Legal Entity Identifier (LEI) No. 2138008M6MH9OZ6U2T68

Annual Results Announcement

COMPASS GROUP

Full year results announcement for the year ended 30 September 2021

	Underlying[1] results			Statutory results		
	2021	2020	Change	**2021**	2020	Change
Revenue	**£18.1 billion**	£19.2 billion[2]	(6.3)%[3]	**£17.9 billion**	£19.9 billion	(10.2)%
Operating profit	**£811 million**	£522 million[2]	55.4%[2]	**£545 million**	£294 million	85.4%
Operating margin	**4.5%**	2.9%	160bps	**3.0%**	1.5%	150bps
Earnings per share	**29.5 pence**	17.1 pence[2]	72.5%[2]	**20.0 pence**	8.0 pence	150.0%
Free cash flow	**£660 million**	£213 million	209.9%			
Operating cash flow				**£1,171 million**	£845 million	38.6%
Annual dividend per share	**14 pence**	-		**14 pence**	-	

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.
2. Measured on a constant currency basis.
3. Organic revenue change.

Focused on growth following a year of strong recovery

Performance summary

- Underlying revenue recovered to 88% of 2019 revenue by Q4. FY underlying revenue 77% of 2019
- Underlying margin improved to 5.8% in Q4. FY underlying margin of 4.5%
- Strong FY operating cash flow of £1 billion whilst maintaining gross capex at 3.6% of underlying revenue. Reduced leverage ratio to 1.6x
- Reinstating the dividend with a payout policy of c.50% of underlying earnings

Operational highlights

- Healthcare & Senior Living and Defence, Offshore & Remote sectors performed well above pre-pandemic volumes, with strong recovery in Education and Sports & Leisure by Q4
- Record new business wins of £2.1 billion, with around half from first time outsourcing and client retention of 95.4%
- Announced a global commitment to deliver net zero by 2050, including validated Science Based Targets to 2030

Strategy

- Focused on growth:
  - Significant structural opportunities, especially in first time outsourcing
  - Enabled by our strategic priorities: evolution of our operating model, innovation and digital, investing in capex and M&A and sustainability commitments

Outlook

- FY22 organic revenue growth expected to be 20%-25%
- FY22 underlying operating margin anticipated to be over 6%, with an exit rate of c.7%
- Progress expected to be weighted towards the second half of the year due to mobilisation costs and inflationary pressures during H1

Statutory results

- Statutory revenue decreased by 10.2% due to the pandemic's continuing impact on our operations
- Statutory operating profit increased by 85.4% to £545 million reflecting actions taken to control the controllable, including resizing the cost base and improved cost control

Business review

Dominic Blakemore, Group Chief Executive, said:

"Our strong financial recovery in 2021, including record new business wins and client retention, is a credit to our teams' exceptional resilience, dedication and expertise in extraordinary circumstances. We are pleased to be reinstating the dividend reflecting our strong cash flow and increasing confidence in the Group's performance.

Looking ahead we are now focused on growth, driven by encouraging market trends and our ability to provide more bespoke, digital and sustainable solutions that meet the evolving needs of clients in a post-pandemic world. The tailwinds from first time outsourcing continue and, combined with our differentiated operating model and investment opportunities, we are in a strong position for growth.

In the short term, we expect FY22 organic revenue growth to be 20%-25%. Full year underlying margin is anticipated to be over 6%. With ongoing mobilisation costs and inflationary pressure, further improvement will be weighted towards the second half of the year as we return to underlying margin of around 7% by year end.

As we emerge from the pandemic, our strategic focus is on sustained growth for the future, to enhance our competitive advantages and further strengthen our position as an industry leader in food services. We are increasingly excited about the significant structural growth opportunities globally, leading to the potential for revenue and profit growth above historical rates, returning margin to pre-pandemic levels, and rewarding shareholders with further returns."

Results presentation today

A recording of the results presentation for investors and analysts will be available on the Company's website today, Tuesday 23 November 2021, at 7.00 a.m.. There will be a question and answer session at 9.00 a.m., accessible via the Company's website, www.compass-group.com, and you will be able to participate by dialing:

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

UK Toll Number:	+44 (0) 33 0551 0200
UK Toll-Free Number:	0808 109 0700
US Toll Number:	+1 212 999 6659
US Toll-Free Number:	1 866 966 5335
Participant PIN Code:	Compass

Financial calendar

Ex-dividend date for 2021 final dividend	20 January 2022
Record date for 2021 final dividend	21 January 2022
Q1 Trading Update / Annual General Meeting	3 February 2022
Last day for DRIP elections	7 February 2022
2021 final dividend date for payment	28 February 2022
Half year results	11 May 2022

Enquiries

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Business review (continued)

Basis of preparation

Throughout this preliminary results announcement, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance.

The Executive Committee manages and assesses the performance of the Group using various underlying and other Alternative Performance Measures (APMs). These measures are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP) and may not be directly comparable with alternative performance measures used by other companies. Underlying measures reflect ongoing trading and, therefore, facilitate meaningful year on year comparison. Management believes that the Group's underlying and alternative performance measures, together with the results prepared in accordance with IFRS, provide comprehensive analysis of the Group's results.

The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Group overview

2021 has been a year of strong recovery. Underlying operating margins improved sequentially quarter on quarter from breakeven at the end of Q4 2020 to 5.8% by Q4 2021 delivering 4.5%[1] for the full year. Our year end cash position was strong and our leverage is now close to our target range of 1x-1.5x. All this was achieved through controlling the controllable by managing our cost base, resizing the business and adapting our operations.

Whilst we have made progress recovering revenue in H2, driven by strong net new business, the pandemic continued to affect performance for the year. Our Healthcare & Senior Living and Defence, Offshore & Remote sectors performed well above pre-pandemic revenues, and we experienced a strong recovery in Education and Sports & Leisure in the fourth quarter. Revenues in our Business & Industry sector have remained subdued due to the delayed return to offices in our major markets. Successfully adapting our operations to the circumstances has been key to our recovery to date and will continue to be so as we evolve alongside our clients to provide more flexible, bespoke offers.

Group performance

Our 2021 results reflect the strong recovery from the pandemic's impact on our business. Our revenue in 2021 declined by 6.3%[1] on an organic basis as the pandemic continued to impact our revenues and, throughout the year, lockdowns and restrictions were imposed and relaxed across our markets. We had excellent new business at 7.2% and retention at 95.4%. Net new business was 2.6% and, encouragingly, in the second half of the year was 6.2%, higher than the historical trend of around 3% and, although benefiting from a lower denominator, this indicates positive momentum into 2022.

Organic revenue[1]

% organic change	Q1	Q2	Q3	Q4	FY
Business & Industry	(43.4)%	(41.5)%	20.4%	19.3%	**(21.0)%**
Education	(37.0)%	(25.6)%	93.7%	41.8%	**(3.7)%**
Healthcare & Senior Living	0.8%	3.1%	15.0%	9.3%	**6.9%**
Sports & Leisure	(76.5)%	(66.6)%	412.6%	334.6%	**(6.7)%**
Defence, Offshore & Remote	(1.2)%	2.5%	17.8%	15.0%	**8.3%**
Group	(33.7)%	(26.8)%	36.4%	32.9%	**(6.3)%**

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Business review (continued)

Underlying revenue[2]

Underlying revenue as % of 2019[1]	Q1	Q2	Q3	Q4	FY
Business & Industry	61.5%	57.8%	60.8%	68.4%	**62.1%**
Education	66.9%	72.0%	77.7%	93.6%	**76.5%**
Healthcare & Senior Living	105.2%	105.2%	107.2%	111.3%	**107.2%**
Sports & Leisure	24.7%	28.3%	48.8%	89.3%	**49.1%**
Defence, Offshore & Remote	107.1%	108.6%	110.6%	108.8%	**108.8%**
Group	71.1%	71.7%	76.2%	88.5%	**76.8%**

1. On a constant currency basis. Throughout this report, underlying revenue as a percentage of 2019 is calculated on a constant currency basis.

We further progressed on rebuilding revenue in the second half, with the fourth quarter at 88% of our 2019 revenues reflecting significant improvements in Sports & Leisure and a strong return to Education after the summer break. Defence, Offshore & Remote and Healthcare & Senior Living continued to operate at over 100% of 2019 revenues, however, in Business & Industry, the pace of recovery remained subdued.

On a statutory basis, revenue decreased by 10.2% reflecting the continued impact of the pandemic on the business.

Operating profit and operating margin

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

Throughout 2021, we continued to control the controllable, including resizing the cost base and increasing levels of labour flexibility, and have incurred an additional £157 million of COVID-19 resizing charges. These actions, along with continued contract renegotiations, a focus on procurement and purchasing compliance, as well as general cost control, have allowed our underlying operating margin to rebuild quarter on quarter despite subdued volume recovery, with the fourth quarter underlying operating margin at 5.8%.

Underlying operating profit increased by 55%[2] to £811 million[2] on a constant currency basis and our underlying operating margin was 4.5%[2].

On a statutory basis, operating profit increased by 85% to £545 million reflecting the actions taken to control costs despite the lower trading volumes as a result of the pandemic.

Capital allocation

Our capital allocation framework is clear and unchanged. Our priority is to invest in the business to fund growth opportunities, target a strong investment grade credit rating and pay an ordinary dividend, with any surplus capital being returned to shareholders through share buybacks and/or special dividends, subject to our leverage target of 1x-1.5x net debt to EBITDA.

Growth investment consists of (i) capital expenditure to support organic growth in both new business wins and retention of existing contracts, and (ii) bolt-on M&A opportunities that strengthen our capabilities and broaden our exposure. We have a proven track record of strong returns from our investment strategy evidenced by our historical returns on capital employed.

The Board has proposed a final dividend of 14.0 pence per share for FY21, payable in February 2022. From FY22 the dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend.

2. Alternative Performance Measure (APM). The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Regional performance

North America – 61.6% Group underlying revenue (2020: 63.1%)

Regional financial summary	Underlying[1] 2021	Underlying[1] 2020	Change[1] Reported rates	Change[1] Constant currency	Change[1] Organic
Revenue	**£11,170m**	£12,746m	(12.4)%	(6.9)%	(6.7)%
Regional operating profit	**£608m**	£606m	0.3%	6.1%	6.5%
Regional operating margin	**5.4%**	4.8%	60bps		

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) of the consolidated financial statements.

Underlying

Full year organic revenue declined by 6.7% and we saw revenues at c.76% of 2019 revenue, with the fourth quarter exit rate at around 90%. Reported new business at 7.5%, with double digit new business growth in Healthcare & Senior Living and Sports & Leisure and continued high retention rates at 96.4%, saw net new business of 3.9% with the second half of the year at 7.3%. Of the top 10 new business wins by value, eight were from first time outsourcing.

Our Sports & Leisure business performed well in the second half of the year benefiting from improved attendance, particularly of outdoor sports events, with strong per capita spend. Our Education sector has seen strong reopening numbers following the summer break and high on campus spend. Our Business & Industry sector, being weighted towards business, continued to be significantly impacted by the pandemic with a slow recovery and gradual return to offices. Our Healthcare & Senior Living business has been resilient throughout the pandemic, particularly in support services, and continued to trade above 100% of 2019 revenues. Our remaining laundries business was disposed of during the year.

Underlying operating profit was £608 million, which represents 6.1% year on year growth on a constant currency basis. The actions taken to rebuild the margin and our continued focus on efficiency and cost control, have allowed the underlying operating margin to improve by 60bps from 2020 to 5.4%, with an underlying operating margin of 6.2% in Q4 2021, an improvement of 330bps over the fourth quarter of 2020.

Statutory

Statutory revenue decreased by 12.4% to £11,149 million as the pandemic continued to negatively impact the business.

Statutory operating profit was £560 million, a £72 million increase, due to the improved margin and the £48 million of non-underlying resizing costs recognised in the prior year.

Business review (continued)

Europe – 25.6% Group underlying revenue (2020: 25.0%)

	Underlying[1]		Change[1]		
Regional financial summary	**2021**	2020	Reported rates	Constant currency	Organic
Revenue	**£4,641m**	£5,048m	(8.1)%	(6.3)%	(9.6)%
Regional operating profit/(loss)	**£147m**	£(29)m	606.9%	520.0%	1,570.0%
Regional operating margin	**3.2%**	(0.6)%	380bps		

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) of the consolidated financial statements.

Underlying

Organic revenue declined 9.6% with net new business broadly flat albeit with the retention rate improving year on year. Encouragingly, net new business in the second half of the year was positive at 3.5% driven by improving trends in the UK, Turkey and Iberia. Overall revenue was c.75% of 2019 levels reflecting the adverse impact of national and local lockdowns on our Business & Industry, Education and Sports & Leisure sectors. The more resilient sectors of Healthcare & Senior Living and Defence, Offshore & Remote were broadly in line with 2019 levels.

Governments across Europe continued to provide ongoing support to protect jobs during the pandemic and, where appropriate, we utilised these schemes. We ceased participation in the UK Government's Coronavirus Job Retention Scheme and have repaid the funds our employees benefited from in the year.

There remains uncertainty in the current trading environment, especially as to the pace of office reopenings in our major markets. We have continued with our resizing actions to adjust our cost base and have incurred a £149 million non-underlying charge in the year. No further resizing charges are expected, although the cash cost will continue into 2022.

The region returned to profitability with underlying operating profit at £147 million and the underlying operating margin improving by 380bps to 3.2%. The actions taken, including resizing, continued contract renegotiations and the focus on cost control as client sites reopened, resulted in an underlying operating margin of 5.7% in Q4 2021, an improvement of 980bps over the fourth quarter of 2020.

Statutory

Statutory revenue was £4,434 million, with the difference from underlying revenue being the presentation of the share of results of our joint ventures operating in the Middle East.

The statutory operating loss of £62 million represents a £103 million improvement on 2020 driven by improved trading performance, partially offset by higher non-underlying charges in relation to acquisition and resizing activity.

Rest of World – 12.8% Group underlying revenue (2020: 11.9%)

Regional financial summary	Underlying[1] 2021	2020	Change[1] Reported rates	Constant currency	Organic
Revenue	**£2,325m**	£2,404m	(3.3)%	1.9%	3.0%
Regional operating profit	**£130m**	£94m	38.3%	41.3%	44.4%
Regional operating margin	**5.6%**	3.9%	170bps		

1. Reconciliation of statutory to underlying results can be found in note 2 (segmental analysis) of the consolidated financial statements.

Underlying

The 3.0% organic revenue increase in our Rest of World region reflects double digit growth in LATAM and New Zealand and in our Defence, Offshore & Remote sector in Australia, partially offset by Japan where around 50% of revenues are from the Business & Industry sector. New business growth was 9.3% and retention was 94.3%, an improvement of 90bps from the prior year. Net new business improved during the year with the second half of the year at 6.1%. Revenues were around 86% of 2019 levels, with Q4 revenues at around 90%.

The region continues to be relatively protected from the impact of COVID-19 with around 60% of revenues from the more resilient sectors of Healthcare & Senior Living and Defence, Offshore & Remote. Slower vaccination roll out in LATAM has impacted the Business & Industry recovery along with localised lockdowns across the wider region.

