(1)	5
Deferred tax (credit)/expense	**(2)**	5	16
TOTAL INCOME TAX			
Income tax expense	**201**	187	385

[1] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

On 25 April 2019, the European Commission published its final decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation concluding that part of the legislation is in breach of EU State Aid rules. The decision is likely to be subject to appeal. Like many other multinational groups that have acted in accordance with the UK legislation in force at the time, the Group may be affected. We have calculated our maximum potential liability to be £113 million at 31 March 2019. The final impact on the Group remains uncertain and our current assessment is that no provision is required at present.

The increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties has increased. The Group is currently subject to a number of reviews and audits in jurisdictions around the world that primarily relate to complex corporate tax issues. None of these audits are currently expected to have a material impact on the Group's financial position and there have been no significant developments in respect of any of these since 30 September 2018.

In addition, we continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. In the period to 31 March 2019 litigation proceedings began with the local tax authority in Brazil on a number of indirect tax issues, primarily the PIS / COFINS treatment of certain food costs. Based on the opinion of our local legal advisers, we do not currently consider it likely that we will have to settle a liability with respect to this matter, and on this basis no provision has been recorded. As at 31 March 2019 we therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

Deferred tax assets have not been recognised in respect of tax losses of £30 million (31 March 2018: £44 million, 30 September 2018: £41 million) and other temporary differences of £17 million (31 March 2018: £20 million, 30 September 2018: £26 million). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

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5 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the 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, one-off pension charge, profits and losses on sale and closure of businesses, hedge accounting ineffectiveness and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	Six months to 31 March **2019** **£m**	 2018 (restated[1]) £m	Year ended 30 September 2018 (restated[1]) £m
Profit for the period attributable to equity shareholders of the Company	**646**	600	1,130
Adjustments stated net of tax:			
Amortisation of intangibles arising on acquisition	**19**	14	33
Acquisition transaction costs	**2**	1	3
Adjustment to contingent consideration on acquisition	**(2)**	-	1
One-off pension charge	**10**	-	-
Net (gain)/loss on sale and closure of businesses	**(10)**	7	68
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**16**	(2)	(1)
Underlying attributable profit for the period from operations	**681**	620	1,234

AVERAGE NUMBER OF ORDINARY SHARES	Six months to 31 March **2019** **Ordinary shares of $11^{1/20}$p each** **millions**	 2018 Ordinary shares of $11^{1/20}$p each millions	Year ended 30 September 2018 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,586**	1,583	1,584
Dilutive share options	**1**	1	1
Average number of shares for diluted earnings per share	**1,587**	1,584	1,585

BASIC EARNINGS PER SHARE (PENCE)	Six months to 31 March **2019** **Earnings per share** **pence**	 2018 (restated[1]) Earnings per share pence	Year ended 30 September 2018 (restated[1]) Earnings per share pence
From operations	**40.7**	37.9	71.3
Adjustments stated net of tax:			
Amortisation of intangibles arising on acquisition	**1.2**	0.9	2.1
Acquisition transaction costs	**0.1**	0.1	0.2
Adjustment to contingent consideration on acquisition	**(0.1)**	-	0.1
One-off pension charge	**0.6**	-	-
Net (gain)/loss on sale and closure of businesses	**(0.6)**	0.4	4.3
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**1.0**	(0.1)	(0.1)
From underlying operations	**42.9**	39.2	77.9

[1] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5 EARNINGS PER SHARE (CONTINUED)

DILUTED EARNINGS PER SHARE	Six months to 31 March 2019 Earnings per share pence	Six months to 31 March 2018 (restated[1]) Earnings per share pence	Year ended 30 September 2018 (restated[1]) Earnings per share pence
From operations	**40.7**	37.9	71.3
Adjustments stated net of tax:			
Amortisation of intangible assets arising on acquisition	**1.2**	0.9	2.1
Acquisition transaction costs	**0.1**	0.1	0.2
One-off pension charge	**(0.1)**	-	0.1
Adjustment to contingent consideration on acquisition	**0.6**	-	-
Net (gain)/loss on sale and closure of businesses	**(0.6)**	0.4	4.3
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	**1.0**	(0.1)	(0.1)
From underlying operations	**42.9**	39.2	77.9

[1] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

6 DIVIDENDS

The interim dividend of 13.1 pence per share (2018: 12.3 pence per share), £208 million in aggregate[1], is payable on 29 July 2019 to shareholders on the register at the close of business on 21 June 2019. The dividend was approved by the Board after the balance sheet date, and has therefore not been reflected as a liability in the interim financial statements.

