COMPASS GROUP

Half-year results announcement for the six months ended 31 March 2023

	Underlying[1] results			Statutory results		
	HY 2023	HY 2022	Change	**HY 2023**	HY 2022	Change
Revenue	**£15.8bn**	£12.6bn[2]	24.7%[3]	**£15.7bn**	£11.5bn	36.2%
Operating profit	**£1,050m**	£744m[2]	41.1%[2]	**£878m**	£638m	37.6%
Operating margin	**6.6%**	5.8%	80bps	**5.6%**	5.5%	10bps
Earnings per share	**42.7p**	29.9p[2]	42.8%[2]	**36.4p**	26.7p	36.3%
Operating cash flow	**£871m**	£557m	56.4%	**£944m**	£663m	42.4%
Free cash flow	**£590m**	£360m	63.9%			
Interim dividend per share	**15.0p**	9.4p	59.6%	**15.0p**	9.4p	59.6%

Strong half-year results, raising FY 2023 guidance and announcing a further share buyback of up to £750m

Half-year highlights

- Strong organic revenue growth of 25% with excellent net new business of 5.2%
  - First-time outsourcing trends continue, accounting for c.45% of new business wins
  - Balanced growth across all regions with very strong performance in Europe
  - Maintaining strong client retention rate
- Operating profit over £1bn and operating profit margin of 6.6%, up 80bps
- Strong cash generation, net debt to EBITDA reduced to 1.1x
- Further share buyback of up to £750m to be completed this calendar year

Strategic priorities for growth – capturing the outsourcing market opportunities

- Sustaining the outperformance in North America
- Building a track record of growth in Europe and Rest of World
- Exited six tail countries as we continue to reshape our portfolio to focus on growth opportunities in attractive markets

Raising FY 2023 outlook

- Operating profit growth[2] towards 30% (from above 20%), delivered through:
  - Organic revenue growth of around 18% (from around 15%)
  - Operating margin in the range of 6.7% to 6.8% (from above 6.5%)

Change in reporting currency

- Group to report in US dollars from 1 October 2023 to align with our business exposure and reduce foreign exchange volatility on earnings

Statutory results

- Statutory revenue increased by 36.2% reflecting trading performance and favourable exchange translation
- Statutory operating profit, which includes charges from reshaping our portfolio and acquisition-related charges both of which are excluded from underlying operating profit, increased by 37.6%, with statutory operating margin up 10bps

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 11 (non-GAAP measures) to the consolidated financial statements.
2. Measured on a constant-currency basis.
3. Organic revenue change.

Business review

Dominic Blakemore, Group Chief Executive, said:

"The Group performed strongly in the first half of the year, benefiting from balanced growth across all regions. Net new business continued to be excellent, and significantly higher than our historical rate. We are particularly pleased with the step change in our Europe performance which has benefited from growth initiatives as well as favourable outsourcing conditions.

Despite pockets of macroeconomic weakness, the outsourcing market remains very attractive. We believe that many of the complexities that drive outsourcing, such as increased regulation, changing client and consumer expectations, and inflation, are here to stay. With our strong cash generation, we continue to invest in our business and evolve our operating model, further enhancing our scale and competitive advantage.

Following our strong first-half performance, we now expect operating profit growth towards 30% on a constant-currency basis, to be delivered through organic revenue growth of around 18% and an underlying operating margin in the range of 6.7% to 6.8%. The strength of our balance sheet, along with our confidence in the prospects for the business, give us the platform for further returns to shareholders. In addition to our ordinary dividend, we are announcing a further share buyback of up to £750m in 2023, taking the total programme announced since May 2022 to £1.5bn.

Longer term, we expect the growth opportunities in the market to sustain mid-to-high single-digit organic growth and a path back to our historical margin, leading to profit growth above revenue growth. With our established value creation model intact, we will continue rewarding shareholders with compounding returns over the long term."

Results presentation today

A recording of the results presentation for investors and analysts will be available on the Company's website today, Wednesday 10 May 2023, at 7.00am.

There will be a live **Q&A session at 9.00am**, accessible via the Company's website, www.compass-group.com, and you will be able to participate by dialing:

UK Toll Number:	+44 (0) 33 0551 0200
UK Toll-Free Number:	0808 109 0700
US Toll Number:	+1 786 697 3501
US Toll-Free Number:	+1 866 580 3963
Participant PIN Code:	Compass

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

2023 financial calendar

Ex-dividend date for 2023 interim dividend	8 June
Record date for 2023 interim dividend	9 June
Last day for DRIP elections	6 July
Q3 Trading Update	25 July
2023 interim dividend date for payment	27 July
Full-year results	20 November

Enquiries

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Business review (continued)

Basis of preparation

Throughout the Half Year Results Announcement, and consistent with prior periods, underlying and other alternative performance measures are used to describe the Group's performance alongside statutory measures.

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

The Group's APMs are defined in note 11 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 11 to the consolidated financial statements.

Group performance

The Group continues to grow strongly, capitalising on the significant structural opportunities in the outsourcing market. Organic revenue growth was 25%[1], with double-digit increases across all sectors and regions. Underlying operating margin increased by 80bps to 6.6%[1] and underlying operating profit increased to £1,050m[1] (2022: £673m).

We are continuing to invest in exciting growth opportunities both through capital expenditure and M&A. Whilst capital expenditure was only 2.3%[1] of underlying revenue in the first half, lower than historical levels due to timing delays in some investments, we expect capital expenditure to be in the range of 3.0% to 3.5% of underlying revenue for the full year. Net M&A expenditure was £210m in the period, which was largely spent on a number of bolt-on acquisitions mainly in the US and UK.

Cash flow performance remains strong, with underlying operating cash flow of £871m[1] (2022: £557m) and underlying free cash flow of £590m[1] (2022: £360m) helping our leverage (net debt to EBITDA) to reduce further to 1.1x[1], including £323m spent on share buybacks during the period.

Revenue

Organic growth of 25%[1] reflects net new business growth above historical levels at over 5%, continuing our post-pandemic recovery, with like-for-like volume growth of approximately 13%, and pricing benefits of around 7%. Net new business growth was broad based, with all the Group's regions growing in the range of 5% to 6%.

There were double-digit increases in organic revenue across all sectors in the period and performance was particularly strong in Business & Industry, as employees continued to return to the office, and Sports & Leisure, where participation rates improved.

On a statutory basis, revenue was £15,658m (2022: £11,499m), an increase of 36.2%, reflecting the net new business growth, post-pandemic volume recovery and pricing benefits, together with favourable exchange translation.

Profit

Underlying operating profit increased by 41%[1] on a constant-currency basis, to £1,050m[1], and our underlying operating margin was 6.6%[1] (2022: 5.8%). The margin improvement reflects the benefits of operating leverage as volumes returned post-pandemic, with operational efficiencies and pricing actions to manage inflationary pressures, and is despite mobilisation costs associated with higher new business growth.

On a statutory basis, operating profit was £878m (2022: £638m), an increase of 37.6%, mainly reflecting the higher revenue and margin improvements, together with favourable exchange translation.

Statutory profit before tax of £831m (2022: £632m) includes net charges of £153m (2022: £4m) which are excluded from underlying profit before tax. During the half year, we incurred a net charge of £70m in relation to our ongoing strategic portfolio review of non-core activities to allow the Group to focus its resources on our core operations. The net charge comprises the exit from six countries, including Central and Eastern Europe (Czech Republic, Hungary, Slovakia and Romania), and the sale of a business, site closures, and contract renegotiations and terminations in the UK. Acquisition-related charges totalled £61m (2022: £33m) and there was a one-off pension charge of £12m (2022: £nil) following a change in legislation in Turkey eliminating the minimum retirement age requirement for certain employees effective from March 2023.

1. Alternative Performance Measure (APM). The Group's APMs are defined in note 11 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 11 to the consolidated financial statements.

Business review (continued)

Capital allocation

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

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

Shareholder returns

Our dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend, with the interim dividend reflecting around one-third of the total annual dividend. The Board has approved an interim dividend of 15.0p per share to be payable in July 2023.

The £250m share buyback programme announced in November 2022 was completed in March 2023. Today, we have announced a further share buyback of up to £750m to be completed this calendar year, which takes the total buyback programme announced since May 2022 to £1.5bn.

Business review (continued)

Regional performance

North America – 67.4% of Group underlying revenue (2022: 65.9%)

	Underlying results[1]		Change[1]			Statutory results		Change
Regional financial summary	**2023**	2022	Reported rates	Constant currency	Organic	**2023**	2022	Reported rates
Revenue	**£10,652m**	£7,657m	39.1%	23.8%	23.2%	**£10,643m**	£7,650m	39.1%
Operating profit	**£832m**	£535m	55.5%	38.4%	38.0%	**£795m**	£509m	56.2%
Operating margin	**7.8%**	7.0%	80bps			**7.5%**	6.7%	80bps

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 11 (non-GAAP measures) to the consolidated financial statements.

Underlying

Organic revenue grew by 23.2%, with net new business growth of 5.1%.

All sectors performed strongly, with the highest growth in our Business & Industry and Sports & Leisure sectors, which benefited from elevated per capita spend and continued volume recovery from employees returning to the office and higher attendance levels at live events.

Our Education and Healthcare & Senior Living sectors also delivered strong organic revenue growth driven by net new business and like-for-like volume growth.

Margin increased by 80bps to 7.8% driven by operating leverage benefits as volumes increased, and a continued focus on operational efficiencies and pricing actions. Operating profit was £832m, which represents 38.4% growth on a constant-currency basis.

The region invested in several bolt-on acquisitions to strengthen our capabilities and broaden exposure within our existing sectors, including the acquisition of Parks Coffee, a provider of workplace refreshments in the US.

Statutory

Statutory revenue increased by 39.1% to £10,643m reflecting the continued recovery from the pandemic, net new business growth and favourable exchange translation. There is no significant difference between statutory and underlying revenue.

Statutory operating profit was £795m (2022: £509m), with the difference from underlying operating profit being acquisition-related charges of £37m (2022: £26m).

Business review (continued)

Europe – 22.5% of Group underlying revenue (2022: 23.8%)

	Underlying results[1]		Change[1]			Statutory results		Change
Regional financial summary	**2023**	2022	Reported rates	Constant currency	Organic	**2023**	2022	Reported rates
Revenue	**£3,549m**	£2,766m	28.3%	26.8%	28.2%	**£3,420m**	£2,647m	29.2%
Operating profit	**£197m**	£125m	57.6%	55.1%	57.3%	**£68m**	£118m	(42.4)%
Operating margin	**5.6%**	4.5%	110bps			**2.0%**	4.5%	(250)bps

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 11 (non-GAAP measures) to the consolidated financial statements.

Underlying

Organic revenue grew by 28.2% as our continued investment in people, brands and processes delivered net new business growth of 5.4% and a significant increase in like-for-like volumes due to lapping the impact of the pandemic in the prior period and appropriate levels of pricing. Our Business & Industry sector benefited from employees returning to the office and our Sports & Leisure sector benefited from sites fully re-opening.

