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17 December 2020

**SSP GROUP PLC**

**Results for year ended 30 September 2020**

SSP Group, a leading operator of food and beverage outlets in travel locations worldwide, announces its financial results for the year ended 30 September 2020. SSP responded rapidly to Covid-19, taking extensive action to protect its people, raise additional liquidity and reduce its cost base, leaving it strongly placed to capitalise on the recovery of the travel sector.

**Commenting on the results, Simon Smith, CEO of SSP Group, said:**
"*Covid-19 continues to have an unprecedented impact on the travel industry and on SSP's businesses in all geographies. We have taken rapid and decisive action to reduce costs, preserve cash and to substantially strengthen the Group's financial position. I want to thank our teams for their dedication and professionalism during this time, especially when faced with extremely difficult decisions.*

*Our priority continues to be the health, safety and welfare of our people and our customers, and this has been front of mind as we've re-opened our units. By renegotiating rents, rationalising our menus and reducing our unit overheads, we've created a new, more flexible operating model. This has allowed us to respond rapidly to passenger demand, successfully re-opening more than a third of our units by the end of September and delivering an important service to the travelling public.*

*"Whilst we expect passenger numbers to remain subdued over the winter, we are optimistic that, alongside good progress with the vaccination programme, we will see a significant upturn in both domestic and international travel from the Spring. We are ready to respond quickly. The actions we are taking to rebuild the business will put us in a strong position to capitalise on the recovery as well as future new business opportunities, enabling us to deliver long term sustainable growth for the benefit of all our stakeholders*."

**Financial highlights:**

- Revenue of £1,433.1m: down 47.9% at constant currency[1]; 48.7% at actual exchange rates.
- Like-for-like sales[2] down 50.8%: heavily impacted by Covid-19 and the closure of most of the global travel markets since March.
- Operating loss of £363.9m on a reported basis under IFRS 16, including non-underlying net operating costs of £48.5m. On a pro forma IAS 17 basis, the underlying operating loss[3] was £211.7m (2019: £221.1m profit).

- Loss before tax of £425.8m on a reported basis under IFRS 16. On a pro forma IAS 17 basis, the underlying loss before tax[3] was £239.6m (2019: £203.2m profit).
- Basic loss per share of 76.1 pence on a reported basis under IFRS 16. On a pro forma IAS 17 basis, underlying basic loss per share[3] of 45.4 pence (2019: underlying basic earnings per share of 29.1 pence).
- Net debt of £692.0m on a pro forma IAS 17 basis, up from £483.4m at 30 September 2019.
- Further covenant amendments recently agreed, including a waiver of the leverage test until reinstated in March 2022.
- Liquidity position remains strong, with cash and undrawn available facilities of around £520m at the end of September.

**Business Highlights:**

- Good first half performance prior to the outbreak of Covid-19; strong net new space growth at 5.7% and further progress on our strategic initiatives.
- Rapid and effective response to Covid-19 to protect our people and the business; significant liquidity created, business “hibernated” and units closed.
- Operating costs substantially reduced to reflect low levels of passenger travel during the second half; central and operational management skills retained to enable fast ramp up of the business as demand recovers.
- Agile response to increased demand over the summer; over one third (c. 1,200) units open by the year end; more flexible operating model deployed enabling sites to break even at lower levels of sales.
- Significant focus on cash; extensive action to reduce the cost base and preserve cash resulted in materially lower cash usage in the second half of the year than anticipated at the Interim results.
- Competitive advantages strengthened: client relationships extended and more flexible rent models agreed; brand ranges and menus optimised; customer proposition enhanced through digital technology.
- People and Corporate Responsibility strategies re-defined and being embedded.
- Positive long term travel trends; SSP poised to re-launch the business and take advantage of the future opportunities.

**Recent Trading and Outlook:**

From very low sales in the third quarter of the year (93% lower year on year), passenger numbers increased gradually over the final quarter of the year and by the end of September were 76% lower year-on-year (averaging 80% lower year-on-year during the fourth quarter). In response to the recovery of the travel sector over the summer, we were able to open over one third of our units globally. Since the end of the year, the re-emergence of the virus and further lockdowns, notably in the UK and Continental Europe, have resulted in further volatility in passenger numbers. As a result we expect sales during the first quarter of the 2021 financial year to remain broadly in line with the final quarter of the year, approximately 80% lower year-on-year. This volatility is expected to continue through the second quarter of the new financial year.