Underlying operating profit was £130 million, an increase of 41.3% on a constant currency basis, resulting in an underlying operating margin of 5.6%, a 170bps year on year improvement. The focus on actions to control costs and improve efficiency, as well as a return to seasonal trading norms, has resulted in an underlying operating margin of 7.3% in Q4 2021, an improvement of 450bps over the fourth quarter of 2020.

Statutory

Statutory revenue declined by £79 million to £2,325 million. There is no difference between statutory and underlying revenue.

Statutory operating profit was £120 million, an increase of £54 million reflecting improved trading performance and lower non-underlying resizing costs.

Strategy

Compass' addressable market offers significant structural growth opportunities. The market pre-COVID-19 was estimated to be at least £220 billion, just over half of which is currently outsourced, providing considerable scope for first time outsourcing as well as market share gains from large and regional competitors. We continued to benefit from new business wins as organisations turned to us during the pandemic for our health and safety expertise, supply chain resilience and financial stability. Whilst we have seen good new business wins across all sectors, we are particularly pleased with the increased momentum in Healthcare & Senior Living.

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

COVID-19 required us to evolve our operations and innovate at pace. Digital and culinary initiatives, which were previously subscale, accelerated quickly as we adapted to the changing restrictions and health and safety requirements. These new models have enabled us to offer clients unique customised offers which are even more relevant as we adapt to a new normal, including hybrid working. This more agile operating model, alongside our more flexible in unit labour and reduced above unit overheads, are improving the quality of the business for the long term.

The strategic priorities of People, Performance and Purpose focus our efforts on important initiatives which enable us to provide a more relevant client offer and meaningful experiences for consumers. As we emerge from the pandemic this focus will be even more important as we work towards creating sustainable long term value for all our stakeholders.

People

Our people are at the heart of who we are and what we do. As new waves of lockdowns and restrictions were imposed and relaxed across our markets, the tremendous efforts and commitment of people all around Compass have been our special ingredient. Our people's ability to pull together to work as one positive and caring team, despite all the uncertainty, has been extraordinary. Their engagement and motivation positively impacts our clients, customers, communities and other colleagues. Furthermore, we know that when we take care of our people, they take care of our business.

In addition to the many ways in which we have worked together as a team to handle uncertainty this year, we have continued to care for our people, keep them safe and prepare them for future opportunities. We used our expertise in specialist cleaning to support our contamination prevention and personal protection training as well as providing help and assistance to support our colleagues' wellbeing.

As we reopened more sites, investing in skills to enable our colleagues to adapt to new circumstances, proactively addressing global labour challenges and leveraging our digital training capabilities have been essential. We are committed to hiring and engaging our diverse talent to reflect the communities we serve and have sought new ways to support their development. The launch of the UK & Ireland's Compass Group Academy, which will open in 2023, reflects our deep commitment to social mobility as we invest in developing our capability by supporting c.12,000 people from disadvantaged areas to learn skills to enter the workplace and embark on fulfilling careers in our industry. We know we have the power to create lifetime opportunities to support social mobility and believe that nurturing a winning, caring culture where all colleagues are welcomed, feel they belong and can fulfil their potential, makes us a better business.

Purpose

Our Group-wide sustainability strategy seeks to maximise the positive value we create for people and planet, creating a more sustainable future for Compass and our stakeholders.

Safety remained our top priority during 2021, as we continued to manage the challenges of COVID-19. Our enhanced hygiene protocols and robust operating procedures helped to keep our people and consumers safe. On food safety, we have concentrated on building local compliance with our Global Allergen Management Plan.

We recognise the material importance of tackling climate change and have set a Group-wide commitment to deliver climate net zero greenhouse gas emissions by 2050 across our global operations and value chain. Furthermore, we have set 2030 emissions reduction targets which have been validated by the Science Based Targets initiative to reduce our emissions in line with the 2015 Paris Agreement to limit global warming, alongside a further commitment to be carbon neutral worldwide in our own operations (scope 1 and 2) by 2030.

We aim to halve food waste across the Group by 2030 and Compass teams around the world have demonstrated creative ways to reduce food waste throughout our value chain. We have continued to raise awareness of this issue with clients, consumers and colleagues, and have taken action in our kitchens to measure, monitor and reduce our waste on a global scale.

Business review (continued)

Through our responsible approach to sourcing, we are also helping to build more resilient and sustainable supply chains, using more seasonal and locally sourced produce, reducing the risk of contributing to deforestation and raising standards on animal welfare.

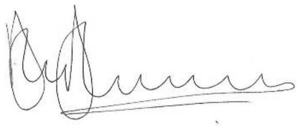
Summary and outlook

Over the last year, Compass has made considerable progress recovering from the unprecedented disruption caused by the pandemic. The significant improvement in our performance over the course of the year illustrates the success of our financial and operational recovery efforts. We focused on controlling what we could control; managing costs, strengthening the balance sheet and adapting our operations to continue to deliver excellent client service.

With our more dynamic and sustainable food offer, digital innovation and flexible approach to serving clients, we are now even more relevant to consumers' changing needs for increased convenience and versatility. Furthermore, by resizing the business and creating a more flexible approach to labour, we have also refined our internal processes creating greater efficiencies. Overall, these initiatives have created a more agile operating model for the business which will enable further growth as we emerge from the pandemic.

Whilst many parts of our business have adapted, the way we create value remains unchanged and very effective. Our market leading position gives us benefits of scale which, combined with our focus on operational excellence, client retention and new business, drives revenue growth and underlying margin improvement over time. To further support growth, our disciplined capital allocation framework prioritises reinvestment in the business to fund organic and inorganic growth opportunities which deliver attractive capital returns, ensures a robust balance sheet and rewards shareholders through the ordinary dividend, with any surplus capital being returned as additional shareholder returns.

Looking ahead, there is still some uncertainty in the macroeconomic environment particularly as it relates to labour shortages, inflation and the pandemic, which we expect to continue to impact our business in the nearer term. That said, the new business pipeline continues to be strong and we remain very confident in the long term growth potential of the Group supported by exciting significant structural market opportunities globally.



Dominic Blakemore
Group Chief Executive Officer
23 November 2021

Financial results

Group performance

We track our performance against underlying and other Alternative Performance Measures (APMs) which are not defined by generally accepted accounting principles (GAAP). Accordingly, the relevant statutory measures are also presented where appropriate. The Group's management believes that these APMs reflect our strategic priorities of growth, efficiency and shareholder returns. Certain of these measures are financial Key Performance Indicators (KPIs) which measure progress against our strategy. The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

	2021 £m	2020 £m	Change
Revenue			
Underlying - reported rates[1]	**18,136**	20,198	(10.2)%
Underlying - constant currency[1]	**18,136**	19,234	(5.7)%
Organic	**18,045**	19,259	(6.3)%
Statutory	**17,908**	19,940	(10.2)%
Operating profit			
Underlying - reported rates[1]	**811**	561	44.6%
Underlying - constant currency[1]	**811**	522	55.4%
Statutory	**545**	294	85.4%
Operating margin			
Underlying - reported rates[1]	**4.5%**	2.9%	
Return on capital employed			
Underlying - reported rates[1]	**7.7%**	4.7%	
Basic earnings per share			
Underlying - reported rates[1]	**29.5p**	18.6p	58.6%
Underlying - constant currency[1]	**29.5p**	17.1p	72.5%
Statutory	**20.0p**	8.0p	150.0%
Free cash flow			
Underlying - reported rates[1]	**660**	213	209.9%
Reported[1]	**464**	105	341.9%
Full year dividend per ordinary share	**14.0p**	-	

1. The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Financial results (continued)

Segmental performance

	Underlying revenue[1]		Change[1]		
	2021 £m	2020 £m	Reported rates	Constant currency	Organic
North America	**11,170**	12,746	(12.4)%	(6.9)%	(6.7)%
Europe	**4,641**	5,048	(8.1)%	(6.3)%	(9.6)%
Rest of World	**2,325**	2,404	(3.3)%	1.9%	3.0%
Total	**18,136**	20,198	(10.2)%	(5.7)%	(6.3)%

	Underlying operating profit[1]		Underlying operating margin[1]	
	2021 £m	2020 £m	**2021 £m**	2020 £m
North America	**608**	606	**5.4%**	4.8%
Europe	**147**	(29)	**3.2%**	(0.6)%
Rest of World	**130**	94	**5.6%**	3.9%
Unallocated overheads	**(73)**	(85)		
Regional	**812**	586	**4.5%**	2.9%
Associates	**(1)**	(25)		
Total	**811**	561		

1. The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Statutory and underlying results

	2021			2020		
	Statutory £m	**Adjustments £m**	**Underlying[1] £m**	Statutory £m	Adjustments £m	Underlying[1] £m
Revenue	**17,908**	**228**	**18,136**	19,940	258	20,198
Operating profit	**545**	**266**	**811**	294	267	561
Net gain on sale and closure of businesses	**10**	**(10)**	**-**	59	(59)	-
Net finance costs	**(91)**	**(22)**	**(113)**	(143)	9	(134)
Profit before tax	**464**	**234**	**698**	210	217	427
Tax expense	**(107)**	**(64)**	**(171)**	(75)	(41)	(116)
Profit for the year	**357**	**170**	**527**	135	176	311
Less: Non-controlling interests	**-**	**-**	**-**	(2)	-	(2)
Attributable profit	**357**	**170**	**527**	133	176	309
Average number of shares (millions)	**1,784**	**-**	**1,784**	1,658	-	1,658
Basic earnings per share (pence)	**20.0p**	**9.5p**	**29.5p**	8.0p	10.6p	18.6p
EBITDA			**1,554**			1,418

1. The Group's APMs are defined in note 13 and reconciled to GAAP measures in notes 2 (segmental analysis), 5 (earnings per share) and 13 (non-GAAP measures) of the consolidated financial statements.

Financial results (continued)

Statutory results

Revenue

Revenue was £17,908 million (2020: £19,940 million), a decrease of 10.2%, due to the continuing impact of COVID-19 on our operations.

Operating profit

Operating profit was £545 million (2020: £294 million), an increase of 85.4%, reflecting actions taken to control the controllable, including resizing the cost base and improved cost control.

Statutory operating profit includes non-underlying items of £266 million (2020: £267 million), including COVID-19 resizing costs of £157 million (2020: £122 million) and acquisition related costs of £106 million (2020: £70 million). The prior year also included a £75 million charge in relation to the cost action programme announced in November 2019. A full list of non-underlying items is included in note 13.

Net gain on sale and closure of businesses

The Group continues to simplify its portfolio and, during the year, sold the remaining US laundries business, with a net gain of £10 million on the sale and closure of businesses. In the prior year, there was a net gain of £115 million on the sale and closure of businesses, partly offset by £56 million of exit costs and asset write downs related to committed or completed business exits.

Net finance costs

Net finance costs decreased to £91 million (2020: £143 million) mainly due to a reduction in net debt following the placing of shares in May 2020, lower interest rates compared with the prior year, gains on unhedged derivatives and hedge ineffectiveness.

Tax expense

Profit before tax was £464 million (2020: £210 million), giving rise to an income tax expense of £107 million (2020: £75 million), equivalent to an effective tax rate of 23.1% (2020: 35.7%). The rate was higher in 2020 given the tax expense that arose on the sale of 50% of the Japanese Highways business.

Earnings per share

On a statutory basis, basic earnings per share was 20.0 pence (2020: 8.0 pence), an increase of 150%, reflecting the higher profit for the year, partly offset by an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

Underlying results

Revenue

In 2021, our underlying revenue was £18,136 million, an organic decline of 6.3% as the pandemic continued to impact our volumes, with lockdowns and restrictions being imposed and relaxed across our markets.

New business was 7.2% with retention improving to 95.4% and, encouragingly, net new business in the second half of the year was 6.2%, higher than the historical trend of around 3% and, although benefiting from a lower denominator, indicates positive momentum into 2022.

We further progressed on rebuilding revenue in the second half, with the fourth quarter at 88% of our 2019 revenues reflecting significant improvements in Sports & Leisure and a strong return to Education after the summer break. Defence, Offshore & Remote and Healthcare & Senior Living continued to operate at over 100% of 2019 revenues, however, in Business & Industry, the pace of recovery remained subdued.

Operating profit

Throughout 2021, we continued to control the controllable, including resizing the cost base and increasing labour flexibility. These actions, along with continued contract renegotiations, a focus on procurement and purchasing compliance, as well as general cost control, allowed our margin to rebuild quarter on quarter despite subdued volume recovery. Our underlying operating margin improved to 4.5% compared with 2.9% in the previous year.

Our underlying operating profit was £811 million (2020: £561 million), an increase of 44.6%.

If we restate 2020's underlying operating profit at the 2021 average exchange rates, it would decrease by £39 million to £522 million and, therefore, on a constant currency basis, underlying operating profit has increased by £289 million or 55.4%.

Financial results (continued)

Net finance costs

Underlying net finance costs decreased to £113 million (2020: £134 million) mainly due to a reduction in net debt following the placing of shares in May 2020 and lower interest rates compared with the prior year.

Tax expense

On an underlying basis, the tax charge was £171 million (2020: £116 million), equivalent to an effective tax rate of 24.5% (2020: 27.2%) and, based on current tax rates, we expect the effective tax rate to be around the same level next year. The decrease in rate from last year primarily reflects the remeasurement of deferred tax balances as a result of the increase in the UK corporation tax rate from 19% to 25% enacted in the Finance Act 2021 for profits arising after 1 April 2023.

The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally. As we look ahead beyond next year, we expect some upward pressure on the effective tax rate due to the impact of the UK corporation tax rate increase and the potential for tax regime changes in the US.

Earnings per share

On a constant currency basis, underlying basic earnings per share increased by 72.5% to 29.5 pence (2020: 17.1 pence) mainly as a result of the higher profit for the year, partly offset by an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

Free cash flow

Free cash flow totalled £464 million (2020: £105 million). During the year, we made cash payments of £186 million in relation to the programmes aimed at resizing the business (2020: £108 million). Adjusting for this, and acquisition transaction costs of £10 million included in free cash flow in 2021, underlying free cash flow was £660 million (2020: £213 million), a £447 million or 209.9% increase, with underlying free cash flow conversion of 81% (2020: 38%).

Gross capital expenditure of £654 million (2020: £749 million) is equivalent to 3.6% (2020: 3.7%) of underlying revenue.

The working capital inflow, excluding provisions and pensions, was £165 million (2020: £143 million outflow), including amounts repaid in respect of COVID-19 indirect and payroll tax payment deferral schemes available in different countries. At 30 September 2021, £16 million is deferred in respect of these schemes (2020: £234 million).

The net interest outflow was £116 million (2020: £137 million), of which £35 million (2020: £36 million) relates to interest on lease obligations.

The net tax paid was £200 million (2020: £228 million), equivalent to an underlying cash tax rate of 29% (2020: 53%). The rate was significantly higher in 2020 due to changes in the UK's corporation tax instalment payment regime and tax payments made based on higher profits arising before the COVID-19 outbreak.

The outflow related to post employment benefit obligations net of service costs was £8 million (2020: £9 million).