Margin increased by 110bps to 5.6% as volumes recovered, and by 10bps on the second half of 2022, despite high mobilisation costs for new business. We continued to work closely with clients to manage heightened levels of inflation, both through operational efficiencies and appropriate pricing. Operating profit increased by 55.1% on a constant-currency basis to £197m.

The region invested in bolt-on acquisitions, most notably to drive additional procurement efficiencies and, as part of the Group's ongoing strategic portfolio review, sold four businesses in Central and Eastern Europe (Czech Republic, Hungary, Slovakia and Romania) in October 2022 to focus resources and investment on core operations.

Statutory

Statutory revenue increased by 29.2% to £3,420m, with the difference from underlying revenue being the presentation of the share of results of our joint ventures operating in the Middle East.

Statutory operating profit was £68m (2022: £118m), with the difference from underlying operating profit mainly reflecting charges related to the Group's ongoing strategic portfolio review of £99m (2022: £nil), including site closures and contract renegotiations and terminations in the UK, and a one-off pension charge of £12m (2022: £nil) following a change in legislation in Turkey eliminating the minimum retirement age requirement for certain employees effective from March 2023.

Business review (continued)

Rest of World – 10.1% of Group underlying revenue (2022: 10.3%)

Regional financial summary	Underlying results[1] 2023	Underlying results[1] 2022	Change[1] Reported rates	Change[1] Constant currency	Change[1] Organic	Statutory results 2023	Statutory results 2022	Change Reported rates
Revenue	**£1,595m**	£1,202m	32.7%	28.7%	27.9%	**£1,595m**	£1,202m	32.7%
Operating profit	**£71m**	£56m	26.8%	20.3%	20.7%	**£65m**	£54m	20.4%
Operating margin	**4.5%**	4.7%	(20)bps			**4.1%**	4.5%	(40)bps

1. Reconciliation of statutory to underlying results can be found in notes 2 (segmental analysis) and 11 (non-GAAP measures) to the consolidated financial statements.

Underlying

Growth in organic revenue of 27.9% reflects net new business above historical levels at 5.7%, together with double-digit like-for-like volume growth as we lapped the impact of localised lockdowns and border closures in the prior year, and good levels of pricing.

Organic revenue growth was strong across all sectors, with double-digit growth in our Business & Industry sector across most markets, notably in India as workplaces reopened, and our more defensive Defence, Offshore & Remote sector, especially in Australia and Chile where like-for-like volumes improved.

Operating profit increased by 20.3% on a constant-currency basis to £71m. Operating margin was 4.5%, with the slight reduction on the prior period reflecting the heightened levels of inflation and impact of labour shortages. We continue to work hard with our clients to mitigate these factors going forward.

Statutory

Statutory revenue increased by 32.7% to £1,595m. There is no difference between statutory and underlying revenue.

Statutory operating profit was £65m (2022: £54m), with the difference from underlying operating profit being acquisition-related charges of £6m (2022: £2m).

Business review (continued)

Strategy

Our strategic focus is on food, with targeted support services. The addressable food services market is estimated to be worth at least £250bn. There remains a significant structural growth opportunity from first-time outsourcing, as around half of the market is still self-operated. As the operating environment becomes increasingly challenging due to a combination of inflationary pressures, increased client demands and other additional complexities, we have a clear strategy to capture the acceleration in first-time outsourcing based on our focus, scale and expertise.

As the largest global player, our scale in procurement and focus on cost efficiencies give us competitive advantages that translate into greater value for clients and consumers. Our sectorised and sub-sectorised approach enables us to provide a tailored offer to meet changing client requirements. We are continuing to invest in our market-leading propositions in digital and ESG which are clear growth enablers in the food services market.

Our strategic focus on People, Performance and Purpose continues to underpin all that we do in our ambition to deliver value to all our stakeholders.

People

Our people are at the heart of who we are and what we do. We are focused on building an open culture in which our people can thrive, feeling safe and valued for who they are and what they bring to Compass.

In North America, our diversity, equity and inclusion (DE&I) vision is built on fostering a culture where all our associates feel seen, heard, valued and welcomed. Our DE&I programme and supplier diversity partnerships are igniting change in the communities we serve. For example, through our supplier diversity strategy, we advocate mentoring Minority and Women-owned Business Enterprises to create sustainable business opportunities for supplier inclusion. By fostering relationships with diverse suppliers, we are nurturing an inclusive business community and providing exciting variety for our clients and consumers.

Last year, Compass UK & Ireland launched ‘Our Social Promise’, a commitment to support one million people from less advantaged and under-represented backgrounds. The business set a target to be representative of society at all levels of the organisation, from a gender, ethnicity and socio-economic perspective, by 2030. As part of this commitment, the median gender pay gap has reduced, from 16.6% to 12.6%, lower than the UK national average, and ethnic median pay was 7.9% higher than the Compass UK & Ireland average reflecting a higher representation of ethnic minority colleagues in higher paid roles.

The launch of the Compass Group Foundation demonstrates our commitment to improve the lives of people through education and innovation by empowering them to play a key role in the future of food for their communities. The Foundation, which is a UK-registered charity, provides grants to non-profit organisations in countries where Compass Group operates such as Spain, India and Turkey which have already been awarded grants. Its priorities are to create inclusive job opportunities, empower local suppliers and to provide urgent support in the case of global emergencies.

Business review (continued)

Purpose

Our Planet Promise is Compass Group's global commitment to a sustainable future for all. It encompasses the Company's values as an ethical, sustainable and inclusive business, together with our ambition to positively impact the world. As well as being the right thing to do, this mission is also key to our growth aspirations as sustainability is a critical issue for many of Compass' clients.

We recognise that our chefs are the best ambassadors to champion our Planet Promise, using food to connect people and communities to one another and the environment. This year, we launched 'Chefs Creating Change', our very first Compass Group Global Culinary Forum. The forum is a global conversation focused on sustainability initiatives with the inaugural event focused on food waste reduction. The forum created an opportunity to hear from Compass chefs around the globe as they share their greatest food waste insights.

Our UK & Ireland business has the most ambitious climate goals across the Group, with a climate net zero target date of 2030 validated by the Science Based Targets initiative (SBTi). The business's first impact report was published this year, highlighting its progress with some standout achievements, most notably a 36% absolute reduction in emissions from animal proteins, which contributed to a 20% absolute reduction in Scope 3 food and drink emissions since 2019 (baseline year). Animal proteins are a key carbon hotspot across the Group and the positive outcome achieved in the UK & Ireland business provides great insights which will allow us to implement similar actions globally in support of our group-wide emissions reduction commitments.

Summary

Our results for the first half of the year were strong across all performance metrics. Organic revenue benefited from volume recovery, pricing and net new growth above our historical average. Operational complexities, persistent inflation, and evolving client and consumer requirements are continuing to drive our growth, with first-time outsourcing contributing c.45% of new business wins.

The balance of performance across the regions is particularly pleasing and reflects a significant step change in our Europe business which is benefiting from growth initiatives and consistency of best practice. All regions have significant, albeit different, growth potential and we have clear strategic priorities to capture these opportunities.

Despite some pockets of macroeconomic weakness, the food service market is large and very attractive with a long structural runway of potential. Increasing operating complexities and evolving client and consumer requirements are driving exciting growth opportunities which we believe are mostly structural. Our strategic priorities are focused on capitalising on these opportunities and driving accelerated financial performance.

Our strong cash generation and disciplined capital allocation framework underpin our robust balance sheet. Shareholders will benefit from the interim ordinary dividend of 15.0p, together with a further share buyback of up to £750m to be completed this calendar year.

Looking further ahead, we remain excited about the significant global structural growth opportunities, leading to revenue and profit growth above historical rates. With our established value creation model intact, we will continue rewarding shareholders with compounding returns over the long term.

Financial results

Group performance

	2023 £m	2022 £m	Change
Revenue			
Underlying – reported rates[1]	**15,796**	11,625	35.9%
Underlying – constant currency[1]	**15,796**	12,638	25.0%
Organic[1]	**15,769**	12,642	24.7%
Statutory	**15,658**	11,499	36.2%
Operating profit			
Underlying – reported rates[1]	**1,050**	673	56.0%
Underlying – constant currency[1]	**1,050**	744	41.1%
Organic[1]	**1,047**	742	41.1%
Statutory	**878**	638	37.6%
Operating margin			
Underlying – reported rates[1]	**6.6%**	5.8%	80bps
Basic earnings per share			
Underlying – reported rates[1]	**42.7p**	26.9p	58.7%
Underlying – constant currency[1]	**42.7p**	29.9p	42.8%
Statutory	**36.4p**	26.7p	36.3%
Free cash flow			
Underlying – reported rates[1]	**590**	360	63.9%
Dividend			
Interim dividend per ordinary share	**15.0p**	9.4p	59.6%

1. The Group's APMs are defined in note 11 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 11 to the consolidated financial statements.

Segmental performance

	Underlying revenue[1]		Change[1]		
	2023 £m	2022 £m	Reported rates	Constant currency	Organic
North America	**10,652**	7,657	39.1%	23.8%	23.2%
Europe	**3,549**	2,766	28.3%	26.8%	28.2%
Rest of World	**1,595**	1,202	32.7%	28.7%	27.9%
Total	**15,796**	11,625	35.9%	25.0%	24.7%

	Underlying operating profit[1]		Underlying operating margin[1]	
	2023 £m	2022 £m	**2023 £m**	2022 £m
North America	**832**	535	**7.8%**	7.0%
Europe	**197**	125	**5.6%**	4.5%
Rest of World	**71**	56	**4.5%**	4.7%
Central activities	**(50)**	(43)		
Total	**1,050**	673	**6.6%**	5.8%

1. The Group's APMs are defined in note 11 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 11 to the consolidated financial statements.

Financial results (continued)

Income statement

	2023			2022		
	Statutory £m	**Adjustments £m**	**Underlying[1] £m**	Statutory £m	Adjustments £m	Underlying[1] £m
Revenue	**15,658**	**138**	**15,796**	11,499	126	11,625
Operating profit	**878**	**172**	**1,050**	638	35	673
Net gain/(loss) on sale and closure of businesses	**29**	**(29)**	**-**	(6)	6	-
Finance costs	**(76)**	**10**	**(66)**	-	(37)	(37)
Profit before tax	**831**	**153**	**984**	632	4	636
Tax expense	**(189)**	**(42)**	**(231)**	(152)	(1)	(153)
Profit for the period	**642**	**111**	**753**	480	3	483
Non-controlling interests	**(4)**	**-**	**(4)**	(3)	-	(3)
Attributable profit	**638**	**111**	**749**	477	3	480
Average number of shares	**1,753m**	**-**	**1,753m**	1,784m	-	1,784m
Basic earnings per share	**36.4p**	**6.3p**	**42.7p**	26.7p	0.2p	26.9p
EBITDA			**1,470**			1,039

1. The Group's APMs are defined in note 11 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 11 to the consolidated financial statements.