We are optimistic that, alongside the roll out of the Covid-19 vaccination programmes, we will start to see a recovery in travel in the second half of the new financial year. SSP has an important role to play in providing food and beverage services to the travelling public, and we will continue to re-open units rapidly in response to demand, maximising the profitability of the reopening programme and rigorously controlling costs and cash. Looking further out, we firmly believe that demand for travel will return and the actions we have taken since March, together with the evolving market backdrop, will ensure SSP is well positioned to capitalise on future market opportunities.

**Financial highlights:**

| | Underlying results IFRS 16 2020 £m | Underlying results Pro forma IAS 17[4] 2020 £m | Underlying results IAS 17 2019 £m | Year on year IAS 17 Change % |
|---|---|---|---|---|
| **Revenue** | **1,433.1** | **1,433.1** | **2,794.6** | (48.7)% |
| **Like-for-like sales (fall) / rise[2]** | **(50.8)%** | **(50.8)%** | **+1.9%** | n/a |
| **Underlying operating (loss) / profit[3]** | **(315.4)** | **(211.7)** | **221.1** | (195.7)% |
| **Underlying (loss) / profit before tax[3]** | **(371.8)** | **(239.6)** | **203.2** | (217.9)% |
| **Underlying (loss) / earnings per share (p)[3]** | **(68.0)** | **(45.4)** | **29.1** | (256.0)% |
| **Net debt[5]** | **(2,040.6)** | **(692.0)** | **(483.4)** | (43.2)% |

**Statutory reported results:**

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

| | As reported under IFRS 16 2020 £m | As reported under IAS 17 2019 £m |
|---|---|---|
| **Revenue** | **1,433.1** | **2,794.6** |
| **Operating (loss) / profit** | **(363.9)** | **219.2** |
| **(Loss) / profit before tax** | **(425.8)** | **197.2** |
| **(Loss) / earnings per share (p)** | **(76.1)** | **28.1** |

[1] Constant currency is based on average 2019 exchange rates weighted over the financial year by 2019 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. Units temporarily closed as a result of Covid-19 have not been excluded for the purposes of the like-for-like calculation. Like-for-like sales are presented on a constant currency basis.

[3] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on pages 23-25.

[4] The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019, using the modified retrospective approach to transition. Accordingly prior year has not been restated and therefore the results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under the previous applicable accounting standard, IAS 17 'Leases'. To provide meaningful comparatives, the results for year ended 30 September 2020 have therefore also been presented under IAS 17 with the growth rates shown on an IAS 17 basis. See notes 2 and 3 for a reconciliation of the IAS 17 alternative performance measures to the equivalent IFRS measures.

[5] Net debt reported under IFRS 16 includes leases liabilities whereas under the pro forma IAS 17 basis lease liabilities are excluded. Refer to 'Net debt' section of the 'Financial review' for reconciliation of net debt.

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SSP Group plc's Full Year Results 2020 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. Prior to the onset of Covid-19, we served around one and a half million customers every day at approximately 180 airports and 300 rail stations in 35 countries around the world and operated more than 550 international, national and local brands across our c. 2,700 units.
www.foodtravelexperts.com

## Business Review

### Overview

Prior to the outbreak of Covid-19, the business was on track to deliver another excellent set of financial results, growing like-for-like sales and net gains and making good progress on our efficiency programme during the first half of our financial year. However, the spread of the virus had a significant impact on our business, with the effective shut down of the global travel market. We took rapid and decisive action to protect our people and to preserve liquidity, effectively hibernating our business and raising additional funding which put us in a strong position to operate through this crisis. The gradual increase in travel, most notably over the summer period, together with the significant cost actions taken by the business enabled us to re-open over a third of our units by the end of the year.

### Financial results

Revenue decreased by 47.9% on a constant currency basis, comprising a like-for-like sales reduction of 50.8% offset by net contract gains of 2.9%. At actual exchange rates, total revenue fell by 48.7%, to £1,433.1m. Although we had enjoyed a good start to the new financial year, by February we began to see the impact of Covid-19 on Group sales. Trading then deteriorated rapidly across the entire group during March as the impact of the pandemic spread across the world.

During the third quarter, with the global lockdowns continuing, like-for-sales sales in April and May were approximately 95% below last year, improving slightly to 90% lower in June. Helped by a limited return of some short haul air travel over the summer holiday period, the fourth quarter saw a further gradual improvement in like-for-like sales, which were around 80% lower than the prior year.

The underlying operating loss for the year was £315.4m. On a reported basis, the operating loss was £363.9m, including non-underlying items of £48.5m. Further details of the non-underlying items have been set out in the section on Alternate Performance Measures on pages 23-25. On a pro forma IAS 17 basis, the Group reported an underlying operating loss of £211.7m, compared to an equivalent profit of £221.1m in the prior year.

