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SSP GROUP PLC 2017 INTERIM RESULTS

SSP Group, a leading operator of food and beverage outlets in travel locations worldwide, announces its financial results for the first half of its 2017 financial year, covering the six months ended 31 March 2017.

Highlights:

- Underlying operating profit[1] of £42.8m: up 24.7% at constant currency, and 38.5% at actual exchange rates
- Revenue of £1,073m: up 8.1% at constant currency; 19.6% at actual exchange rates
- Like-for-like sales up 2.9%: driven by air passenger travel and retail initiatives
- Net gains of 3.4%: strong performances in North America and the Rest of the World
- Underlying operating margin[1] up 30 basis points at constant currency to 3.7%: strategic initiatives delivering well
- TFS joint venture added 2.4% to revenue and £3.7m to operating profit, resulting in a combined group operating margin of 4.0%
- Underlying profit before tax of £34.7m: up 49.6%. Reported profit before tax of £33.0m
- Underlying earnings per share of 4.2 pence: up 40%. Reported earnings per share of 3.8 pence
- Interim dividend of 3.2 pence per share, up 28.0%
- Encouraging pipeline of new contracts

Commenting on the results, Kate Swann, CEO of SSP Group, said:

"SSP has delivered another good performance in the first half of 2017 and we continue to make progress on our strategic initiatives. Constant currency operating profit was up 25% driven by good like-for-like sales growth and further operational improvements. We have had a particularly strong period of new contract openings, growing our presence across the world particularly in North America and the Asia Pacific region. The pipeline is robust and we are pleased with the new contracts won in the first half. Our Joint Venture in India has started well and we are encouraged by the progress we are making there.

"Looking forward, the second half has started in line with our expectations and whilst a degree of uncertainty always exists around passenger numbers in the short term, we continue to be well placed to benefit from the structural growth opportunities in our markets and our programme of operational improvements."

Financial highlights:

	H1 2017 £m	H1 2016 £m	Year on year change Constant Currency [2]	Year on year change Actual FX rates
Revenue	**1,072.5**	896.7	+8.1%	+19.6%
Like-for-like sales growth [3]	**+2.9%**	+3.3%	n/a	n/a
Underlying operating profit [1]	**42.8**	30.9	+24.7%	+38.5%
Underlying operating margin [1]	**4.0%**	3.4%	+50 bps	+60 bps
Underlying profit before tax [1]	**34.7**	23.2	n/a	+49.6%
Underlying earnings per share (p) [1]	**4.2**	3.0	n/a	+40.0%
Dividend per share (p)	**3.2**	2.5	n/a	+28.0%
Underlying operating cash outflow [4]	**(45.1)**	(20.3)	n/a	-122.2%
Net debt	**(378.8)**	(374.7)	+4.0%	-1.1%

Statutory reported results:

The table below summarises the Group's statutory reported results (where the financial highlights above are adjusted).

	H1 2017 £m	H1 2016 £m	Year on year change
Operating profit	**41.8**	29.9	+39.8%
Operating margin	**3.9%**	3.3%	+60 bps
Profit before tax	**33.0**	22.2	+48.6%
Earnings per share (p)	**3.8**	2.9	+31.0%

[1] Stated on an underlying basis excluding exceptional items and the amortisation of intangible assets arising on the acquisition of the SSP business in 2006. In the current period, exceptional items include the foreign exchange revaluation of the obligation to acquire an additional 16% ownership share of TFS in 2018.

[2] Constant currency is based on average 2016 exchange rates weighted over the financial year by 2016 results. For net debt, constant currency is based on translating H1 2017 net debt at H1 2016 exchange rates.

[3] Like-for-like sales represent revenues generated in an equivalent period in each financial period in outlets which have been open for a minimum of 12 months. Like-for-like sales are presented on a constant currency basis.
Net contract gains / (losses) represent the net year on year revenue impact from new outlets opened and existing units closed in the past 12 months. Net contract gains / (losses) are presented on a constant currency basis.

[4] Stated on an underlying basis after capital expenditure, net cash flows to/from associates/minorities, acquisitions and tax, and excluding exceptional items.

Please refer to page 16 for supporting reconciliations from the Group's statutory reported results to these performance measures.

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SSP Group plc's Interim Results H1 2017 are available at www.foodtravelexperts.com.

NOTES TO EDITORS

About SSP

SSP is a leading operator of food and beverage concessions in travel locations, operating restaurants, bars, cafés, food courts, lounges and convenience stores in airports, train stations, motorway service stations and other leisure locations. With over 50 years of experience, today we have nearly 30,000 employees, serving approximately a million customers every day. We have business at approximately 140 airports and 280 rail stations, and operate more than 2,200 units in over 30 countries around the world.

SSP operates an extensive portfolio of more than 400 international, national, and local brands. Among these are local heroes such as MASH in Copenhagen, James Martin Kitchen in London, and Hung's Delicacies in Hong Kong. Our range also includes proprietary brands created for the travel sector including Upper Crust, Le Grand Comptoir and Ritazza, as well as international names such as Burger King, Starbucks, Hard Rock Café and YO! Sushi. We also create stunning bespoke concepts such as Five Borough Food Hall in JFK, New York and Walter at Zurich.

www.foodtravelexperts.com

Business review

Overview

The Group delivered a good performance in the first half, driven by like-for-like sales growth, new contract openings across the world and the on-going implementation of our programme of operational improvements. We are continuing to invest in the growth and development of the business and to bring new brands and concepts to our clients and customers. We are particularly pleased by the pace of development in North America and Asia Pacific and with Travel Food Services ("TFS"), our business in India. Continental Europe has experienced some recovery from last year and in the UK we are continuing to make good progress on our strategic initiatives.

Financial results

The financial performance of the Group is explained on an underlying basis, which is based on the statutory reported results adjusted for the effects of foreign exchange and excluding exceptional items and the amortisation of intangible assets created on the acquisition of the SSP business in 2006. The statutory reported performance of the Group is explained in the financial review, with detailed reconciliation between statutory and underlying performance provided on page 16.

The Group delivered a good financial performance in the first half of 2017. Including TFS, underlying operating profit increased by 24.7%, on a constant currency basis, to £42.8m. Excluding TFS, SSP's operating margin increased by 30 bps, on a constant currency basis, to 3.7%. The consolidation of TFS' operating profit added a further 20 bps, on a constant currency basis, bringing the overall Group operating margin to 4.0%.

Total revenue increased by 8.1%, on a constant currency basis, including like-for-like sales growth of 2.9%, net contract gains of 3.4% and 2.4% of revenue from TFS. Revenue was reduced by the impact of the leap year day in 2016 by 0.6%.

Like-for-like sales growth was 2.9% in the first half with like-for-like sales in the air sector growing more strongly than in rail, driven by the continued increase in passenger numbers. Trading in the rail sector remains softer, notably in the UK, which was also impacted by strike action in the period.

Net contract gains were 3.4% in the first half, an encouraging increase from last year's net gains of 2.0%. We saw strong contributions from North America (+11.1%) and the Rest of the World (+19.4%, excluding TFS). New unit openings in airports in Tampa, Boston, Minneapolis and Montreal in North America, and at Beijing, Hong Kong, Singapore and Don Mueang in Thailand in the Rest of the World have contributed to this strong performance. We continue to focus on retaining profitable contracts and our contract renewal rate in the first half of 2017 was in line with our plans.