DIVIDENDS ON ORDINARY SHARES	Six months to 31 March 2019 £m	Six months to 31 March 2018 £m	Year ended 30 September 2018 £m
Amounts recognised as distributions to equity shareholders during the year:			
Final 2017 – 22.3p per share	**-**	353	353
Interim 2018 – 12.3p per share	**-**	-	195
Final 2018 – 25.4p per share	**403**	-	-
Total dividends	**403**	353	548

[1] Based on the number of ordinary shares, excluding treasury shares, in issue at 31 March 2019 (1,586 million shares).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

7 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	Six months to 31 March		Year ended 30 September
	2019	2018 (restated[1])	2018 (restated[1])
	£m	£m	£m
Operating profit before joint ventures and associates	**883**	829	1,643
Adjustments for:			
Amortisation of intangible assets arising on acquisition	**27**	20	44
Acquisition transaction costs	**2**	1	4
Adjustment to contingent consideration on acquisition	**(3)**	-	1
One-off pension charge	**12**	-	-
Amortisation of intangible assets	**44**	33	69
Amortisation of contract fulfilment assets	**89**	80	164
Unwind of costs to obtain contracts	**6**	6	13
Unwind of contract prepayments	**10**	11	21
Depreciation of property, plant and equipment	**140**	131	267
Loss/(gain) on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**2**	(10)	(7)
Other non-cash changes	**(2)**	-	-
Decrease in provisions	**(10)**	(21)	(45)
Investment in contract prepayments	**(10)**	(16)	(27)
Increase in costs to obtain contracts	**(8)**	(7)	(16)
Post employment benefit obligations net of service costs	**(9)**	(5)	(8)
Share-based payments - charged to profits	**11**	6	21
Operating cash flows before movement in working capital	**1,184**	1,058	2,144
Increase in inventories	**(26)**	(26)	(30)
Increase in receivables	**(56)**	(102)	(208)
(Decrease)/increase in payables	**(1)**	90	364
Cash generated from operations	**1,101**	1,020	2,270

[1] Prior period and year end comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

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8 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

NET DEBT	Six months to 31 March								Year ended 30 September
	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	Net debt 2019 £m	Net debt 2018 £m	2018 £m
Brought forward at 1 October	969	(76)	(4,342)	(4,418)	(6)	72	(3,383)	(3,446)	(3,446)
Net (decrease)/increase in cash and cash equivalents	(366)	-	-	-	-	-	(366)	40	602
Cash outflow from repayment of bank loans	-	-	443	443	-	-	443	302	1,074
Cash inflow from borrowing bank loans	-	-	(1,002)	(1,002)	-	-	(1,002)	(489)	(772)
Cash outflow from repayment of loan notes	-	-	193	193	-	-	193	-	-
Cash inflow from issue of bonds	-	-	-	-	-	-	-	-	(686)
Cash outflow from repayment of bonds	-	-	527	527	-	-	527	-	-
Reclassified to held for sale	-	-	-	-	-	-	-	-	(22)
Cash outflow/(inflow) from other changes in gross debt	-	25	4	29	-	21	50	(61)	(48)
Cash outflow from repayments of obligations under finance leases	-	-	-	-	2	-	2	2	6
Increase in net debt as a result of new finance leases	-	-	-	-	(1)	-	(1)	-	(2)
Currency translation gains/(losses)	6	(1)	59	58	-	(67)	(3)	98	(67)
Other non-cash movements	-	-	(82)	(82)	-	66	(16)	(11)	(22)
Carried forward	**609**	**(52)**	**(4,200)**	**(4,252)**	**(5)**	**92**	**(3,556)**	(3,565)	(3,383)