Acquisitions

The total cash spent on acquisitions in the year, net of cash acquired, was £172 million (2020: £479 million), comprising £28 million of bolt-on acquisitions and investments in associates, £134 million of deferred consideration relating to prior years' acquisitions and £10 million of acquisition transaction costs (included in net cash flow from operating activities in 2021).

The main acquisition during the prior year was the purchase of 100% of the issued share capital of Fazer Food Services, a leading food service business in the Nordic region, for an initial consideration of £363 million net of cash acquired. The remaining contingent consideration is payable within seven years and is dependent on the operation of an earn-out. The net present value of the contingent consideration was £49 million at 30 September 2021 (2020: £53 million).

Disposals

The Group has continued to simplify its portfolio of businesses and sold its remaining US laundries business during the year. The Group received £32 million (2020: £41 million) in respect of disposal proceeds net of exit costs and paid £43 million (2020: £12 million) of tax in respect of prior year business disposals.

Financial results (continued)

Financial position

Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources, including banking institutions, the public and the private placement markets. The Group has developed long term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. The average period to maturity is 3.7 years (2020: 4.6 years).

The Group has issued US Private Placement notes which contain financial covenants. These consist of a leverage covenant test and an interest cover covenant test which are tested semi-annually at 31 March and 30 September. The leverage covenant test stipulates that consolidated net debt must be less than or equal to 3.5 times consolidated EBITDA. The interest cover covenant test stipulates that consolidated EBITDA must be more than or equal to 3 times consolidated net finance costs. Consolidated EBITDA and consolidated net finance costs are based on the preceding 12 months. The leverage and interest cover ratios were 1.5 times and 14.7 times, respectively, at 30 September 2021. Net debt, consolidated EBITDA and net finance costs are subject to certain accounting adjustments for the purposes of the covenant tests.

In May 2020, the Group completed a £1,972 million equity raise to strengthen the balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensuring Compass remained resilient in the event of further negative developments in the pandemic.

At 30 September 2021, the Group has access to £3,656 million of liquidity, including £2,000 million of undrawn committed bank facilities and £1,656 million of cash net of overdrafts. Our solid financial position will allow us to weather any further negative developments in the pandemic whilst continuing to invest in the business to strengthen our competitive advantages and support our long term growth prospects.

Our credit ratings remain strong investment grade – Standard & Poor A/A-1 Long and Short term (outlook Negative) and Moody’s A3/P-2 Long and Short term (outlook Stable).

Net debt

Net debt at 30 September 2021 was £2,538 million (2020: £3,006 million). The ratio of net debt to market capitalisation of £27,210 million at 30 September 2021 was 9.3% (2020: 14.4%). At 30 September 2021, the ratio of net debt to underlying EBITDA was 1.6x. Our leverage policy is to maintain strong investment grade credit ratings and to target net debt to EBITDA in the range of 1x-1.5x.

Net debt decreased by £468 million to £2,538 million at 30 September 2021 (2020: £3,006 million) mainly reflecting free cash flow of £464 million. In the prior year, net debt reduced by £1,261 million to £3,006 million mainly reflecting free cash flow of £105 million and the net proceeds of the share placing (£1,972 million), partially offset by business acquisitions net of disposal proceeds (£450 million) and the final dividend for the 2019 financial year (£427 million).

Return on capital employed

Return on capital employed was 7.7% (2020: 4.7%) based on net underlying operating profit after tax at the underlying effective tax rate of 24.5% (2020: 27.2%). The increase mainly reflects higher profit and lower average capital employed due to lower trade receivables, higher restructuring provisions and exchange translation during the year. The average capital employed was £7,931 million (2020: £8,683 million).

Post employment benefits

The Group has continued to review and monitor its pension obligations throughout the year, working closely with the trustees and actuaries of all schemes across the Group to ensure appropriate assumptions are used and adequate provision and contributions are made. The Compass Group Pension Plan (UK) surplus decreased to £353 million (2020: £441 million) reflecting a decrease in the market value of plan assets as gilt and corporate bond yields have increased. The net deficit in the rest of the Group’s defined benefit pension schemes has decreased to £224 million (2020: £251 million). The total pensions charge to operating expenses for defined contribution schemes in the year was £124 million (2020: £118 million) and £24 million (2020: £25 million) for defined benefit schemes.

Financial results (continued)

Dividends

Our dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend.

In determining the level of dividend in any year, the Board considers a number of factors, which include but are not limited to:

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

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

Compass Group PLC, the parent company of the Group, is a non trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the parent company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for dividend payments. The distributable reserves of the parent company include the balance on the profit and loss account reserve, which are £3,125 million at 30 September 2021 (2020: £2,935 million).

The Group is in a strong position to fund its dividend, which is well covered by cash generated by the business. Details of the Group's going concern assessment can be found on page 34.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 22 to 27 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 22 to 27.

It is proposed that a final dividend of 14.0 pence per share be paid on 28 February 2022 to shareholders on the register on 21 January 2022. No interim dividend was paid and no dividends were paid in respect of the prior year. The dividend is covered 2.1 times on an underlying earnings basis.

The final dividend of 14.0 pence will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 7 February 2022.

Treasury

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

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

Foreign currency risk

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

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

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

Interest rate risk

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

of the Group's projected debt are fixed for one year. For the second and third year, interest rates are fixed within ranges of 30% to 70% and 0% to 40% of projected debt, respectively.

Tax

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

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

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

After many years of operations, the Group has numerous legacy subsidiaries across the world. Whilst some of these entities are incorporated in low tax territories, Compass does not seek to avoid tax through the use of tax havens.

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

Risks and uncertainties

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

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 22 to 27.

Related party transactions

Details of transactions with related parties are set out in note 11 of the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Going concern

The uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of COVID-19 has been considered as part of the Group's adoption of the going concern basis in its financial statements. The factors considered by the directors in assessing the ability of the Group to continue as a going concern are discussed on page 34.

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

Based on the assessment discussed on page 34, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the period to 31 March 2023. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the viability of the Group, taking into account the Group's current trading performance and position, the latest three year strategic plan and the potential impact on cash flow of the principal risks documented on pages 22 to 27.

Strategic planning process

The Board considers annually a three year, bottom up strategic plan and a more detailed budget which is prepared for the following year. Current year business performance is reforecast during the year. The plan is reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the management team. The Board's role is to consider the appropriateness of key assumptions, considering the external environment and business strategy. The most recent three year plan was approved by the Board in November 2021.

Period of assessment

The directors have determined that a three year period to 30 September 2024 is an appropriate period over which to provide its viability statement on the basis that it is the period reviewed by the Board in its strategic planning process and is aligned to the typical length of the Group's contracts (three to five years). The directors believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

Viability assessment

In making its assessment, the Board carried out a robust evaluation of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A downside scenario has been modelled to reflect the COVID-19 pandemic risk (see page 22) on the basis that the Group's three year strategic plan is most sensitive to potential changes in the duration and severity of the impact of COVID-19.

This scenario represents an extension of the 'severe but plausible' downside scenario from the going concern assessment (see page 34) and reflects the potential impact of prolonged pandemic disruption by modelling an 18 month delay in the recovery of revenue from the COVID-19 pandemic and limited margin progression over the assessment period. Unlike the going concern assessment, the downside scenario for the viability assessment does not assume that there is no new M&A activity as a mitigating action.

The impact of the downside scenario has been reviewed against the Group's projected liquidity headroom, credit ratings and financial covenants over the three year viability period. Should this scenario occur, the Group remains within its financial covenants and has sufficient committed headroom on liquidity without any significant mitigating actions being deployed.

At 30 September 2021, the Group had £2,000 million of undrawn committed bank facilities, which mature in August 2024 (£140 million) and August 2026 (£1,860 million), and £1,656 million of cash net of overdrafts. Term debt maturities in the three year period total £1.6 billion. Based on forecast cash flows in the strategic plan, it is anticipated that the Group will need to refinance maturing debt during the three year period to 30 September 2024 in order to maintain the desired level of headroom. Under the downside scenario, this refinancing requirement is not accelerated given the strong liquidity position of the Group. If necessary, mitigating actions could be implemented to reduce the refinancing requirement.

The Group's long term (A/A3) and short term (A-1/P-2) credit ratings and well established presence in the debt capital markets provide the directors with confidence that the Group could raise additional debt finance if required. In the event that the financial covenants come under pressure, mitigating actions include repaying the loan notes from available liquidity in advance of their maturity, negotiating covenant waivers and refinancing the debt.

Mitigating actions were identified and implemented last year as part of the Group's COVID-19 pandemic response including, but not limited to, reducing planned capital spend, resizing the cost base of the Group, renegotiating client contracts, pausing M&A activity, securing additional committed funding and pausing shareholder returns. In addition to these actions, the Group also completed a £2 billion equity raise in the prior year.

The potential impact of the Group's other principal risks has not been modelled as part of the viability assessment on the basis that they are not sufficiently material to change the conclusion.

In addition to our downside scenario, we have prepared a reverse stress test to identify the circumstances that would cause us to breach our headroom or covenants. The reverse stress test shows that revenue would have to reduce to approximately 60% of 2019 levels throughout the three year assessment period before the leverage covenant is reached. Whilst this is considered to be extremely unlikely, mitigating actions could be implemented as described above.

The geographical and sector diversification of the Group's operations helps to minimise the risk of serious business interruption or catastrophic damage to our reputation. Furthermore, the Group's business model is structured so that the Group is not reliant on one particular group of clients or sector. The Group's largest client constitutes only 3% of Group revenue and the Group's top 10 clients account for 12% of Group revenue.

The Audit Committee reviews the output of the viability assessment in advance of final evaluation by the Board. Having reviewed the Group's current trading performance and position, forecasts, debt servicing requirements, total facilities and principal risks, the Board has a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and retain sufficient available cash over the three year period to 30 September 2024.

Palmer Brown
Group Chief Financial Officer
23 November 2021

Risk management

Identifying and managing risk

The Board continues to take a proactive approach to risk management, with the aim of protecting the Group's employees, clients and consumers and safeguarding the interests of the Company and its shareholders in what is a constantly changing environment.

Risk management is an essential element of business governance and the Group has risk management policies, processes and procedures in place to ensure that risks are properly identified, evaluated, and managed at the appropriate level.

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 compliance with provision 28 of the UK Corporate Governance Code 2018, the Board has carried out a robust assessment of the Company's emerging and principal risks. The pages which follow set out the Board's approach to assessing and mitigating risk, the principal risks of the Company and the procedures in place to identify emerging risks.

Risk management framework

The Board has overall responsibility for risk management and has approved a risk management policy. The Group operates a formal risk management process in accordance with this policy, under which the Group's principal risks (highlighted on pages 22 to 27) are assessed and prioritised biannually.

Risks and the corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. Risk updates form an integral part of periodic management reviews and are also reviewed regularly by the Regional/Group Governance Committees and the Executive Committee. A critical component of the risk review process is the dynamic identification of developing and emerging risks at a country, regional and Group level. This bottom up and top down approach provides a comprehensive assessment of the key risks facing the Group. The findings of the risk reviews, including the principal risks and any developing trends, are reported to and considered by the Board twice a year.

Risk appetite

The Board interprets appetite for risk as the level of risk that the Company is willing to take in order to meet its strategic objectives. The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process and the internal risk governance and control frameworks. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Company is not inhibited.

With respect to internal controls and risk management, as part of its remit and under its terms of reference, the Audit Committee keeps under review the adequacy and effectiveness of the Company's and Group's internal financial controls and risk management systems.

New and emerging risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk management framework and through direct feedback from management, including in regard to changing operating conditions, and market and consumer trends.

During the year, climate change, which had featured as a significant risk on the Group's risk registers, was elevated to a principal risk to the Group. This decision was made in recognition of global climate change which is having an impact on all of our lives. Direct impacts on the Group businesses that we believe have the potential to materialise in future include issues around food sourcing and our supply chains in some of our markets. Issues in these areas could affect the availability of some food products, and potentially may lead to food cost inflation. To mitigate this risk, we continue to focus on evaluating our exposure to climate change and seek to identify potential future issues early so that our sourcing and operations can be adjusted, and our menus adapted appropriately. We support the aims of the Task Force on Climate-related Financial Disclosures (TCFD), and we will continue to work with our clients and suppliers to propose, execute and measure solutions to support their efforts and ours in reducing greenhouse gas emissions (GHG). We have targeted net zero GHG emissions by 2050 alongside validated Science Based Targets to reduce emissions by 2030 (from a 2019 base year) in line with the 2015 Paris Agreement.

Risk management (continued)

Ensuring high standards of business ethics with regards to human rights and social equality has always been important to Compass. The ethical behaviour of large businesses is increasingly important to investors, other stakeholders and society. In recognition of this, we have reaffirmed our focus on ensuring high standards of business ethics, and have reclassified our risks to address this as a principal risk in its own right. Our business is reliant on our people to deliver great service to our clients and consumers, and we recognise that their welfare and wellbeing is the foundation of our culture and business. To enhance our ability to counter the risks to our businesses and supply chains represented by modern slavery, we have focused on the areas where our human rights strategy can have the greatest impact. This is being done through the work of our Human Rights Working Group, the engagement of specialist external advisors, our Modern Slavery eLearning tools and ongoing work to strengthen and improve our human rights due diligence as part of our supplier evaluation and labour agency reviews.

In respect of emerging risks, the Board remains alert to the continuing structural change and development in many of our markets, particularly in Business & Industry, where working practices have changed, including an increase in working from home. This trend has been greatly accelerated by the pandemic and working habits and consumer trends may not fully revert to their pre-COVID position. In addition, office and other work sites may become smaller and more numerous. Furthermore, competition from online food vendors offering delivery services is an increasing trend which may compete with our established offerings in Business & Industry, Healthcare & Senior Living and Education.

To mitigate the risk to the businesses of changes in consumer habits, we are adapting our service offering and evolving our strategy to meet the needs of our clients and consumers while continuing to create long term value. We are focused on innovation and have invested in technology, our supply chain and our ability to scale solutions that take advantage of emerging trends in the food service sector to ensure we continue to satisfy the demands of our existing and future clients and consumers.

As we emerge from the pandemic, we are cognisant of changes in the macro economic environment such as pressure on food commodity prices, fuel and labour, and the inflationary impact these can bring to the business. The macro economic environment is kept under evaluation though regular business reviews, which provides the agility to flex our contracts and operating model accordingly.

Our principal risks

On pages 22 to 27 we set out the principal risks and uncertainties facing the business at the date of this Report and any changes to the status of these risks since 2020. These have been subject to robust assessment and review.

They do not, however, comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or which are considered to be remote or are deemed to be less material at the date of this Report, may also have an adverse effect on the Group.

Brexit

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

COVID-19 pandemic risk

The global pandemic has continued longer than expected and while Group operations continue to be disrupted, our focus has been on the health, safety and wellbeing of our employees, clients and consumers. Sites that are open are operating with enhanced health and safety protocols. Personal Protective Equipment requirements are in line with local government and public health guidance and there is a continued focus on employee mental health awareness.