Statutory income statement

Revenue

On a statutory basis, revenue was £15,658m (2022: £11,499m), an increase of 36.2%, reflecting the net new business growth, post-pandemic volume recovery and pricing benefits, together with favourable exchange translation.

Operating profit

On a statutory basis, operating profit was £878m (2022: £638m), an increase of 37.6%, mainly reflecting the higher revenue and margin improvements, together with favourable exchange translation. Statutory operating profit includes non-underlying item charges of £172m (2022: £35m), including acquisition-related charges of £61m (2022: £33m), charges related to the strategic portfolio review of £99m (2022: £nil) reflecting the impact of site closures and contract renegotiations and terminations in the UK, and a one-off pension charge of £12m (2022: £nil) following a change in legislation in Turkey eliminating the minimum retirement age requirement for certain employees effective from March 2023. A full list of non-underlying items is included in note 11 (non-GAAP measures).

Gains and losses on sale and closure of businesses

The Group has recognised a net gain of £29m on the sale and closure of businesses (2022: net loss of £6m), including exit costs of £2m (2022: £3m). As part of its ongoing strategic portfolio review, the Group exited six countries, including Central and Eastern Europe (Czech Republic, Hungary, Slovakia and Romania), and sold a business in the UK.

Finance costs

Finance costs increased to £76m (2022: £nil) mainly due to an increase in interest rates, the cost of the additional debt issued in September 2022 and a partial reversal of the fair value gains on derivatives held to minimise volatility in short-term underlying finance costs in the prior year.

Tax charge

Profit before tax was £831m (2022: £632m) giving rise to an income tax expense of £189m (2022: £152m), which is equivalent to an effective tax rate of 22.7% (2022: 24.1%). The decrease in rate primarily reflects the mix of profits by country being taxed at different rates, reassessment of risk in respect of prior year uncertain items and non-taxable divestments.

Earnings per share

Basic earnings per share was 36.4p (2022: 26.7p), an increase of 36.3%, reflecting the higher profit for the period.

Financial results (continued)

Underlying income statement

Revenue

Organic growth of 25% reflects net new business growth above historical levels at over 5%, continuing our post-pandemic recovery, with like-for-like volume growth of approximately 13%, and pricing benefits of around 7%. Net new business growth was broad based, with all the Group's regions growing in the range of 5% to 6%.

Operating profit

Underlying operating profit increased by 41% on a constant-currency basis, to £1,050m, and our underlying operating margin was 6.6% (2022: 5.8%). The margin improvement reflects the benefits of operating leverage as volumes returned post-pandemic, with operational efficiencies and pricing actions to manage inflationary pressures, and is despite mobilisation costs associated with higher new business growth.

Finance costs

Underlying finance costs increased to £66m (2022: £37m) mainly due to an increase in interest rates and the cost of the additional debt issued in September 2022.

Tax charge

On an underlying basis, the tax charge was £231m (2022: £153m), which is equivalent to an effective tax rate of 23.5% (2022: 24.0%). The decrease in rate primarily reflects the mix of profits by country being taxed at different rates and reassessment of risk in respect of prior year uncertain items. The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

Earnings per share

On a constant-currency basis, underlying basic earnings per share increased by 43% to 42.7p (2022: 29.9p) reflecting the higher profit for the period.

Balance sheet

Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources, including banking institutions, the public and the private placement markets. The Group has developed long-term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required.

The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. A €500m (£438m) Eurobond matured and was repaid in January 2023. The maturity profile of the Group's principal borrowings at 31 March 2023 shows that the average period to maturity is 3.8 years (30 September 2022: 3.9 years).

The Group's US Private Placement (USPP) notes contain leverage and interest cover covenants which are tested semi-annually at 31 March and 30 September. The leverage covenant test stipulates that consolidated net debt must be less than or equal to 3.5 times consolidated EBITDA. The interest cover covenant test stipulates that consolidated EBITDA must be more than or equal to 3 times consolidated net finance costs. Consolidated EBITDA and net finance costs are based on the preceding 12 months. The leverage and interest cover ratios were 1.0 times and 26.8 times, respectively, at 31 March 2023. Net debt, consolidated EBITDA and net finance costs are subject to certain accounting adjustments for the purposes of the covenant tests.

At 31 March 2023, the Group had access to £3,027m (30 September 2022: £3,732m) of liquidity, including £2,000m (30 September 2022: £2,000m) of undrawn bank facilities committed to August 2026 and £1,027m (30 September 2022: £1,732m) of cash, net of overdrafts. Our credit ratings remain strong investment grade – Standard & Poor's A/A-1 Long-term and Short-term (outlook Stable) and Moody's A3/P-2 Long-term and Short-term (outlook Positive).

Net debt

Net debt has increased by £215m to £3,205m (30 September 2022: £2,990m). The Group generated £565m of free cash flow, after investing £364m in capital expenditure, which was more than offset by £202m spent on the acquisition of subsidiaries, joint ventures and associates, net of disposal proceeds, and returns to shareholders in dividends of £387m and the share buyback of £323m. Favourable exchange translation was £182m.

At 31 March 2023, the ratio of net debt to underlying EBITDA was 1.1x (30 September 2022: 1.3x). Our leverage policy is to maintain strong investment-grade credit ratings and to target net debt to underlying EBITDA in the range of 1x-1.5x.

Financial results (continued)

Post-employment benefits

The accounting surplus in the Compass Group Pension Plan (UK Plan) reduced to £469m (30 September 2022: £581m) mainly reflecting a decrease in the discount rate, net of inflation, used to measure the liabilities and a decrease in the market value of plan assets. The deficit in the rest of the Group’s defined benefit pension schemes has increased to £789m (30 September 2022: £759m). The net deficit in these schemes is £113m (30 September 2022: £108m) including investments of £676m (30 September 2022: £651m) held in respect of unfunded pension schemes and the US Rabbi Trust which do not meet the definition of pension assets under IAS 19 Employee Benefits.

Cash flow

Free cash flow

Free cash flow totalled £565m (2022: £324m). In the six months, we made cash payments of £17m (2022: £33m) in relation to programmes aimed at resizing the business. Adjusting for this, and acquisition transaction costs of £8m (2022: £3m), underlying free cash flow was £590m (2022: £360m), with underlying free cash flow conversion at 56.2% (2022: 53.5%).

Capital expenditure of £364m (2022: £306m) is equivalent to 2.3% (2022: 2.6%) of underlying revenue. The working capital outflow, excluding provisions and pensions, was £169m (2022: £142m). The net interest outflow increased to £61m (2022: £40m) consistent with the higher finance costs in the period. The net tax paid was £199m (2022: £133m), which is equivalent to an underlying cash tax rate of 20.2% (2022: 20.9%).

Acquisition and disposal of businesses

The total cash spent on business acquisitions during the six months ended 31 March 2023, net of cash acquired, was £222m (2022: £135m), including £196m of bolt-on acquisitions and interests in joint ventures and associates, £18m of deferred and contingent consideration and other payments relating to businesses acquired in previous years and £8m of acquisition transaction costs included in net cash flow from operating activities.

The Group received £12m (2022: £26m) in respect of disposal proceeds net of exit costs, which includes the sale of four businesses in Central and Eastern Europe, together with a further 28% shareholding in the Japanese Highways business classified as an asset held for sale at 30 September 2022.

Shareholder returns

An interim dividend of 15.0p per share (2022: 9.4p per share) has been declared, £262m in aggregate, which is payable on 27 July 2023 to shareholders on the register at the close of business on 9 June 2023. The interim dividend will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP is 6 July 2023.

The £250m share buyback programme announced in November 2022 was completed in March 2023. Today, we have announced a further share buyback of up to £750m to be completed this calendar year, which takes the total buyback programme announced since May 2022 to £1.5bn.

Related party transactions

Details of transactions with related parties are set out in note 9 to the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Going concern

The factors considered by the directors in assessing the ability of the Group to continue as a going concern are discussed on page 25.

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

Based on the assessment, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the period to 30 September 2024. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Financial results (continued)

External audit

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 requires the Company to put its statutory audit services engagement out to tender not less frequently than every ten years. KPMG LLP was appointed as the Company's external auditor in March 2014 and its audit for the financial year ending 30 September 2023 is, therefore, its tenth year. The Audit Committee has completed a formal audit tender process and, following this, will recommend to shareholders at the 2024 Annual General Meeting that KPMG LLP is appointed as the Group's external auditor for the financial year ending 30 September 2024. Further details of the audit tender process will be provided in the 2023 Annual Report.

Change in reporting currency

From 1 October 2023, the Group will change its reporting currency from sterling to US dollars to align with its business exposure. The change in presentation currency will provide investors and other stakeholders with greater transparency of the Group's performance and reduce foreign exchange volatility on earnings given that approximately three-quarters of the Group's underlying operating profit originates in US dollars.

Risk management

Principal risks

The Board takes a proactive approach to risk management aimed at protecting the Group's employees, clients and consumers and safeguarding the interests of the Company and its shareholders in a constantly changing environment.

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

The identification of risks and opportunities, the development of action plans to manage those 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.

Details of the principal risks facing the Group and mitigating actions are included on pages 22 to 28 of the 2022 Annual Report. A description of those risks and uncertainties is set out below.

RISK	DESCRIPTION
CLIMATE CHANGE AND SUSTAINABILITY	
Climate change	The impact of climate change on the environment may lead to issues around food sourcing and supply chain continuity in some of the Group's markets. Issues in these areas could affect the availability of some food products, and potentially may lead to food cost inflation.
Social and ethical standards	Compass relies on its people to deliver great service to its clients and consumers and recognises that the welfare of employees is the foundation of its culture and business. Compass remains vigilant in upholding high standards of business ethics with regard to human rights and social equality.
HEALTH AND SAFETY	
Health and safety	Compass feeds millions of consumers and Group companies employ hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount. Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to the Company's reputation.
Pandemic COVID-19	The Group's operations were significantly disrupted due to the global COVID-19 pandemic and associated containment measures, but Compass has recovered well and learned from the pandemic. As a result, the risk has declined. Further outbreaks of the virus, or another pandemic, could cause further business risk.
PEOPLE	
Recruitment	Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses in some key positions due to labour shortages and a lack of industry experience amongst candidates, appropriately qualified people and the seasonal nature of some of Compass' businesses.
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. The current economic conditions may increase the risk of attrition at all levels of the organisation. Potential business closures resulting from further COVID-19 lock downs or other social distancing controls may significantly impact the Group's workforce in affected regions.
CLIENTS AND CONSUMERS	
Sales and retention	The Group's businesses rely on securing and retaining a diverse range of clients. The potential loss of material client contracts in an increasingly competitive market is a risk to Compass' businesses. Reduced office attendance, closure of client sites and fewer site visitors as a result of the ongoing impact of COVID-19 and related variants may impact revenues in affected sectors.

