COMPASS GROUP

Half year results announcement for the six months ended 31 March 2018

	Underlying[1] results			**Statutory results**		
	HY 2018	HY 2017	Change	HY 2018	HY 2017	Change
Revenue	£11.5 billion	£10.9 billion[2]	4.8%[3]	£11.4 billion	£11.5 billion	(0.8)%
Operating profit	£875 million	£837 million[2]	4.5%[2]	£853 million	£877 million	(2.7)%
Operating margin	7.5%	7.6%	(10) bps			
Earnings per share	39.0 pence	35.5 pence[2]	9.8%[2]	37.7 pence	37.5 pence	0.5%
Free cash flow	£465 million	£502 million	(7.4)%			
Interim dividend per share	12.3 pence	11.2 pence	9.8%	12.3 pence	11.2 pence	9.8%

[1] Full details of the underlying results can be found on pages 34 – 36.
[2] Measured on a constant currency basis.
[3] Organic revenue growth.

Compass reports organic revenue up 4.8%.
The business is trading well and our full year expectations are unchanged.

Organic revenue growth of 4.8%, excluding the impact of Easter and weather it was up 5.3%

- Strong performance in North America with broad based organic revenue growth of 7.3%
- Europe organic revenue up by 0.5% driven by good growth in the UK
- Rest of World grew by 3.4%, a significant improvement on the 3.8% decline in HY 2017

Operating margin of 7.5%, as expected

- Strong drive on efficiencies and pricing largely offset inflation
- Benefits of actions to address cost pressures in the UK to come in the second half

Strong EPS and dividend growth

- EPS growth of 10% on a constant currency basis and interim dividend up 10%

Sharpening our strategy

- Even greater focus on our core food business
- Increasing intensity around Management And Performance framework (MAP)
- Developing and sharing best practices across the Group in a more systematic way
- Actions to further strengthen and simplify our portfolio

Statutory results

- Statutory earnings per share increased by 0.5% as the impact of foreign exchange offset higher profits

Chief Executive's Statement

Dominic Blakemore, Group Chief Executive, said:

"Compass had another strong half with good revenue growth. North America continues to make excellent progress with broad-based growth across sectors. Performance in Europe was mixed, with good growth in the UK, offset by subdued trading in Continental Europe. Notably, the performance in our Rest of World region is improving.

Our continuous focus on efficiencies and pricing was offset by inflation and cost of change actions in the UK. As a result, our Group operating margin declined slightly in the half. However, the benefits of these actions will come through in the second half.

The business is trading well and our full year expectations are unchanged, with organic growth above the middle of our 4-6% range, and modest margin progression.

I want us to drive performance by focusing on our core food business. We are increasing our intensity around our MAP framework, with the systematic roll out of best practices and technology. At the same time, we are reviewing the portfolio to strengthen our capability and simplify the business. People are key to our success and we are working hard to continue to attract, develop and retain the very best talent. In addition, we will integrate our Social and Environmental ambitions more fully into our strategy and day to day operations.

I am excited about the significant structural growth opportunities globally and the long-term potential for further revenue growth, margin improvement, as well as continued returns to shareholders."

Results presentation today

The results presentation for investors and analysts is being held today, Wednesday 9 May 2018, at 9.00 a.m. at Bank of America Merrill Lynch, 2 King Edward Street, London EC1A 1HQ. A live webcast of the results presentation will be broadcast today at 9.00 a.m., accessible via the Company's website, www.compass-group.com. At the end of the presentation you will be able to participate in a question and answer session by dialling:

UK Toll Number:	+44 (0) 333 300 0804
UK Toll Free Number:	+44 (0) 800 358 9473
US Toll Number:	+1 631 913 1422
US Toll Free Number:	+1 855 857 0686
Participant PIN Code:	10691992#

Financial calendar

Ex-dividend date for 2018 interim dividend	21 June 2018
Record date for 2018 interim dividend	22 June 2018
Last day for DRIP elections	09 July 2018
Q3 trading update	26 July 2018
Payment date for 2018 interim dividend	30 July 2018
Full year results	20 November 2018

Enquiries

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Chief Executive's Statement (continued)

Basis of preparation

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

The Executive Board of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. All underlying measures are defined in the glossary of terms on pages 38 and 39.

A summary of the adjustments from statutory results to underlying results is shown in note 9 on pages 34 and 35 and further detailed in the condensed income statement (page 17), reconciliation of free cash flow (page 24), note 2 segmental reporting (pages 26 and 27) and note 10 organic revenue and organic profit (page 36).

Group overview

Revenue for the Group grew by 4.8% on an organic basis. Excluding the impact of the timing of Easter and extreme weather we estimate growth was 5.3%. New business wins were 8.4% driven by strong MAP 1 (client sales and marketing) performance in all regions, our retention rate was 94.8% as a result of our ongoing focus and investment, and like for like revenue grew by 1.6% reflecting sensible price increases partially offset by weak volumes in our commodity related business. On a statutory basis, revenue decreased by 0.8%, mainly driven by negative foreign currency translation partially offset by organic growth.

Underlying operating profit increased by 4.5% on a constant currency basis. We have maintained our focus on MAP 3 (cost of food) with initiatives such as menu planning and supplier rationalisation, as well as continually optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads). These efficiencies combined with modest price increases were offset by inflationary pressures and cost of change actions in the UK, and as a result our operating profit margin declined by 10bps. On a statutory basis, operating profit decreased by 2.7%, which included the impact of 5.3% of adverse foreign currency translation.

Returns to shareholders continue to be an integral part of our business model with an interim dividend of 12.3 pence per share, an increase of 10%. Our leverage policy remains unchanged: to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x.

Chief Executive's Statement (continued)

Regional performances

North America – 58.5% Group revenue (2017: 58.5%)

	Underlying		Change		
Regional financial summary	**2018**	2017	Reported rates	Constant currency	Organic
Revenue	£6,736m	£6,792m	(0.8)%	8.2%	7.3%
Regional operating profit	£575m	£580m	(0.9)%	8.3%	7.7%
Regional operating margin	8.5%	8.5%	-		

Our North American business delivered another strong performance, with organic revenue growth of 7.3%. We have seen good levels of new business wins and the retention rate remains excellent at around 97%. Like for like revenue growth was positive reflecting good pricing and some positive volumes across the business, except for the Offshore & Remote sector which remains challenging. The timing of Easter is estimated to have adversely impacted the quarter by around 0.5%.

Solid organic growth in our Business & Industry sector was driven by strong net new business. New contract wins include The Travelers Companies, Inc. as well as additional business with Johnson & Johnson.

Our Healthcare & Seniors sector benefitted from double digit new business and some like for like growth. New contract wins include OhioHealth and Baptist Health Care.

Excellent retention in our Education sector, along with some like for like growth, has contributed to the delivery of a solid organic revenue performance along with contract wins including the University of Mississippi and Rye City School District.

With a retention rate of close to 100%, and some improvements in like for like volumes, our Sports & Leisure business continues to deliver a strong organic revenue growth performance. Contract wins include AT&T Park, home of the San Francisco Giants and Tropicana Field, home of the Tampa Bay Rays.

Our small Offshore & Remote business continues to contract with an organic decline of 11% due to continued volume and pricing pressures as well as the roll from client closures in 2017.

Underlying operating profit of £575 million increased by 8.3% (£44 million) on a constant currency basis. Margins were broadly flat with the benefits of ongoing efficiency initiatives offset by above average labour inflation.