We are encouraged by the pipeline of new contracts. In the first half we won a number of significant new airport contracts including, in the USA, at JFK T7, and in Thailand, Spain and Greece, and we have recently been awarded a contract at Chicago Midway International Airport. We expect to begin operating these contracts progressively over the next 2 years.

The free cash outflow was £53.0m, after completing the first stage of our acquisition of TFS for net consideration of £35.0m and higher capital expenditure. Capital expenditure was £61.4m, an increase of £12.2m year on year, of which around half was due to the impact of translation into Sterling. The increase in capital expenditure reflects the higher level of new unit openings and is consistent with net gains of 3.4% (2.0% in H1 2016).

Net debt increased by £61.4m during the first half of 2017 to £378.8m, which reflects our normal seasonal cash cycle and was slightly lower than last year, on a constant currency basis. The increase reflects the £53.0m free cash usage, as well as the final dividend of £13.8m. The strengthening of Sterling reduced net debt by £6.1m on translation, as we operate a natural hedge, holding our debt in currencies broadly matched to our earnings.

Strategy

Our strategy is focused on creating long term sustainable value for our shareholders, delivered through five key levers. We made further progress on each of these levers in the period:

1. *Optimising our offer and driving like-for-like sales growth*

We are focused on the food and beverage markets in travel locations, which benefit from long term structural growth. We aim to use our broad portfolio of brands and retailing skills to drive profitable like-for-like sales, ensuring that we benefit from the positive trends in these markets.

Like-for-like sales growth in the first half was driven by the on-going roll out of our retailing programmes which are delivering well. We have made further good progress on optimising our product ranges for our customers.

2. *Growing profitable new space*

The travel food and beverage market in airports and railway stations is valued at approximately £14bn and is characterised by long term structural growth. It offers excellent opportunities for SSP to expand its business across the globe.

Net contract gains were 3.4%, driven by new unit openings and high levels of contract retention. The growth in net gains was driven by strong performances in North America and in the Rest of the World. These large and growing markets (where we still have a relatively small share) represent an attractive expansion opportunity and the pipeline of new contracts is encouraging. We have strong disciplines around the contract tendering process which support our ability to deliver attractive returns from new business investment.

Our new business growth is underpinned by our ability to deliver attractive and effective food solutions at travel locations internationally. An important element of this is the brand line up we can offer. Our brands include both international brands which we franchise, such as Burger King and Starbucks, but also our own proprietary brands such as Upper Crust and Ritazza, as well as bespoke concepts and local heroes. We have opened a number of exciting new units across our range of brands in the first half including a new look Ritazza in Euston station, a bespoke new concept called Five Borough Food Hall at JFK Terminal 4, new Pret

A Manger and YO! Sushi outlets at Charles de Gaulle Airport and Epi (a local bakery) and Hausmann's (a local hero brand) outlets in Dusseldorf Airport.

A significant development for SSP has been our recent entry into India. India is the world's second most populated country, with over one billion inhabitants, and has seen sustained strong passenger growth in recent years, which is forecast to continue. Infrastructure growth is expected to support this and it has been reported that the government is scheduled to invest $120bn in airport infrastructure over the next decade. SSP acquired 15% of TFS in India in December 2016, and a further 18% in March 2017, bringing its total shareholding to 33%. SSP will acquire a further 16% stake in TFS by the end of 2018. TFS operates over 200 units, with operations in six of the main airports including Delhi and Mumbai as well as in railway stations. TFS has had a good first half of the year and in the four months since ownership has contributed 2.4% to SSP's revenue. During this period, it has successfully opened 20 new units at airports and railway stations in India including at Delhi Airport.

3. *Optimising gross margins*

Gross margin increased by 80 bps in the first half of the year at constant currency. The stronger growth in the air sector, compared with the rail sector, which typically has higher gross margins but higher concession fees contributed approximately 20 bps of this improvement. As anticipated, we have started to see some increased food inflation in the business. We expect to see further food inflation in the second half of the year.

The roll out of gross margin initiatives is progressing well across the regions. Procurement disciplines are becoming increasingly embedded into the business. Recipe rationalisation and improvement is progressing well and we continue to eliminate unnecessary duplication of products and ingredients in our supply chain. We have also brought significantly more focus to product ranging and to the management of waste and losses. To support these initiatives, we continue to invest in both central and local resources.

4. *Running an efficient and effective organisation*

We have a multi-year programme of initiatives to improve operating efficiency, which against the backdrop of increased labour cost inflation is an important focus for the Group. Labour efficiencies contributed a 10 bps improvement to our operating margin.

We continue to develop systems to better align labour to sales allowing us to optimise service levels and labour costs. We are developing a more standardised, systematised process to ensure labour forecasting and scheduling becomes a core competence, through a programme called Better Service Planning. We have now rolled out the new systems across the UK and initial results are encouraging with improved sales forecasting and closer alignment between demand and scheduled labour hours. This in turn is starting to deliver labour efficiencies and improved service levels. We are currently undertaking further pilot studies across the Group.

Looking forward and recognising the backdrop of on-going rising labour cost pressures, we continue to see many good opportunities for further improvement to the efficiency and effectiveness of the business.

5. *Optimising investment utilising best practice and shared resource*

We have maintained our focus on generating efficiencies to optimise our investments, drive returns and use best practice and shared resources. We have trialled new systems to support the management of capital projects in the UK and we expect to roll these out across the business over the next 12 months.

In addition to this we are increasingly looking at how shared back office services can reduce cost and drive simpler, more efficient processes. We have now established two outsourced shared service centres in Pune in India and Lodz in Poland which are used by a number of SSP's countries for basic financial transaction processing. We will continue to look for further opportunities to outsource administration and financial processes.

Summary and outlook

The Group delivered a good financial performance in the first half of the year with solid like-for-like sales growth, strong net gains and improvement in operating margin. The second half has started in line with our expectations and the pipeline of new contracts is encouraging. We expect a similar contribution from net gains in the second half, although it is always difficult to predict the precise timing of the opening of new units. Looking forward, with the current level of general economic and geopolitical uncertainty, we continue to plan cautiously, anticipating slightly lower like-for-like revenue growth, and on-going increases in food and labour inflation in the second half. However the significant structural growth opportunities and our programme to deliver operational improvements, leave us well placed to continue to deliver both for our customers and our shareholders.

Financial review

Group performance

	H1 2017 £m	H1 2016 £m	Change		
			Reported	Constant currency	LFL
Revenue	**1,072.5**	896.7	19.6%	8.1%	2.9%
Underlying operating profit	**42.8**	30.9	38.5%	24.7%	
Underlying operating margin	**4.0%**	3.4%	0.6%	0.5%	
Operating profit	**41.8**	29.9			
Operating margin	**3.9%**	3.3%			

Revenue

First half revenue increased by 8.1%, on a constant currency basis, comprising like-for-like sales growth of 2.9%, net contract gains of 3.4% and a negative impact of 0.6% from the additional leap year day in 2016. The acquisition of TFS in India added a further 2.4% to revenue. At actual exchange rates, total revenue grew by 19.6%, to £1,072.5m. Revenue in the first half of the Group's financial year is typically lower than in the second half, as a significant part of our business serves the leisure sector of the travel industry, which is particularly active during the summer in the northern hemisphere.