Employees

At the onset of the pandemic, steps were taken to retain the skills and experience of our colleagues, to try to protect as many jobs as possible and to facilitate mobilisation of the businesses at the appropriate time. Employees working in units that still remain closed have, where possible, been redeployed to other sites where critical work is required, e.g. in Healthcare & Senior Living and Education. In jurisdictions where such options were available, operations took advantage of local government support schemes where appropriate and labour regulations. Our regions provide a variety of support mechanisms through employee assistance programmes and many have established funds and other mechanisms to support employees who face financial difficulties as a result of the challenges of the pandemic.

In line with local government and public health guidance, provisions are in place throughout our operations to safeguard the health and safety of employees globally, including travel restrictions, remote working and ensuring our operations are COVID-19 secure, to continually guard against the spread of the virus. Where we operate on site, we have employed suitable health and safety protocols to ensure our employees, clients and consumers remain safe. Additional measures to combat the spread of the virus continue to operate in line with local government and public health guidance.

Risk management (continued)

Locally, there has been an increased focus on providing mental health awareness, stress management and resilience toolkits, whilst individual support has been provided through employee assistance programmes and our local People teams.

Profitability and liquidity

In 2020, we implemented action plans to reduce a significant proportion of our cost base to preserve the profitability and liquidity of the Group. With the slow pace of volume growth this year, we have focused on controlling the controllable by continuing to manage our cost base, resizing our workforce and evolving and adapting our operations. We have continued to utilise government support, where appropriate, to mitigate the impact of the pandemic across the businesses.

In the fourth quarter of the year, underlying revenue recovered to 88% of pre-COVID levels and underlying operating margin increased to 5.8% compared with 0.6% in the prior year. At 30 September 2021, the Group has access to £3,656 million of liquidity, including £2,000 million of undrawn committed bank facilities and £1,656 million of cash net of overdrafts.

The Board has proposed a final dividend of 14.0 pence per share for FY21, payable in February 2022. From FY22 the dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend.

Our solid financial position should allow us to weather any further negative developments in the pandemic whilst continuing to invest in the business to strengthen our competitive advantages and support our long term growth prospects. The Board will continue to monitor the situation and to adjust the Company's capital and liquidity strategy as appropriate to deal with the situation as it continues to evolve.

Governance and operational effectiveness

Robust incident management and business continuity plans were quickly implemented at the onset of the pandemic throughout our businesses to safeguard governance processes and operational effectiveness. We have adopted a flexible approach in using technology to facilitate governance oversight and, where necessary, regional and country management, Executive Committee and Board meetings have been conducted with some members joining remotely, as needed, to ensure that the Group is able to respond to any immediate or emerging concerns, and monitor the effectiveness of strategic measures. Special measures that were put in place as a short term response to counter the initial severity of the COVID-19 outbreak, including remote working, have been proven to work effectively and can be employed as necessary.

We continue to ensure that our technology infrastructure supports remote working where necessary. Our digital diagnostics and monitoring initiatives with mainstream technology and service providers assist us in mitigating the risks presented by an attack on our technology estate and we continue to closely monitor our infrastructure and any reliance we have on third parties to ensure continuity of business critical systems and processes.

As a result of these special measures, business usage of and reliance on the internet has risen, leading to a significant increase in the number of sophisticated malware and phishing attacks across all organisations. To mitigate the risk of these types of attacks, we have run awareness campaigns to help our employees be better equipped to identify these attacks. We use the lessons learned from those exercises to target areas for improvement in our awareness campaigns.

Planning for the unknown

Due to the unpredictable nature of COVID-19 and the complexity of factors involved, we believe that the pandemic continues to represent a principal risk to the Group. We have taken the lessons learned from our businesses' response and have incorporated them into our risk management processes and procedures to mitigate the impact of this risk as far as possible in the event of further outbreaks of COVID-19, or another pandemic. With respect to managing the COVID-19 risk, we will continue to monitor recurrences of the virus, and will retain the ability to adapt our service offering, employ relevant health and safety precautions and deploy resources as necessary. Our prudent financial controls and robust modelling scenarios assist us in accounting for this risk.

Risk management (continued)

Other principal risks

The Group faces a number of operational risks on an ongoing basis, such as litigation and financial risks, as well as some wider risks, for example, environmental and reputational. Two new principal risks affecting the Group were added during the year: climate change and social and ethical standards, and were reported in the 2021 half year results announcement. Bidding, which was identified as a standalone risk in previous reports, has been incorporated into the sales and retention risk. All of the other risks are consistent with those reported in the 2020 Annual Report.

All risks disclosed in previous years can be found in the annual reports available on our website www.compass-group.com. We recognise that these risks remain important to the business and they are kept under regular review. However, we have focused the disclosures on pages 22 to 27 on those risks that are currently considered to be more significant to the Group.

Principal risks

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk
- NEW New risk

Link to map
1. Client sales and marketing
2. Consumer sales and marketing
3. Cost of food
4. In unit costs
5. Above unit overheads

RISK	DESCRIPTION	MITIGATION
CLIMATE CHANGE AND SUSTAINABILITY		
Climate Change 1 2 3 4 5 Trend NEW	We recognise the impact of climate change on the environment and Compass; for example the operational impacts of extreme weather events, supply shortages caused by water scarcity, and transition risks, such as changes in technologies, markets and regulation.	We evaluate macroeconomic trends and insights from stakeholders and industry experts to develop and adapt our operations and strategy which take into consideration the forces that are impacting the global food system, our industry and our operations. For example, whilst the diversification of our purchasing strategy allows us to adapt to supply changes, we are developing climate scenario analysis to more closely evaluate and respond to the risks of climate change on our business.
Social and Ethical Standards 1 2 3 4 5 Trend NEW	We rely on our people to deliver great service to our clients and consumers, so we recognise that their welfare is the foundation of our culture and business. We remain vigilant in upholding high standards of business ethics with regard to human rights and social equality.	To enhance our ability to counter the risks to our businesses and supply chains represented by modern slavery, we have focused on the areas where our human rights strategy can have the greatest impact. This has been done through our Human Rights Working Group, the engagement of external specialist advisors, our Modern Slavery eLearning tools and ongoing work to strengthen and improve our human rights due diligence as part of our supplier evaluation and labour agency reviews.
HEALTH AND SAFETY		
Pandemic COVID-19 1 2 3 4 5 Trend 2021 2020	The Group's operations have been significantly disrupted due to the ongoing global COVID-19 pandemic and associated containment initiatives. Further outbreaks of the virus, or another pandemic, could cause further business risk.	Operations and working practices have been adjusted to retain the skills and experience of our colleagues and provide flexibility in the event of a resumption of containment measures. To protect our employees, clients and consumers, enhanced health and safety protocols and Personal Protective Equipment requirements and guidelines, hygiene requirements and site layout solutions, developed in consultation with expert advisors and with our clients, have been adopted accordingly. Careful management of the Group's cost base and robust measures to protect the Group's liquidity position have ensured that we remain resilient and well placed to take advantage of appropriate opportunities as they arise. Robust incident management and business continuity plans are in place and are being monitored for effectiveness and regularly reviewed to reflect best practice.

Principal risks (continued)

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk
- NEW New risk

Link to MAP
1. Client sales and marketing
2. Consumer sales and marketing
3. Cost of food
4. In unit costs
5. Above unit overheads

RISK	DESCRIPTION	MITIGATION
HEALTH AND SAFETY (CONTINUED)		
Health and Safety 1 2 3 4 5 Trend Static 2021, Increased 2020	Compass feeds millions of consumers and employs hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount. Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to our reputation.	Management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items. Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. The safety and quality of our global supply chain are assured through compliance with a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity. Further mitigations in place include our Global Operational Safety Standards, Global Supply Chain Integrity Standards and a Global Allergen Management Plan.
PEOPLE		
Recruitment 4 5 Trend Increased 2021, Static 2020	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses in some key positions due to a lack of industry experience amongst candidates, appropriately qualified people, the seasonal nature of some of our businesses and availability issues related to COVID-19.	The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology such as apps and social media, and targeted recruitment, training and development programmes.
Retention and Motivation 4 5 Trend Increased 2021, Increased 2020	Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group. The current economic conditions may increase the risk of attrition at all levels of the organisation. Business closures resulting from lockdowns or other social distancing controls may significantly impact the Group's workforce in affected regions.	The Group has established tools, training, development, performance management and reward programmes to help retain, develop, motivate and support our best people. The Group has a number of well established initiatives, which help us to monitor levels of engagement and to respond to our people's needs. Specifically, we have increased our local focus and employee support on mental health awareness, stress management and resilience, to better equip our people in times of uncertainty and change. To protect our workforce we employ measures available to us to retain as many of our skilled workforce as possible, including redeployment and, where relevant, government support schemes.

Principal risks (continued)

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk
- NEW New risk

Link to map
1. Client sales and marketing
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RISK	DESCRIPTION	MITIGATION
CLIENTS AND CONSUMERS		
Sales and Retention 1 2 Trend 2021 (static) 2020 (static)	Our businesses rely on securing and retaining a diverse range of clients. The potential loss of material client contracts in an increasingly competitive market is a risk to our businesses. Reduced office attendance, closure of client sites and fewer site visitors as a result of COVID-19 may impact revenues in affected sectors.	We have strategies that strengthen our long term relationships with our clients and consumers based on quality, value and innovation. Our business model is structured so that we are not reliant on one particular sector or group of clients. We are using technology to support the delivery of efficiencies and to contribute to growth through, for example, cashierless and cashless payment systems and the use of artificial intelligence. This benefits our clients and consumers and positively impacts retention and new business wins. Compass continues to focus on financial security and safety. In today's environment these are key strengths for our clients. Contracts may be renegotiated. We continue to focus on retention and new sales, and use technology and innovative client solutions such as cashless and cashierless payment systems and food delivery applications.
Service Delivery, Contractual Compliance and Retention 1 2 Trend 2021 (static) 2020 (static)	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 the loss of business and/or claims.	Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.
Competition and Disruption 1 2 3 4 5 Trend 2021 (static) 2020 (increased)	We operate in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self operated market. Ongoing structural changes in working and education environments may reduce the number of people in offices and educational establishments. The emergence of new industry participants and traditional competition using disruptive technology could adversely affect our business.	We aim to minimise this and to respond to new market and consumer food services trends by continuing to promote our differentiated propositions and by focusing on our strengths, such as flexibility in our cost base, quality, value of service and innovation. We harness our knowledge and experience and continue to invest in technology which will help us to counter any potential risk and to capitalise on the opportunities created. Compass continues to evolve its offer to increase participation rates and service sites of different sizes. The business is able to adapt to changes in the service provision environment and where possible take advantage of changes in the market. We leverage expertise and technology which help us differentiate our food services offer. For example our investments in SmartQ, EAT Club and Feedr have given us new platforms that allow us to pivot our food operations according to changing client and consumer demands.

Principal risks (continued)

Key
- People
- Performance
- Purpose
- Increased risk
- Static risk
- NEW New risk

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RISK	DESCRIPTION	MITIGATION
ECONOMIC AND POLITICAL ENVIRONMENT		
Economy 1 2 3 4 5 Trend 2021 Static 2020 Increased	Sectors of our business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions has increased the risk to the businesses in some jurisdictions. The full extent of the medium to long term financial impacts of COVID-19 on economies worldwide is, as yet, unknown.	As part of our strategy, we are focused on productivity and purchasing initiatives which help us to manage our cost base. During adverse conditions we can, if necessary, take actions to reduce labour costs. We have implemented action plans to protect the profitability and liquidity of the Group and mitigate a significant proportion of our cost base. We continue to review our cost base for additional savings.
Cost Inflation 3 4 5 Trend 2021 Increased 2020 Static	Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the USA and UK, or the cost of food, could constitute a risk to our ability to do this. Increases in inflation continue to intensify cost pressures in some locations.	As part of our MAP framework and by sharing best practice across the Group, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and by the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients. We anticipate that our cost action programmes and continued oversight over supply chain costs will assist us in taking appropriate action to mitigate the risks in this area.
Political Stability 1 2 3 4 5 Trend 2021 Static 2020 Increased	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability. Political instability around the world remains a risk as a result of continuing geopolitical tensions.	The Group remains alert to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy. Where possible, we seek to absorb price increases through operational efficiencies, and cost indexation in our contracts also gives us the contractual right to review pricing with our clients. We have in place recruitment and retention strategies to mitigate any impact on our labour supply. We remain vigilant to changes in political stability in local jurisdictions and retain the flexibility to take appropriate mitigating action as necessary.

Principal risks (continued)

Key
- People
- Performance
- Purpose
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- NEW New risk

Link to map
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RISK	DESCRIPTION	MITIGATION
COMPLIANCE AND FRAUD		
Compliance and Fraud 1 2 3 4 5 Trend 2021 2020	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption, anti-competitive behaviour or other serious misconduct, could have an adverse effect on the Group's reputation, its performance and/or a reduction in the Company's share price and/or a loss of business. A failure to manage these risks could adversely impact the Group's performance and/or reputation if significant financial penalties are levied or a criminal action, sanction or other litigation is brought against the Company, its directors or executive management. Companies face increased risk of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct both internally and externally, due to financial and/or performance pressures and significant changes to ways of working.	The Group's zero tolerance based Code of Business Conduct and Code of Ethics continue to govern all aspects of our relationships with our stakeholders. We operate a continuous improvement process as part of the Group's Ethics and Integrity programme to enhance and strengthen our culture of integrity, sharing insights and emerging trends between our regional and country management teams. The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Regulatory and compliance risks are included in this process to enable visibility and planning to address them. A strong culture of integrity is promoted through our Ethics and Integrity programme and our independently operated Speak Up, We're Listening helpline and web platform. All alleged breaches of the Codes, including any allegations of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct, are followed up, investigated and dealt with appropriately. Regulation and compliance risk is also considered as part of our annual business planning process. Our Ethics and Integrity eLearning platform provides increased engagement on key regulatory and ethics and integrity topics for Group employees and clear communication of our standards and expectations. Internal Audit regularly reviews internal controls and analyses financial transactions to mitigate the risk of error or fraud.