Chief Executive's Statement (continued)

Europe – 25.4% Group revenue (2017: 24.6%[1])

Regional financial summary	Underlying 2018	Underlying 2017	Change: Reported rates	Change: Constant currency	Change: Organic
Revenue[1]	£2,917m	£2,860m	2.0%	0.9%	0.5%
Regional operating profit[1]	£197m	£215m	(8.4)%	(9.6)%	(9.6)%
Regional operating margin	6.7%	7.5%	(80)bps		

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

Organic revenue in Europe grew by 0.5% reflecting good levels of new business, especially in the UK and Spain, and continued subdued trading across the Continent. In addition, the timing of Easter is estimated to have adversely impacted the quarter by around 1%.

Our new business performance includes contract wins with the Goodwood Estate in the UK, Master Marine Haven in Norway, Complejo Hospitalario Cartagena in Spain and COTY in Germany. Contract extensions include the Royal Surrey Hospital in the UK, ING in Belgium, the University of Gothenburg in Sweden, Arpavie in France and US Steel in Slovakia.

Underlying operating profit declined by 9.6% (£21 million) on a constant currency basis. Inflation and cost of change actions in the UK, along with the impact of extreme weather across the region, were not fully offset by pricing and efficiencies. As a result, the underlying operating margin declined by 80 basis points to 6.7%.

Chief Executive's Statement (continued)

Rest of World – 16.1% Group revenue (2017: 16.9%[1])

Regional financial summary	Underlying 2018	Underlying 2017	Change Reported rates	Change Constant currency	Change Organic
Revenue[1]	£1,857m	£1,965m	(5.5)%	3.2%	3.4%
Regional operating profit[1]	£124m	£124m	-	8.8%	9.7%
Regional operating margin	6.7%	6.3%	40bps		

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

Organic revenue in our Rest of World region grew by 3.4%. Excluding the Offshore & Remote business, organic revenue grew by 5.2% driven by a strong performance in Turkey. The Offshore & Remote business declined by 1.7%. The timing of Easter is estimated to have adversely impacted the quarter by around 0.5%.

The Offshore & Remote business in Australia, as expected, saw a slowdown in organic revenue decline to 7.3% reflecting contracts continuing to move from their construction to production phase. Our commodity related business elsewhere is starting to show signs of stabilisation. We continue to win and retain contracts including Techint in Argentina, BHP in Chile and Santos in Australia.

The Business & Industry, Healthcare and Education sectors of the region, continue to perform reasonably well. We have experienced good growth in India, China, Turkey and our Spanish speaking Latin American businesses. However, Brazil is still challenging. New business wins include GAC Motor in China, Johnson & Johnson in Mexico and Medicana Hastanesi in Turkey. We continue to retain contracts, including Socicam in Brazil, Bosch in Japan and Microsoft in India.

Underlying operating margins improved, reflecting the continued benefits of our restructuring programme in Australia along with ongoing efficiencies in Turkey. Underlying operating profit improved by 8.8% (£10 million) on a constant currency basis, with an underlying margin improvement of 40 basis points to 6.7%.

Chief Executive's Statement (continued)

Strategy

Over the last 12 years we have developed a model for creating shareholder value. We will continue to drive our performance with an even greater focus on operational execution in our core food business.

Focus on food

Food is our focus and our core competence. We estimate the addressable food service market to be around £200 billion. With only around 50% of the market currently outsourced, it represents a significant structural growth opportunity. We believe the benefits of outsourcing become further apparent as economic conditions and regulatory changes put further pressure on budgets. As one of the largest providers in all of our sectors, we are well placed to benefit from these trends.

Our approach to support services is low risk and incremental, with strategies developed on a country by country basis. Our main businesses are in Defence, Offshore & Remote, where the model is almost universally multi service and a Healthcare support services business in North America. This is a complex segment and there are significant differences in client buying behaviour across countries, sectors and sub-sectors.

Geographic spread

North America (59% of Group revenue) is the principal growth engine for the Group. The outsourcing culture is vibrant and the addressable market is significant. We are the market leader and have developed a successful model for long-term growth. We sectorise and subsectorise the business, we leverage our scale in terms of food costs and overheads and importantly we have the right culture and people.

In Europe (25% of Group revenue) the fundamentals of our business are somewhat more challenging. Outsourcing trends in the UK are good, however, in Continental Europe, the environment is less dynamic. We manage the business in sub-regional business units, to allow us to better leverage our scale and deliver efficiencies to make our operations more competitive.

Rest of World (16% of Group revenue) has excellent long term growth opportunities. Our largest markets are Australia, Japan, Brazil and Turkey, whilst India and China also have potential for long term growth. Lower commodity prices and a weak macroeconomic backdrop have impacted our Offshore & Remote business and some of our emerging markets, but trends are improving.

Sectorised approach

The global food services market is very large and disparate and we find that segmenting the market into five core sectors and several sub-sectors using our portfolio of B2B brands allows us to operate more effectively. It allows us to be closer to our clients and consumers and better understand their different needs. In this way, we can create innovative, bespoke offers that meet their requirements, and in so doing we truly differentiate ourselves.

Scale

As we continue to grow, our scale enables us to achieve our goal of being the lowest cost, most efficient provider of food services. Scale is a benefit in terms of food procurement, labour management and back office costs. It underpins our competitiveness and enables us to deliver sustainable growth over time.

Chief Executive's Statement (continued)

MAP culture

We use the Management and Performance (MAP) framework across the business. All our employees use this simple framework to drive performance across the Group. It helps us focus on a common set of business drivers, whether it is winning new business in the right sector on the right terms (MAP 1), increasing our consumer participation and spend (MAP 2), reducing our food costs (MAP 3), our labour costs (MAP 4) and our overhead (MAP 5).

Within our MAP framework, there are four areas that we need to execute with more intensity. In MAP 1: our approach to sectorisation and sub-sectorisation, our core offer. In MAP 2: our approach to pricing. In an inflationary environment we need to improve our capabilities in this area. In MAP 3: we need to be more consistent and bolder in terms of our food purchasing capabilities across the Group. And in MAP 4 and 5: our approach to labour whether it be in unit or overheads. We aim to be more productive and efficient in managing our biggest cost item.

Portfolio

We will review the portfolio to strengthen and simplify the business. Targeted, disciplined bolt-on acquisitions strengthen our capabilities. M&A is an important way to support our organic growth potential. It has also proven to be an extraordinary source of talent. We are also considering disposals and exits to simplify the portfolio. We will consider disposals and exits based on potential, be that market growth, scalability, or our own position and capability.

People

Our ongoing success is dependent on the quality of our People. We must continue to attract, develop, retain and engage the right people to ensure we have a diverse work force, fit for the future. We plan to provide more training and career development, driving succession planning deeper into the operational workforce.

Purpose

We have four areas of focus which we have aligned to the seven United Nations Sustainability goals where we believe we can make the most impact. Our people and their safety is of utmost importance. We have made a number of commitments around responsible sourcing. As a result of our actions across our global supply chain, we are able to build client and consumer confidence, reduce potential risks and develop sustainable supplier relationships. We also help our consumers and employees adopt a more balanced lifestyle. As a leading food and support services provider with a global footprint, we have a clear responsibility to help protect the environment. We are reducing our impact by implementing programs that focus on the improved use of resources, helping us manage our costs and those of our clients more effectively. All our stakeholders want us to do to more in all of these areas, and we are developing our Purpose to better articulate how we are contributing to society.

Uses of cash and balance sheet priorities

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

Chief Executive's Statement (continued)

Summary and outlook

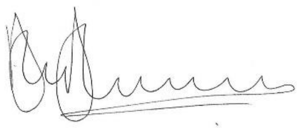
Compass had another strong half with good revenue growth. North America continues to make excellent progress with broad-based growth across sectors. Performance in Europe was mixed, with good growth in the UK, offset by subdued trading in Continental Europe. Notably, the performance in our Rest of World region is improving.