The free cash outflow during the year on a pro forma IAS 17 basis was £394.9m, compared to a £50.5m free cash inflow last year, reflecting the impact of Covid-19. This free cash outflow included non-underlying costs of £22.7m, all incurred as a direct consequence of the pandemic.

Capital expenditure was £134.5m, a reduction of £50.5m compared to the prior year. Following the Covid-19 escalation, we placed our capital programme on hold pending a recovery in the travel sector, and we were able to reduce our second half expenditure to £15.0m, in line with our indications at the interim results in June. Further details of the Group's free cashflow are provided in the table on page 18. The net decrease in cash and cash equivalents was £43.1m, including the benefit from the equity placings during the year of £219.4m (as described in more detail on page 46). Overall net debt increased by £208.6m to £692.0m on a pro forma IAS 17 basis.

At the end of the reporting period, the Group had approximately £520m of available liquidity, including cash of £185m and committed undrawn revolving credit facilities of £150m, as well as a further £175m

available to be drawn down under the Bank of England's Covid Corporate Financing Facility (CCFF). Our current monthly cash burn is approximately £25-30m.

**Our response to Covid-19**

*Protecting our people and our business*

As previously noted, prior to the impact of Covid-19, SSP had made a good start to the year. However, the onset of the virus resulted in wide-ranging measures being implemented across the world in an attempt to contain its spread. This had a significant effect on the Group, as the air and rail travel sectors which comprise over 95% of the Group's revenue were largely closed.

As part of our initial response to the Covid-19 pandemic, we rapidly implemented a number of proactive safety measures, in line with local and national guidelines, designed to ensure the safety and wellbeing of our colleagues. Offices were closed, colleagues were supported to work from home and we temporarily closed around 90% of our global units.

The Group's management took extensive action to reorganise and simplify the business in order to reduce the overall cost base, including making salary reductions at Board level and across a wide group of senior executives.

While the majority of our units have been closed, many of our colleagues have been furloughed. There has been widespread provision of government support through furlough schemes and fixed costs support, in particular across Europe, with many of these schemes already planned to run through much of 2021. However, with the expectation of a prolonged recovery and units remaining closed, regrettably, we had to take the difficult decision to make significant redundancies, where government support has been reduced or is no longer available.

We have successfully renegotiated rents in the majority of our contracts, agreeing waivers of fixed minimum annual guarantees (MAGs), therefore only paying concession fees (i.e. a percentage of sales), or securing more flexible arrangements, such as MAGs structured on a 'per passenger' basis.

In relation to the Group's financial position, the Group implemented a set of measures to conserve cash and create approximately £750m of liquidity by April 2020 through new equity and debt. These measures included: (i) completing an equity placing and subscription in March 2020, which raised £209m of net cash proceeds, and a subsequent placing, retail offer and subscription (£11m) which allowed investors to reinvest their 2019 final dividend payment into new shares and retain cash in the business; (ii) securing access to the Bank of England's CCFF programme which allowed us to draw up to £300m from April 2020 (iii) securing waivers and amendments of the Group's existing covenant tests until March 2022; (iv) suspending the Group's share buyback programme to conserve cash; and (v) foregoing the interim dividend.

We also supported those most in need during the pandemic by donating to local charities and health services around the world. For example, in the UK we distributed over 100,000 freshly baked Millie's Cookies to NHS hospital staff and in India, our joint venture (TFS) worked with local NGOs to cook meals for people who have lost their livelihoods as a result of the lockdown, supplying more than one million meals.

*Positioning the business for the recovery in the travel sector*

Since Summer 2020, which saw the start of a period of increasing passenger numbers as restrictions eased, our immediate focus has been to take the actions needed to put the business in the strongest position to benefit from an eventual recovery. The strategic priorities during this stage have been to establish a lean and flexible organisation, re-open units in a profitable way and build agility and resilience to manage an uncertain recovery. In light of this, we have undertaken a significant re-organisation of Group and country structures to right-size the business. Coupled with this, we have simplified internal processes and reporting requirements to eliminate unnecessary complexity. However, throughout this reorganisation we have been mindful of the need to retain the capability and flexibility to upscale our operations and swiftly reopen additional units when we see improved passenger numbers.

As lockdown restrictions eased in the travel sector, we have focused on opening our units as rapidly as possible, but only where they will contribute to cash profitability. To do this we have focused on creating as much flexibility as possible in our key operating costs, such as labour and unit overheads, allowing us to open and operate units at break-even levels of profitability, even at very low levels of sales.