Principal risks (continued)

Key

- People
- Performance
- Purpose
- Increased risk
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- NEW New risk

Link to map

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RISK	DESCRIPTION	MITIGATION
COMPLIANCE AND FRAUD (CONTINUED)		
International Tax 3 5 Trend 2021 (increased) 2020 (static)	The international corporate tax environment remains complex and the sustained increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. The need to raise public finances to meet the cost of the COVID-19 pandemic is likely to cause governments to consider increases in tax rates and other potentially adverse changes in tax legislation, and to renew focus on compliance for large corporates. Multiple initiatives to assist businesses have been introduced across tax jurisdictions in response to the COVID-19 pandemic.	We seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. We act in compliance with relevant laws and disclosure requirements. We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis. We are proactively managing our tax arrangements in accordance with these various government led initiatives and ensure compliance is achieved by putting robust processes and controls in place, including third party support and review.
INFORMATION SYSTEMS AND TECHNOLOGY		
Information Systems and Technology 1 2 3 4 5 Trend 2021 (static) 2020 (increased)	The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day to day operations and management decision making. The incidence of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data. The increase in remote working has led to an increase in the risk of malware and phishing attacks across all organisations.	We continually assess our cyber risk and manage the maturity of our enterprise infrastructure, platforms and security controls to ensure we can effectively defend against any current or future cyber attacks. We also have in place appropriate crisis management procedures to handle issues in the event of our defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts. The Group relies on a variety of digital and technology platforms to manage and deliver services and communicate with our people, clients, consumers and suppliers. Our decentralised model and infrastructure help to mitigate propagation of attacks across the Group's technology estate. We continue to be focused on the need to maximise the effectiveness of our information systems and technology as a business enabler. As such, we have increased our investment in technology and people in order to strengthen our platforms and enhance our cyber security defences to mitigate the risk of technology failure and data loss. We have implemented configuration changes to block phishing emails, increased awareness campaigns to help our people identify these types of attacks, and are targeting areas for further improvement in the development of these campaigns.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £m	2021 £m	2020[1] £m	2020[1] £m
Revenue	2		**17,908**		19,940
Net impairment gains/(losses) on trade receivables		**28**		(94)	
Other operating costs		**(17,422)**		(19,556)	
Operating costs	3		**(17,394)**		(19,650)
Operating profit before joint ventures and associates			**514**		290
Share of results of joint ventures and associates			**31**		4
Underlying operating profit[2]	2,13	**811**		561	
Acquisition related costs[3]	13	**(106)**		(70)	
One-off pension charge[3]	13	**(2)**		-	
Cost action programme and COVID-19 resizing costs[3]	3,13	**(157)**		(197)	
Tax on share of profit of joint ventures[3]	13	**(1)**		-	
Operating profit			**545**		294
Net gain on sale and closure of businesses	10		**10**		59
Financial income		**7**		10	
Financial expense		**(120)**		(144)	
Other financing items gain/(loss)		**22**		(9)	
Net finance costs			**(91)**		(143)
Profit before tax			**464**		210
Income tax expense	4		**(107)**		(75)
Profit for the year			**357**		135
ATTRIBUTABLE TO					
Equity shareholders			**357**		133
Non-controlling interests			**-**		2
Profit for the year			**357**		135
BASIC EARNINGS PER SHARE (PENCE)	5		**20.0p**		8.0p
DILUTED EARNINGS PER SHARE (PENCE)	5		**20.0p**		8.0p

1. Re-presented to disaggregate net impairment gains and losses on trade receivables from operating costs and remove the disclosure of the combined sales of Group and share of equity accounted joint ventures (underlying revenue), which is an Alternative Performance Measure (see note 2).
2. Operating profit excluding specific adjusting items (acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs and tax on share of profit of joint ventures) (see note 13).
3. Specific adjusting item (see note 13).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 £m	2020 £m
Profit for the year	**357**	135
Other comprehensive income		
Items that will not be reclassified to the income statement		
Remeasurement of post employment benefit assets	**(7)**	-
Remeasurement of post employment benefit obligations	**(66)**	(96)
Return on plan assets, excluding interest income	**(6)**	78
Change in fair value of financial assets at fair value through other comprehensive income	**4**	(9)
Tax on items relating to the components of other comprehensive income	**(5)**	(4)
	(80)	(31)
Items that may be reclassified to the income statement		
Currency translation differences[1]	**(154)**	(204)
Reclassification of cumulative currency translation differences on sale of businesses	**(24)**	(14)
Tax on items relating to the components of other comprehensive income	**1**	(2)
	(177)	(220)
Total other comprehensive loss for the year (net of tax)	**(257)**	(251)
Total comprehensive income/(loss) for the year	**100**	(116)
ATTRIBUTABLE TO		
Equity shareholders	**100**	(118)
Non-controlling interests	**-**	2
Total comprehensive income/(loss) for the year	**100**	(116)

1. Includes a gain of £37 million in relation to the effective portion of net investment hedges (2020: £47 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Attributable to equity shareholders							
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained (losses)/ earnings £m	Non-controlling interests £m	Total equity £m
At 1 October 2020	198	189	295	(2)	4,145	(35)	23	4,813
Profit for the year	-	-	-	-	-	357	-	357
Other comprehensive income								
Remeasurement of post employment benefit assets	-	-	-	-	-	(7)	-	(7)
Remeasurement of post employment benefit obligations	-	-	-	-	-	(66)	-	(66)
Return on plan assets, excluding interest income	-	-	-	-	-	(6)	-	(6)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	4	-	4
Currency translation differences	-	-	-	-	(154)	-	-	(154)
Reclassification of cumulative currency translation differences on sale of businesses	-	-	-	-	(24)	-	-	(24)
Tax on items relating to the components of other comprehensive income	-	-	-	-	1	(5)	-	(4)
Total other comprehensive loss	-	-	-	-	(177)	(80)	-	(257)
Total comprehensive (loss)/income for the year	-	-	-	-	(177)	277	-	100
Fair value of share-based payments	-	-	-	-	20	-	-	20
Change in fair value of non-controlling interest put options	-	-	-	-	(16)	-	-	(16)
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	-	-	5	5
Purchase of own shares to satisfy employee share-based payments	-	-	-	(3)	-	-	-	(3)
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(3)	-	-	(3)
	198	189	295	(5)	3,969	242	28	4,916
Cost of shares transferred to employees	-	-	-	3	-	-	-	3
At 30 September 2021	198	189	295	(2)	3,969	242	28	4,919

Own shares

Own shares held by the Group represent 185,228 ordinary shares in Compass Group PLC (2020: 147,058) which are held by the Compass Group PLC All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 30 September 2021 was £2.8 million (2020: £1.7 million). The nominal value held at 30 September 2021 was £20,468 (2020: £16,250). ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for long term incentive plans.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Attributable to equity shareholders							
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained (losses)/ earnings £m	Non-controlling interests £m	Total equity £m
At 1 October 2019 (restated)[1]	176	182	295	(4)	4,362	(1,651)	27	3,387
Profit for the year	-	-	-	-	-	133	2	135
Other comprehensive income								
Remeasurement of post employment benefit obligations	-	-	-	-	-	(96)	-	(96)
Return on plan assets, excluding interest income	-	-	-	-	-	78	-	78
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(9)	-	(9)
Currency translation differences	-	-	-	-	(204)	-	-	(204)
Reclassification of cumulative currency translation differences on sale of businesses	-	-	-	-	(14)	-	-	(14)
Tax on items relating to the components of other comprehensive income	-	-	-	-	(2)	(4)	-	(6)
Total other comprehensive loss	-	-	-	-	(220)	(31)	-	(251)
Total comprehensive (loss)/income for the year	-	-	-	-	(220)	102	2	(116)
Fair value of share-based payments	-	-	-	-	(2)	-	-	(2)
Change in fair value of non-controlling interest put options	-	-	-	-	8	-	-	8
Purchase of own shares to satisfy employee share-based payments	-	-	-	(1)	-	-	-	(1)
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(3)	-	-	(3)
Shares issued, net of expenses[2]	22	7	-	-	1,943	-	-	1,972
Transfer of merger reserve to retained earnings[2]	-	-	-	-	(1,943)	1,943	-	-
Tax on items taken directly to equity	-	-	-	-	-	(2)	-	(2)
	198	189	295	(5)	4,145	392	29	5,243
Dividends paid to equity shareholders (note 6)	-	-	-	-	-	(427)	-	(427)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6)	(6)
Cost of shares transferred to employees	-	-	-	3	-	-	-	3
At 30 September 2020	198	189	295	(2)	4,145	(35)	23	4,813

1. Prior year comparatives were restated as required by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale.
2. In May 2020, the Company issued 195,667,352 new ordinary shares of $11^{1}/_{20}$ pence each, comprising the 'Placing shares', the 'Subscription shares' and the 'Retail offer shares'. No share premium was recorded in relation to the Placing shares and the premium over the nominal value of these shares was credited to the merger reserve and subsequently recognised in retained earnings as the Company was able to rely on Section 612 of the Companies Act 2006.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2021

	Notes	30 September 2021 £m	30 September 2020 £m
NON-CURRENT ASSETS			
Goodwill	7	**4,550**	4,669
Other intangible assets		**1,617**	1,678
Costs to obtain and fulfil contracts		**923**	972
Right of use assets		**759**	860
Property, plant and equipment		**835**	970
Interests in associates and joint ventures		**256**	345
Other investments	9	**166**	75
Post employment benefit assets		**353**	441
Trade and other receivables		**129**	99
Deferred tax assets		**212**	146
Derivative financial instruments[1]	9	**116**	237
Non-current assets		**9,916**	10,492
CURRENT ASSETS			
Inventories		**327**	310
Trade and other receivables		**2,684**	2,319
Tax recoverable		**82**	111
Cash and cash equivalents[1]		**1,840**	1,484
Derivative financial instruments[1]	9	**2**	5
		4,935	4,229
Assets held for sale	10	**17**	13
Current assets		**4,952**	4,242
Total assets		**14,868**	14,734
CURRENT LIABILITIES			
Borrowings[1]	9	**(481)**	(106)
Lease liabilities[1]		**(180)**	(197)
Derivative financial instruments[1]	9	**(9)**	(9)
Provisions		**(298)**	(337)
Current tax liabilities		**(169)**	(228)
Trade and other payables		**(4,090)**	(3,615)
		(5,227)	(4,492)
Liabilities held for sale	10	**-**	(7)
Current liabilities		**(5,227)**	(4,499)
NON-CURRENT LIABILITIES			
Borrowings[1]	9	**(3,154)**	(3,673)
Lease liabilities[1]		**(665)**	(745)
Derivative financial instruments[1]	9	**(7)**	(2)
Post employment benefit obligations		**(224)**	(251)
Provisions		**(283)**	(300)
Deferred tax liabilities		**(84)**	(120)
Trade and other payables		**(305)**	(331)
Non-current liabilities		**(4,722)**	(5,422)
Total liabilities		**(9,949)**	(9,921)
Net assets		**4,919**	4,813
EQUITY			
Share capital		**198**	198
Share premium		**189**	189
Capital redemption reserve		**295**	295
Own shares		**(2)**	(2)
Other reserves		**3,969**	4,145
Retained earnings/(losses)		**242**	(35)
Total equity shareholders' funds		**4,891**	4,790
Non-controlling interests		**28**	23
Total equity		**4,919**	4,813

1. Component of net debt.

Approved by the Board of Directors on 23 November 2021 and signed on its behalf by:

Dominic Blakemore, Director

Palmer Brown, Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £m	2020[1] £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	8	**1,492**	1,218
Interest paid		**(121)**	(145)
Tax received		**29**	40
Tax paid		**(229)**	(268)
Net cash flow from operating activities		**1,171**	845
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies		**(157)**	(464)
Purchase of additional interest in joint ventures and associates		**(5)**	(15)
Net proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs[2]		**(11)**	29
Purchase of intangible assets		**(155)**	(166)
Purchase of contract fulfilment assets		**(231)**	(272)
Purchase of property, plant and equipment		**(228)**	(271)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**44**	43
Purchase of other investments		**(20)**	(1)
Proceeds from sale of other investments		**3**	16
Dividends received from joint ventures and associates		**28**	61
Interest received		**5**	8
Net cash flow from investing activities		**(727)**	(1,032)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of ordinary share capital, net of expenses		**-**	1,972
Purchase of own shares to satisfy employee share-based payments		**(3)**	(1)
Increase in borrowings		**11**	2,362
Repayment of borrowings		**(7)**	(2,549)
Repayment of principal under lease liabilities		**(153)**	(152)
Dividends paid to equity shareholders	6	**-**	(427)
Dividends paid to non-controlling interests		**-**	(6)
Net cash flow from financing activities		**(152)**	1,199
CASH AND CASH EQUIVALENTS			
Net increase in cash and cash equivalents		**292**	1,012
Cash and cash equivalents at 1 October		**1,387**	381
Currency translation losses on cash and cash equivalents		**(25)**	(5)
Sub-total		**1,654**	1,388
Cash reclassified from/(to) held for sale		**2**	(1)
Cash and cash equivalents at 30 September		**1,656**	1,387
Cash and cash equivalents[3]		**1,840**	1,484
Bank overdrafts[3]		**(184)**	(97)
Cash and cash equivalents at 30 September		**1,656**	1,387

1. Re-presented to include all bank overdrafts in cash and cash equivalents in the consolidated cash flow statement. Accordingly, the prior year increase in borrowings has been reduced by £79 million, from £2,441 million to £2,362 million. The effect on cash and cash equivalents in the prior year is not considered to be material. The change in presentation has no effect on cash and cash equivalents in the consolidated balance sheet or net cash flow from operating activities in the consolidated cash flow statement.
2. 2021 includes £43 million (2020: £12 million) of tax payments in respect of prior year business disposals.
3. As per the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES

The Group has prepared its accounts in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU'). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts. The reports of the auditor were unqualified, did not draw attention to any matters by way of emphasis without qualifying its reports and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

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

At 30 September 2021, the Group's financing arrangements included sterling and Euro bonds (£2,343 million) and USD US Private Placements (USPP) (£1,106 million). In addition, the Group had Revolving Credit Facilities of £2,000 million (£140 million committed to August 2024 and £1,860 million committed to August 2026), which were fully undrawn, and £1,656 million of cash net of overdrafts. At the date of approving these consolidated financial statements, the liquidity position of the Group has remained substantially unchanged.

A USPP of $398 million (£295 million) was repaid on 1 October 2021 and a Eurobond of €500 million (£440 million) will mature on 27 January 2023. There are no other debt maturities in the 18 months to 31 March 2023.

The USPP debt is subject to certain financial covenants, which are tested on 31 March and 30 September every year. The Group met both covenants as at 30 September 2021. The Group's other financing arrangements do not contain any financial covenants.

The directors have prepared projected cash flow information for the period to 31 March 2023 (the assessment period). The period to 31 March 2023 was used for the going concern assessment to consider the potential impact of COVID-19 over an extended period alongside the debt maturing in January 2023. The directors have considered the impact of COVID-19 on future financial performance and cash flows with the key judgement being the extent to which performance recovers in the assessment period.

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

In a severe but plausible downside scenario, the directors have reflected the potential impact of prolonged pandemic disruption by modelling an 18 month delay in the recovery of revenue from the COVID-19 pandemic and limited margin progression over the assessment period. It has also been assumed that no additional debt is raised. The scenario assumes that there is no new M&A activity as a mitigating action.

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

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least the period to 31 March 2023 and, therefore, has prepared the financial statements on a going concern basis.

New accounting pronouncements adopted

Amendments to accounting standards that have been adopted by the Group in the current year:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 'Definition of a Business'
- Amendments to IAS 1 and IAS 8 'Definition of Material'
- Amendments to IFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2'

There is no significant impact on the Group's consolidated results or financial position as a result of adopting these amendments.

New accounting pronouncements to be adopted

There are a number of other amendments and clarifications to IFRS, effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES (CONTINUED)

Accounting judgements

There are no judgements that management considers to be critical in the preparation of these financial statements.

In the prior year, going concern was considered to be a critical judgement due to the level of uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of COVID-19. This year, going concern is not considered to be a critical judgement reflecting the Group's improved financial performance, strong financial position and business prospects.