Our continuous focus on efficiencies and pricing was offset by inflation and cost of change actions in the UK. As a result, our Group operating margin declined slightly in the half. However, the benefits of these actions will come through in the second half.

The business is trading well and our full year expectations are unchanged, with organic growth above the middle of our 4-6% range, and modest margin progression.

I want us to drive performance by focusing on our core food business. We are increasing our intensity around our MAP framework, with the systematic roll out of best practices and technology. At the same time, we are reviewing the portfolio to strengthen our capability and simplify the business. People are key to our success and we are working hard to continue to attract, develop and retain the very best talent. In addition, we will integrate our Social and Environmental ambitions more fully into our strategy and day to day operations.

I am excited about the significant structural growth opportunities globally and the long-term potential for further revenue growth, margin improvement, as well as continued returns to shareholders.



Dominic Blakemore
Group Chief Executive
9 May 2018

Business Review

Segmental performance

Six months ended 31 March	Underlying revenue[1]		Growth[2]		
	2018	2017[3]	Reported	Constant	
	£m	£m	Rates	Currency	Organic
North America	**6,736**	6,792	(0.8)%	8.2%	7.3%
Europe	**2,917**	2,860	2.0%	0.9%	0.5%
Rest of World	**1,857**	1,965	(5.5)%	3.2%	3.4%
Total	**11,510**	11,617	(0.9)%	5.4%	4.8%

	Underlying operating profit[1]		Underlying operating margin[1]	
	2018	2017[3]	**2018**	2017[3]
	£m	£m	**%**	%
North America	**575**	580	8.5%	8.5%
Europe	**197**	215	6.7%	7.5%
Rest of World	**124**	124	6.7%	6.3%
Unallocated overheads	**(32)**	(34)		
Total before associates	**864**	885	7.5%	7.6%
Associates	**11**	9		
Total	**875**	894		

[1] Definitions of underlying measures of performance can be found in the glossary on pages 38 and 39.
[2] Reconciliation between the different growth rates is provided in the note 10 of the condensed financial statements.
[3] Prior year comparatives have reclassified Turkey from our Europe region into our Rest of World region.

Statutory results

On a statutory basis, revenue was £11,375 million (2017: £11,470 million), a decrease of 0.8%, mainly driven by negative foreign currency translation of 6.3% partially offset by organic growth.

Operating profit was £853 million (2017: £877 million), a decrease of 2.7% over the prior year, driven by 5.3% of negative foreign currency translation partially offset by underlying operating profit growth.

Net finance costs were £53 million (2017: £47 million).

Profit before tax was £792 million (2017: £831 million) giving rise to an income tax expense of £189 million (2017: £209 million), equivalent to an effective tax rate of 23.9% (2017: 25.2%).

Basic earnings per share were 37.7 pence (2017: 37.5 pence), an increase of 0.5% as a result of higher profits being offset by the effect of foreign exchange.

Business Review (continued)

Underlying results

A summary of adjustments from statutory results to underlying results is shown on pages 34 and 35. Underlying results are included in the condensed income statement (page 17), reconciliation of free cash flow from operations (page 24), the segmental reporting note (pages 26 and 27) and the organic revenue and organic profit note (page 36).

Underlying revenue

On an organic basis, revenue increased by 4.8%. New business wins were 8.4% driven by a strong performance in most countries. Our retention rate was 94.8% as a result of our ongoing focus and investment. Like for like revenue growth was 1.6%, reflecting sensible price increases partly offset by weak volumes in our commodity related business.

Underlying operating profit

Underlying operating profit was £875 million (2017: £894 million), a decrease of 2.1%. If we restate 2017's profit at the 2018 average exchange rates, it would decrease by £57 million to £837 million. On a constant currency basis, underlying operating profit has therefore increased by £38 million, or 4.5%.

Underlying operating margin

We continue to drive efficiencies across the business through our MAP framework. These efficiencies combined with modest price increases were offset by inflationary pressures and cost of change actions in the UK, which led to a decline in our underlying margin of 10 basis points.

Underlying finance costs

Underlying net finance cost increased to £55 million (2017: £52 million) mainly as a result of the additional interest on debt to fund the £1 billion special dividend in July 2017. This equates to an effective interest rate of just under 3% on gross debt. For 2018, we expect an underlying net finance cost of around £120 million.

Underlying tax charge

On an underlying basis, the tax charge was £197 million (2017: £213 million), equivalent to an effective tax rate of 24.0% (2017 FY: 25.4%). The change primarily reflects the reduction in the US federal tax rate introduced by the enactment of the Tax Cuts and Jobs Act and the continuing impact of the implementation of OECD BEPS measures in certain countries in which we operate. It is likely that we will see continued uncertainty in the international corporate tax environment. We expect the underlying tax rate to be around the same level for the full year.

Underlying basic earnings per share

On a constant currency basis, the underlying basic earnings per share were 39.0 pence (2017: 35.5 pence), an increase of 9.8%.

Business Review (continued)

Interim dividend

An interim dividend of 12.3 pence per share (2017: 11.2 pence) has been declared which represents growth of 9.8% in line with our constant currency earnings. The dividend will be paid on 30 July 2018 to shareholders on the register on 22 June 2018.

Purchase of own shares

The Group did not buy back any shares during the period (2017: £18 million). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 8 February 2018.

Free cash flow

Free cash flow totalled £465 million (2017: £502 million), a decrease of 7.4% mainly driven by the impact of currency translation. Underlying free cash flow conversion was 53% (2017: 56%), reflecting a higher level of capex in the half year.

Gross capital expenditure of £399 million (2017: £337 million) is equivalent to 3.5% (2017: 2.9%) of underlying revenue. We expect capex in the full year to continue at around these levels.

The working capital outflow, excluding provisions and pensions, of £27 million (2017: £78 million) reflects the seasonality of the business. For the full year, we expect a small inflow due to the timing of payroll runs.

The outflow related to post-employment benefit obligations net of service costs was £5 million (2017: £5 million). For the full year we expect an outflow of around £15 million.

The net interest outflow was £47 million (2017: £38 million).

The underlying cash tax rate was 18.5% (2017: 18.9%). For the full year, we expect the cash tax rate to be in range of 19 to 22 percent, reflecting the fact that proportionately more tax payments are made in the second half.

Acquisition payments

The total cash spent on acquisitions in the first half, net of cash acquired, was £328 million (2017: £63 million), comprising £313 million on infill acquisitions, investments in associates and purchase of non-controlling interests, £1 million on acquisition transaction costs and £14 million of deferred consideration relating to prior years' acquisitions.

The main acquisition during the period was the purchase of 80% of the share capital of Unidine for an initial consideration of £225 million ($305 million). Unidine is a Massachusetts based company that operates as a caterer in the healthcare and seniors market.

Disposals

The Group received £10 million (2017: £17 million) in respect of the disposal of some small, non-core businesses.

Post-employment benefit obligations

The Group has continued to review and monitor its pension obligations throughout the period working closely with the trustees and members of all schemes around the Group to ensure proper and prudent assumptions are used and adequate provision and contributions are made.

The Compass Group Pension Plan (UK) surplus of £341 million (30 September 2017: £259 million) and the £225 million (30 September 2017: £231 million) deficit in the rest of the Group's defined benefit pension schemes reflect the actuarial gains and losses occurred since the prior year IAS 19 actuarial valuation.

Business Review (continued)

Financial position

During the first six months of the year, net debt increased to £3,565 million (30 September 2017: £3,446 million). The Group generated £465 million of free cash flow (2017: £502 million), including investing £369 million in net capital expenditure (2017: £325 million), and spent £318 million on acquisitions net of disposal proceeds (2017: £46 million). £353 million was paid in respect of the final dividend for 2017.

The remaining £87 million movement in net debt related predominantly to currency translation.