Risk management (continued)

Principal risks (continued)

RISK	DESCRIPTION
CLIENTS AND CONSUMERS (CONTINUED)	
Service delivery, contractual compliance and retention	The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to the loss of business and/or claims.
Competition and disruption	The Group operates in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. Ongoing structural changes in working and education environments may reduce the number of people in offices and educational establishments. The emergence of new industry participants and traditional competition using disruptive technology could adversely affect the Group's businesses.
ECONOMIC AND POLITICAL ENVIRONMENT	
Geopolitical	At the half-year, Compass recognised geopolitical tensions, including the conflict between Russia and Ukraine as a new principal risk. The conflict has heightened national security threats to countries, particularly in Europe and NATO and its disruption to the global energy market has contributed to the elevation of the existing cost inflation, economic and cyber security risks.
Economy	Sectors of Compass' business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions has increased the risk to the businesses in some jurisdictions.
Cost inflation	At Compass, the objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the US and UK, or the cost of food, could constitute a risk to our ability to do this. Increases in inflation continue to intensify cost pressures in some locations.
Political instability	Compass is a global business operating in countries and regions with diverse economic and political conditions. Operations and earnings may be adversely affected by political or economic instability.
COMPLIANCE AND FRAUD	
Compliance and fraud	Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption, anti-competitive behaviour or other serious misconduct, could have an adverse effect on the Group's reputation, its performance and/or a reduction in the Company's share price and/or a loss of business. It could also lead to criminal action, sanction or other litigation being brought against the Company, its directors or Executive management. Companies face increased risk of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct both internally and externally, due to financial and/or performance pressures and significant changes to ways of working.
International tax	The international corporate tax environment remains complex and the sustained increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. The need to raise public finances to meet the cost of the COVID-19 pandemic is likely to cause governments to consider increases in tax rates and other potentially adverse changes in tax legislation, and to renew focus on compliance for large corporates.
Information systems and technology	The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day-to-day operations and management decision making. The incidence of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data. The increase in remote working, and the Russia/Ukraine conflict has led to an increase in the risk of malware and phishing attacks across all organisations.

Responsibility statement of the directors in respect of the half-yearly financial report

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Interim Management Report includes a fair review of the information required by:

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

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

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

On behalf of the Board

Dominic Blakemore
Group Chief Executive Officer

Palmer Brown
Group Chief Financial Officer

10 May 2023

Compass Group PLC
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 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

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 for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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.

Zulfikar Walji
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
10 May 2023

Compass Group PLC
Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 MARCH 2023

		Six months ended 31 March			
		2023		2022	
	Notes	**£m**	**£m**	£m	£m
Revenue	2		**15,658**		11,499
Operating costs			**(14,806)**		(10,883)
Operating profit before joint ventures and associates			**852**		616
Share of results of joint ventures and associates			**26**		22
Underlying operating profit[1]		**1,050**		673	
Acquisition-related charges		**(61)**		(33)	
Charges related to the strategic portfolio review		**(99)**		-	
One-off pension charge		**(12)**		-	
Tax on share of profit of joint ventures		**-**		(2)	
Operating profit	2		**878**		638
Net gain/(loss) on sale and closure of businesses	8		**29**		(6)
Finance income		**23**		4	
Finance expense		**(89)**		(41)	
Other financing items		**(10)**		37	
Finance costs			**(76)**		-
Profit before tax			**831**		632
Income tax expense	3		**(189)**		(152)
Profit for the period			**642**		480
ATTRIBUTABLE TO					
Equity shareholders			**638**		477
Non-controlling interests			**4**		3
Profit for the period			**642**		480
BASIC EARNINGS PER SHARE	4		**36.4p**		26.7p
DILUTED EARNINGS PER SHARE	4		**36.4p**		26.7p

1. Operating profit excluding specific adjusting items (see note 11).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Six months ended 31 March 2023 £m	2022 £m
Profit for the period	**642**	480
Other comprehensive income		
Items that will not be reclassified to the income statement		
Remeasurement of post-employment benefit obligations	**(134)**	316
Return on plan assets, excluding interest income	**(56)**	(98)
Change in asset ceiling, excluding interest income	**(1)**	2
Change in fair value of financial assets at fair value through other comprehensive income	**48**	(1)
Tax credit/(charge) on items relating to the components of other comprehensive income	**35**	(55)
	(108)	164
Items that may be reclassified to the income statement		
Currency translation differences[1]	**(361)**	55
Reclassification of cumulative currency translation differences on sale of businesses	**(1)**	7
	(362)	62
Total other comprehensive (loss)/income	**(470)**	226
Total comprehensive income for the period	**172**	706
ATTRIBUTABLE TO		
Equity shareholders	**168**	703
Non-controlling interests	**4**	3
Total comprehensive income for the period	**172**	706

1. Includes a gain of £152m in relation to the effective portion of net investment hedges (six months ended 31 March 2022: loss of £26m).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Attributable to equity shareholders							
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings/ (losses) £m	Non-controlling interests £m	Total equity £m
At 1 October 2022	198	189	295	(519)	4,292	1,419	31	5,905
Profit for the period	-	-	-	-	-	638	4	642
Other comprehensive income								
Remeasurement of post-employment benefit obligations	-	-	-	-	-	(134)	-	(134)
Return on plan assets, excluding interest income	-	-	-	-	-	(56)	-	(56)
Change in asset ceiling, excluding interest income	-	-	-	-	-	(1)	-	(1)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	48	-	48
Currency translation differences	-	-	-	-	(361)	-	-	(361)
Reclassification of cumulative currency translation differences on sale of businesses	-	-	-	-	(1)	-	-	(1)
Tax credit on items relating to the components of other comprehensive income	-	-	-	-	-	35	-	35
Total other comprehensive loss	-	-	-	-	(362)	(108)	-	(470)
Total comprehensive (loss)/income for the period	-	-	-	-	(362)	530	4	172
Fair value of share-based payments	-	-	-	-	-	23	-	23
Release of share awards settled in existing shares purchased in the market	-	-	-	-	-	(21)	-	(21)
Purchase of own shares – share buyback programme	-	-	-	(252)	-	-	-	(252)
Purchase of own shares – employee share-based payments	-	-	-	(5)	-	-	-	(5)
	198	189	295	(776)	3,930	1,951	35	5,822
Dividends paid to equity shareholders (note 5)	-	-	-	-	-	(387)	-	(387)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2)	(2)
Cost of shares transferred to employees	-	-	-	21	-	-	-	21
At 31 March 2023	198	189	295	(755)	3,930	1,564	33	5,454

Own shares

The own shares reserve comprises 40,478,053 (30 September 2022: 25,202,499) shares in Compass Group PLC held in treasury and 270,253 (30 September 2022: 221,909) shares in Compass Group PLC held by the Compass Group PLC All Share Schemes Trust (ASST).

The share buyback announced in November 2022 was completed in March 2023, with 13,127,521 shares repurchased during the period for a total price, including transaction costs, of £251m. Transaction costs of £1m were incurred in respect of the 3,447,549 shares repurchased during the period in respect of the completion of the share buyback announced in May 2022.

The ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group’s liabilities to employees for long-term incentive plans. At 31 March 2023, the nominal value of the shares in the ASST was £29,863 (30 September 2022: £24,521), with a market value of £5.5m (30 September 2022: £4.0m).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Attributable to equity shareholders							
	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings/ (losses) £m	Non-controlling interests £m	Total equity £m
At 1 October 2021	198	189	295	(2)	3,969	242	28	4,919
Profit for the period	-	-	-	-	-	477	3	480
Other comprehensive income								
Remeasurement of post-employment benefit obligations	-	-	-	-	-	316	-	316
Return on plan assets, excluding interest income	-	-	-	-	-	(98)	-	(98)
Change in asset ceiling, excluding interest income	-	-	-	-	-	2	-	2
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(1)	-	(1)
Currency translation differences	-	-	-	-	55	-	-	55
Reclassification of cumulative currency translation differences on sale of businesses	-	-	-	-	7	-	-	7
Tax charge on items relating to the components of other comprehensive income	-	-	-	-	-	(55)	-	(55)
Total other comprehensive income	-	-	-	-	62	164	-	226
Total comprehensive income for the period	-	-	-	-	62	641	3	706
Fair value of share-based payments	-	-	-	-	20	-	-	20
Change in fair value of non-controlling interest put options	-	-	-	-	(2)	-	-	(2)
Reclassification of non-controlling interest put option reserve on exercise of put options	-	-	-	-	5	-	(5)	-
Release of share awards settled in existing shares purchased in the market	-	-	-	-	(4)	-	-	(4)
Purchase of own shares – employee share-based payments	-	-	-	(5)	-	-	-	(5)
Transfer[1]	-	-	-	-	(287)	287	-	-
	198	189	295	(7)	3,763	1,170	26	5,634
Dividends paid to equity shareholders (note 5)	-	-	-	-	-	(250)	-	(250)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1)	(1)
Cost of shares transferred to employees	-	-	-	4	-	-	-	4
At 31 March 2022	198	189	295	(3)	3,763	920	25	5,387

1. The share-based payments reserve has been transferred to retained earnings on the basis that it is more appropriately presented as a component of retained earnings for equity-settled share-based payment schemes.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2023

	At 31 March 2023 (unaudited) £m	At 30 September 2022 (audited) £m
NON-CURRENT ASSETS		
Goodwill	**5,004**	5,119
Other intangible assets	**1,896**	1,960
Costs to obtain and fulfil contracts	**963**	1,106
Right-of-use assets	**760**	821
Property, plant and equipment	**913**	948
Interests in joint ventures and associates	**264**	270
Other investments	**801**	790
Post-employment benefit assets	**469**	581
Trade and other receivables	**217**	162
Deferred tax assets	**239**	230
Derivative financial instruments	**35**	76
Non-current assets	**11,561**	12,063
CURRENT ASSETS		
Inventories	**542**	511
Trade and other receivables	**3,891**	3,988
Tax recoverable	**64**	106
Cash and cash equivalents	**1,198**	1,983
Derivative financial instruments	**41**	71
	5,736	6,659
Assets held for sale	**5**	26
Current assets	**5,741**	6,685
Total assets	**17,302**	18,748
CURRENT LIABILITIES		
Borrowings	**(453)**	(693)
Lease liabilities	**(187)**	(194)
Derivative financial instruments	**(7)**	(6)
Provisions	**(281)**	(269)
Current tax liabilities	**(217)**	(245)
Trade and other payables	**(5,299)**	(5,626)
Current liabilities	**(6,444)**	(7,033)
NON-CURRENT LIABILITIES		
Borrowings	**(2,959)**	(3,271)
Lease liabilities	**(708)**	(719)
Derivative financial instruments	**(165)**	(237)
Post-employment benefit obligations	**(789)**	(759)
Provisions	**(289)**	(310)
Deferred tax liabilities	**(124)**	(160)
Trade and other payables	**(370)**	(354)
Non-current liabilities	**(5,404)**	(5,810)
Total liabilities	**(11,848)**	(12,843)
Net assets	**5,454**	5,905
EQUITY		
Share capital	**198**	198
Share premium	**189**	189
Capital redemption reserve	**295**	295
Own shares	**(755)**	(519)
Other reserves	**3,930**	4,292
Retained earnings	**1,564**	1,419
Total equity shareholders' funds	**5,421**	5,874
Non-controlling interests	**33**	31
Total equity	**5,454**	5,905