There is a significant judgement in respect of the classification of cash payments relating to contract fulfilment assets in the cash flow statement. Contract fulfilment assets originate when payments are made, normally up front at the start of the client contract, that provide enhanced resources to the Group over the contract term. The Group classifies additions to contract fulfilment assets as investing activities in accordance with IAS 7 'Statement of Cash Flows' as they arise from cash payments in relation to assets that will generate long term economic benefits.

Estimation uncertainty

Major sources of estimation uncertainty

The Group’s major sources of estimation uncertainty are in relation to goodwill and post employment benefits on the basis that a reasonably possible change in key assumptions could have a material effect on the carrying amounts of assets and liabilities in the next 12 months.

Goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with IAS 36 'Impairment of Assets'. The recoverable amounts of the Group's cash-generating units (CGU) have been determined based on value in use calculations, which involve a higher inherent level of estimation due to the ongoing uncertainty caused by COVID-19. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the Group’s CGUs, the size of the short term shock of the pandemic combined with higher discount rates have reduced the level of headroom in certain CGUs in comparison with the prior year. The key assumptions used for the value in use calculations and sensitivity analysis are set out in note 7.

Post employment benefits

The Group’s defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19 ‘Employee Benefits’. The present value of the defined benefit liabilities is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, which include price inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality and other demographic assumptions.

Other sources of estimation uncertainty

In addition to the major sources of uncertainty, management has identified other sources of estimation uncertainty which are summarised below. These are not considered to be major sources of uncertainty as defined by IAS 1 ‘Presentation of Financial Statements’.

Taxes

The Group has operations in around 45 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors, including the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group’s tax position. This is as a result of amendments to tax law at the national level, increased co-operation between tax authorities and greater cross border transparency.

The Group estimates and recognises additional tax liabilities as appropriate based on management’s interpretation of country-specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

1 BASIS OF PREPARATION, JUDGEMENTS AND ESTIMATES (CONTINUED)

In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

COVID-19

Management has considered the ongoing impact of COVID-19 on the following estimates in the consolidated financial statements as at 30 September 2021:

- *Recoverability of contract related non-current assets*
  Contract related non-current assets include intangible assets, costs to obtain and fulfil contracts, right of use assets, and property, plant and equipment. The Group has tested for impairment its contract related non-current assets where there are indicators of impairment. Impairment indicators were considered to be present when client contracts had low profitability or were loss-making due to a reduction in volumes as a result of COVID-19. In these instances, management has estimated the recoverable value of these assets and compared it to their carrying value in order to estimate any impairment to be recorded. The estimate of the recoverable amount was derived from the most recent management forecasts in relation to the likely trading performance over the remaining life of the contracts, taking into account the potential impact of COVID-19, including the time period of government enforced restrictions and the extent to which performance would recover in the following year. Due to the ongoing uncertainty regarding COVID-19, the assumptions used in these estimates include an increased level of inherent uncertainty.

- *Impairment of trade receivables*
  The Group considers that, given the ongoing economic impact of COVID-19, there is additional uncertainty when determining the assumptions used in calculating expected credit losses. The Group has no significant concentration of credit risk. The largest client constitutes only 3% of Group revenue and the top 10 clients account for 12% of Group revenue.

- *Provisions*
  The Group has made provisions for unavoidable costs arising from certain contracts. These provisions are estimates based on expected costs and the timing of future cash flows which are dependent on future events and market conditions, which are more uncertain due to COVID-19. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

2 SEGMENTAL ANALYSIS

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and our Rest of World markets.

UNDERLYING REVENUE[1,2,3]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
YEAR ENDED 30 SEPTEMBER 2021				
Business & Industry	**2,759**	**2,100**	**746**	**5,605**
Education	**2,449**	**680**	**137**	**3,266**
Healthcare & Senior Living	**4,582**	**930**	**389**	**5,901**
Sports & Leisure	**1,169**	**330**	**46**	**1,545**
Defence, Offshore & Remote	**211**	**601**	**1,007**	**1,819**
Underlying revenue[1,4]	**11,170**	**4,641**	**2,325**	**18,136**
Less: Share of revenue of joint ventures	**(21)**	**(207)**	**-**	**(228)**
Revenue	**11,149**	**4,434**	**2,325**	**17,908**
YEAR ENDED 30 SEPTEMBER 2020				
Business & Industry	3,901	2,559	921	7,381
Education	2,819	609	116	3,544
Healthcare & Senior Living	4,536	922	394	5,852
Sports & Leisure	1,272	393	69	1,734
Defence, Offshore & Remote	218	565	904	1,687
Underlying revenue[1,4]	12,746	5,048	2,404	20,198
Less: Share of revenue of joint ventures	(18)	(240)	-	(258)
Revenue	12,728	4,808	2,404	19,940

1. Revenue plus share of revenue of joint ventures.
2. There is no inter-segment trading.
3. An analysis of revenue recognised over time and at a point in time is not provided on the basis that the nature, amount, timing and uncertainty of revenue and cash flows is considered to be similar.
4. Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,446 million (2020: £1,520 million). Underlying revenue from external customers arising in the US region was £10,582 million (2020: £12,005 million). Underlying revenue from external customers arising in all countries outside the UK from which the Group derives revenue was £16,690 million (2020: £18,678 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

UNDERLYING OPERATING PROFIT[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2021					
Underlying operating profit/(loss) before results of joint ventures and associates	**605**	**117**	**130**	**(73)**	**779**
Add: Share of profit before tax of joint ventures	**3**	**30**	**-**	**-**	**33**
Regional underlying operating profit/(loss)	**608**	**147**	**130**	**(73)**	**812**
Add: Share of results of associates	**(1)**	**-**	**-**	**-**	**(1)**
Underlying operating profit/(loss)	**607**	**147**	**130**	**(73)**	**811**
Less: Acquisition related costs	**(47)**	**(57)**	**(2)**	**-**	**(106)**
Less: One-off pension charge	**-**	**(2)**	**-**	**-**	**(2)**
Less: Cost action programme and COVID-19 resizing costs	**-**	**(149)**	**(8)**	**-**	**(157)**
Less: Tax on share of profit of joint ventures	**-**	**(1)**	**-**	**-**	**(1)**
Operating profit/(loss)	**560**	**(62)**	**120**	**(73)**	**545**
Net gain on sale and closure of businesses					**10**
Net finance costs					**(91)**
Profit before tax					**464**
Income tax expense					**(107)**
Profit for the year					**357**

1. Operating profit excluding specific adjusting items (acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs and tax on share of profit of joint ventures) (see note 13). Regional underlying operating profit excludes share of results of associates.

UNDERLYING OPERATING PROFIT[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2020					
Underlying operating profit/(loss) before results of joint ventures and associates	605	(57)	94	(85)	557
Add: Share of profit before tax of joint ventures	1	28	-	-	29
Regional underlying operating profit/(loss)	606	(29)	94	(85)	586
Add: Share of results of associates	(28)	5	(2)	-	(25)
Underlying operating profit/(loss)	578	(24)	92	(85)	561
Less: Acquisition related costs	(42)	(19)	(2)	(7)	(70)
Less: Cost action programme and COVID-19 resizing costs	(48)	(122)	(24)	(3)	(197)
Operating profit/(loss)	488	(165)	66	(95)	294
Net gain on sale and closure of businesses					59
Net finance costs					(143)
Profit before tax					210
Income tax expense					(75)
Profit for the year					135

1. Operating profit excluding specific adjusting items (acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs and tax on share of profit of joint ventures) (see note 13). Regional underlying operating profit excludes share of results of associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

2 SEGMENTAL ANALYSIS (CONTINUED)

ORGANIC REVENUE[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2021					
Underlying revenue	**11,170**	**4,641**	**2,325**	**-**	**18,136**
Organic adjustments	**(89)**	**-**	**(2)**	**-**	**(91)**
Organic revenue[1]	**11,081**	**4,641**	**2,323**	**-**	**18,045**
YEAR ENDED 30 SEPTEMBER 2020					
Underlying revenue	12,746	5,048	2,404	-	20,198
Currency adjustments	(746)	(96)	(122)	-	(964)
Underlying revenue – constant currency	12,000	4,952	2,282	-	19,234
Organic adjustments	(128)	180	(27)	-	25
Organic revenue[1]	11,872	5,132	2,255	-	19,259
Decrease in underlying revenue at reported rates – %	(12.4)%	(8.1)%	(3.3)%		(10.2)%
(Decrease)/increase in underlying revenue at constant currency – %	(6.9)%	(6.3)%	1.9%		(5.7)%
(Decrease)/increase in organic revenue – %	(6.7)%	(9.6)%	3.0%		(6.3)%

1. Current year: Underlying revenue excluding businesses acquired, sold and closed in the year. Prior year: Underlying revenue including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.

ORGANIC OPERATING PROFIT[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
YEAR ENDED 30 SEPTEMBER 2021					
Underlying operating profit/(loss)	**607**	**147**	**130**	**(73)**	**811**
Less: Share of results of associates	**1**	**-**	**-**	**-**	**1**
Regional underlying operating profit/(loss)	**608**	**147**	**130**	**(73)**	**812**
Underlying operating margin – %	**5.4%**	**3.2%**	**5.6%**		**4.5%**
Organic adjustments	**(3)**	**-**	**-**	**-**	**(3)**
Regional organic operating profit/(loss)	**605**	**147**	**130**	**(73)**	**809**
Add: Share of results of associates	**(1)**	**-**	**-**	**-**	**(1)**
Organic operating profit/(loss)[1]	**604**	**147**	**130**	**(73)**	**808**
YEAR ENDED 30 SEPTEMBER 2020					
Underlying operating profit/(loss)	578	(24)	92	(85)	561
Currency adjustments (including associates)	(31)	(6)	(2)	-	(39)
Underlying operating profit/(loss) – constant currency	547	(30)	90	(85)	522
Underlying operating profit/(loss)	578	(24)	92	(85)	561
Less: Share of results of associates	28	(5)	2	-	25
Regional underlying operating profit/(loss)	606	(29)	94	(85)	586
Underlying operating margin – %	4.8%	(0.6)%	3.9%		2.9%
Currency adjustments (excluding associates)	(33)	(6)	(2)	-	(41)
Regional underlying operating profit/(loss) – constant currency	573	(35)	92	(85)	545
Organic adjustments	(5)	25	(2)	-	18
Regional organic operating profit/(loss)	568	(10)	90	(85)	563
Add: Share of results of associates – constant currency	(26)	5	(2)	-	(23)
Organic operating profit/(loss)[1]	542	(5)	88	(85)	540
Increase in underlying operating profit at reported rates – %					44.6%
Increase in underlying operating profit at constant currency – %					55.4%
Increase in organic operating profit – %					49.6%
Increase in regional underlying operating profit at reported rates – %	0.3%	606.9%	38.3%		
Increase in regional underlying operating profit at constant currency –%	6.1%	520.0%	41.3%		
Increase in regional organic operating profit – %	6.5%	1,570.0%	44.4%		

1. Current year: Underlying operating profit excluding businesses acquired, sold and closed in the year. Prior year: Underlying operating profit including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

3 OPERATING COSTS

Impairment losses

The Group has tested for impairment its contract related non-current assets (intangible assets, costs to obtain and fulfil contracts, right of use assets, and property, plant and equipment) where there were indicators of impairment during the year. Impairment indicators were considered to be present where client contracts had low profitability or were loss-making due to a reduction in volumes. The continued spread of COVID-19 and reintroduction of lockdowns in some of our major markets impacted the profitability of certain contracts during the year, although the Group's overall performance has remained resilient as a result of the mitigating actions undertaken by management. The impairment tests compare the recoverable value of the Group's contract related non-current assets with their carrying value and, as a result, the Group has recognised impairment losses of £32 million (2020: £88 million).

Management has considered the potential impact of reasonable changes in the assumptions used in its impairment tests, including the continuing impact of COVID-19 and a slower recovery than forecast. The Group has a large portfolio of client contracts of individually low value spread across a number of countries and sectors. As a result, a reasonable change in assumptions would not lead to a material change in the carrying value of the Group's contract related non-current assets in the next 12 months.

COVID-19 resizing costs

When the pandemic hit in the prior year, the Group started to adjust its business model to the new trading environment and incurred £122 million of resizing costs in the year ended 30 September 2020. The Group has continued to take cost actions and a further charge for costs of £157 million has been recognised during the current year. Actions taken to date continue to deliver the savings initially anticipated. These costs are excluded from the Group's underlying results (see note 13). A total of £141 million (2020: £42 million) has been paid during the year in relation to this programme.

Cost action programme

The cost action programme announced in November 2019 included a series of actions to manage the Group's cost base. In the prior year, the Group recognised a charge of £75 million mainly related to redundancy costs. These costs were excluded from the Group's underlying results. No charges were recognised in respect of the programme during the current year. A total of £45 million (2020: £66 million) has been paid during the year in relation to this programme.

Government grants and other COVID-19 assistance

The Group has continued to utilise government support to mitigate the impact of the COVID-19 pandemic where appropriate. During the year ended 30 September 2021, the Group benefited from the following:

- temporary wage and other support schemes. Employee remuneration includes a credit of £239 million (2020: £437 million) in respect of wage support schemes. Operating costs also include a credit of £15 million (2020: £1 million) in respect of other support schemes. There are no unfulfilled obligations remaining in relation to these amounts
- PAYE and National Insurance payment plans. Approximately £16 million (2020: £137 million) of PAYE/NI payments have been deferred following the agreement of payment plans across the Group

In the prior year, the Group also benefited from VAT deferral schemes, with approximately £97 million of VAT payments deferred under various government schemes.

In the second half of the year, the Group repaid the funds our employees benefited from through the UK Government's Coronavirus Job Retention Scheme during the first half.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

4 TAX

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT: INCOME TAX EXPENSE	2021 £m	2020 £m
CURRENT TAX		
Current year	**226**	232
Adjustment in respect of prior years	**(7)**	(38)
Current tax expense	**219**	194
DEFERRED TAX		
Current year	**(84)**	(124)
Impact of changes in statutory tax rates	**(16)**	(3)
Adjustment in respect of prior years	**(12)**	8
Deferred tax credit	**(112)**	(119)
TOTAL INCOME TAX		
Income tax expense	**107**	75

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19% (2020: 19%). The impact of changes in statutory rates relates principally to the increase in the UK corporation tax rate from 19% to 25% enacted in the Finance Act 2021 for profits arising after 1 April 2023. This change has resulted in the recognition of a deferred tax credit of £16 million in the income statement and a deferred tax charge of £20 million in the consolidated statement of comprehensive income, both of which arise from the remeasurement of deferred tax balances to reflect the anticipated rate of tax at which those balances are expected to reverse. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

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. In September 2021, Compass Group Canada Limited and Canteen of Canada Limited received assessments to additional federal and provincial taxes from the Canadian Revenue Agency for the year ended 30 September 2015 totalling £64 million (£48 million of tax and £16 million of interest). This assessment relates to an intra-group financing arrangement implemented in July 2015. The possibility of further assessments cannot be ruled out and, in light of this, we have taken further external advice and have reassessed the provision we hold in respect of this issue. A range of possible outcomes has been considered and we do not expect this issue to have a material impact on the Group's financial position. The Group is currently subject to a number of other reviews and audits in jurisdictions around the world that primarily relate to complex corporate tax issues. None of these audits is currently expected to have a material impact on the Group's financial position.