Related party transactions

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

Risks and uncertainties

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

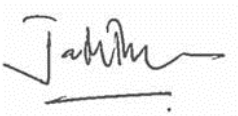
A summary of the principal risks and uncertainties that face the business is set out on page 14.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities. In addition, note 17 of the Consolidated Financial Statements of our 2017 Annual Report includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

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



Johnny Thomson
Group Finance Director
9 May 2018

Focus on Risk

Identifying and managing risk

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

Details of the principal risks facing the Group are included on pages 34 to 36 of the 2017 Annual Report. These remain unchanged and are expected to continue to be relevant for the remaining six months of this financial year. A summary of the principal risks and uncertainties is set out below:

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

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

Compass Group PLC
Condensed Financial Statements

Directors' responsibilities

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34;
- the Interim Management Report includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by DTR 4.2.7R;
- the Interim Management Report includes a fair review of disclosure of related party transactions and changes therein, as required by DTR 4.2.8R; and
- the directors have permitted the auditor to undertake whatever inspections it considers to be appropriate for the purpose of enabling the auditor to conduct its review.

On behalf of the Board

Mark J White
Group General Counsel and Company Secretary
9 May 2018

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

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

Directors are also required to:

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

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

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

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

Compass Group PLC
Condensed Financial Statements (continued)

Independent review report to Compass Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 which comprises the condensed income statement, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed balance sheet, the condensed cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 is not prepared, in all material respects, in accordance with IAS *34 Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

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

Our responsibility

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

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

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

Anthony Sykes
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
9 May 2018

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Notes	Six months to 31 March 2018 Unaudited £m	Six months to 31 March 2017 Unaudited £m	Year ended 30 September 2017 £m
Combined sales of Group and share of equity accounted joint ventures	2,10	**11,510**	11,617	22,852
Less: share of sales of equity accounted joint ventures		**(135)**	(147)	(284)
Revenue		**11,375**	11,470	22,568
Operating costs		**(10,547)**	(10,615)	(20,945)
Operating profit before joint ventures and associates		**828**	855	1,623
Share of profit after tax of joint ventures and associates		**25**	22	42
Operating profit		**853**	877	1,665
Underlying operating profit[1]	2,10	**875**	894	1,705
Amortisation of intangibles arising on acquisition		**(20)**	(19)	(39)
Acquisition transaction costs		**(1)**	(1)	(2)
Adjustment to contingent consideration on acquisition		**-**	4	3
Tax on share of profit of joint ventures		**(1)**	(1)	(2)
(Loss)/profit on sale and closure of businesses		**(8)**	1	-
Finance income		**3**	4	6
Finance costs		**(58)**	(56)	(120)
Other financing items		**2**	5	9
Profit before tax		**792**	831	1,560
Income tax expense	3	**(189)**	(209)	(389)
Profit for the period		**603**	622	1,171
ATTRIBUTABLE TO				
Equity shareholders of the Company		**597**	616	1,161
Non-controlling interests		**6**	6	10
Profit for the period		**603**	622	1,171
BASIC EARNINGS PER SHARE (PENCE)	4	**37.7p**	37.5p	71.3p
DILUTED EARNINGS PER SHARE (PENCE)	4	**37.7p**	37.4p	71.3p

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

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Six months to 31 March		
	2018 Unaudited £m	2017 Unaudited £m	Year ended 30 September 2017 £m
Profit for the period	**603**	622	1,171
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss			
Remeasurement of post-employment benefit obligations – gain	**6**	84	125
Return on plan assets, excluding interest income – gain/(loss)	**73**	(49)	(96)
Tax on items relating to the components of other comprehensive income	**(26)**	(8)	(8)
	53	27	21
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	**(67)**	6	(47)
	(67)	6	(47)
Total other comprehensive (loss)/income for the period	**(14)**	33	(26)
Total comprehensive income for the period	**589**	655	1,145

ATTRIBUTABLE TO

Equity shareholders of the Company	**583**	649	1,135
Non-controlling interests	**6**	6	10
Total comprehensive income for the period	**589**	655	1,145

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Attributable to equity shareholders of the Company						
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2017	176	182	295	4,320	(2,875)	22	2,120
Profit for the period	-	-	-	-	597	6	603
Other comprehensive income							
Currency translation differences	-	-	-	(67)	-	-	(67)
Remeasurement of post-employment benefit obligations – gain	-	-	-	-	6	-	6
Return on plan assets, excluding interest income – gain	-	-	-	-	73	-	73
Tax on items relating to the components of other comprehensive income	-	-	-	-	(26)	-	(26)
Total other comprehensive (loss)/income	-	-	-	(67)	53	-	(14)
Total comprehensive (loss)/income for the period	-	-	-	(67)	650	6	589
Fair value of share-based payments	-	-	-	6	-	-	6
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	(5)	-	(5)
Other changes	-	-	-	(46)	-	-	(46)
	176	182	295	4,213	(2,230)	28	2,664
Dividends paid to Compass shareholders (note 5)	-	-	-	-	(353)	-	(353)
Dividends paid to non-controlling interests	-	-	-	-	-	(7)	(7)
At 31 March 2018	176	182	295	4,213	(2,583)	21	2,304

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2017	211	4,170	7	(53)	(15)	4,320
Other comprehensive income						
Currency translation differences	-	-	-	(67)	-	(67)
Total other comprehensive (loss)	-	-	-	(67)	-	(67)
Fair value of share-based payments	6	-	-	-	-	6
Other changes	-	-	-	-	(46)	(46)
At 31 March 2018	217	4,170	7	(120)	(61)	4,213

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2017

	Attributable to equity shareholders of the Company						
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total £m
At 1 October 2016	176	182	295	4,359	(2,507)	15	2,520
Profit for the period	-	-	-	-	616	6	622
Other comprehensive income							
Currency translation differences	-	-	-	6	-	-	6
Remeasurement of post-employment benefit obligations - gain	-	-	-	-	84	-	84
Return on plan assets, excluding interest income - loss	-	-	-	-	(49)	-	(49)
Tax on items relating to the components of other comprehensive income	-	-	-	-	(8)	-	(8)
Total other comprehensive income	-	-	-	6	27	-	33
Total comprehensive income for the period	-	-	-	6	643	6	655
Fair value of share-based payments	-	-	-	10	-	-	10
Tax on items taken directly to equity	-	-	-	-	1	-	1
Share buy back[1]	-	-	-	-	(18)	-	(18)
Other changes	-	-	-	(9)	-	-	(9)
Changes to non-controlling interests due to acquisitions and disposals	-	-	-	-	-	4	4
	176	182	295	4,366	(1,881)	25	3,163
Dividends paid to Compass shareholders (note 5)	-	-	-	-	(347)	-	(347)
Dividends paid to non-controlling interests	-	-	-	-	-	(9)	(9)
At 31 March 2017	176	182	295	4,366	(2,228)	16	2,807

[1] Including stamp duty and brokers' commission.

OTHER RESERVES	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
At 1 October 2016	193	4,170	7	(5)	(6)	4,359
Other comprehensive income						
Currency translation differences	-	-	-	6	-	6
Total other comprehensive income	-	-	-	6	-	6
Fair value of share-based payments	10	-	-	-	-	10
Other changes	-	-	-	-	(9)	(9)
At 31 March 2017	203	4,170	7	1	(15)	4,366

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

[1] Including stamp duty and brokers' commission.