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Notes	Six months ended 31 March 2023 £m	2022 £m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	6	**1,228**	839
Interest paid		**(85)**	(43)
Tax received		**14**	12
Tax paid		**(213)**	(145)
Net cash flow from operating activities		**944**	663
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of subsidiary companies	8	**(207)**	(112)
Purchase of interests in joint ventures and associates		**(7)**	(20)
Net proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs	8	**12**	26
Purchase of intangible assets		**(88)**	(65)
Purchase of contract fulfilment assets		**(87)**	(96)
Purchase of property, plant and equipment		**(179)**	(125)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**25**	15
Purchase of other investments		**(1)**	(17)
Proceeds from sale of other investments		**2**	1
Dividends received from joint ventures and associates		**10**	19
Interest received		**24**	3
Net cash flow from investing activities		**(496)**	(371)
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of own shares – share buyback programme[1]		**(323)**	-
Purchase of own shares – employee share-based payments		**(5)**	(5)
Increase in borrowings		**-**	1
Repayment of borrowings		**(440)**	(297)
Net cash flow from derivative financial instruments		**103**	(20)
Repayment of principal under lease liabilities		**(83)**	(73)
Dividends paid to equity shareholders	5	**(387)**	(250)
Dividends paid to non-controlling interests		**(2)**	(1)
Net cash flow from financing activities		**(1,137)**	(645)
CASH AND CASH EQUIVALENTS			
Net decrease in cash and cash equivalents		**(689)**	(353)
Cash and cash equivalents at 1 October		**1,732**	1,656
Currency translation (losses)/gains on cash and cash equivalents		**(16)**	14
Cash and cash equivalents at 31 March		**1,027**	1,317
Cash and cash equivalents[2]		**1,198**	1,480
Bank overdrafts[2]		**(171)**	(163)
Cash and cash equivalents at 31 March		**1,027**	1,317

1. Includes £245m in respect of the share buyback announced in November 2022 and £78m in respect of the completion of the share buyback announced in May 2022.
2. As per the consolidated balance sheet.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

1 PREPARATION

Basis of preparation and statement of compliance

The unaudited condensed consolidated financial statements for the six months ended 31 March 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted for use in the UK. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed consolidated financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 September 2022.

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The unaudited condensed consolidated financial statements for the six months ended 31 March 2023, which were approved by the Board on 10 May 2023, and the comparative information in relation to the six months ended 31 March 2022, 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 2022. Those accounts have been reported on 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 auditor drew attention by way of emphasis without qualifying its report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

Going concern

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

At 31 March 2023, the Group's financing arrangements included sterling and Euro bonds (£2,398m) and US dollar US Private Placement (USPP) notes (£842m). In addition, the Group had Revolving Credit Facilities of £2,000m, committed to August 2026, which were fully undrawn, and £1,027m of cash, net of overdrafts. At the date of approving the consolidated financial statements, the liquidity position of the Group has remained substantially unchanged.

For the purposes of the going concern assessment, the directors have prepared monthly cash flow projections for the period to 30 September 2024 (the assessment period) based on the latest forecast for 2023 and the second year of the three-year strategic plan approved by the Board in November 2022. We consider 18 months to be a reasonable period for the going concern assessment as it enables us to consider the potential impact of macroeconomic and geopolitical factors over an extended period.

In September 2022, the Group issued €500m (£439m) and £250m of sustainable bonds maturing in 2030 and 2032, respectively. The new bonds effectively pre-financed a €500m (£438m) Eurobond which matured in January 2023 and a $352m (£285m) USPP note which will mature in October 2023. The only other maturity in the assessment period is a €750m (£659m) Eurobond in July 2024.

The USPP debt is subject to leverage and interest cover covenants which are tested on 31 March and 30 September each year. The Group met both covenants at 31 March 2023. The Group's other financing arrangements do not contain any financial covenants.

The cash flow projections show that the Group has significant headroom against its committed facilities and meets its financial covenant obligations under the USPP note agreements without any refinancing.

A stress test against the base case has been performed to determine the performance level that would result in a reduction in headroom against the Group's committed facilities to nil or a breach of its covenants. The leverage covenant would be reached in the event that underlying EBITDA reduced by more than 60% of the base case. The directors do not consider this scenario to be likely. The stress test assumes no share buybacks or new acquisitions and disposals as mitigating actions. Other mitigating actions available to the Group include reductions in discretionary capital expenditure and ceasing dividend payments.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least the period to 30 September 2024 and, therefore, have prepared the financial statements on a going concern basis.

Changes in accounting policies

There are a number of changes to accounting standards, effective in future periods, which are not expected to significantly impact the Group's consolidated results or financial position.

Accounting judgements

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

1 PREPARATION (CONTINUED)

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

Estimation uncertainty

Major sources of estimation uncertainty

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

- Goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with IAS 36 Impairment of Assets. The recoverable amounts of the Group's cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. The key assumptions used for the value-in-use calculations and sensitivity analysis are set out in note 8 of the 2022 Annual Report. An impairment of goodwill of £5m (six months ended 31 March 2022: £nil) was recognised during the period. No other indicators that the Group's goodwill may be impaired were identified during the six months ended 31 March 2023.

- Post-employment benefits

The Group's defined benefit pension schemes and similar arrangements are assessed half-yearly in accordance with IAS 19 Employee Benefits. The present value of the defined benefit liabilities is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, including discount rates, inflation, pension and salary increases, and mortality and other demographic assumptions.

Other sources of estimation uncertainty

In addition to the major sources of estimation uncertainty, management has identified other sources of estimation uncertainty which are summarised below. Whilst these are not considered to be major sources of uncertainty as defined by IAS 1 Presentation of Financial Statements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties.

- Taxes

The Group has operations in around 38 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors, including the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

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

- Climate change

The potential impact of climate change and the Group's net zero commitments on the reported amounts in the financial statements has been considered as follows:

- the cash flow forecasts used in the impairment assessments of the carrying value of non-current assets
- the cash flow forecasts used to determine the recoverability of deferred tax assets
- the valuation of post-employment benefit assets and liabilities
- the going concern assessment during which the potential impact of climate change is not expected to be significant
- the useful economic lives of tangible fixed assets and their exposure to the physical risks posed by climate change which are not expected to be significant due to the low capital intensity of the Group

There was no impact on the reported amounts in the financial statements as a result of this review.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

2 SEGMENTAL ANALYSIS

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

REVENUE[1,2]	Geographical segments North America £m	Geographical segments Europe £m	Geographical segments Rest of World £m	Total £m
SIX MONTHS ENDED 31 MARCH 2023				
Business & Industry	**3,225**	**1,655**	**570**	**5,450**
Education	**2,538**	**566**	**102**	**3,206**
Healthcare & Senior Living	**3,096**	**557**	**215**	**3,868**
Sports & Leisure	**1,645**	**413**	**72**	**2,130**
Defence, Offshore & Remote	**148**	**358**	**636**	**1,142**
Underlying revenue[3,4]	**10,652**	**3,549**	**1,595**	**15,796**
Less: Share of revenue of joint ventures	**(9)**	**(129)**	**-**	**(138)**
Revenue	**10,643**	**3,420**	**1,595**	**15,658**
SIX MONTHS ENDED 31 MARCH 2022				
Business & Industry	1,953	1,209	402	3,564
Education	1,923	469	75	2,467
Healthcare & Senior Living	2,511	488	190	3,189
Sports & Leisure	1,157	276	37	1,470
Defence, Offshore & Remote	113	324	498	935
Underlying revenue[3,4]	7,657	2,766	1,202	11,625
Less: Share of revenue of joint ventures	(7)	(119)	-	(126)
Revenue	7,650	2,647	1,202	11,499

1. There is no inter-segment trading.
2. An analysis of revenue recognised over time and at a point in time is not provided on the basis that the nature, amount, timing and uncertainty of revenue and cash flows is considered to be similar.
3. Revenue plus share of revenue of joint ventures.
4. Underlying revenue arising in the UK, the Group's country of domicile, was £1,157m (six months ended 31 March 2022: £905m). Underlying revenue arising in the US region was £10,097m (six months ended 31 March 2022: £7,276m). Underlying revenue arising in all countries outside the UK from which the Group derives revenue was £14,639m (six months ended 31 March 2022: £10,720m).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

2 SEGMENTAL ANALYSIS (CONTINUED)

PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2023					
Underlying operating profit/(loss) before results of joint ventures and associates	**827**	**176**	**71**	**(50)**	**1,024**
Add: Share of profit before tax of joint ventures	**-**	**13**	**-**	**-**	**13**
Add: Share of results of associates	**5**	**8**	**-**	**-**	**13**
Underlying operating profit/(loss)[1]	**832**	**197**	**71**	**(50)**	**1,050**
Less: Acquisition-related charges[2]	**(37)**	**(18)**	**(6)**	**-**	**(61)**
Less: Charges related to the strategic portfolio review[2]	**-**	**(99)**	**-**	**-**	**(99)**
Less: One-off pension charge[2]	**-**	**(12)**	**-**	**-**	**(12)**
Operating profit/(loss)	**795**	**68**	**65**	**(50)**	**878**
Net gain on sale and closure of businesses[2]					**29**
Finance costs					**(76)**
Profit before tax					**831**
Income tax expense					**(189)**
Profit for the period					**642**

1. Operating profit excluding specific adjusting items (see note 11).
2. Specific adjusting item (see note 11).

PROFIT	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2022					
Underlying operating profit/(loss) before results of joint ventures and associates	533	103	56	(43)	649
Add: Share of profit before tax of joint ventures	-	15	-	-	15
Add: Share of results of associates	2	7	-	-	9
Underlying operating profit/(loss)[1]	535	125	56	(43)	673
Less: Acquisition-related charges[2]	(26)	(5)	(2)	-	(33)
Less: Tax on share of profit of joint ventures[2]	-	(2)	-	-	(2)
Operating profit/(loss)	509	118	54	(43)	638
Net loss on sale and closure of businesses[2]					(6)
Finance costs					-
Profit before tax					632
Income tax expense					(152)
Profit for the period					480

1. Operating profit excluding specific adjusting items (see note 11).
2. Specific adjusting item (see note 11).

Acquisition-related charges

Acquisition-related charges comprise the amortisation and impairment of intangible assets acquired through business combinations of £52m (six months ended 31 March 2022: £38m), direct costs incurred through business combinations or other strategic asset acquisitions of £8m (six months ended 31 March 2022: £3m) and a net increase in consideration in relation to past acquisition activity of £1m (six months ended 31 March 2022: net decrease of £8m).