Tax uncertainties and associated risks are increasing for all multinational groups as a consequence of changes to local and international tax rules. Tax risk can arise from unclear regulations and differences in interpretation but, most significantly, where tax authorities apply diverging standards in assessing intra-group cross border transactions. The Group has recognised potential liabilities in respect of uncertain tax positions as described in note 1, none of which is individually material. In determining such liabilities, having regard to the specific circumstances of each tax position and external advice where appropriate, the Group assesses the range of potential outcomes and estimates whether additional tax may be due. The Group does not currently anticipate any material changes to the amounts recorded at 30 September 2021.

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

We continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. The federal tax authorities in Brazil have issued a number of notices of deficiency relating primarily to the PIS/COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 30 September 2021, the total amount assessed in respect of these matters is £40 million. The possibility of further assessments cannot be ruled out and the judicial process is likely to take a number of years to conclude. Based on the opinion of our local legal advisors, we do not currently consider it likely that we will have to settle a liability with respect to these matters and, on this basis, no provision has been recorded. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

Deferred tax assets of £212 million (2020: £146 million) include £90 million (2020: £61 million) relating to the carry forward of unused tax losses. These arose predominantly in subsidiaries that incurred losses during the COVID-19 period, including charges incurred for restructuring costs. The directors consider it probable that sufficient taxable profit will be available against which the unused tax losses can be utilised. Management expects these deferred tax assets to be utilised over a period of between 1 and 5 years. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, management derived their forecasts from the approved three year budget and forecasts used for the purposes of reviewing goodwill for impairment, updated for the effect of applicable tax laws and regulations relevant to those future taxable profits. No reasonably possible change in any of the key assumptions would result in a significant reduction in projected taxable profits such that the recognised deferred tax asset would not be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

4 TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of tax losses of £267 million (2020: £263 million) and other temporary differences of £21 million (2020: £28 million). Of the unrecognised tax losses, £236 million (2020: £236 million) will expire at various dates between 2022 and 2031. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

5 EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year attributable to equity shareholders and the weighted average number of shares in issue during the year. Underlying earnings per share has been calculated based on earnings excluding the effect of acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs, gains and losses on sale and closure of businesses and other financing items, including hedge accounting ineffectiveness and change in the fair value of investments, together with the tax attributable to these amounts (see note 13).

	2021			2020		
	Attributable profit £m	Basic earnings per share pence	Diluted earnings per share pence	Attributable profit £m	Basic earnings per share pence	Diluted earnings per share pence
Profit for the year attributable to equity shareholders	**357**	**20.0**	**20.0**	133	8.0	8.0
Specific adjusting items (net of tax):						
Acquisition related costs	**85**	**4.7**	**4.7**	50	3.0	3.0
One-off pension charge	**2**	**0.1**	**0.1**	-	-	-
Cost action programme and COVID-19 resizing costs	**116**	**6.5**	**6.5**	147	8.9	8.9
Net gain on sale and closure of businesses	**(15)**	**(0.8)**	**(0.8)**	(28)	(1.7)	(1.7)
Other financing items	**(18)**	**(1.0)**	**(1.0)**	7	0.4	0.4
Underlying profit for the year	**527**	**29.5**	**29.5**	309	18.6	18.6

AVERAGE NUMBER OF SHARES	2021 Ordinary shares of $11^{1/20}$p each millions	2020 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,784**	1,658
Dilutive share options	**1**	1
Average number of shares for diluted earnings per share	**1,785**	1,659

6 DIVIDENDS

A final dividend in respect of 2021 of 14.0 pence per share, £250 million in aggregate[1], has been proposed (2020: nil). The Board decided not to pay an interim dividend (2020: nil).

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

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2021 (1,784 million shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

7 GOODWILL

GOODWILL	2021 £m	2020 £m
COST		
At 1 October	**5,189**	5,092
Additions	**17**	249
Reclassification to assets held for sale	**-**	(23)
Disposals	**(1)**	-
Currency adjustment	**(147)**	(129)
At 30 September	**5,058**	5,189
IMPAIRMENT		
At 1 October	**520**	516
Currency adjustment	**(12)**	4
At 30 September	**508**	520
NET CARRYING AMOUNT		
At 30 September	**4,550**	4,669

GOODWILL BY BUSINESS SEGMENT	2021 £m	2020 £m
US	**1,996**	2,071
Canada	**193**	184
Total North America	**2,189**	2,255
UK	**1,456**	1,456
Finland	**123**	125
Rest of Europe	**510**	543
Total Europe	**2,089**	2,124
Japan	**115**	127
Rest of Rest of World	**157**	163
Total Rest of World	**272**	290
Total	**4,550**	4,669

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Consistent with the monitoring and management of the business, the cash-generating units (CGU) relate to the total business for each country in which the Group operates. The recoverable amount of a CGU is determined from value in use calculations. The key assumptions for these calculations are externally derived long term growth rates, pre-tax discount rates and operating cash flow forecasts (revenue and operating margins) derived from the most recent financial budgets and forecasts approved by management covering a period of up to five years. Budgets and forecasts are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and like for like growth, and taking into consideration external economic factors, including the impact of COVID-19. Cash flows beyond the period covered by the budgets and forecasts are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long term average growth rate for that country. The pre-tax discount rates are based on the Group's weighted average cost of capital adjusted for specific risks relating to the country in which the CGU operates.

GROWTH AND DISCOUNT RATES	2021		2020	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
US	**2.0%**	**10.3%**	1.9%	8.3%
Canada	**2.0%**	**11.1%**	1.8%	8.8%
UK	**1.7%**	**10.2%**	1.7%	7.3%
Finland	**1.6%**	**9.5%**	1.6%	7.9%
Rest of Europe[1]	**0.9%-9.4%**	**9.3%-24.1%**	0.7%-10.6%	7.5%-25.8%
Japan	**1.0%**	**10.9%**	0.8%	9.8%
Rest of World	**1.3%-4.5%**	**9.1%-17.0%**	1.1%-4.1%	7.3%-16.7%

1. Rest of Europe includes Turkey which has residual growth rate and pre-tax discount rate assumptions of 9.4% (2020: 10.6%) and 24.1% (2020: 25.8%), respectively. Excluding Turkey, the residual growth rate and pre-tax discount rate assumptions for Rest of Europe range from 0.9% to 4.0% (2020: 0.7% to 3.8%) and 9.3% to 14.0% (2020: 7.5% to 11.8%), respectively.

Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the Group's CGUs, the size of the short term shock of the pandemic combined with higher discount rates have reduced the level of headroom in certain CGUs in comparison with the prior year. The Group has performed a sensitivity analysis based on changes in key assumptions considered to be reasonably possible by management leaving all other assumptions unchanged. The UK CGU is sensitive to reasonably possible changes in key assumptions. The UK goodwill principally relates to the Granada transaction in 2001. The estimated recoverable amount of the Group's operations in the UK exceeds its carrying value by £102 million (2020: £285 million). The reduction in headroom on prior year mainly reflects an increase in the pre-tax discount rate and, from 1 April 2023, the increase in the UK tax rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

7 GOODWILL (CONTINUED)

The associated impact of changes in key assumptions on the impairment assessment is presented in the table below. The sensitivity analysis presented is prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

DECREASE IN RECOVERABLE AMOUNT LESS CARRYING VALUE	UK 2021 £m	UK 2020 £m
Increase in pre-tax discount rate by 0.1%	**(24)**	(51)
Decrease in projected operating profit by 3%	**(59)**	(77)
Decrease in the long term growth rate by 0.1%	**(18)**	(44)

In order for the recoverable amount to be equal to the carrying value, the pre-tax discount rate would have to be increased by 0.5% (2020: 0.6%), operating profit decreased by 5% (2020: 11%) or the long term growth rate decreased to 1.1% (2020: 1%). The directors consider that changes in key assumptions of this magnitude are reasonably possible in the current environment.

Other than as disclosed above, the directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the net operating assets of the individually significant CGUs disclosed above to fall below their carrying values.

8 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	2021 £m	2020 £m
Operating profit before joint ventures and associates	**514**	290
Adjustments for:		
Acquisition related costs[1]	**96**	70
One-off pension charge	**2**	-
Cost action programme and COVID-19 resizing costs	**157**	197
Amortisation of other intangible assets	**79**	93
Amortisation of contract fulfilment assets	**200**	195
Amortisation of contract prepayments	**28**	26
Depreciation of right of use assets	**156**	164
Depreciation of property, plant and equipment	**250**	287
Unwind of costs to obtain contracts	**16**	15
Impairment losses – contract related non-current assets[2]	**32**	88
Impairment losses – other	**2**	4
Impairment reversals – contract related non-current assets	**(4)**	-
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**35**	31
Other non-cash changes	**(4)**	(3)
Decrease in provisions	**(182)**	(17)
Investment in contract prepayments	**(40)**	(40)
Increase in costs to obtain contracts	**(22)**	(28)
Post employment benefit obligations net of service costs	**(8)**	(9)
Share-based payments – charged/(credited) to profit	**20**	(2)
Operating cash flow before movements in working capital	**1,327**	1,361
(Increase)/decrease in inventories	**(50)**	102
(Increase)/decrease in receivables	**(497)**	676
Increase/(decrease) in payables	**712**	(921)
Cash generated from operations	**1,492**	1,218

1. The adjustment for acquisition related costs excludes acquisition transaction costs of £10 million and, therefore, acquisition transaction costs are included in cash flows from operating activities. In the prior year, acquisition transaction costs of £16 million were included in cash flows from investing activities.
2. Cost action programme charge includes impairment losses of £nil (2020: £2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group holds certain financial instruments at fair value. There were no transfers of financial instruments between levels of the fair value hierarchy of IFRS 13 ‘Fair Value Measurement’ in either the year ended 30 September 2021 or 2020.

Investments

Other investments are held at fair value in the consolidated balance sheet. The fair values have been determined by reference to Level 3 (trade investments), Level 2 (life insurance policies and mutual fund investments) and Level 1 (other investments) inputs as defined by the fair value hierarchy.

OTHER INVESTMENTS	2021 £m	2020 £m
NET BOOK VALUE		
At 1 October	**75**	96
Additions	**20**	1
Transfer from interests in associates and joint ventures	**69**	-
Disposals	**(3)**	(16)
Changes in fair value	**5**	(4)
Currency and other adjustments	**-**	(2)
At 30 September	**166**	75
COMPRISED OF		
Trade investments[1,4]	**76**	-
Other investments[2,4]	**18**	16
Life insurance policies and mutual fund investments[3,5,6]	**72**	59
Total	**166**	75

1. Trade investments comprises the Group’s 19% effective interest in Wildlife Holdings, Inc., which is Level 3 according to the fair value hierarchy defined by IFRS 13 'Fair Value Measurement'.
2. Level 1 according to the fair value hierarchy.
3. Level 2 according to the fair value hierarchy.
4. Categorised as 'fair value through other comprehensive income' financial assets (IFRS 9).
5. Categorised as 'fair value through profit or loss' and 'fair value through other comprehensive income' financial assets, respectively (IFRS 9).
6. Life insurance policies and investments in mutual funds are used by overseas companies to meet the cost of unfunded post employment benefit obligations.

Derivatives

Derivative financial instruments are held at fair value in the consolidated balance sheet. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data. The fair values of derivative financial instruments represent the maximum credit exposure.

	2021				2020			
DERIVATIVE FINANCIAL INSTRUMENTS	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
Interest rate swaps								
Fair value hedges[1]	**-**	**66**	**-**	**-**	-	122	-	-
Not in a hedging relationship[2]	**-**	**5**	**(1)**	**-**	2	-	(9)	(2)
Cross currency swaps								
Fair value hedges[1]	**-**	**45**	**-**	**(7)**	-	115	-	-
Forward currency contracts								
Net investment hedges[3]	**-**	**-**	**(3)**	**-**	3	-	-	-
Not in a hedging relationship[2]	**2**	**-**	**(5)**	**-**	-	-	-	-
Total	**2**	**116**	**(9)**	**(7)**	5	237	(9)	(2)

1. Derivatives that are designated and effective as fair value 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 as net investment hedging instruments carried at fair value (IFRS 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Borrowings

All amounts due under bank facilities, loan notes and bonds are shown net of unamortised issue costs. Additionally, the Group adjusts the carrying values of the bonds and loan notes that are designated in effective fair value hedge relationships for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged.

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy.

CARRYING VALUE AND FAIR VALUE OF BORROWINGS	2021 Carrying value £m	2021 Fair value £m	2020 Carrying value £m	2020 Fair value £m
Bank overdrafts	**184**	**184**	97	97
Bank loans	**2**	**2**	9	9
Loan notes[1]	**1,106**	**1,143**	1,172	1,221
Bank overdrafts, bank loans and loan notes	**1,292**	**1,329**	1,278	1,327
€500m Eurobond Jan 2023	**440**	**440**	473	473
€750m Eurobond Jul 2024	**659**	**656**	707	695
£250m Eurobond Sep 2025	**252**	**258**	261	262
£250m Eurobond Jun 2026	**249**	**280**	249	289
€500m Eurobond Sep 2028	**443**	**456**	494	495
£300m Eurobond Jul 2029	**300**	**309**	317	316
Bonds	**2,343**	**2,399**	2,501	2,530
Borrowings	**3,635**	**3,728**	3,779	3,857
Current	**481**		106	
Non-current	**3,154**		3,673	
Borrowings	**3,635**		3,779	

1. Includes £295 million (2020: £nil) repayable within one year.

Other financial instruments

The fair values of the Group's other financial instruments in the consolidated balance sheet approximate to their carrying values.

10 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

Acquisition of businesses

The total cash spent on acquisitions during the year, net of cash acquired, was £167 million (2020: £464 million), including £103 million of deferred consideration paid in respect of the acquisition of Unidine Corp. which was acquired in December 2017 and £10 million of acquisition transaction costs included in net cash flow from operating activities in 2021. There were no material acquisitions during the current year. In the prior year, the Group acquired Fazer Food Services for an initial consideration of £363 million net of cash acquired.

Sale and closure of businesses

The Group has continued to simplify its portfolio of businesses. Activity in the year has included the sale of the remaining US laundries business, with a net gain of £10 million on the sale and closure of businesses. In the prior year, there was a net gain of £115 million on the sale and closure of businesses, partly offset by £56 million of exit costs and asset write downs relating to committed or completed business exits.

The Group's consolidated balance sheet includes assets held for sale of £17 million (2020: £13 million) and liabilities held for sale of £nil (2020: £7 million) that represent one third of the Group's 50% shareholding in Highway Royal Co., Limited (Japanese Highways) which it has agreed to sell. The disposal is expected to complete in January 2022. The business classified as held for sale in the prior year is no longer expected to be sold and, therefore, is not presented as held for sale at 30 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

11 RELATED PARTY TRANSACTIONS

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

Subsidiaries

Transactions between the ultimate parent company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

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

Associates

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

Key management personnel

The remuneration of directors and key management personnel is set out in note 3 of the consolidated financial statements in the 2021 Annual Report. During the year, there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

Post employment benefit schemes

Details of the Group's post employment benefit schemes are set out in note 22 of the consolidated financial statements in the 2021 Annual Report.