In the first quarter of the year like-for-like sales growth was 2.4%, in the second quarter this increased to 3.4%, but against a weaker comparative, as we saw the full impact of the terrorist incidents in Egypt, Paris and Brussels in the second quarter last year. Like-for-like growth in the air sector was strong across most regions, whilst like-for-like growth in the rail sector, particularly in the UK and other key European cities remains more challenging. Looking forward to the rest of the year, with the current level of economic and geopolitical uncertainty, we anticipate slightly lower like-for-like sales growth than in the first half of the year.

Net contract gains increased revenue by 3.4%, helped by strong contributions from North America, benefiting from the new business in Tampa and Montreal airports, and in the Rest of the World, driven by new openings across the Asia Pacific region. We expect the contribution from net gains in the second half and for the full year, to be at a similar level of around 3% to 4%.

Trading results from outside the UK are converted into Sterling at the average exchange rates for the period. The overall impact on revenue of the movement of foreign currencies (principally the Euro, US Dollar, Swedish Krona and Norwegian Krone) during the first half of 2017 compared to the 2016 average was 11.5%. If the current spot rates were to continue through to the end of 2017, we would expect a positive currency impact on revenue in the full year of close to 7% compared to the average rates used for 2016. This is however a translation impact only.

Underlying operating profit

Underlying operating profit including TFS increased by 24.7%, on a constant currency basis, to £42.8m. SSP's operating margin increased by 30 bps, on a constant currency basis, to 3.7%. The consolidation of TFS' operating profit which is at a higher margin, added a further 20 bps, on a constant currency basis, to the overall Group operating margin bringing it to 4.0%.

Gross margin increased by 80 bps year on year, on a constant currency basis, excluding TFS. The sales mix in the first half, with weaker sales in the rail sector, relative to the air sector, contributed approximately 20 bps of this improvement. The strong underlying performance was driven by the ongoing roll out of our strategic initiatives, including improved ranging and mix management, food procurement, and waste and loss reduction. As anticipated, we have started to see some increased food inflation in the business. We expect to see further food inflation in the second half of the year.

Labour costs improved by 10 bps year on year, on a constant currency basis, excluding TFS, or 20 bps before absorbing the impact of additional share-based payment costs. The improvement in labour ratios was driven by our broad based programmes to optimise service levels and labour costs, and was after absorbing the pre-opening costs arising from mobilising significant new business. Looking forward to the second half, against the backdrop of increases in labour costs, notably in the UK with the increase in the National Living Wage, and in North America, where we also anticipate rising minimum wage levels in a number of states, we expect to see more modest improvements in our labour ratio than in the first half of the year.

Concession fees rose by 50 bps, with the stronger growth in air sales contributing approximately 20 bps to the year on year increase. We expect this rate of increase to continue into the second half of the year.

Operating profit

Operating profit was £41.8m (H1 2016: £29.9m), reflecting an adjustment for the amortisation of acquisition-related intangible assets of £1.0m (H1 2016: £1.0m).

Regional performance

UK

	H1 2017 £m	H1 2016 £m	Change Reported	Constant currency *	LFL
Revenue	**365.2**	351.2	+4.0%	+3.8%	1.9%
Underlying operating profit [1]	**29.7**	26.5	+12.1%	+11.3%	
Underlying operating margin [1]	**8.1%**	7.5%	+0.6%	+0.6%	

* Constant currency sales growth excludes a negative impact of 0.6% from the additional leap year day in 2016.

[1] Statutory reported operating profit was £29.0m (H1 2016: £25.8m) and operating margin was 7.9% (H1 2016: 7.3%) reflecting an adjustment for the amortisation of acquisition related intangible assets of £0.7m (H1 2016: £0.7m).

Revenue increased by +3.8% on a constant currency basis, comprising like-for-like growth of 1.9% and net contract gains of 1.9%. Like-for-like growth was particularly strong in the air sector, driven by continued growth in UK airport passenger numbers and increased spend per passenger. The rail sector saw weaker trading, notably in London stations, principally as a consequence of lower passenger dwell times and the impact of industrial action.

Underlying operating profit for the UK increased by 11.3%, on a constant currency basis, to £29.7m, while underlying operating margin increased by 60 bps to 8.1%. Growth was driven by good like-for-like sales growth in the air sector, and from the implementation of our strategic initiatives, particularly gross margin optimisation, where the UK continues to lead the roll out of many of our retailing and procurement programmes. However, the UK business faces on-going inflationary pressure on food and drink costs from the impact of weaker Sterling, and on labour costs due to the increases in the National Living Wage and the National Minimum Wage.

Continental Europe

	H1 2017 £m	H1 2016 £m	Change Reported	Constant currency *	LFL
Revenue	**409.4**	346.9	+18.0%	+1.8%	3.5%
Underlying operating profit [2]	**20.2**	11.9	+69.7%	+42.9%	
Underlying operating margin [2]	**4.9%**	3.4%	+1.5%	+1.4%	

* Constant currency sales growth excludes a negative impact of 0.5% from the additional leap year day in 2016.

[2] Statutory reported operating profit was £19.9m (H1 2016: £11.6m) and operating margin was 4.9% (H1 2016: 3.3%) reflecting an adjustment for the amortisation of acquisition related intangible assets of £0.3m (H1 2016: £0.3m).

Revenue increased by +1.8%, on a constant currency basis, comprising like-for-like growth of 3.5% and net contract losses of 1.7%. Similar to the UK, like-for-like sales were stronger in air than in rail, with good growth in the air businesses in the Nordic region and particularly in Spain, which continues to benefit from the transfer of tourism from the Middle Eastern and Eastern Mediterranean countries. Although trading conditions remained more challenging in the rail businesses, France and Belgium traded strongly against weaker comparatives due to the impact of geopolitical incidents last year.

Underlying operating profit increased by 42.9%, on a constant currency basis, to £20.2m and underlying operating margin increased by 140 bps, on a constant currency basis, to 4.9%. The strong profit growth and margin progression reflected the weak comparatives in the first half of 2016, when profit was heavily impacted by the terrorist incidents.

North America

	H1 2017 £m	H1 2016 £m	Change Reported	Constant currency *	LFL
Revenue	**160.6**	115.7	+38.8%	+17.3%	6.2%
Underlying operating profit [3]	**5.6**	3.7	+51.4%	+25.6%	
Underlying operating margin [3]	**3.5%**	3.2%	+0.3%	+0.3%	

* Constant currency sales growth excludes a negative impact of 0.6% from the additional leap year day in 2016.

[3] There are no adjustments between underlying operating profit and statutory reported operating profit.

Revenue increased by 17.3%, on a constant currency basis, comprising like-for-like growth of 6.2% and net contract gains of 11.1%. Like-for-like growth benefited from positive trends in airport passenger numbers in the North American market. Net contract gains were driven by new outlets at a number of airports, including Tampa, Montreal, Minneapolis and Boston. Mobilisation of the recently awarded Chicago Midway contract commenced this month, and once the investment programme has been completed is expected to contribute approximately $70m revenue per annum by 2021.

Underlying operating profit increased by 25.6%, on a constant currency basis, to £5.6m, and underlying operating margin increased from 3.2% to 3.5%, driven by the benefit of increased sales and good progress on a number of the Group's productivity initiatives. This included a particularly strong contribution from our procurement initiatives, and was achieved despite the pre-opening costs associated with the ongoing opening programme.