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

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED BALANCE SHEET
AS AT 31 MARCH 2018

	Notes	As at 31 March 2018 Unaudited £m	As at 31 March 2017 Unaudited £m	Year ended 30 September 2017 £m
NON-CURRENT ASSETS				
Goodwill		**4,137**	4,126	3,994
Other intangible assets		**1,680**	1,565	1,537
Property, plant and equipment		**1,003**	994	1,000
Interests in joint ventures and associates		**264**	233	220
Other investments		**65**	48	63
Post-employment benefit assets[1]		**341**	267	259
Trade and other receivables		**104**	108	104
Deferred tax assets*		**88**	134	132
Derivative financial instruments**	7,8	**83**	112	139
Non-current assets		**7,765**	7,587	7,448
CURRENT ASSETS				
Inventories		**368**	373	353
Trade and other receivables		**2,759**	2,738	2,701
Tax recoverable*		**78**	82	86
Cash and cash equivalents**	7	**405**	418	387
Derivative financial instruments**	7,8	**28**	7	4
Current assets		**3,638**	3,618	3,531
Total assets		**11,403**	11,205	10,979
CURRENT LIABILITIES				
Short term borrowings**	7	**(750)**	(42)	(20)
Derivative financial instruments**	7,8	**(9)**	(4)	(6)
Provisions		**(141)**	(136)	(132)
Current tax liabilities*		**(240)**	(234)	(227)
Trade and other payables		**(3,927)**	(3,965)	(3,892)
Current liabilities		**(5,067)**	(4,381)	(4,277)
NON-CURRENT LIABILITIES				
Long term borrowings**	7	**(3,313)**	(3,356)	(3,939)
Derivative financial instruments**	7,8	**(9)**	(1)	(11)
Post-employment benefit obligations[1]		**(225)**	(250)	(231)
Provisions		**(237)**	(279)	(266)
Deferred tax liabilities*		**(67)**	(40)	(48)
Trade and other payables		**(181)**	(91)	(87)
Non-current liabilities		**(4,032)**	(4,017)	(4,582)
Total liabilities		**(9,099)**	(8,398)	(8,859)
Net assets		**2,304**	2,807	2,120
EQUITY				
Share capital		**176**	176	176
Share premium account		**182**	182	182
Capital redemption reserve		**295**	295	295
Other reserves		**4,213**	4,366	4,320
Retained earnings		**(2,583)**	(2,228)	(2,875)
Total equity shareholders' funds		**2,283**	2,791	2,098
Non-controlling interests		**21**	16	22
Total equity		**2,304**	2,807	2,120

* Component of current and deferred taxes.
** Component of net debt.
[1] Represented to reclassify £51 million of unfunded defined benefit pension schemes in a deficit position included within post-employment benefit assets for the period ended 31 March 2017. As a result, post-employment benefit obligations, non-current assets and non-current liabilities have increased by the same amount.

Compass Group PLC
Condensed Financial Statements (continued)

CONDENSED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Notes	Six months to 31 March 2018 Unaudited £m	Six months to 31 March 2017 Unaudited £m	Year ended 30 September 2017 £m
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	6	**1,036**	1,021	2,068
Interest paid		**(50)**	(42)	(103)
Tax received		**11**	5	25
Tax paid		**(163)**	(164)	(357)
Net cash from operating activities		**834**	820	1,633
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of subsidiary companies and investments in associated undertakings[1]	11	**(323)**	(63)	(96)
Purchase of non-controlling interests		**(5)**	-	(5)
Proceeds from sale of subsidiary companies and associated undertakings[1]		**10**	17	19
Purchase of intangible assets		**(211)**	(160)	(339)
Purchase of property, plant and equipment[2]		**(188)**	(177)	(376)
Proceeds from sale of property, plant and equipment/intangible assets		**30**	12	32
Purchase of other investments		**(3)**	-	(8)
Proceeds from sale of other investments		**-**	1	-
Dividends received from joint ventures and associates		**7**	11	39
Interest received		**3**	4	6
Net cash used in investing activities		**(680)**	(355)	(728)
CASH FLOW FROM FINANCING ACTIVITIES				
Purchase of own shares[3]		**-**	(18)	(19)
Increase in borrowings	7	**550**	577	1,290
Repayment of borrowings	7	**(302)**	(601)	(571)
Repayment of obligations under finance leases	7	**(2)**	(2)	(6)
Equity dividends paid	5	**(353)**	(347)	(1,534)
Dividends paid to non-controlling interests		**(7)**	(9)	(13)
Net cash used in financing activities		**(114)**	(400)	(853)
CASH AND CASH EQUIVALENTS				
Net increase in cash and cash equivalents	7	**40**	65	52
Cash and cash equivalents at beginning of the year	7	**387**	346	346
Currency translation (losses)/gains on cash and cash equivalents	7	**(22)**	7	(11)
Cash and cash equivalents at end of the period		**405**	418	387

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

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

[3] Includes stamp duty and brokers' commission.

Compass Group PLC
Condensed Financial Statements (continued)

RECONCILIATION OF FREE CASH FLOW

FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Six months to 31 March 2018 Unaudited £m	Six months to 31 March 2017 Unaudited £m	Year ended 30 September 2017 £m
Net cash from operating activities	**834**	820	1,633
Purchase of intangible assets	**(211)**	(160)	(339)
Purchase of property, plant and equipment	**(188)**	(177)	(376)
Proceeds from sale of property, plant and equipment/intangible assets	**30**	12	32
Purchase of other investments	**(3)**	-	(8)
Proceeds from sale of other investments	**-**	1	-
Dividends received from joint ventures and associates	**7**	11	39
Interest received	**3**	4	6
Dividends paid to non-controlling interests	**(7)**	(9)	(13)
Free cash flow	**465**	502	974

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

1 BASIS OF PREPARATION

The unaudited condensed financial statements for the six months ended 31 March 2018 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), and have been prepared on the basis of International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that are effective for the year ending 30 September 2018.

The unaudited condensed financial statements for the six months ended 31 March 2018, which were approved by the Board on 9 May 2018, and the comparative information in relation to the half year ended 31 March 2017, do not comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and should be read in conjunction with the Annual Report for the year ended 30 September 2017. Those accounts have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The financial statements have been prepared on a going concern basis. This is discussed in the Business Review on page 10.

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 30 September 2017. The following accounting standards, interpretations and amendments have been adopted by the Group in the current period:

Amendments to IAS 7: Disclosure initiative
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
Annual improvements to IFRS standards 2014-2016 cycle

There is no material impact on this interim financial report as a result of adopting these new standards.

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 31 March 2018. The Group is currently analysing the impact these standards would have on its consolidated results and financial position.

IFRS 9 – Financial instruments
IFRS 15 – Revenue from contracts with customers and clarifications to IFRS 15
IFRS 16 – Leases
Amendments to IFRS 2 – Classification and measurement of share-based payment transactions
Amendments to IAS 19 – Plan amendment, curtailment or settlement
Amendments to IAS 28 – Long-term interests in associates and joint ventures
IFRIC 22 – Foreign currency transactions and advance consideration
IFRIC 23 – Uncertainty over income tax treatments
Annual Improvements to IFRS standards 2015-2017 cycle

IFRS 9 'Financial instruments' removes the multiple classification and measurement models for financial assets required by IAS 39 and introduces a model that has only two classification categories: amortised cost and fair value. Classification is driven by the business model for managing the financial assets and the contractual cash flow characteristics of those assets. The primary impact of IFRS 9 relates to provisioning for potential future credit losses on financial assets. The Group does not consider it likely that the impact of these changes will have any major impact on the Group's financial statements. The Group plans to apply IFRS 9 for the year ended 30 September 2019 on a prospective basis.

IFRS 15 'Revenue from contracts with customers' and subsequent amendments 'Clarifications to IFRS 15' set out the requirements for recognising revenue and costs from contracts with customers. The Group believes that IFRS 15 will not have a significant impact on the timing and recognition of revenue, operating profit margin or net assets. It is anticipated that there will be some impact on the Group as a result of changes in the disclosure of some client contract intangibles, variable payments to, and variable receipts from clients and the accounting for sales commissions. The Group plans to apply IFRS 15 for the year ended 30 September 2019 with a retrospective approach to the restatement of comparatives.