OTHER NON-CASH MOVEMENTS IN NET DEBT	Six months to 31 March		Year ended 30 September
	2019 £m	2018 £m	2018 £m
Amortisation of fees and discount on issuance	(3)	(2)	(4)
Loans acquired through business acquisition	-	-	(12)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	(79)	18	44
Bank and other borrowings	(82)	16	28
Changes in the value of derivative financial instruments including accrued income	66	(27)	(50)
Other non-cash movements	**(16)**	(11)	(22)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

9 FINANCIAL INSTRUMENTS

The Group held certain financial instruments at fair value at 31 March 2019.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS	Six months ended 31 March 2018			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps				
Fair value hedges[1]	3	12	-	(8)
Not in a hedging relationship[2]	3	6	(1)	(1)
Cross currency swaps				
Fair value hedges[1]	17	65	-	-
Forward currency contracts				
Net investment hedges[3]	4	-	(4)	-
Not in a hedging relationship[2]	1	-	(4)	-
Total	28	83	(9)	(9)

DERIVATIVE FINANCIAL INSTRUMENTS	Year ended 30 September 2018			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Interest rate swaps				
Fair value hedges[1]	4	6	-	(19)
Not in a hedging relationship[2]	4	4	-	(1)
Cross currency swaps				
Fair value hedges[1]	23	73	-	(13)
Forward currency contracts				
Net investment hedges[3]	3	-	(9)	-
Not in a hedging relationship[2]	-	-	(3)	-
Total	34	83	(12)	(33)

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

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10 ACQUISITIONS AND SALE AND CLOSURE OF BUSINESSES

ACQUISITIONS

The total cash spent on acquisitions in the first half, net of cash acquired, was £346 million (2018: £323 million). The most significant acquisition during the period relates to Client Rewards.

On 12 December 2018, Compass Group USA, Inc., a USA subsidiary of the Group, purchased 100% of the share capital of Client Rewards for an initial consideration of £163 million ($209 million). Client Rewards, is an Iowa based company, that provides procurement and supply chain management services. The preliminary goodwill in relation to the assets acquired is £75 million ($96 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 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 at 30 September 2018, the Group had classified certain businesses as held for sale with assets of £236 million and liabilities of £72 million.

During the period ended 31 March 2019, the disposal of several businesses which were held for sale at 30 September 2019 was completed, including South Africa, Vision Security Group in the UK and part of the US laundries business. As a result, the Group has recognised a net £25 million gain on the sale of these businesses including price adjustments to disposals completed in prior years. This gain was offset by £13 million exit costs relating to committed or completed business exits.

As at 31 March 2019, the Group has classified the remaining US laundries and some businesses in our Rest of the World region as held for sale as these disposals are highly probable and expected to be completed within 12 months. The Group's balance sheet includes assets of £177 million and liabilities of £17 million in respect of these businesses.

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11 STATUTORY AND UNDERLYING RESULTS

	Notes	Six months to 31 March 2019 2019 Statutory £m	Adjustments 1	2	3	4	5	6	7	2019 Underlying £m
Operating profit	3	**913**	**27**	**2**	**(3)**	**12**	**-**	**-**	**-**	**951**
Net gain on sale and closure of businesses		**12**	**-**	**-**	**-**	**-**	**-**	**(12)**	**-**	**-**
Net finance cost		**(73)**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**(55)**
Finance income		**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Finance costs		**(58)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(58)**
Other financing items		**(18)**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**-**
Profit before tax		**852**	**27**	**2**	**(3)**	**12**	**-**	**(12)**	**18**	**896**
Income tax expense		**(201)**	**(8)**	**-**	**1**	**(2)**	**-**	**2**	**(2)**	**(210)**
Tax rate		**23.6%**								**23.5%**
Profit for the period		**651**	**19**	**2**	**(2)**	**10**	**-**	**(10)**	**16**	**686**
Non-controlling interests		**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**
Profit attributable to equity shareholders of the Company		**646**	**19**	**2**	**(2)**	**10**	**-**	**(10)**	**16**	**681**
Average number of shares		**1,586**								**1,586**
BASIC EARNINGS PER SHARE (PENCE)	5	**40.7**	**1.2**	**0.1**	**(0.1)**	**0.6**	**-**	**(0.6)**	**1.0**	**42.9**