Rest of the World (excluding TFS)

	H1 2017 £m	H1 2016 £m	Change Reported	Constant currency *	LFL
Revenue	**112.6**	82.9	+35.8%	+19.8%	0.4%
Underlying operating profit [4]	**1.1**	2.4	-54.2%	-38.5%	
Underlying operating margin [4]	**1.0%**	2.9%	-1.9%	-1.4%	

* Constant currency sales growth excludes a negative impact of 0.5% from the additional leap year day in 2016.

[4] There are no adjustments between underlying operating profit and statutory reported operating profit.

Revenue increased by 19.8%, on a constant currency basis, with a modest growth in like-for-like sales of 0.4% and net contract gains of 19.4%. Like-for-like sales growth was impacted by continued weak trading in Egypt and by the impact of redevelopments and new openings at some of our major airports, including Hong Kong. Outside of these areas, there has been solid growth in like-for-like sales in Dubai, Eastern Europe, China and Thailand. Net contract gains included new openings in Hong Kong Airport, Beijing Airport and in Thailand, as well as outlets opened in the prior year at a number of locations across the region.

Underlying operating profit for the Rest of the World was £1.1m, a decrease of 38.5%, on a constant currency basis. This included the impact of higher depreciation, up £2.1m, reflecting our investment in the region. Excluding depreciation, operating profit increased by 8.6%, on a constant currency basis, despite absorbing the pre-opening costs arising from mobilising a significant amount of new business during the first half of the year.

Acquisition of TFS

In October 2016, SSP announced the agreement to create a joint venture with K Hospitality Group, whereby SSP would own a 49% share in Travel Food Services Private Limited, a leading operator of food and beverage concessions in travel locations in India, through a two stage completion.

The Group owns a 33% stake in TFS following the completion of the first stage of the acquisition in the first half of the year, acquired for a net consideration of £35m. The Group will acquire a further 16% stake by the end of the 2018 calendar year for an estimated consideration of £20m.

The Group's consolidated half year results include four months of TFS results, as summarised in the table below. Over this period sales were £24.7m, with operating profit of £3.7m on a reported basis and £3.2m at constant currency. The strong performance was driven by good like-for-like sales growth and contributions from units opened in 2016. Operating profit in the first half was also helped by the timing of the redevelopment of Delhi Airport, which is undergoing a major expansion and renovation. As a result, some of the expected pre-opening costs will fall into the second half.

	Fully consolidated H1 (4 months)	
£m	**Constant Currency**	**Reported FX rates**
Revenue	21.6	24.7
Operating profit	3.2	3.7
% Margin	*15%*	*15%*
Tax		(1.4)
		38%
Minorities *		(1.9)
		83%
Net income		**0.4**

* SSP's share of the fully consolidated revenue and profit was 11% (1 December 2016 to 28 February 2017) and 26% (1 March to 31 March 2017). This equated to 17% in the 4 months to 31 March 2017.

Share of profit of associates

The Group's share of profit from associates was £0.7m (H1 2016: loss of £0.2m), with our joint venture operations in the Rest of the World delivering strong performances.

Net finance costs

Underlying net finance costs were £8.8m, an increase of £1.3m compared to the first half of 2016, mainly reflecting the impact of foreign exchange rates as the Group's debt is held in currencies broadly matched to the Group's earnings.

Reported net finance costs were £9.5m, reflecting an adjustment for the foreign exchange loss arising on the revaluation of the obligation to acquire an additional 16% share of TFS in 2018.

Taxation

The Group's tax charge for the first half of the year was £7.4m (H1 2016: £5.0m), equivalent to an effective tax rate of 22.5% (H1 2016: 22.5%) of the reported profit before tax.

Non-controlling interests

The non-controlling interests' share of after-tax profits increased by £3.7m to £7.3m, of which £1.9m is due to the TFS acquisition. The remaining £1.8m increase primarily reflected the growth and improved profitability of our North America business, where our business partners often have a minority interest in individual contracts. We expect the non-controlling interest charge to rise further in the second half to approximately £10m to £11m reflecting the inclusion of a full half year charge relating to TFS (TFS was only owned for 4 months in the first half) and the on-going growth in our North America joint ventures.

Earnings per share

Underlying earnings per share was 4.2 pence per share, an increase of 40% year on year.

Reported earnings per share was 3.8 pence per share (H1 2016: 2.9 pence per share) reflecting adjustments for the foreign exchange revaluation of the obligation to acquire an additional 16% share of TFS in 2018 and the amortisation of intangible assets arising on the 2006 acquisition of the SSP business.

Dividends

The Board has declared an interim dividend of 3.2 pence per share (H1 2016: 2.5 pence), consistent with the Board's intentions as stated in the IPO prospectus for a progressive dividend policy, with an initial pay-out ratio of approximately 30 to 40 per cent of annual underlying profit after tax, with the total annual payment to be split approximately equally between the interim and final dividends.

The dividend will be paid on 3 July 2017 to shareholders registered on 2 June 2017. The ex-dividend date will be 1 June 2017.

Cash flow

The table below presents a summary of the Group's cash flow for the first half of 2017:

	H1 2017 £m	H1 2016 £m
Underlying operating profit [1]	42.8	30.9
Depreciation and amortisation [1]	44.1	34.6
Working capital	(19.6)	(19.8)
Net tax	(14.4)	(9.2)
Other	3.9	2.7
Net cash flow from operating activities	**56.8**	**39.2**
Capital expenditure [2]	(61.4)	(49.2)
Investment in associate	-	(4.7)
Acquisition of TFS, adjusted for net debt acquired [3]	(35.0)	-
Net dividends to/from minorities/associates	(5.5)	(4.8)
Other	-	(0.8)
Underlying operating cash flow	**(45.1)**	**(20.3)**
Net finance costs	(7.9)	(6.7)
Underlying free cash flow	**(53.0)**	**(27.0)**
Dividend paid	(13.8)	(10.5)
Net cash flow	**(66.8)**	**(37.5)**

[1] Excludes the amortisation of intangible assets arising on acquisition of the SSP business in 2006.
[2] Capital expenditure is net of capital contributions from non-controlling interests of £1.6m (H1 2016: nil).
[3] Comprises consideration of £42.7m adjusted for cash and cash equivalents acquired (£15.2m), other financial assets acquired (£0.8m) and long and short term borrowings acquired (£8.3m). (See Note 9).

The net cash flow from operating activities was £56.8m. This represents an increase of £17.6m on the first half of 2016. The underlying operating cash outflow from operating activities was £45.1m, £24.8m higher than the first half of 2016. This reflects the completion of the first stage of the acquisition of TFS, with net consideration of £35.0m and higher capital expenditure. Capital expenditure was £61.4m, an increase of £12.2m year on year, of which around half was due to the impact of the translation into Sterling. The increased capital expenditure is consistent with the net gains in the first half of 3.4%.

Given the pipeline of new contracts for 2017 and the current planned opening programme, we expect capital expenditure to increase from our previous estimate of £112m to approximately £115m to £120m which includes approximately £8m arising from the expected impact of the translation of capital expenditure into Sterling, if the current exchange rates prevail. The increase in planned capital expenditure reflects the increase in expected net gains for the year of around 3% to 4%.

The normal seasonal usage of working capital was £19.6m, consistent with the first half of 2016. Cash dividends to minorities, net of dividends received from associates, was £5.5m (H1 2016: £4.8m), while taxes paid increased by £5.2m to £14.4m.

Net finance costs paid of £7.9m were £1.2m higher than in H1 2016, mainly reflecting the impact of FX rates as the Group's debt is held in currencies broadly matched to the Group's earnings. The dividend paid of £13.8m reflected the cost of the 2016 final dividend of 2.9 pence per share.