IFRS 16 'Leases' will primarily change lease accounting for lessees. A single model will be applied by lessees to all leases with the option not to recognise leases of small value or with terms less than 12 months. It is expected that, as a result of this standard, most operating leases will be included on the balance sheet as an asset, together with the corresponding lease liability. A Group-wide project team has been established and is currently assessing the application of this new standard.

In preparing these condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2017.

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

2 SEGMENTAL REPORTING

REVENUE[1]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
SIX MONTHS ENDED 31 MARCH 2018[2,3]				
Combined sales of Group and share of equity accounted joint ventures	**6,736**	**2,917**	**1,857**	**11,510**
SIX MONTHS ENDED 31 MARCH 2017[2,3,4]				
Combined sales of Group and share of equity accounted joint ventures	6,792	2,860	1,965	11,617
YEAR ENDED 30 SEPTEMBER 2017[2,3,4]				
Combined sales of Group and share of equity accounted joint ventures	13,322	5,598	3,932	22,852

REVENUE[1]	Sectors Business & Industry £m	Education £m	Healthcare & Seniors £m	Sports & Leisure £m	Defence, Offshore & Remote £m	Total £m
SIX MONTHS ENDED 31 MARCH 2018						
Combined sales of Group and share of equity accounted joint ventures	**4,467**	**2,272**	**2,653**	**1,289**	**829**	**11,510**
SIX MONTHS ENDED 31 MARCH 2017						
Combined sales of Group and share of equity accounted joint ventures	4,433	2,346	2,620	1,315	903	11,617
YEAR ENDED 30 SEPTEMBER 2017						
Combined sales of Group and share of equity accounted joint ventures	8,847	4,124	5,264	2,820	1,797	22,852

1 There is no inter-segmental trading.

2 This is the revenue measure considered by the chief operating decision maker.

3 Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,063 million (six months to 31 March 2017: £1,017 million, year ended 30 September 2017: £2,070 million). Underlying revenue from external customers arising in the US was £6,307 million (six months to 31 March 2017: £6,321 million, year ended 30 September 2017: £12,449 million). Continuing revenue from external customers arising in all foreign countries from which the Group derives revenue was £10,447 million (six months to 31 March 2017: £10,600 million, year ended 30 September 2017: £20,782 million).

4 The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. £163 million and £313 million of revenue has been reclassified from Europe to Rest of World for the six months ended 31 March 2017 and for the year ended 30 September 2017 respectively.

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

2 SEGMENTAL REPORTING (CONTINUED)

OPERATING PROFIT	North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
	Geographical segments				
SIX MONTHS ENDED 31 MARCH 2018					
Underlying operating profit before joint ventures and associates	**574**	**197**	**110**	**(32)**	**849**
Add: Share of profit before tax of joint ventures	**1**	**-**	**14**	**-**	**15**
Regional underlying operating profit[1]	**575**	**197**	**124**	**(32)**	**864**
Add: Share of profit of associates	**7**	**4**	**-**	**-**	**11**
Group underlying operating profit[1]	**582**	**201**	**124**	**(32)**	**875**

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

OPERATING PROFIT	North America £m	Europe £m	Rest of World £m	Central Activities £m	Total £m
	Geographical segments				
SIX MONTHS ENDED 31 MARCH 2017					
Underlying operating profit before joint ventures and associates[1]	579	215	111	(34)	871
Add: Share of profit before tax of joint ventures	1	-	13	-	14
Regional underlying operating profit[2]	580	215	124	(34)	885
Add: Share of profit of associates	5	4	-	-	9
Group underlying operating profit[2]	585	219	124	(34)	894

[1] The operating profit relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey is now part of the Rest of World segment. As a result, operating profit of £11 million has been reclassified from Europe to Rest of World.

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

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

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

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

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

3 TAX

RECOGNISED IN THE INCOME STATEMENT: INCOME TAX EXPENSE	Six months to 31 March 2018 £m	Six months to 31 March 2017 £m	Year ended 30 September 2017 £m
CURRENT TAX			
Current year	**193**	219	424
Adjustment in respect of prior years	**(11)**	(16)	(47)
Current tax expense	**182**	203	377
DEFERRED TAX			
Current year	**8**	5	7
Impact of changes in statutory tax rates	**-**	1	2
Adjustment in respect of prior years	**(1)**	-	3
Deferred tax expense	**7**	6	12
TOTAL INCOME TAX			
Income tax expense	**189**	209	389

The Group has completed its review of the impact of the Tax Cuts and Jobs Act in the United States which came into effect on 1 January 2018, including the reduction of the US federal tax rate from 35% to 21%. The Group expects its effective tax rate to be reduced to around 24% in 2018. Certain aspects of the new law may be subject to further clarification, for both the federal and state taxes, which may affect future tax charges.

US federal deferred taxes as at 31 March 2018 have been calculated at 21%. The impact of the reduction in tax rate through the income statement was not significant but there is a resulting one off charge of £13 million to other comprehensive income in respect of the reduced US rate on deferred tax assets arising on post-employment benefits.

On 24 November 2017, the European Commission published its preliminary decision on the Group Financing Exemption in the UK’s Controlled Foreign Company legislation finding that the legislation is in breach of the EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this investigation. We have calculated our maximum potential liability to be some £89 million. We do not consider that any provision is required in respect of this amount based on our current assessment of the issue.

Deferred tax assets have not been recognised in respect of tax losses of £44 million (31 March 2017: £93 million, 30 September 2017: £54 million) and other temporary differences of £20 million (31 March 2017: £18 million, 30 September 2017: £23 million). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

4 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the year. The underlying earnings per share figures have been calculated based on earnings excluding the effect of the amortisation of intangibles arising on acquisition, acquisition transaction costs, adjustment to contingent consideration on acquisition, profits and losses on sale and closure of businesses, hedge accounting ineffectiveness and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	Six months to 31 March 2018 £m	Six months to 31 March 2017 £m	Year ended 30 September 2017 £m
Profit for the period attributable to equity shareholders of the Company	**597**	616	1,161
Adjustments stated net of tax:			
Amortisation of intangibles arising on acquisition	**14**	13	25
Acquisition transaction costs	**1**	1	2
Adjustment to contingent consideration on acquisition	**-**	(3)	(3)
Loss/(profit) on sale and closure of businesses	**7**	-	-
Gain from other financing items including hedge accounting ineffectiveness	**(2)**	(4)	(8)
Underlying attributable profit for the period from operations	**617**	623	1,177

AVERAGE NUMBER OF ORDINARY SHARES	Six months to 31 March 2018 Ordinary shares of $11^{1/20}$p each millions	Six months to 31 March 2017 Ordinary shares of $10^{5/8}$p each millions	Year ended 30 September 2017 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,583**	1,644	1,628
Dilutive share options	**1**	2	1
Average number of shares for diluted earnings per share	**1,584**	1,646	1,629

	Six months to 31 March 2018 Earnings per share pence	Six months to 31 March 2017 Earnings per share pence	Year ended 30 September 2017 Earnings per share pence
BASIC EARNINGS PER SHARE (PENCE)			
From operations	**37.7**	37.5	71.3
Adjustments stated net of tax:			
Amortisation of intangibles arising on acquisition	**0.9**	0.7	1.5
Acquisition transaction costs	**0.1**	0.1	0.1
Adjustment to contingent consideration on acquisition	**-**	(0.2)	(0.2)
Loss/(profit) on sale and closure of businesses	**0.4**	-	-
Gain from other financing items including hedge accounting ineffectiveness	**(0.1)**	(0.2)	(0.4)
From underlying operations	**39.0**	37.9	72.3