Charges related to the strategic portfolio review

Charges related to the strategic portfolio review during the six months ended 31 March 2023 include impairments of right-of-use assets (£44m) and property, plant and equipment (£6m), recognition of provisions and accruals (£28m) and the write-off of receivables (£21m) in respect of site closures and contract renegotiations and terminations in the UK.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

3 TAX

	Six months ended 31 March	
INCOME TAX EXPENSE	**2023 £m**	2022 £m
CURRENT TAX		
Current period	**234**	165
Adjustment in respect of prior years	**(22)**	(11)
Current tax expense	**212**	154
DEFERRED TAX		
Current period	**(20)**	(2)
Adjustment in respect of prior years	**(3)**	-
Deferred tax credit	**(23)**	(2)
TOTAL		
Income tax expense	**189**	152

The income tax expense for the period is based on the effective UK statutory rate of corporation tax of 22% (six months ended 31 March 2022: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The Group is currently subject to a number of reviews and audits in jurisdictions around the world that primarily relate to complex corporate tax issues.

The Canadian Revenue Agency is continuing its enquiry into an intra-group financing arrangement implemented in July 2015. Compass Group Canada Limited and Canteen of Canada Limited have received assessments to additional federal and provincial taxes totalling £88m (£60m of tax and £28m of interest). We consider that we are close to resolving this issue with no change to the provision.

In March 2022, the UK tax authority indicated that it may seek to challenge aspects of an intra-group refinancing undertaken in 2013. The challenge relates to the deductibility of interest for UK corporation tax purposes for the period from June 2013 to December 2016 on certain loans which formed part of that refinancing. We have continued discussions with the tax authority and the provision, based on a range of possible outcomes, remains unchanged. Our maximum potential liability is £62m of tax and £15m of interest.

The OECD Pillar Two framework and subsequent UK draft legislation to introduce a global minimum tax rate for large multinationals will, as currently proposed, apply to the Group for the year ending 30 September 2025. The impact is not expected to be material and the Group is continuing to monitor developments.

We continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations. The federal tax authorities in Brazil have issued a number of notices of deficiency relating primarily to the PIS/COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 31 March 2023, the total amount assessed in respect of these matters is £66m. The possibility of further assessments cannot be ruled out and the judicial process is likely to take a number of years to conclude. Based on the opinion of our local legal advisors, we do not currently consider it likely that we will have to settle a liability with respect to these matters and, on this basis, no provision has been recorded. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

Most of the Group's tax losses and other temporary differences recognised as deferred tax assets do not have an expiry date. The recognition of net deferred tax assets is based on the most recent financial budgets and forecasts approved by management.

Deferred tax assets have not been recognised in respect of tax losses of £317m (30 September 2022: £323m) and other temporary differences of £21m (30 September 2022: £21m). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

4 EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the period attributable to equity shareholders and the weighted average number of shares in issue during the period.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS	Six months ended 31 March **2023** **£m**	 2022 £m
Profit for the period attributable to equity shareholders	**638**	477

AVERAGE NUMBER OF SHARES	Six months ended 31 March **2023** **Ordinary shares of $11^{1/20}$p each millions**	 2022 Ordinary shares of $11^{1/20}$p each millions
Average number of shares for basic earnings per share	**1,753**	1,784
Dilutive share options	**-**	-
Average number of shares for diluted earnings per share	**1,753**	1,784

EARNINGS PER SHARE	Six months ended 31 March **2023**	 2022
Basic	**36.4p**	26.7p
Diluted	**36.4p**	26.7p

Underlying earnings per share for the six months ended 31 March 2023 was 42.7p (six months ended 31 March 2022: 26.9p). Underlying earnings per share is calculated based on earnings excluding the effect of acquisition-related charges, charges related to the strategic portfolio review, one-off pension charge, gains and losses on sale and closure of businesses and other financing items, together with the tax attributable to these amounts (see note 11).

5 DIVIDENDS AND SHARE BUYBACK

Dividends

The interim dividend of 15.0p per share (2022: 9.4p per share), £262m in aggregate[1], is payable on 27 July 2023 to shareholders on the register at the close of business on 9 June 2023. The dividend was approved by the Board after the balance sheet date and, therefore, it has not been reflected as a liability in the interim financial statements.

DIVIDENDS ON ORDINARY SHARES	**Six months ended 31 March 2023** **Dividends per share**	 **£m**	Six months ended 31 March 2022 Dividends per share	 £m
Amounts recognised as distributions to equity shareholders during the period:				
Final 2021	**-**	**-**	14.0p	250
Final 2022	**22.1p**	**387**	-	-
Total	**22.1p**	**387**	14.0p	250

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 31 March 2023 (1,745m shares).

Share buyback

In May 2023, a further share buyback of up to £750m was announced, to be completed this calendar year, which takes the total buyback programme announced since May 2022 to £1.5bn.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

6 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	Six months ended 31 March	
RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	**2023 £m**	2022 £m
Operating profit before joint ventures and associates	**852**	616
Adjustments for:		
Acquisition-related charges[1]	**53**	30
Charges related to the strategic portfolio review	**99**	-
One-off pension charge	**12**	-
Amortisation – other intangible assets[2]	**53**	44
Amortisation – contract fulfilment assets	**122**	99
Amortisation – contract prepayments	**26**	18
Depreciation – right-of-use assets	**80**	76
Depreciation – property, plant and equipment	**136**	129
Unwind of costs to obtain contracts	**10**	8
Impairment losses – contract-related non-current assets[3]	**4**	1
Impairment reversals – contract-related non-current assets	**(1)**	(1)
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**(3)**	(5)
Other non-cash changes	**(1)**	(1)
Decrease in provisions	**(13)**	(2)
Investment in contract prepayments	**(35)**	(35)
Increase in costs to obtain contracts[4]	**(16)**	(12)
Post-employment benefit obligations net of service costs	**(4)**	(4)
Share-based payments – charged to profit	**23**	20
Operating cash flow before movements in working capital	**1,397**	981
Increase in inventories	**(69)**	(54)
Increase in receivables	**(207)**	(258)
Increase in payables	**107**	170
Cash generated from operations	**1,228**	839

1. Includes amortisation and impairment of intangible assets arising on acquisition. Excludes acquisition transaction costs of £8m (six months ended 31 March 2022: £3m) as acquisition transaction costs are included in net cash flow from operating activities.
2. Excludes amortisation of intangible assets arising on acquisition.
3. In 2023, excludes impairment losses of £50m included in charges related to the strategic portfolio review.
4. Cash payments in respect of contract balances are classified as cash flows from operating activities, with the exception of contract fulfilment assets which are classified as cash flows from investing activities as they arise from cash payments in relation to assets that will generate long-term economic benefits. During the six months ended 31 March 2023, the purchase of contract fulfilment assets in cash flows from investing activities is £87m (six months ended 31 March 2022: £96m).

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

7 FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

The carrying amounts of the following financial instruments measured at amortised cost approximate to their fair values: trade and other receivables; cash and cash equivalents (excluding money market funds); lease liabilities; provisions; and trade and other payables. Borrowings are measured at amortised cost unless they are part of a fair value hedge, in which case amortised cost is adjusted for the fair value attributable to the risk being hedged. The carrying amount of borrowings at 31 March 2023 is £3,412m (30 September 2022: £3,964m). The fair value of borrowings at 31 March 2023, calculated by discounting future cash flows to net present values at current market rates for similar financial instruments, is £3,448m (30 September 2022: £3,920m).

Financial instruments measured at fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

The fair value measurement hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

There were no transfers of financial instruments between levels of the fair value hierarchy in either the six months ended 31 March 2023 or 2022. The carrying amounts of financial instruments measured at fair value are shown in the table below:

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE	Level	**At 31 March 2023 £'m**	At 30 September 2022 £'m
NON-CURRENT			
Rabbi Trust investments[1]	1	**599**	566
Mutual fund investments[1]	1	**48**	52
Other investments[1]	1	**11**	12
Life insurance policies[1]	2	**29**	33
Derivative financial instruments – assets	2	**35**	76
Derivative financial instruments – liabilities	2	**(165)**	(237)
Trade investments[1]	3	**114**	127
Contingent consideration on business acquisitions[2]	3	**(90)**	(39)
Non-controlling interest put options[2]	3	**(37)**	(45)
CURRENT			
Money market funds[3]	1	**389**	474
Derivative financial instruments – assets	2	**41**	71
Derivative financial instruments – liabilities	2	**(7)**	(6)
Contingent consideration on business acquisitions[2]	3	**(46)**	(30)

1. Classified as other investments in the consolidated balance sheet.
2. Classified as trade and other payables in the consolidated balance sheet.
3. Classified as cash and cash equivalents in the consolidated balance sheet on the basis that they have a maturity of three months or less from the date of acquisition.

Due to the variability of the valuation factors, the fair values presented at 31 March 2023 may not be indicative of the amounts the Group would expect to realise in the current market environment. The fair values of financial instruments at levels 2 and 3 of the fair value hierarchy have been determined based on the valuation methodologies listed below:

- *Level 2*

Life insurance policies Cash surrender values provided by third-party insurance providers.

Derivative financial instruments Present values determined from future cash flows discounted at rates derived from market-sourced data. The fair values of derivative financial instruments represent the maximum credit exposure.

- *Level 3*

Trade investments Estimated values using income and market value approaches.

Contingent consideration on business acquisitions Estimated amounts payable based on the likelihood of specified conditions, such as earnings targets, being met.

Non-controlling interest put options Estimated amounts payable based on the likelihood of options being exercised by minority shareholders.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

7 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate benchmark reform

The Group and all its derivative counterparties are party to the International Swaps and Derivatives Association (ISDA) fallback protocols which automatically convert derivatives from IBOR to the relevant alternative reference rate when an IBOR rate ceases. As USD LIBOR ceases on 30 June 2023, the Group is of the opinion that there is no longer any uncertainty around derivatives which reference USD LIBOR and, therefore, it has adopted the IBOR Reform Phase 2 amendments in respect of these derivatives and redocumented its hedges to incorporate the change from USD LIBOR to USD SOFR. The Group's interest rate benchmark reform process is now complete.

8 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

Acquisition of businesses

The total cash spent on the acquisition of subsidiaries during the six months ended 31 March 2023, net of cash acquired, was £215m (six months ended 31 March 2022: £115m), including £18m of deferred and contingent consideration and other payments relating to businesses acquired in previous years and £8m of acquisition transaction costs included in net cash flow from operating activities.