Overall, the Group's net cash outflow was £66.8m for the first half of 2017.

Net debt

Net debt increased by £61.4m in the first half of the year to £378.8m, reflecting the normal seasonal cash outflow and the acquisition of 33% of the TFS joint venture offset by a foreign exchange translation impact of £6.1m arising from the strengthening of Sterling during the period.

The table below explains the movement in net debt during the first half of 2017:

	£m
Opening net debt (30 September 2016)	(317.4)
Net cash flow	(66.8)
Impact of foreign exchange rates	6.1
Other	(0.7)
Closing net debt (31 March 2017)	**(378.8)**

Going concern

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of this report and, therefore, continue to adopt the going concern basis in preparing the accounts.

Principal risks

The principal risks facing the Group for the remainder of the year are unchanged from those reported in the Annual Report and Accounts 2016.

These risks, together with the Group's risk management process, are detailed on pages 16 to 22 of the Annual Report and Accounts 2016, and relate to the following areas: strategic development, client relationships, senior management capability and retention, business environment, changing business model, brand portfolio, intensified competition, expansion in developing markets, implementation of efficiency programmes, labour laws and unions, outsourcing programmes, cyber threats and tax strategy.

Alternative Performance Measures

The Directors use alternative performance measures as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' performance measures and are not intended to be a substitute for IFRS measures.

Revenue growth

As the Group operates in over 30 countries, it is exposed to translation risk on fluctuations in foreign exchange rates, and as such the Group's reported revenue and operating profit will be impacted by movements in actual exchange rates. The Group presents its financial results on a constant currency basis in order to eliminate the effect of foreign exchange rates and to evaluate the underlying performance of the Group's businesses. The table below reconciles reported revenue to constant currency sales growth, like-for-like sales growth and net contract gains / (losses).

	UK	**Continental Europe**	**North America**	**RoW**	**Total**
H1 2017 Revenue at actual rates by segment (£m)	365.2	409.4	160.6	137.3	**1,072.5**
Impact of foreign exchange (£m)	(1.8)	(38.5)	(19.5)	(12.9)	**(72.7)**
H1 2017 Revenue at constant currency [1] (£m)	**363.4**	**370.9**	**141.1**	**124.4**	**999.8**
H1 2016 Revenue at constant currency [1] (£m)	352.2	366.0	120.9	86.2	925.3
Constant currency sales growth (%)	**3.2%**	**1.3%**	**16.7%**	**44.3%**	**8.1%**
Which is made up of:					
Like-for-like sales growth [2]	1.9%	3.5%	6.2%	0.4%	2.9%
Net contract gains / (losses) [3]	1.9%	(1.7)%	11.1%	19.4%	3.4%
TFS joint venture net contract gains [4]	-	-	-	25.0%	2.4%
Constant currency sales growth excluding the impact of the leap year	**3.8%**	**1.8%**	**17.3%**	**44.8%**	**8.7%**
Impact of additional leap year day	(0.6)%	(0.5)%	(0.6)%	(0.5)%	(0.6)%
	3.2%	**1.3%**	**16.7%**	**44.3%**	**8.1%**

[1] Constant currency is based on average 2016 exchange rates weighted over the financial year by 2016 results.
[2] Like-for-like sales represent revenues generated in an equivalent period in each financial period in outlets which have been open for a minimum of 12 months. Like-for-like sales are presented on a constant currency basis.
[3] Revenue in outlets which have been open for less than 12 months are excluded from like-for-like sales and classified as contract gains. Prior period revenues in respect of closed outlets are excluded from like-for-like sales and classified as contract losses. Net contract gains / (losses) are presented on a constant currency basis.
[4] Impact of TFS acquisition on revenue, on a constant currency basis, will be presented separately from net contract gains / (losses) from existing SSP business to the end of the financial year.

Underlying profit measures

The Group presents underlying profit measures, including operating profit, profit before tax and earnings per share, which exclude exceptional items (including the foreign exchange revaluation of the financial liability recognised relating to the obligation to acquire an additional 16% share of TFS in 2018) and the amortisation of intangible assets arising on the acquisition of the SSP business in 2006. A reconciliation from the underlying to the statutory reported basis is presented below.

	H1 2017			H1 2016		
	Underlying	**Adjustments**	**Total**	Underlying	Adjustments	Total
Operating profit (£m)	**42.8**	**(1.0)**	**41.8**	30.9	(1.0)	29.9
Operating margin (%)	**4.0%**	**(0.1)%**	**3.9%**	3.4%	(0.1)%	3.3%
Profit before tax (£m)	**34.7**	**(1.7)**	**33.0**	23.2	(1.0)	22.2
Basic earnings per share (p)	**4.2**	**(0.4)**	**3.8**	3.0	(0.1)	2.9

Responsibility statement of the Directors in respect of the half-yearly report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure 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 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.

On behalf of the Board

Kate Swann
Chief Executive Officer
17 May 2017

Jonathan Davies
Chief Financial Officer
17 May 2017

Independent review report to SSP Group plc

Introduction

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 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of other comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

Directors' responsibilities

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

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Cain
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
17 May 2017

Condensed consolidated income statement
for the six months ended 31 March 2017

		Six months ended 31 March 2017			Six months ended 31 March 2016		
		Underlying *	**Adjustments**	**Total**	Underlying *	Adjustments	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	2	**1,072.5**	**-**	**1,072.5**	896.7	-	896.7
Operating costs	4	**(1,029.7)**	**(1.0)**	**(1,030.7)**	(865.8)	(1.0)	(866.8)
Operating profit		**42.8**	**(1.0)**	**41.8**	30.9	(1.0)	29.9
Share of profit / (loss) of associates		**0.7**	**-**	**0.7**	(0.2)	-	(0.2)
Finance income	5	**0.6**	**-**	**0.6**	0.3	-	0.3
Finance expense	5	**(9.4)**	**(0.7)**	**(10.1)**	(7.8)	-	(7.8)
Profit before tax		**34.7**	**(1.7)**	**33.0**	23.2	(1.0)	22.2
Taxation		**(7.6)**	**0.2**	**(7.4)**	(5.2)	0.2	(5.0)
Profit for the period		**27.1**	**(1.5)**	**25.6**	18.0	(0.8)	17.2
Profit attributable to:							
Equity holders of the parent		**19.8**	**(1.5)**	**18.3**	14.4	(0.8)	13.6
Non-controlling interests		**7.3**	**-**	**7.3**	3.6	-	3.6
Profit for the period		**27.1**	**(1.5)**	**25.6**	18.0	(0.8)	17.2
Earnings per share (p):							
- Basic	3	**4.2**		**3.8**	3.0		2.9
- Diluted	3	**4.1**		**3.8**	3.0		2.9

* The underlying numbers exclude exceptional items and non-cash accounting adjustments relating to amortisation of intangible assets arising on acquisition of the SSP business in 2006. In the current period, exceptional items include the foreign exchange revaluation of the obligation to acquire an additional 16% ownership share of TFS in 2018.