12 POST BALANCE SHEET EVENTS

With the exception of the proposed dividend (see note 6), there are no material post balance sheet events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 NON-GAAP MEASURES

Introduction

The Executive Committee manages and assesses the performance of the Group using various underlying and other alternative performance measures. These measures are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP) and may not be directly comparable with alternative performance measures used by other companies. Underlying measures reflect ongoing trading and, therefore, facilitate meaningful year on year comparison. Management believes that the Group's underlying and alternative performance measures, together with the results prepared in accordance with IFRS, provide comprehensive analysis of the Group's results. Certain of these measures are financial Key Performance Indicators which measure progress against our strategy.

In determining the adjustments to arrive at underlying results, we use a set of established principles relating to the nature and materiality of individual items or group of items, including, for example, events which: (i) are outside the normal course of business; (ii) are incurred in a pattern that is unrelated to the trends in the underlying financial performance of our ongoing business: or (iii) are related to business acquisitions or disposals as they are not part of the Group's ongoing trading business and the associated cost impact arises from the transaction rather than from the continuing business.

Definitions

Measure	Definition	Purpose	Ref.
INCOME STATEMENT			
Underlying revenue	Revenue plus share of revenue of joint ventures.	Allows management to monitor the sales performance of the Group's subsidiaries and joint ventures.	Note 2
Organic revenue[1]	Current year: Underlying revenue excluding businesses acquired, sold and closed in the year. Prior year: Underlying revenue including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.	Note 2
Underlying operating profit	Operating profit excluding specific adjusting items[2].	Provides a measure of Group operating profitability that is comparable over time.	Note 2
Regional underlying operating profit	Underlying operating profit excluding share of results of associates.	Provides a measure of regional operating profitability that is comparable over time.	Note 2
Underlying operating margin[1]	Regional underlying operating profit divided by underlying revenue.	An important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.	Note 2
Organic operating profit	Current year: Underlying operating profit excluding businesses acquired, sold and closed in the year. Prior year: Underlying operating profit including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Provides a measure of Group operating profitability that is comparable over time.	Note 2
Net operating profit after tax (NOPAT)	Underlying operating profit excluding the operating profit of non-controlling interests, net of tax at the underlying effective tax rate.	Provides a measure of Group operating profitability that is comparable over time.	Below
Underlying EBITDA	Underlying operating profit excluding underlying impairment, depreciation and amortisation of intangible assets, tangible assets and contract related assets.	Provides a measure of Group operating profitability that is comparable over time.	Below
Underlying net finance costs	Net finance costs excluding specific adjusting items[2].	Provides a measure of the Group's cost of financing excluding items outside of the control of management, such as hedge accounting ineffectiveness and change in the fair value of investments.	Below
Underlying profit before tax	Profit before tax excluding specific adjusting items[2].	Provides a measure of profitability that is comparable over time.	Below
Underlying tax expense	Tax expense excluding tax attributable to specific adjusting items[2].	Provides a measure of tax expense that is comparable over time.	Below
Underlying effective tax rate	Underlying tax expense divided by underlying profit before tax.	Provides a measure of the effective tax rate that is comparable over time.	Below
Underlying profit for the year	Profit for the year excluding specific adjusting items[2] and tax attributable to those items.	Provides a measure of profitability that is comparable over time.	Below
Underlying earnings per share[1]	Earnings per share excluding specific adjusting items[2] and tax attributable to those items.	Measures the performance of the Group in delivering value to shareholders.	Note 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 NON-GAAP MEASURES (CONTINUED)

Definitions (continued)

Measure	Definition	Purpose	Ref.
BALANCE SHEET			
Net debt	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, less cash and cash equivalents.	Allows management to monitor the indebtedness of the Group.	Below
Net debt to EBITDA	Net debt divided by underlying EBITDA.	Provides a measure of the Group's ability to finance and repay its debt from its operations.	Below
Capital employed	Total equity shareholders' funds excluding net debt, post employment benefit obligations net of deferred tax, amortised intangible assets acquired through business combinations, impaired goodwill, the Group's non-controlling partners' share of net assets and the net assets of discontinued operations.	Provides a measure of the Group's efficiency in allocating its capital to profitable investments.	
Return on capital employed (ROCE)[1]	NOPAT divided by 12 month average capital employed.	ROCE demonstrates how we have delivered against the various investments we make in the business, be it operational expenditure, capital expenditure or bolt-on acquisitions.	Below
CASH FLOW			
Gross capital expenditure	Purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment and investment in contract prepayments.	Provides a measure of total expenditure on long term intangible, tangible and contract related assets.	Below
Net capital expenditure	Gross capital expenditure, less proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets.	Provides a measure of total expenditure on long term intangible, tangible and contract related assets, net of the proceeds from disposal of intangible, tangible and contract related assets.	Below
Free cash flow	Net cash flow from operating activities, less purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, purchase of other investments, proceeds from sale of other investments, dividends received from joint ventures and associates, interest received, repayment of principal under lease liabilities and dividends paid to non-controlling interests.	Measures the success of the Group in turning profit into cash through the management of working capital and capital expenditure.	Below
Underlying free cash flow[1]	Free cash flow excluding cash payments related to cost action programme and COVID-19 resizing costs and acquisition transaction costs.	Measures the success of the Group in turning profit into cash through the management of working capital and capital expenditure.	Below
Underlying free cash flow conversion	Underlying free cash flow divided by underlying operating profit.	Measures the success of the Group in turning profit into cash through the management of working capital and capital expenditure.	Below
Underlying cash tax rate	Net tax paid included in net cash flow from operating activities divided by underlying profit before tax.	Provides a measure of the cash tax rate that is comparable over time.	Below

1. Key performance indicator.
2. Specific adjusting items are acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs, tax on share of profit of joint ventures, gains and losses on sale and closure of businesses and other financing items, including hedge accounting ineffectiveness and change in the fair value of investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 NON-GAAP MEASURES (CONTINUED)

Reconciliations

INCOME STATEMENT

UNDERLYING PROFIT MEASURES	2021 Statutory £m	Specific adjusting items 1	2	3	4	5	6	2021 Underlying £m
Operating profit	545	106	2	157	1	-	-	811
Net gain on sale and closure of businesses	10	-	-	-	-	(10)	-	-
Net finance costs	(91)	-	-	-	-	-	(22)	(113)
Profit before tax	464	106	2	157	1	(10)	(22)	698
Tax expense	(107)	(21)	-	(41)	(1)	(5)	4	(171)
Profit for the year	357	85	2	116	-	(15)	(18)	527
Less: Non-controlling interests	-	-	-	-	-	-	-	-
Profit attributable to equity shareholders	357	85	2	116	-	(15)	(18)	527
Effective tax rate	23.1%							24.5%

UNDERLYING PROFIT MEASURES	2020 Statutory £m	Specific adjusting items 1	2	3	4	5	6	2020 Underlying £m
Operating profit	294	70	-	197	-	-	-	561
Net gain on sale and closure of businesses	59	-	-	-	-	(59)	-	-
Net finance costs	(143)	-	-	-	-	-	9	(134)
Profit before tax	210	70	-	197	-	(59)	9	427
Tax expense	(75)	(20)	-	(50)	-	31	(2)	(116)
Profit for the year	135	50	-	147	-	(28)	7	311
Less: Non-controlling interests	(2)	-	-	-	-	-	-	(2)
Profit attributable to equity shareholders	133	50	-	147	-	(28)	7	309
Effective tax rate	35.7%							27.2%

Specific adjusting items are as follows:

Acquisition related costs
1. Represent charges in respect of intangible assets acquired through business combinations, direct costs incurred as part of a business combination or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity.

One-off pension charge
2. The £2 million current year pension charge in relation to GMP equalisation is classified as a specific adjusting item consistent with the classification of the £12 million charge recognised in 2019 following the original High Court hearing.

Cost action programme and COVID-19 resizing costs
3. Charges related to actions taken to adjust our cost base and further cost actions taken to adjust our business to the new trading environment in light of the COVID-19 pandemic.

Tax on share of profit of joint ventures
4. Reclassification of tax on share of profit of joint ventures to tax expense.

Net gain on sale and closure of businesses
5. Profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets.

Other financing items
6. Financing items, including hedge accounting ineffectiveness and change in the fair value of investments.

NET OPERATING PROFIT AFTER TAX (NOPAT)	2021 £m	2020 £m
Underlying operating profit	811	561
Less: Operating profit of non-controlling interests net of tax	-	(2)
Less: Tax on underlying operating profit at effective tax rate	(199)	(153)
NOPAT	612	406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

UNDERLYING EBITDA	2021 £m	2020 £m
Underlying operating profit	**811**	561
Add back/(deduct):		
Depreciation of property, plant and equipment and right of use assets	**406**	451
Amortisation of intangible assets, contract fulfilment assets and contract prepayments (excluding amortisation of intangibles arising on acquisition)	**307**	314
Impairment losses on contract related non-current assets	**32**	88
Other impairment losses	**2**	4
Impairment reversals on contract related non-current assets	**(4)**	-
Underlying EBITDA	**1,554**	1,418

BALANCE SHEET

COMPONENTS OF NET DEBT	2021 £m	2020 £m
Borrowings	**(3,635)**	(3,779)
Lease liabilities	**(845)**	(942)
Derivative financial instruments	**102**	231
Gross debt	**(4,378)**	(4,490)
Cash and cash equivalents	**1,840**	1,484
Net debt	**(2,538)**	(3,006)

NET DEBT RECONCILIATION	2021 £m	2020 £m
Net increase in cash and cash equivalents	**292**	1,012
Deduct: Increase in borrowings	**(11)**	(2,362)
Add back: Repayment of borrowings	**7**	2,549
Add back: Repayment of principal under lease liabilities	**153**	152
Decrease in net debt from cash flows	**441**	1,351
New lease liabilities and amendments	**(103)**	(174)
Amortisation of fees and discounts on issue of debt	**(4)**	(5)
Changes in fair value of borrowings in a fair value hedge	**92**	(12)
Lease liabilities acquired through business acquisitions	**-**	(22)
Lease liabilities derecognised on sale and closure of businesses	**16**	75
COVID-19 rent concessions	**4**	3
Changes in fair value of derivative financial instruments	**(63)**	6
Currency translation gains	**83**	40
Decrease in net debt	**466**	1,262
Net debt at 1 October	**(3,006)**	(4,267)
Cash reclassified from/(to) held for sale	**2**	(1)
Net debt at 30 September	**(2,538)**	(3,006)

NET DEBT TO EBITDA	2021 £m	2020 £m
Net debt	**2,538**	3,006
Underlying EBITDA	**1,554**	1,418
Net debt to EBITDA (times)	**1.6**	2.1

RETURN ON CAPITAL EMPLOYED (ROCE)	2021 £m	2020 £m
NOPAT	**612**	406
Average capital employed	**7,931**	8,683
ROCE (%)	**7.7%**	4.7%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

CASH FLOW

GROSS CAPITAL EXPENDITURE	2021 £m	2020 £m
Purchase of intangible assets	**155**	166
Purchase of contract fulfilment assets	**231**	272
Purchase of property, plant and equipment	**228**	271
Investment in contract prepayments	**40**	40
Gross capital expenditure	**654**	749

NET CAPITAL EXPENDITURE	2021 £m	2020 £m
Gross capital expenditure	**654**	749
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**(44)**	(43)
Net capital expenditure	**610**	706

FREE CASH FLOW	2021 £m	2020 £m
Net cash flow from operating activities	**1,171**	845
Purchase of intangible assets	**(155)**	(166)
Purchase of contract fulfilment assets	**(231)**	(272)
Purchase of property, plant and equipment	**(228)**	(271)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**44**	43
Purchase of other investments	**(20)**	(1)
Proceeds from sale of other investments	**3**	16
Dividends received from joint ventures and associates	**28**	61
Interest received	**5**	8
Repayment of principal under lease liabilities	**(153)**	(152)
Dividends paid to non-controlling interests	**-**	(6)
Free cash flow	**464**	105

UNDERLYING FREE CASH FLOW	2021 £m	2020 £m
Free cash flow	**464**	105
Add back: Cash payments related to cost action programme and COVID-19 resizing costs	**186**	108
Add back: Acquisition transaction costs[1]	**10**	-
Underlying free cash flow	**660**	213

1. Acquisition transaction costs of £16 million were excluded from free cash flow in 2020 (see note 8).

UNDERLYING FREE CASH FLOW CONVERSION	2021 £m	2020 £m
Underlying free cash flow	**660**	213
Underlying operating profit	**811**	561
Underlying free cash flow conversion (%)	**81.4%**	38.0%

UNDERLYING CASH TAX RATE	2021 £m	2020 £m
Tax received	**29**	40
Tax paid	**(229)**	(268)
Net tax paid	**(200)**	(228)
Underlying profit before tax	**698**	427
Underlying cash tax rate (%)	**28.7%**	53.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

14 EXCHANGE RATES

	2021	2020
AVERAGE EXCHANGE RATE FOR THE YEAR[1]		
Australian Dollar	**1.83**	1.89
Brazilian Real	**7.35**	6.21
Canadian Dollar	**1.73**	1.72
Chilean Peso	**1,019.64**	1,013.12
Euro	**1.15**	1.14
Japanese Yen	**147.07**	137.83
New Zealand Dollar	**1.94**	2.00
Norwegian Krone	**11.91**	12.03
Turkish Lira	**11.07**	8.34
UAE Dirham	**5.02**	4.71
US Dollar	**1.37**	1.28
CLOSING EXCHANGE RATE AT 30 SEPTEMBER[1]		
Australian Dollar	**1.87**	1.80
Brazilian Real	**7.35**	7.29
Canadian Dollar	**1.71**	1.73
Chilean Peso	**1,095.13**	1,018.50
Euro	**1.16**	1.10
Japanese Yen	**150.44**	136.43
New Zealand Dollar	**1.95**	1.96
Norwegian Krone	**11.77**	12.10
Turkish Lira	**11.98**	9.96
UAE Dirham	**4.95**	4.75
US Dollar	**1.35**	1.29

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.

Forward looking statements

Certain information included in this Announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation; the direct and indirect impacts and implications of public health crises such as the coronavirus COVID-19 on the economy, nationally and internationally, and on the Group, its operations and prospects, including disruptions and inefficiencies in the supply chain; UK domestic and global political, economic and business conditions (such as the UK's exit from the EU); projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments; risks associated with changes in economic conditions, the strength of the food and support services markets in the jurisdictions in which the Group operates; fluctuations in food and other product costs and labour costs; and prices and changes in exchange and interest rates. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

Forward looking statements in this Announcement are not guarantees of future performance. All forward looking statements in this Announcement are based upon information known to the Company on the date of this Announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements when making their investment decisions. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation or warranty that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this Announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.