On 20 March 2023, the Group acquired the trade and assets of Parks Coffee, a provider of workplace refreshments in the US, for an initial consideration of $108m (£90m). Total consideration includes $6m (£5m) payable in 2024 and an estimated $23m (£20m) payable in 2025 contingent on the operation of an earn-out. The preliminary goodwill in relation to the assets acquired is £43m. This goodwill represents the premium the Group paid to acquire the business that complements its existing businesses and creates significant opportunities and other synergies.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of Parks Coffee:

	Six months ended 31 March 2023 Book value £m	Six months ended 31 March 2023 Fair value £m
NET ASSETS ACQUIRED		
Other intangible assets	**1**	**64**
Property, plant and equipment	**5**	**5**
Inventories	**4**	**4**
Trade and other payables	**(1)**	**(1)**
Fair value of net assets acquired		**72**
Goodwill		**43**
Total consideration		**115**
SATISFIED BY		
Cash consideration paid		**90**
Deferred and contingent consideration payable		**25**
Total consideration		**115**

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

8 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)

In addition to the acquisition set out above, the Group also completed a number of other acquisitions during the period. A summary of all acquisitions completed during the period is presented in aggregate below:

	Six months ended 31 March 2023 Book value £m	Six months ended 31 March 2023 Fair value £m
NET ASSETS ACQUIRED		
Other intangible assets	**2**	**92**
Property, plant and equipment	**6**	**6**
Trade and other receivables	**3**	**3**
Inventories	**6**	**6**
Cash and cash equivalents	**8**	**8**
Trade and other payables	**(7)**	**(7)**
Deferred tax liabilities	**(1)**	**(1)**
Fair value of net assets acquired		**107**
Less: Book value of non-controlling interests acquired in previous years		**(12)**
Goodwill		**188**
Total consideration		**283**
SATISFIED BY		
Cash consideration paid		**197**
Deferred and contingent consideration payable		**86**
Total consideration		**283**
CASH FLOW		
Cash consideration paid		**197**
Less: Cash and cash equivalents acquired		**(8)**
Acquisition transaction costs[1]		**8**
Net cash outflow arising on acquisition		**197**
Deferred and contingent consideration and other payments relating to businesses acquired in previous years		**18**
Total cash outflow from purchase of subsidiary companies		**215**
CONSOLIDATED CASH FLOW STATEMENT		
Net cash flow from operating activities[1]		**8**
Net cash flow from investing activities		**207**
Total cash outflow from purchase of subsidiary companies		**215**

1. Acquisition transaction costs are included in net cash flow from operating activities.

Goodwill decreased from £5,119m at 30 September 2022 to £5,004m at 31 March 2023 reflecting business disposals (£18m), impairments (£5m) and adverse exchange translation (£280m), partially offset by business acquisitions (£188m).

Contingent consideration is an estimate at the date of acquisition of the amount of additional consideration that will be payable in the future. The actual amount paid can vary from the estimate depending on the terms of the transaction and, for example, the actual performance of the acquired business.

The fair value adjustments made in respect of acquisitions in the six months ended 31 March 2023 are provisional and will be finalised within 12 months of the acquisition date, principally in relation to the valuation of contracts acquired.

The acquisitions did not have a material impact on the Group's revenue or profit in the period.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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8 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)

Sale and closure of businesses

The Group has recognised a net gain of £29m on the sale and closure of businesses (six months ended 31 March 2022: net loss of £6m), including exit costs of £2m (six months ended 31 March 2022: £3m). Activity in the period includes the exit from six countries, including Central and Eastern Europe (Czech Republic, Hungary, Slovakia and Romania), together with the sale of a business in the UK and a further 28% shareholding in Highways Royal Co., Limited (Japanese Highways).

A summary of the business disposals completed during the period is presented in aggregate below:

	Six months ended 31 March 2023 £m
NET ASSETS DISPOSED	
Goodwill	**18**
Other intangible assets	**9**
Right-of-use assets	**2**
Property, plant and equipment	**5**
Deferred tax assets	**1**
Trade and other receivables	**26**
Inventories	**4**
Cash and cash equivalents	**24**
Assets held for sale	**26**
Lease liabilities	**(3)**
Provisions	**(2)**
Trade and other payables	**(42)**
Net assets disposed	**68**
CONSOLIDATED INCOME STATEMENT	
Cash consideration	**37**
Deferred consideration[1]	**61**
Less: Net assets disposed	**(68)**
Less: Exit costs	**(2)**
Add: Reclassification of cumulative currency translation differences on sale of businesses	**1**
Net gain on sale and closure of businesses	**29**
CONSOLIDATED CASH FLOW STATEMENT	
Cash consideration	**37**
Exit costs	**(1)**
Cash and cash equivalents disposed	**(24)**
Net proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs	**12**

1. Includes £60m in respect of the sale of four businesses in Central and Eastern Europe receivable over four years.

9 RELATED PARTY TRANSACTIONS

Full details of the Group's related party relationships, transactions and balances are provided in the Group's financial statements for the year ended 30 September 2022. There have been no material changes in these relationships during the six months ended 31 March 2023 or up to the date of this announcement. 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.

10 POST-BALANCE SHEET EVENTS

With the exception of the proposed dividend and share buyback (see note 5), there are no material post-balance sheet events.

Compass Group PLC
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES

Introduction

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

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

Definitions

Measure	Definition	Purpose
INCOME STATEMENT		
Underlying revenue	Revenue plus share of revenue of joint ventures.	Allows management to monitor the sales performance of the Group's subsidiaries and joint ventures.
Underlying operating profit	Operating profit excluding specific adjusting items[2].	Provides a measure of operating profitability that is comparable over time.
Underlying operating margin[1]	Underlying operating profit divided by underlying revenue.	An important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.
Organic revenue[1]	Current year: Underlying revenue excluding businesses acquired, sold and closed in the year. Prior year: Underlying revenue including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.
Organic operating profit	Current year: Underlying operating profit excluding businesses acquired, sold and closed in the year. Prior year: Underlying operating profit including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Provides a measure of operating profitability that is comparable over time.
Underlying finance costs	Finance costs excluding specific adjusting items[2].	Provides a measure of the Group's cost of financing excluding items outside of the control of management.
Underlying profit before tax	Profit before tax excluding specific adjusting items[2].	Provides a measure of Group profitability that is comparable over time.
Underlying income tax expense	Income tax expense excluding tax attributable to specific adjusting items[2].	Provides a measure of income tax expense that is comparable over time.

1. Key Performance Indicator.
2. See page 40 for definitions of the specific adjusting items and a reconciliation from the statutory to the underlying income statement.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Definitions (continued)

Measure	Definition	Purpose
INCOME STATEMENT (CONTINUED)		
Underlying effective tax rate	Underlying income tax expense divided by underlying profit before tax.	Provides a measure of the effective tax rate that is comparable over time.
Underlying profit for the year	Profit for the year excluding specific adjusting items[2] and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying profit attributable to equity shareholders (underlying earnings)	Profit for the year attributable to equity shareholders excluding specific adjusting items[2] and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying earnings per share[1]	Earnings per share excluding specific adjusting items[2] and tax attributable to those items.	Measures the performance of the Group in delivering value to shareholders.
Underlying EBITDA	Underlying operating profit excluding underlying impairment, depreciation and amortisation of intangible assets, tangible assets and contract-related assets.	Provides a measure of Group operating profitability that is comparable over time.
BALANCE SHEET		
Net debt	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, less cash and cash equivalents.	Allows management to monitor the indebtedness of the Group.
Net debt to EBITDA	Net debt divided by underlying EBITDA.	Provides a measure of the Group's ability to finance and repay its debt from its operations.
CASH FLOW		
Capital expenditure	Purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment and investment in contract prepayments, less proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets.	Provides a measure of expenditure on long-term intangible, tangible and contract-related assets, net of the proceeds from disposal of intangible, tangible and contract-related assets.
Underlying operating cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, repayment of principal under lease liabilities and share of results of joint ventures and associates, and excluding interest and net tax paid, post-employment benefit obligations net of service costs, cash payments related to the cost action programme and COVID-19 resizing costs, and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying operating cash flow conversion	Underlying operating cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.

1. Key Performance Indicator.
2. See page 40 for definitions of the specific adjusting items and a reconciliation from the statutory to the underlying income statement.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Definitions (continued)

Measure	Definition	Purpose
CASH FLOW (CONTINUED)		
Free cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, purchase of other investments, proceeds from sale of other investments, dividends received from joint ventures and associates, interest received, repayment of principal under lease liabilities and dividends paid to non-controlling interests.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow[1]	Free cash flow excluding cash payments related to the cost action programme and COVID-19 resizing costs, and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow conversion	Underlying free cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying cash tax rate	Net tax paid included in net cash flow from operating activities divided by underlying profit before tax.	Provides a measure of the cash tax rate that is comparable over time.
BUSINESS GROWTH		
New business	Current year underlying revenue for the period in which no revenue had been recognised in the prior year.	The measure of incremental revenue in the current year from new business.
Lost business	Prior year underlying revenue for the period in which no revenue has been recognised in the current year.	The measure of lost revenue in the current year from ceased business.
Net new business	New business minus lost business as a percentage of prior year organic revenue.	The measure of net incremental revenue in the current year from business wins and losses.
Retention	100% minus lost business as a percentage of prior year organic revenue.	The measure of our success in retaining business.

1. Key Performance Indicator.

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Reconciliations

Income statement

Underlying revenue and operating profit are reconciled to GAAP measures in note 2 (segmental analysis).