Condensed consolidated statement of other comprehensive income
for the six months ended 31 March 2017

	Six months ended 31 March 2017	Six months ended 31 March 2016
	£m	£m
Other comprehensive income / (expense)		
Items that will never be reclassified to the income statement		
Remeasurements on defined benefit pension schemes	**2.7**	0.5
Income tax charge relating to items that will not be reclassified	**(0.4)**	-
Items that are or may be reclassified subsequently to the income statement		
Net gain / (loss) on hedge of net investment in foreign operations	**5.1**	(19.8)
Other foreign exchange translation differences	**(18.9)**	27.7
Effective portion of changes in fair value of cash flow hedges	**1.5**	(4.2)
Cash flow hedges - reclassified to the income statement	**1.9**	1.1
Income tax credit relating to items that are or may be reclassified	**0.1**	0.3
Other comprehensive (expense) / income for the period	**(8.0)**	5.6
Profit for the period	**25.6**	17.2
Total comprehensive income for the period	**17.6**	22.8
Total comprehensive income attributable to:		
Equity shareholders	**8.7**	17.8
Non-controlling interests	**8.9**	5.0
Total comprehensive income for the period	**17.6**	22.8

Condensed consolidated balance sheet
as at 31 March 2017

	Notes	31 March 2017	30 September 2016
		£m	£m
Non-current assets			
Property, plant and equipment		**304.7**	272.0
Goodwill and intangible assets		**717.6**	701.3
Investments in associates		**8.3**	9.3
Deferred tax assets		**18.7**	18.1
Other receivables		**42.2**	37.3
Other financial assets	8	**7.1**	-
		1,098.6	1,038.0
Current assets			
Inventories		**30.2**	29.2
Tax receivable		**4.6**	4.3
Trade and other receivables		**130.0**	118.1
Cash and cash equivalents	8	**104.3**	155.8
		269.1	307.4
Total assets		**1,367.7**	1,345.4
Current liabilities			
Short term borrowings	8	**(46.0)**	(30.7)
Trade and other payables		**(397.9)**	(404.1)
Tax payable		**(17.2)**	(23.8)
Provisions		**(2.1)**	(2.3)
		(463.2)	(460.9)
Non-current liabilities			
Long term borrowings	8	**(444.2)**	(442.5)
Post employment benefit obligations		**(16.6)**	(19.2)
Provisions		**(12.0)**	(13.8)
Derivative financial liabilities	8	**(10.8)**	(14.2)
Obligation to acquire additional share of subsidiary undertaking	9	**(19.7)**	-
Deferred tax liabilities		**(12.1)**	(12.1)
		(515.4)	(501.8)
Total liabilities		**(978.6)**	(962.7)
Net assets		**389.1**	382.7
Equity			
Share capital		**4.7**	4.7
Share premium		**461.2**	461.2
Capital redemption reserve		**1.2**	1.2
Other reserves		**(9.3)**	21.5
Retained earnings		**(126.5)**	(138.0)
Total equity shareholders' funds		**331.3**	350.6
Non-controlling interests		**57.8**	32.1
Total equity		**389.1**	382.7

Condensed consolidated statement of changes in equity
for the six months ended 31 March 2017

	Share capital	Share premium	Capital redemp-tion reserve	Other reserves [1]	Retained earnings	Total parent equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2015	4.7	461.2	1.2	(6.3)	(190.6)	270.2	21.5	291.7
Profit for the period	-	-	-	-	13.6	13.6	3.6	17.2
Other comprehensive income for the period	-	-	-	3.7	0.5	4.2	1.4	5.6
Acquisition of additional share in subsidiary	-	-	-	-	0.4	0.4	(0.5)	(0.1)
Dividends paid to equity shareholders	-	-	-	-	(10.5)	(10.5)	-	(10.5)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(6.1)	(6.1)
Share-based payments	-	-	-	-	2.7	2.7	-	2.7
At 31 March 2016	4.7	461.2	1.2	(2.6)	(183.9)	280.6	19.9	300.5
At 1 October 2016	**4.7**	**461.2**	**1.2**	**21.5**	**(138.0)**	**350.6**	**32.1**	**382.7**
Profit for the period	**-**	**-**	**-**	**-**	**18.3**	**18.3**	**7.3**	**25.6**
Other comprehensive (expense) / income for the period	**-**	**-**	**-**	**(11.9)**	**2.3**	**(9.6)**	**1.6**	**(8.0)**
Non-controlling interest arising on acquisition (note 9)	**-**	**-**	**-**	**-**	**-**	**-**	**22.4**	**22.4**
Obligation to acquire additional share of subsidiary undertaking	**-**	**-**	**-**	**(18.9)**	**-**	**(18.9)**	**-**	**(18.9)**
Capital contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**1.6**	**1.6**
Dividends paid to equity shareholders (note 7)	**-**	**-**	**-**	**-**	**(13.8)**	**(13.8)**	**-**	**(13.8)**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(7.2)**	**(7.2)**
Share-based payments	**-**	**-**	**-**	**-**	**3.9**	**3.9**	**-**	**3.9**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**0.8**	**0.8**	**-**	**0.8**
At 31 March 2017	**4.7**	**461.2**	**1.2**	**(9.3)**	**(126.5)**	**331.3**	**57.8**	**389.1**

[1] Other reserves comprise the foreign currency translation reserve, the cash flow hedging reserve and other equity. The decrease of £30.8m (2016: increase of £3.7m) comprises a decrease to the translation reserve of £15.3m (2016: increase of £6.2m) and an increase to the cash flow hedging reserve of £3.4m (2016: decrease of £2.5m) and the initial recognition of the obligation to acquire an additional share of TFS in 2018 of £18.9m.

Condensed consolidated cash flow statement
for the six months ended 31 March 2017

	Notes	**Six months ended 31 March 2017**	Six months ended 31 March 2016
		£m	£m
Cash flows from operating activities			
Cash flow from operations	6	**71.2**	48.4
Tax paid		**(14.4)**	(9.2)
Net cash flows from operating activities		**56.8**	39.2
Cash flows from investing activities			
Investment in associate		**-**	(4.7)
Dividends received from associates		**1.7**	1.3
Interest received		**0.6**	0.2
Purchase of property, plant and equipment		**(59.1)**	(48.3)
Purchase of other intangible assets		**(3.9)**	(0.9)
Acquisition of TFS, net of cash and cash equivalents acquired	9	**(27.5)**	-
Net cash flows from investing activities		**(88.2)**	(52.4)
Cash flows from financing activities			
Drawdown / (Repayment) of finance leases and other loans		**12.9**	(0.1)
Investment in other financial assets		**(6.3)**	-
Interest paid		**(8.5)**	(6.9)
Dividends paid to equity shareholders		**(13.8)**	(10.5)
Dividends paid to non-controlling interests		**(7.2)**	(6.1)
Acquisition of increased share of subsidiary		**-**	(0.8)
Capital contribution from non-controlling interests		**1.6**	-
Net cash flows from financing activities		**(21.3)**	(24.4)
Net decrease in cash and cash equivalents		**(52.7)**	(37.6)
Cash and cash equivalents at beginning of the period		**155.8**	134.7
Effect of exchange rate fluctuations on cash and cash equivalents		**1.2**	3.0
Cash and cash equivalents at end of the period		**104.3**	100.1
Reconciliation of net cash flow to movement in net debt			
Net decrease in cash in the period		**(52.7)**	(37.6)
Cash (inflow) / outflow from (increase) / decrease in debt and finance leases		**(12.9)**	0.1
Cash inflow from investment in other financial assets		**6.3**	-
Change in net debt resulting from cash flows		**(59.3)**	(37.5)
Translation differences		**6.1**	(16.8)
Other non-cash changes		**(0.7)**	(0.6)
Loans and other financial assets acquired through business combination		**(7.5)**	-
Increase in net debt in the period		**(61.4)**	(54.9)
Net debt at beginning of the period		**(317.4)**	(319.8)
Net debt at end of the period		**(378.8)**	(374.7)