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Six months to 31 March		Year ended 30 September
	2018 Earnings per share pence	2017 Earnings per share pence	2017 Earnings per share
DILUTED EARNINGS PER SHARE			
From operations	**37.7**	37.4	71.3
Adjustments stated net of tax:			
Amortisation of intangible assets arising on acquisition	**0.9**	0.7	1.5
Acquisition transaction costs	**0.1**	0.1	0.1
Adjustment to contingent consideration on acquisition	**-**	(0.2)	(0.2)
Loss/(profit) on sale and closure of businesses	**0.4**	-	-
Gain from other financing items including hedge accounting ineffectiveness	**(0.1)**	(0.2)	(0.4)
From underlying operations	**39.0**	37.8	72.3

5 DIVIDENDS

The interim dividend of 12.3 pence per share (2017: 11.2 pence per share), £195 million in aggregate[1], is payable on 30 July 2018 to shareholders on the register at the close of business on 22 June 2018. The dividend was approved by the Board after the balance sheet date, and has therefore not been reflected as a liability in the interim financial statements.

	Six months to 31 March		Year ended 30 September
DIVIDENDS ON ORDINARY SHARES	**2018 £m**	2017 £m	2017[2] £m
Amounts recognised as distributions to equity shareholders during the year:			
Final 2016 – 21.1p per share	**-**	347	347
Interim 2017 – 11.2p per share	**-**	-	184
Final 2017 – 22.3p per share	**353**	-	-
Total dividends	**353**	347	531

[1] Based on the number of ordinary shares, excluding treasury shares, in issue at 31 March 2018 (1,584 million shares).
[2] In addition, a special dividend of 61.0 pence per share, £1,003 million in aggregate, was declared in the year ended 30 September 2017.

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

6 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	Six months to 31 March		Year ended 30 September 2017
	2018 £m	2017 £m	£m
Operating profit before joint ventures and associates	**828**	855	1,623
Adjustments for:			
Acquisition transaction costs	**1**	1	2
Amortisation of intangible assets	**113**	110	221
Amortisation of intangible assets arising on acquisition	**20**	19	39
Depreciation of property, plant and equipment	**131**	129	262
Gain on disposal of property, plant and equipment/intangible assets	**(10)**	(1)	-
Decrease in provisions	**(21)**	(19)	(24)
Post-employment benefit obligations net of service costs	**(5)**	(5)	(14)
Share-based payments - charged to profits	**6**	10	21
Operating cash flows before movement in working capital	**1,063**	1,099	2,130
Increase in inventories	**(26)**	(15)	(11)
Increase in receivables	**(91)**	(84)	(152)
Increase in payables	**90**	21	101
Cash generated from operations	**1,036**	1,021	2,068

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

7 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

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

	Six months to 31 March								
Net debt	**Cash and cash equivalents £m**	**Bank overdrafts £m**	**Bank and other borrowings £m**	**Total overdrafts and borrowings £m**	**Finance leases £m**	**Derivative financial instruments £m**	**Net debt 2018 £m**	Net debt 2017 £m	Year ended 30 September 2017 £m
Brought forward	**387**	**(8)**	**(3,941)**	**(3,949)**	**(10)**	**126**	**(3,446)**	(2,874)	(2,874)
Net increase in cash and cash equivalents	**40**	**-**	**-**	**-**	**-**	**-**	**40**	65	52
Cash outflow from repayment of bank loans	**-**	**-**	**302**	**302**	**-**	**-**	**302**	542	536
Cash inflow from borrowing bank loans	**-**	**-**	**(489)**	**(489)**	**-**	**-**	**(489)**	(577)	(301)
Cash outflow from repayment of loan notes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	35	35
Cash inflow from issue of bonds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	(942)
Cash (inflow)/outflow from other changes in gross debt	**-**	**(22)**	**1**	**(21)**	**-**	**(40)**	**(61)**	24	(47)
Cash outflow from repayments of obligations under finance leases	**-**	**-**	**-**	**-**	**2**	**-**	**2**	2	6
Increase in net debt as a result of new finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	(2)
Currency translation (losses)/gains	**(22)**	**3**	**83**	**86**	**-**	**34**	**98**	(76)	89
Other non-cash movements	**-**	**(2)**	**18**	**16**	**-**	**(27)**	**(11)**	(7)	2
Carried forward	**405**	**(29)**	**(4,026)**	**(4,055)**	**(8)**	**93**	**(3,565)**	(2,866)	(3,446)

Other non-cash movements are comprised as follows:

Other non-cash movements in net debt	Six months to 31 March **2018 £m**	2017 £m	Year ended 30 September 2017 £m
Amortisation of fees and discount on issuance	**(2)**	(1)	(3)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	**18**	57	71
Bank and other borrowings	**16**	56	68
Changes in the value of derivative financial instruments including accrued income	**(27)**	(63)	(66)
Other non-cash movements	**(11)**	(7)	2

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

8 FINANCIAL INSTRUMENTS

The Group held certain financial instruments at fair value at 31 March 2018.

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS	Current assets	Non-current assets	Current liabilities	Non-current liabilities
SIX MONTHS ENDED 31 MARCH 2017				
Interest rate swaps				
Fair value hedges[1]	-	35	-	-
Not in a hedging relationship[2]	-	2	(1)	(1)
Cross currency swaps				
Fair value hedges[1]	-	75	-	-
Forward currency contracts Net investment hedges[3]	5	-	(3)	-
Not in a hedging relationship[2]	2	-	-	-
Total	7	112	(4)	(1)

DERIVATIVE FINANCIAL INSTRUMENTS	Current assets	Non-current assets	Current liabilities	Non-current liabilities
YEAR ENDED 30 SEPTEMBER 2017				
Interest rate swaps				
Fair value hedges[1]	-	35	-	(11)
Not in a hedging relationship[2]	1	2	-	-
Cross currency swaps				
Fair value hedges[1]	-	102	-	-
Forward currency contracts Net investment hedges[3]	3	-	(5)	-
Not in a hedging relationship[2]	-	-	(1)	-
Total	4	139	(6)	(11)

[1] Derivatives that are designated and effective as hedging instruments carried at fair value (IAS 39).
[2] Derivatives carried at 'fair value through profit or loss' (IAS 39).
[3] Derivatives that are designated and effective in net investment hedges carried at fair value (IAS 39).

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

9 STATUTORY AND UNDERLYING RESULTS

		Six months to 31 March 2018							
			Adjustments						
	Notes	2018 Statutory £m	1	2	3	4	5	6	2018 Underlying £m
Operating profit	2	**853**	**20**	**1**	**-**	**1**	**-**	**-**	**875**
(Loss)/profit on sale and closure of businesses		**(8)**	**-**	**-**	**-**	**-**	**8**	**-**	**-**
Net finance cost		**(53)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(55)**
Finance income		**3**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Finance costs		**(58)**	**-**	**-**	**-**	**-**	**-**	**-**	**(58)**
Other financing items		**2**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
Profit before tax		**792**	**20**	**1**	**-**	**1**	**8**	**(2)**	**820**
Income tax expense		**(189)**	**(6)**	**-**	**-**	**(1)**	**(1)**	**-**	**(197)**
Tax rate		**23.9%**							**24.0%**
Profit for the period		**603**	**14**	**1**	**-**	**-**	**7**	**(2)**	**623**
Non-controlling interests		**(6)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**
Profit attributable to equity shareholders of the Company		**597**	**14**	**1**	**-**	**-**	**7**	**(2)**	**617**
Average number of shares		**1,583**							**1,583**
BASIC EARNINGS PER SHARE (PENCE)	4	**37.7**	**0.9**	**0.1**	**-**	**-**	**0.4**	**(0.1)**	**39.0**