	Notes	Six months to 31 March 2018 2018 Statutory (restated[1]) £m	Adjustments 1	2	3	4	5	6	7	2018 Underlying (restated[1]) £m
Operating profit	3	854	20	1	-	-	1	-	-	876
Net loss on sale and closure of businesses		(8)	-	-	-	-	-	8	-	-
Net finance cost		(53)	-	-	-	-	-	-	(2)	(55)
Finance income		3	-	-	-	-	-	-	-	3
Finance costs		(58)	-	-	-	-	-	-	-	(58)
Other financing items		2	-	-	-	-	-	-	(2)	-
Profit before tax		793	20	1	-	-	1	8	(2)	821
Income tax expense		(187)	(6)	-	-	-	(1)	(1)	-	(195)
Tax rate		23.6%								23.8%
Profit for the period		606	14	1	-	-	-	7	(2)	626
Non-controlling interests		(6)	-	-	-	-	-	-	-	(6)
Profit attributable to equity shareholders of the Company		600	14	1	-	-	-	7	(2)	620
Average number of shares		1,583								1,583
BASIC EARNINGS PER SHARE (PENCE)[2]	5	37.9	0.9	0.1	-	-	-	0.4	(0.1)	39.2

[1] Prior period comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.
[2] Underlying constant currency earnings per share is based on a Group constant currency profit attributable to equity shareholders of the Company and includes positive constant currency adjustments of £18 million.

Adjustments:

1. Amortisation of intangibles arising on acquisition.
2. Acquisition transaction costs.
3. Adjustment to contingent consideration on acquisition.
4. One-off pension charge.
5. Tax on share of profit of joint ventures.
6. (Loss)/gain on sale and closure of businesses.
7. Other financing items including hedge accounting ineffectiveness.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

11 STATUTORY AND UNDERLYING RESULTS (continued)

		Twelve months to 30 September 2018								
		2018 Statutory	Adjustments							2018 Underlying
	Notes	(restated[1]) £m	1	2	3	4	5	6	7	(restated[1]) £m
Operating profit	3	1,693	44	4	1	-	2	-	-	1,744
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		1,523	44	4	1	-	2	58	(2)	1,630
Income tax expense		(385)	(11)	(1)	-	-	(2)	10	1	(388)
Tax rate		25.3%								23.8%
Profit for the period		1,138	33	3	1	-	-	68	(1)	1,242
Non-controlling interests		(8)	-	-	-	-	-	-	-	(8)
Profit attributable to equity shareholders of the Company		1,130	33	3	1	-	-	68	(1)	1,234
Average number of shares		1,584								1,584
BASIC EARNINGS PER SHARE (PENCE)	5	71.3	2.1	0.2	0.1	-	-	4.3	(0.1)	77.9

[1] Prior period comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

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. One-off pension charge.
5. Tax on share of profit of joint ventures.
6. (Loss)/gain on sale and closure of businesses.
7. Other financing items including hedge accounting ineffectiveness.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