Notes to the condensed consolidated financial statements

1 Preparation

Basis of preparation and statement of compliance

The condensed consolidated half-yearly financial statements of SSP Group plc ("the Group") have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by the EU. The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act 2006 applicable to companies reporting under IFRS. These condensed consolidated half-yearly financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report and Accounts 2016. The comparative figures for the year ended 30 September 2016 are not the Group's statutory accounts for that financial year. Those accounts were reported upon by the Group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

Except as described below, the accounting policies adopted in the preparation of these condensed consolidated half-yearly financial statements to 31 March 2017 are consistent with the accounting policies applied by the Group in its consolidated financial statements as at, and for the year ended, 30 September 2016 as required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

Changes in accounting policy and disclosures

There are no EU-endorsed IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

IFRS 16, Leases, issued in January 2016 with an effective date of 1 January 2019 is not yet EU endorsed. Management is in the process of reviewing the impact that this will have on the Group.

The accounting policies adopted are consistent with those of the previous year, with the exception of the recognition of brand names acquired as part of the TFS acquisition as intangible assets, the recognition of non-controlling interests in TFS and accounting for the Group's obligation to acquire an additional 16% of TFS in 2018. The accounting policies adopted for these are set out below.

Brand names acquired as part of a business combination are stated at fair value as at the acquisition date, which is determined based on a 'royalty relief' method of valuation. This is based on an estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value. Brand names are amortised over their useful economic lives.

The Group has recognised the non-controlling interests in TFS at the non-controlling interests' proportionate share of the fair value of TFS' identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group recognises obligations to acquire additional shares in its subsidiary undertakings as a liability in the consolidated balance sheet at the present value of the estimated exercise price of the forward contract. The present value of the forward contracts is estimated based on expected earnings in Board-approved forecasts and the choice of a suitable discount rate. Upon initial recognition a corresponding entry is made to other equity. For subsequent changes in the measurement of the liability the corresponding entry is made to the consolidated income statement.

2 Segmental reporting

SSP operates in the food and beverage travel sector, mainly at airports and railway stations.

Management monitors the performance and strategic priorities of the business from a geographic perspective, and in this regard has identified the following four key "reportable segments": the UK, Continental Europe, North America and Rest of the World ("RoW"). The UK includes operations in the United Kingdom and the Republic of Ireland; Continental Europe includes operations in the Nordic countries and in Western and Southern Europe; North America includes operations in the United States and Canada; and RoW includes operations in Eastern Europe, the Middle East, Asia Pacific and India. These segments comprise countries which are at similar stages of development and demonstrate similar economic characteristics.

The Group's management assesses the performance of the operating segments based on revenue and underlying operating profit. Interest income and expenditure are not allocated to segments, as they are managed by a central treasury function, which oversees the debt and liquidity position of the Group. The non-attributable segment comprises costs associated with the Group's head office function and depreciation of central assets.

Six months ended 31 March 2017	**UK**	**Continental Europe**	**North America**	**RoW**	**Non-attributable**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	**365.2**	**409.4**	**160.6**	**137.3**	**-**	**1,072.5**
Underlying operating profit/(loss)	**29.7**	**20.2**	**5.6**	**4.8**	**(17.5)**	**42.8**

Six months ended 31 March 2016	UK	Continental Europe	North America	RoW	Non-attributable	Total
	£m	£m	£m	£m	£m	£m
Revenue	351.2	346.9	115.7	82.9	-	896.7
Underlying operating profit/(loss)	26.5	11.9	3.7	2.4	(13.6)	30.9

The following amounts are included in underlying operating profit:

	UK	**Continental Europe**	**North America**	**RoW**	**Non-attributable**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Six months ended 31 March 2017						
Depreciation and amortisation*	**(7.9)**	**(16.7)**	**(11.5)**	**(6.5)**	**(1.5)**	**(44.1)**
Six months ended 31 March 2016						
Depreciation and amortisation*	(8.4)	(14.7)	(7.4)	(3.1)	(1.0)	(34.6)

* *Excludes amortisation of acquisition-related intangible assets.*

A reconciliation of underlying operating profit to profit before and after tax is provided as follows:

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Underlying operating profit	**42.8**	30.9
Adjustments to operating costs	**(1.0)**	(1.0)
Share of profit / (loss) from associates	**0.7**	(0.2)
Finance income	**0.6**	0.3
Finance expense	**(10.1)**	(7.8)
Profit before tax	**33.0**	22.2
Taxation	**(7.4)**	(5.0)
Profit after tax	**25.6**	17.2

3 Earnings per share

Basic earnings per share is calculated by dividing the result for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the result for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period adjusted by potentially dilutive outstanding share options and other share-based payment arrangements.

Underlying earnings per share is calculated the same way except that the result for the period attributable to ordinary shareholders is adjusted for specific items as detailed below:

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Profit attributable to ordinary shareholders	**18.3**	13.6
Adjustments:		
Amortisation of acquisition-related intangibles	**1.0**	1.0
Unwind of discount on obligation to acquire additional share of subsidiary undertaking	**0.1**	-
Foreign exchange losses on revaluation of obligation to acquire additional share of subsidiary undertaking	**0.6**	-
Tax effect of adjustments	**(0.2)**	(0.2)
Underlying profit attributable to ordinary shareholders	**19.8**	14.4
Basic weighted average number of shares	**475,207,748**	475,150,145
Dilutive potential ordinary shares	**4,441,475**	1,669,650
Diluted weighted average number of shares	**479,649,223**	476,819,795
Earnings per share (p):		
- Basic	**3.8**	2.9
- Diluted	**3.8**	2.9
Underlying earnings per share (p):		
- Basic	**4.2**	3.0
- Diluted	**4.1**	3.0

The number of ordinary shares in issue as at 31 March 2017 was 475,211,687 (30 September 2016: 475,199,063).

4 Operating costs

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Cost of food and materials:		
Cost of inventories consumed in the period	**(333.7)**	(293.7)
Labour cost:		
Employee remuneration	**(327.5)**	(275.1)
Overheads:		
Depreciation of property, plant and equipment	**(41.3)**	(32.5)
Amortisation of intangible assets – software	**(2.8)**	(2.1)
Amortisation of acquisition-related intangible assets	**(1.0)**	(1.0)
Rentals payable under operating leases	**(195.5)**	(156.4)
Other overheads	**(128.9)**	(106.0)
	(1,030.7)	(866.8)
Adjustments to operating costs		
Amortisation of intangible assets arising on acquisition	**(1.0)**	(1.0)
	(1.0)	(1.0)

For the periods presented above, underlying operating profit excludes non-cash accounting adjustments relating to amortisation of intangible assets arising on acquisition of the SSP business in 2006.

5 Finance income and expense

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Finance income		
Interest income	**0.6**	0.2
Net foreign exchange gains	**-**	0.1
Total finance income	**0.6**	0.3
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	**(5.6)**	(5.6)
Net change in fair value of cash flow hedges utilised in the period	**(1.9)**	(1.1)
Unwind of discount on provisions	**(0.4)**	(0.3)
Net interest expense on defined benefit pension obligations	**(0.2)**	(0.3)
Other	**(1.3)**	(0.5)
Net foreign exchange losses	**(0.7)**	-
Total finance expense	**(10.1)**	(7.8)

Adjustments to finance expense

The adjustments to finance expense in the six months to 31 March 2017 comprise adjustments to the financial liability recognised in respect of the obligation to acquire an additional 16% ownership share of TFS in 2018.