		Six months to 31 March 2017							
			Adjustments						
	Notes	2017 Statutory £m	1	2	3	4	5	6	2017 Underlying £m
Operating profit	2	877	19	1	(4)	1	-	-	894
(Loss)/profit on sale and closure of businesses		1	-	-	-	-	(1)	-	-
Net finance cost		(47)	-	-	-	-	-	(5)	(52)
Finance income		4	-	-	-	-	-	-	4
Finance costs		(56)	-	-	-	-	-	-	(56)
Other financing items		5	-	-	-	-	-	(5)	-
Profit before tax		831	19	1	(4)	1	(1)	(5)	842
Income tax expense		(209)	(6)	-	1	(1)	1	1	(213)
Tax rate		25.2%							25.3%
Profit for the period		622	13	1	(3)	-	-	(4)	629
Non-controlling interests		(6)	-	-	-	-	-	-	(6)
Profit attributable to equity shareholders of the Company		616	13	1	(3)	-	-	(4)	623
Average number of shares		1,644							1,644
BASIC EARNINGS PER SHARE (PENCE)	4	37.5	0.7	0.1	(0.2)	-	-	(0.2)	37.9

Adjustments:

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

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

9 STATUTORY AND UNDERLYING RESULTS (continued)

		Twelve months to 30 September 2017							
			Adjustments						
	Notes	2017 Statutory £m	1	2	3	4	5	6	2017 Underlying £m
Operating profit	2	1,665	39	2	(3)	2	-	-	1,705
(Loss)/profit on sale and closure of businesses		-	-	-	-	-	-	-	-
Net finance cost		(105)	-	-	-	-	-	(9)	(114)
Finance income		6	-	-	-	-	-	-	6
Finance costs		(120)	-	-	-	-	-	-	(120)
Other financing items		9	-	-	-	-	-	(9)	-
Profit before tax		1,560	39	2	(3)	2	-	(9)	1,591
Income tax expense		(389)	(14)	-	-	(2)	-	1	(404)
Tax rate		24.9%							25.4%
Profit for the period		1,171	25	2	(3)	-	-	(8)	1,187
Non-controlling interests		(10)	-	-	-	-	-	-	(10)
Profit attributable to equity shareholders of the Company		1,161	25	2	(3)	-	-	(8)	1,177
Average number of shares		1,628	-	-	-	-	-	-	1,628
BASIC EARNINGS PER SHARE (PENCE)	4	71.3	1.5	0.1	(0.2)	-	-	(0.4)	72.3

Adjustments:

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

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10 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				
	North America £m	Europe £m	Rest of World £m	Other £m	Group £m
2018					
Combined sales of Group and share of equity accounted joint ventures	**6,736**	**2,917**	**1,857**	**-**	**11,510**
% growth reported rates	(0.8%)	2.0%	(5.5%)	-	(0.9%)
% growth constant currency	8.2%	0.9%	3.2%	-	5.4%
Organic adjustments	(47)	(16)	(7)	-	(70)
Organic revenue	6,689	2,901	1,850	-	11,440
% growth organic	**7.3%**	**0.5%**	**3.4%**	**-**	**4.8%**
2017					
Combined sales of Group and share of equity accounted joint ventures	**6,792**	**2,860**	**1,965**	**-**	**11,617**
Currency adjustments	(564)	30	(166)	-	(700)
Constant currency underlying revenue	6,228	2,890	1,799	-	10,917
Organic adjustments	7	(3)	(9)	-	(5)
Organic revenue	6,235	2,887	1,790	-	10,912
2018					
Regional underlying operating profit	**575**	**197**	**124**	**(32)**	864
Share of profit of associates	7	4	-	-	11
Group underlying operating profit	582	201	124	(32)	**875**
Underlying operating margin (excl. associates)	**8.5%**	**6.7%**	**6.7%**	**-**	**7.5%**
% growth reported rates	(0.9%)	(8.4%)	-	-	(2.1%)
% growth constant currency	8.3%	(9.6%)	8.8%	-	4.5%
Organic adjustments	(3)	-	-	-	(3)
Regional underlying organic operating profit (excl. associates)	572	197	124	(32)	861
Group underlying organic operating profit (incl. associates)	579	201	124	(32)	872
% growth organic	**7.7%**	**(9.6%)**	**9.7%**	**-**	**4.3%**
2017					
Regional underlying operating profit	**580**	**215**	**124**	**(34)**	885
Share of profit of associates	5	4	-	-	9
Group underlying operating profit	585	219	124	(34)	**894**
Underlying operating margin (excl. associates)	**8.5%**	**7.5%**	**6.3%**	**-**	**7.6%**
Currency adjustments – profit	(49)	3	(10)	-	(56)
Currency adjustments – associates	(1)	-	-	-	(1)
Regional constant currency underlying profit (excl. associates)	**531**	**218**	**114**	(34)	829
Group constant currency underlying operating profit (incl. associates)	535	222	114	(34)	**837**
Organic adjustments	-	-	(1)	-	(1)
Regional underlying organic operating profit (excl. associates)	**531**	**218**	**113**	(34)	828
Share of profit from associates – constant currency	4	4	-	-	8
Group underlying organic operating profit (incl. associates)	535	222	113	(34)	**836**

Compass Group PLC
Condensed Financial Statements (continued)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2018

11 BUSINESS COMBINATIONS

The total cash spent on acquisitions in the first half, net of cash acquired, was £323 million (2017: £63 million). The most significant acquisition during the period relates to Unidine.

On 29 December 2017, Compass Group USA, Inc., a USA subsidiary of the Group, purchased 80% of the share capital of Unidine Corp. for an initial consideration of £225 million ($305 million). Unidine Corp. is a Massachusetts based company that operates as a caterer in the healthcare and seniors market. The preliminary goodwill in relation to the assets acquired is £179 million ($250 million). This goodwill is provisional and will be finalised within 12 months of the acquisition date. Changes are expected to principally relate to the valuation of contracts acquired. This goodwill represents the premium the Group paid to acquire a company that complements its existing businesses and creates significant opportunities for cross selling and other synergies.

12 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

13 EXCHANGE RATES

	Six months to 31 March		Year ended 30 September
	2018	2017	2017
AVERAGE EXCHANGE RATE FOR THE PERIOD[1]			
Australian Dollar	**1.76**	1.66	1.67
Brazilian Real	**4.45**	4.02	4.09
Canadian Dollar	**1.74**	1.66	1.68
Chilean Peso	**847.36**	824.47	837.69
Euro	**1.14**	1.16	1.15
Japanese Yen	**151.03**	138.07	141.38
New Zealand Dollar	**1.92**	1.75	1.78
Norwegian Krone	**10.95**	10.46	10.55
Turkish Lira	**5.20**	4.30	4.44
UAE Dirham	**5.03**	4.60	4.69
US Dollar	**1.37**	1.25	1.28
CLOSING EXCHANGE RATE AS AT THE END OF THE PERIOD[1]			
Australian Dollar	**1.83**	1.64	1.71
Brazilian Real	**4.66**	3.97	4.24
Canadian Dollar	**1.81**	1.67	1.68
Chilean Peso	**846.68**	827.93	857.49
Euro	**1.14**	1.17	1.13
Japanese Yen	**149.19**	139.34	151.02
New Zealand Dollar	**1.94**	1.79	1.86
Norwegian Krone	**11.01**	10.74	10.68
Turkish Lira	**5.56**	4.55	4.77
UAE Dirham	**5.15**	4.59	4.93
US Dollar	**1.40**	1.25	1.34

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

Glossary of terms

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

Glossary of terms (continued)

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