ORGANIC REVENUE	Geographical segments North America £m	Geographical segments Europe £m	Geographical segments Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2023					
Underlying revenue	**10,652**	**3,549**	**1,595**	**-**	**15,796**
Organic adjustments	**(5)**	**(16)**	**(6)**	**-**	**(27)**
Organic revenue	**10,647**	**3,533**	**1,589**	**-**	**15,769**
SIX MONTHS ENDED 31 MARCH 2022					
Underlying revenue	7,657	2,766	1,202	-	11,625
Currency adjustments	944	32	37	-	1,013
Underlying revenue – constant currency	8,601	2,798	1,239	-	12,638
Organic adjustments	43	(42)	3	-	4
Organic revenue	8,644	2,756	1,242	-	12,642
Increase in underlying revenue at reported rates – %	**39.1%**	**28.3%**	**32.7%**		**35.9%**
Increase in underlying revenue at constant currency – %	**23.8%**	**26.8%**	**28.7%**		**25.0%**
Increase in organic revenue – %	**23.2%**	**28.2%**	**27.9%**		**24.7%**

ORGANIC OPERATING PROFIT	Geographical segments North America £m	Geographical segments Europe £m	Geographical segments Rest of World £m	Central activities £m	Total £m
SIX MONTHS ENDED 31 MARCH 2023					
Underlying operating profit/(loss)	**832**	**197**	**71**	**(50)**	**1,050**
Underlying operating margin – %	**7.8%**	**5.6%**	**4.5%**		**6.6%**
Organic adjustments	**-**	**(2)**	**(1)**	**-**	**(3)**
Organic operating profit/(loss)	**832**	**195**	**70**	**(50)**	**1,047**
SIX MONTHS ENDED 31 MARCH 2022					
Underlying operating profit/(loss)	535	125	56	(43)	673
Underlying operating margin – %	7.0%	4.5%	4.7%		5.8%
Currency adjustments	66	2	3	-	71
Underlying operating profit/(loss) – constant currency	601	127	59	(43)	744
Organic adjustments	2	(3)	(1)	-	(2)
Organic operating profit/(loss)	603	124	58	(43)	742
Increase in underlying operating profit at reported rates – %	**55.5%**	**57.6%**	**26.8%**		**56.0%**
Increase in underlying operating profit at constant currency – %	**38.4%**	**55.1%**	**20.3%**		**41.1%**
Increase in organic operating profit – %	**38.0%**	**57.3%**	**20.7%**		**41.1%**

Compass Group PLC
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

UNDERLYING INCOME STATEMENT	Six months ended 31 March 2023 Statutory £m	Specific adjusting items 1 £m	2 £m	3 £m	4 £m	5 £m	2023 Underlying £m
Operating profit	**878**	**61**	**12**	**-**	**99**	**-**	**1,050**
Net gain on sale and closure of businesses	**29**	**-**	**-**	**-**	**(29)**	**-**	**-**
Finance costs	**(76)**	**-**	**-**	**-**	**-**	**10**	**(66)**
Profit before tax	**831**	**61**	**12**	**-**	**70**	**10**	**984**
Income tax expense	**(189)**	**(14)**	**(3)**	**-**	**(22)**	**(3)**	**(231)**
Profit for the period	**642**	**47**	**9**	**-**	**48**	**7**	**753**
Less: Non-controlling interests	**(4)**	**-**	**-**	**-**	**-**	**-**	**(4)**
Profit attributable to equity shareholders	**638**	**47**	**9**	**-**	**48**	**7**	**749**
Earnings per share (p)	**36.4p**	**2.7p**	**0.5p**	**-**	**2.7p**	**0.4p**	**42.7p**
Effective tax rate (%)	**22.7%**						**23.5%**

UNDERLYING INCOME STATEMENT	Six months ended 31 March 2022 Statutory £m	Specific adjusting items 1 £m	2 £m	3 £m	4 £m	5 £m	2022 Underlying £m
Operating profit	638	33	-	2	-	-	673
Net loss on sale and closure of businesses	(6)	-	-	-	6	-	-
Finance costs	-	-	-	-	-	(37)	(37)
Profit before tax	632	33	-	2	6	(37)	636
Income tax expense	(152)	(11)	-	(2)	3	9	(153)
Profit for the period	480	22	-	-	9	(28)	483
Less: Non-controlling interests	(3)	-	-	-	-	-	(3)
Profit attributable to equity shareholders	477	22	-	-	9	(28)	480
Currency adjustments							54
Profit attributable to equity shareholders – constant currency							534
Earnings per share (p)	26.7p	1.3p	-	-	0.5p	(1.6)p	26.9p
Earnings per share – constant currency (p)							29.9p
Effective tax rate (%)	24.1%						24.0%

Specific adjusting items are as follows:

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

2. One-off pension charge
A past service cost following a change in legislation in Turkey eliminating the minimum retirement age requirement for certain employees effective from March 2023.

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

4. Gains and losses on sale and closure of businesses and charges related to the strategic portfolio review
Profits and losses on the sale of subsidiaries, joint ventures and associates, exit costs on closure of businesses (see note 8) and charges in respect of site closures and contract renegotiations and terminations which, during 2023, relate to an ongoing strategic review of the Group's portfolio of non-core activities.

5. Other financing items
Financing items, including hedge accounting ineffectiveness, change in the fair value of derivatives held for economic hedging purposes, change in the fair value of investments and financing items relating to post-employment benefits.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

UNDERLYING EBITDA	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £m
Underlying operating profit	**1,050**	673
Add back/(deduct):		
Depreciation of property, plant and equipment and right-of-use assets	**216**	205
Amortisation of other intangible assets, contract fulfilment assets and contract prepayments[1]	**201**	161
Impairment losses – contract-related non-current assets[2]	**4**	1
Impairment reversals – contract-related non-current assets	**(1)**	(1)
Underlying EBITDA	**1,470**	1,039

1. Excludes amortisation of intangible assets arising on acquisition.
2. In 2023, excludes impairment losses of £50m included in charges related to the strategic portfolio review.

Balance sheet

COMPONENTS OF NET DEBT	At 31 March 2023 £m	At 31 March 2022 £m
Borrowings	**(3,412)**	(3,203)
Lease liabilities	**(895)**	(827)
Derivative financial instruments	**(96)**	20
Gross debt	**(4,403)**	(4,010)
Cash and cash equivalents	**1,198**	1,480
Net debt	**(3,205)**	(2,530)

NET DEBT RECONCILIATION	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £m
Net decrease in cash and cash equivalents	**(689)**	(353)
Add back/(deduct):		
Increase in borrowings	**-**	(1)
Repayment of borrowings	**440**	297
Net cash flow from derivative financial instruments	**(103)**	20
Repayment of principal under lease liabilities	**83**	73
(Increase)/decrease in net debt from cash flows	**(269)**	36
New lease liabilities and amendments	**(118)**	(46)
Amortisation of fees and discounts on issue of debt	**(2)**	(2)
Changes in fair value of borrowings in a fair value hedge	**(56)**	110
Lease liabilities acquired through business acquisitions	**-**	(6)
Lease liabilities derecognised on sale and closure of businesses	**3**	1
COVID-19 rent concessions	**-**	1
Changes in fair value of derivative financial instruments	**45**	(68)
Reclassification	**-**	3
Currency translation gains/(losses)	**182**	(21)
(Increase)/decrease in net debt	**(215)**	8
Net debt at 1 October	**(2,990)**	(2,538)
Net debt at 31 March	**(3,205)**	(2,530)

NET DEBT TO EBITDA	At 31 March 2023 £m	At 31 March 2022 £m
Net debt	**(3,205)**	(2,530)
Prior year	**2,371**	1,554
Less: Prior half-year	**(1,039)**	(670)
Add: Current half-year	**1,470**	1,039
Underlying EBITDA (last 12 months)	**2,802**	1,923
Net debt to EBITDA (times)	**1.1**	1.3

Compass Group PLC
Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

Cash flow

CAPITAL EXPENDITURE	Six months ended 31 March 2023 £m	2022 £m
Purchase of intangible assets	**88**	65
Purchase of contract fulfilment assets	**87**	96
Purchase of property, plant and equipment	**179**	125
Investment in contract prepayments	**35**	35
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**(25)**	(15)
Capital expenditure	**364**	306

UNDERLYING OPERATING CASH FLOW	Six months ended 31 March 2023 £m	2022 £m
Net cash flow from operating activities	**944**	663
Purchase of intangible assets	**(88)**	(65)
Purchase of contract fulfilment assets	**(87)**	(96)
Purchase of property, plant and equipment	**(179)**	(125)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**25**	15
Repayment of principal under lease liabilities	**(83)**	(73)
Share of results of joint ventures and associates	**26**	22
Add back:		
Interest paid	**85**	43
Net tax paid	**199**	133
Post-employment benefit obligations net of service costs	**4**	4
Cash payments related to cost action programme and COVID-19 resizing costs	**17**	33
Acquisition transaction costs	**8**	3
Underlying operating cash flow	**871**	557

UNDERLYING OPERATING CASH FLOW CONVERSION	Six months ended 31 March 2023 £m	2022 £m
Underlying operating cash flow	**871**	557
Underlying operating profit	**1,050**	673
Underlying operating cash flow conversion (%)	**83.0%**	82.8%

FREE CASH FLOW	Six months ended 31 March 2023 £m	2022 £m
Net cash flow from operating activities	**944**	663
Purchase of intangible assets	**(88)**	(65)
Purchase of contract fulfilment assets	**(87)**	(96)
Purchase of property, plant and equipment	**(179)**	(125)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**25**	15
Purchase of other investments	**(1)**	(17)
Proceeds from sale of other investments	**2**	1
Dividends received from joint ventures and associates	**10**	19
Interest received	**24**	3
Repayment of principal under lease liabilities	**(83)**	(73)
Dividends paid to non-controlling interests	**(2)**	(1)
Free cash flow	**565**	324

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Condensed Consolidated Financial Statements (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

11 NON-GAAP MEASURES (CONTINUED)

Reconciliations (continued)

	Six months ended 31 March	
UNDERLYING FREE CASH FLOW	**2023 £m**	2022 £m
Free cash flow	**565**	324
Add back:		
Cash payments related to cost action programme and COVID-19 resizing costs	**17**	33
Acquisition transaction costs	**8**	3
Underlying free cash flow	**590**	360

	Six months ended 31 March	
UNDERLYING FREE CASH FLOW CONVERSION	**2023 £m**	2022 £m
Underlying free cash flow	**590**	360
Underlying operating profit	**1,050**	673
Underlying free cash flow conversion (%)	**56.2%**	53.5%

	Six months ended 31 March	
UNDERLYING CASH TAX RATE	**2023 £m**	2022 £m
Tax received	**14**	12
Tax paid	**(213)**	(145)
Net tax paid	**(199)**	(133)
Underlying profit before tax	**984**	636
Underlying cash tax rate (%)	**20.2%**	20.9%

Business growth

	Six months ended 31 March	
NET NEW BUSINESS	**2023 £m**	2022 £m
New business less lost business	**662**	517
Prior period organic revenue	**12,642**	8,401
Net new business (%)	**5.2%**	6.1%

Compass Group PLC
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

12 EXCHANGE RATES

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.

	Six months ended 31 March	
	2023	2022
AVERAGE EXCHANGE RATE FOR THE PERIOD		
Australian Dollar	**1.78**	1.85
Brazilian Real	**6.22**	7.20
Canadian Dollar	**1.62**	1.70
Chilean Peso	**1030.99**	1091.06
Euro	**1.14**	1.18
Japanese Yen	**163.88**	154.55
Norwegian Krone	**12.23**	11.81
Swedish Krona	**12.67**	12.18
Turkish Lira	**22.36**	16.66
UAE Dirham	**4.38**	4.93
US Dollar	**1.19**	1.34
CLOSING EXCHANGE RATE AS AT THE END OF THE PERIOD		
Australian Dollar	**1.85**	1.75
Brazilian Real	**6.27**	6.26
Canadian Dollar	**1.67**	1.64
Chilean Peso	**977.55**	1036.11
Euro	**1.14**	1.18
Japanese Yen	**164.56**	159.81
Norwegian Krone	**12.95**	11.51
Swedish Krona	**12.82**	12.27
Turkish Lira	**23.73**	19.31
UAE Dirham	**4.54**	4.84
US Dollar	**1.24**	1.32

Forward-looking statements

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

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