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Unwind of discount on obligation to acquire additional share of subsidiary undertaking	**(0.1)**	-
Foreign exchange losses on revaluation of obligation to acquire additional share of subsidiary undertaking	**(0.6)**	-
	(0.7)	-

6 Cash flow from operations

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Profit for the period	**25.6**	17.2
Adjustments for:		
Depreciation	**41.3**	32.5
Amortisation	**3.8**	3.1
Share-based payments	**3.9**	2.7
Finance income	**(0.6)**	(0.3)
Finance expense	**10.1**	7.8
Share of (profit) / loss of associates	**(0.7)**	0.2
Taxation	**7.4**	5.0
	90.8	68.2
Decrease / (increase) in trade and other receivables	**5.2**	(6.9)
Decrease in inventories	**0.1**	0.6
(Decrease) in trade and other payables, and in provisions	**(24.9)**	(13.5)
Cash flow from operations	**71.2**	48.4

7 Dividends

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m
Prior year final dividend of 2.9p per share (2016: 2.2p)	**(13.8)**	(10.5)

The proposed interim dividend of 3.2 pence per share (2016: 2.5 pence per share), totalling £15.2m (2016: £11.8m), will be paid on 3 July 2017 to shareholders on the register on 2 June 2017.

8 Fair value measurement

Certain of the Group's financial instruments are held at fair value.

The fair values of financial instruments held at fair value have been determined based on available market information at the balance sheet date, and the valuation methodologies detailed below:

- the fair values of the Group's borrowings are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date; and
- the derivative financial liabilities relate to interest rate swaps. The fair values of interest rate swaps have been determined using relevant yield curves and exchange rates as at the balance sheet date.

Carrying amounts and fair values of certain financial instruments

The following table shows the carrying amounts of financial assets and financial liabilities. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts	
	31 March 2017 £m	30 September 2016 £m
Financial instruments measured at fair value:		
Non-current		
Derivative financial liabilities	**(10.8)**	(14.2)
Financial instruments not measured at fair value:		
Non-current		
Other financial assets	**7.1**	-
Long term borrowings	**(444.2)**	(442.5)
Current		
Cash and cash equivalents	**104.3**	155.8
Short term borrowings	**(46.0)**	(30.7)

Financial assets and liabilities in the Group's consolidated balance sheet are either held at fair value, or their carrying value approximates to fair value, with the exception of loans, which are held at amortised cost. The fair value of total borrowings estimated using market prices at 31 March 2017 is £494.5m (30 September 2016: £476.7m).

All of the financial assets and liabilities measured at fair value are classified as level 2 using the fair value hierarchy, whereby inputs which are used in the valuation of these financial assets and liabilities and have a significant effect on the fair value are observable, either directly or indirectly. There were no transfers during the year.

9 Business combinations

The Group has created a joint venture with K Hospitality Group, whereby SSP will ultimately own a 49% share in Travel Food Services Private Limited ("TFS").

On 13 December 2016, the Group acquired 15.1% of the issued share capital of TFS, a leading operator of food and beverage concessions in travel locations in India. A further 17.9% of the issued share capital was acquired on 3 March 2017 bringing the total shareholding to 33%. The Group also entered into an agreement to acquire a further 16% shareholding by the end of 2018.

The acquisition provides an entry point for the Group into the Indian market and the Group expects to benefit from TFS' established strong local presence. The Group will have control over TFS' relevant activities and as such is consolidating TFS and its group companies.

The goodwill calculation is summarised below:

Provisional fair value of assets acquired	**Book value**	**Measurement adjustment**	**Fair value**
	£m	**£m**	**£m**
Property, plant and equipment	14.5	-	14.5
Intangible assets	-	2.2	2.2
Other financial assets	0.8	-	0.8
Inventories	1.2	-	1.2
Cash and cash equivalents	15.2	-	15.2
Trade and other receivables [1]	21.8	-	21.8
Trade and other payables	(15.3)	-	(15.3)
Long and short-term borrowings	(8.3)	-	(8.3)
Deferred tax assets / (liabilities)	1.0	(0.7)	0.3
Net identifiable assets	30.9	1.5	32.4
Non-controlling interest	(21.3)	(1.1)	(22.4)
Goodwill on acquisition			32.7
Cash consideration			42.7

[1] All acquired receivables held at fair value, which is equivalent to the gross contractual amount receivable. All contractual cash flows are expected to be collected.

Reconciliation of consideration to cash flow statement

	£m
Cash consideration	**42.7**
Less: cash and cash equivalents acquired	(15.2)
Acquisition of TFS, net of cash and cash equivalents acquired	**27.5**
Less: other financial assets acquired	(0.8)
Add: long and short term borrowings acquired	8.3
Acquisition of TFS, adjusted for net debt acquired	**35.0**

The intangible assets acquired represent the fair value of the brand names acquired, namely Caféccino, Flying Bites and Curry Kitchen. The Board believe that the excess of consideration paid over the fair value of the net identifiable assets is best considered as goodwill on acquisition representing relationships with airports, extensive knowledge of the Indian Travel catering market and future operating synergies.

Included in the 6 month period to 31 March 2017 is revenue of £24.7m and an operating profit of £3.7m in respect of TFS.

The estimated contributions from acquisitions completed during the year to the results of the Group for the six months ended 31 March 2017 if such acquisitions had been made at the beginning of the financial year are £37.5m to revenue and £6.0m to operating profit.

Obligation to acquire additional share of subsidiary undertaking

The Group recognised a financial liability of £18.9m in respect of its obligation to acquire a further 16% of TFS in 2018. As at 31 March 2017, the financial liability was £19.7m, reflecting adjustments for the subsequent foreign exchange revaluation and unwind of discounting.

The consideration payable for the additional 16% is based on a multiple of TFS' 2018 Earnings before Interest, Tax, Depreciation and Amortisation and has been valued with reference to most recent financial statements and internal budgets and forecasts, discounted with a suitable discount rate. The consideration payable for the additional 16% is subject to a cap of an additional £3.5m (at 31 March 2017 exchange rates).

The discount rate is pre-tax and reflects the current market assessments of the time value of money and a specific risk premium relevant to the TFS business. This discount rate is considered to be equivalent to the rate a market participant would use.

10 Related parties

Related party relationships exist with the Group’s subsidiaries, associates, key management personnel, pension schemes and employee benefit trust. A full explanation of the Group’s related party relationships is provided on pages 94 and 95 of the Annual Report and Accounts 2016.

Expect for those described below, there are no further transactions with related parties or changes in the related party transactions described in the last annual report that have had, or are expected to have, a material effect on the financial performance or position of the Group in the six months to 31 March 2017.

At 31 March 2017, the Group owed £0.8m to The Minor Food Group (PCL) which owns 51% of Select Service Partner Co. Limited (30 September 2016: £3.8m).

11 Forward looking statement

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words "believe", "expect", "intend", "may", "estimate" or, in each case, their negative and words of similar meaning are forward-looking. By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group's actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document or other made by us or on the Group’s behalf. In addition, even if the Group's financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Except where required to do so under applicable law or regulatory obligations, we undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.