12 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				
	North America £m	Europe £m	Rest of World £m	Other £m	Group £m
SIX MONTHS TO 31 MARCH 2019					
Combined sales of Group and share of equity accounted joint ventures	**7,691**	**2,976**	**1,801**	**-**	**12,468**
% growth reported rates	14.7%	2.4%	(2.9%)	-	8.7%
% growth constant currency	9.0%	2.7%	2.8%	-	6.5%
Organic adjustments	(17)	(20)	(7)	-	(44)
Organic revenue	7,674	2,956	1,794	-	12,424
% growth organic	**7.9%**	**5.5%**	**3.2%**	**-**	**6.6%**
SIX MONTHS TO 31 MARCH 2018[1]					
Combined sales of Group and share of equity accounted joint ventures	**6,706**	**2,905**	**1,855**	**-**	**11,466**
Currency adjustments	351	(8)	(103)	-	240
Constant currency underlying revenue	7,057	2,897	1,752	-	11,706
Organic adjustments	57	(96)	(14)	-	(53)
Organic revenue	7,114	2,801	1,738	-	11,653
SIX MONTHS TO 31 MARCH 2019					
Regional underlying operating profit	**664**	**192**	**121**	**(38)**	939
Share of profit of associates	6	6	-	-	12
Group underlying operating profit	670	198	121	(38)	**951**
Underlying operating margin (excluding associates)	**8.6%**	**6.5%**	**6.7%**	-	**7.5%**
% growth reported rates	15.3%	(2.5%)	(2.4%)	-	8.6%
% growth constant currency	9.4%	(2.5%)	4.3%	-	5.8%
Organic adjustments	(2)	1	(3)	-	(4)
Regional underlying organic operating profit (excluding associates)	662	193	118	(38)	935
Group underlying organic operating profit (including associates)	668	199	118	(38)	947
% growth organic	**8.2%**	**(4.5%)**	**2.6%**	**-**	**4.3%**
SIX MONTHS TO 31 MARCH 2018[1]					
Regional underlying operating profit	**576**	**197**	**124**	**(32)**	865
Share of profit of associates	7	4	-	-	11
Group underlying operating profit	583	201	124	(32)	**876**
Underlying operating margin (excluding associates)	**8.6%**	**6.8%**	**6.7%**	**-**	**7.5%**
Currency adjustments – profit	31	-	(8)	-	23
Currency adjustments – associates	-	-	-	-	-
Regional constant currency underlying operating profit (excluding associates)	**607**	**197**	**116**	(32)	888
Group constant currency underlying operating profit (including associates)	614	201	116	(32)	**899**
Organic adjustments	5	5	(1)	-	9
Regional underlying organic operating profit (excluding associates)	**612**	**202**	**115**	(32)	897
Share of profit from associates – constant currency	7	4	-	-	11
Group underlying organic operating profit (including associates)	619	206	115	(32)	**908**

[1] Prior period comparatives have been restated upon the Group's adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for details regarding the restatement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

13 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

14 EXCHANGE RATES

	Six months to 31 March		Year ended 30 September
	2019	2018	2018
AVERAGE EXCHANGE RATE FOR THE PERIOD[1]			
Australian Dollar	**1.81**	1.76	1.77
Brazilian Real	**4.96**	4.45	4.73
Canadian Dollar	**1.72**	1.74	1.73
Chilean Peso	**872.76**	847.36	850.39
Euro	**1.14**	1.14	1.13
Japanese Yen	**144.63**	151.03	149.06
New Zealand Dollar	**1.92**	1.92	1.93
Norwegian Krone	**11.00**	10.95	10.88
Turkish Lira	**7.10**	5.20	5.92
UAE Dirham	**4.76**	5.03	4.95
US Dollar	**1.30**	1.37	1.35
CLOSING EXCHANGE RATE AS AT THE END OF THE PERIOD[1]			
Australian Dollar	**1.83**	1.83	1.80
Brazilian Real	**5.07**	4.66	5.21
Canadian Dollar	**1.74**	1.81	1.69
Chilean Peso	**886.69**	846.68	860.15
Euro	**1.16**	1.14	1.12
Japanese Yen	**144.23**	149.19	148.12
New Zealand Dollar	**1.91**	1.94	1.97
Norwegian Krone	**11.22**	11.01	10.62
Turkish Lira	**7.36**	5.56	7.83
UAE Dirham	**4.79**	5.15	4.79
US Dollar	**1.30**	1.40	1.30

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

Glossary of terms

Capital employed	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
Constant currency	Restates the prior year results to the current year's average exchange rates.
EM & OR restructuring	Emerging Markets and Offshore & Remote restructuring.
Free cash flow	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, contract prepayments and costs to obtain client contracts, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests.
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Gross capital expenditure	Includes the purchase of intangible assets, contract fulfilment assets, property, plant and equipment, including assets purchased under finance leases, and investment in contract prepayments.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net capital expenditure	Gross capital expenditure less proceeds from sale of property, plant and equipment, intangible assets and cash proceeds from derecognition of contract fulfilment assets and contract prepayments.
Net debt	Bank overdrafts, bank and other borrowings, 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	o amortisation of intangibles arising on acquisition; o acquisition transaction costs; o adjustment to contingent consideration on acquisition; o one-off pension charge; o tax on share of profit of joint ventures; o gain/(loss) on sale and closure of businesses; o change in the fair value of investments; o other financing items including hedge accounting ineffectiveness.
Underlying basic earnings per share	Excludes 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.

Glossary of terms (continued)

Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin - Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin - Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying operating profit - Group	Includes share of profit after tax of associates and profit before tax of 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.