Our approach has been data-driven and systematic, looking to open units selectively and in line with passenger numbers, thereby concentrating the available sales into a smaller number of units whilst demand remains low. SSP is well-positioned to do this as most of its operations are in multi-unit sites, with on average around five units per location. Importantly, we have been successful in agreeing to progressive opening programmes with the vast majority of our clients, as well as negotiating the removal of MAGs and the introduction of more flexible rental structures.

By simplifying product ranges and menus, focusing on the most popular items, we have been able to reduce complexity throughout the production process and supply chain. This has enabled us to minimise waste and to optimise gross margins. In addition, we have accelerated the deployment of customer-facing technology and automation as enablers of operational efficiency. Digital service technology, such as order-at-table and self-order kiosks, has been well received by customers, has driven up average transaction values and reduced labour costs.

We have selectively added complementary revenue streams, for example adding the sale of travel and heath essentials like masks and sanitising gel, as well as providing food for Covid-19 testing centres at airports and feeding airline staff.

At the end of the financial year, sales had slowly and steadily recovered to 24% of pre-Covid levels, and we had c. 1,200 units trading across the Group to serve those customers continuing to travel, well ahead of what we expected at our interim results in June 2020. However, given the re-emergence of the virus and subsequent lockdowns in Europe and the UK, we’ve responded quickly to close units as necessary. Our flexible model gives us the confidence that we can quickly scale up again once demand recovers.

Despite the impact of Covid-19 on the travel market, we've continued to make good progress on business development. We have secured contract extensions at a number of important sites, including at Vienna Airport, Zurich Airport, Seattle Airport, and at a number of airports in Thailand.

In addition, we continue to win new contracts and open new units. For example, in Australia, we secured a four-year contract to operate three new units at Hobart Airport, and we recently won a full-service on-board catering contract for the Norwegian-Swedish train line. New openings included: in China, two multi-brand food courts in Shenzhen and Shanghai Hongqiao Airports, featuring a compelling mix of local and regional Chinese brands and concepts; in Australia, outlets at Perth and Melbourne airports, following the acquisition of the Red Rock business earlier in the year; and in America, at Seattle and Salt Lake City airports, following contracts wins last year.

**Strategy Review**

Our ambition is to be the leading provider of food and beverage in travel locations worldwide, meeting the needs of all of our key stakeholders: our customers, clients, brand partners, investors and, importantly, our colleagues. We continue to believe that the markets in which we operate are fundamentally attractive. The air and rail travel markets are expected to deliver long-term growth, albeit from a lower base, as global GDP recovers, and an increasing proportion of the world's population are willing and able to travel.

Before the outbreak of Covid-19, the markets in which we operate had benefitted from several structural long-term growth drivers, the most significant being:

- growth in global GDP and disposable income, which had led to an increasing propensity to travel and had driven higher passenger volumes and expenditure on food and beverage products;
- a trend towards increased eating-out, including eating "on the move"; and
- investment in travel infrastructure and capacity expansion, supported by government policy and alongside infrastructure owners increasingly focusing on retail revenue streams.

Though Covid-19 has impacted these trends in the short term, we believe that these trends will return in the medium-term once the effects of the pandemic diminish. While some uncertainty remains about the longer term impact of working from home on business and commuter travel, we anticipate a full recovery in leisure travel, which drives the majority of our business.

*Structural advantages*

SSP has a number of structural advantages that we believe put us in a strong position to capitalise on the recovery of the travel sector when it comes.

1. **Leading market positions**: We have leading positions in some of the most attractive sectors of the travel food and beverage market, thanks to our extensive brand portfolio (comprising our own brands and bespoke concepts as well as franchised local and global brands) and established management and operational teams across the 35 countries in which we operate.

2. **Local insight and international scale**: We have a deep knowledge of the individual markets in which we operate, alongside significant international scale and expertise. A strong local presence enables us to understand local customers' tastes and needs, as well as allowing us to maintain close relationships with clients and brand partners by creating a 'sense of place' in the locations where we operate.

3. **Food travel expertise**: We provide a compelling proposition for both clients and customers based on our food travel expertise. This includes a deep understanding of what our customers are looking for, an extensive offering of concepts to meet these needs and a knowledge of how to operate in complex travel environments which are logistically demanding. Our deep understanding of travel F&B has enabled us to adapt our operating model so that we can operate our units at lower passenger levels whilst still ensuring a great customer experience.

4. **Long-term client relationships**: Our principal clients are the owners and operators of airports and railway stations, but we also have a small presence in motorway service areas, hospitals and shopping centres. We have excellent, long-standing relationships with many of our clients and have maintained high success rates in retaining our contracts.

5. **Experienced management team**: We have highly experienced colleagues with a broad range of experience across the food and beverage, travel and retail industries. In all of our key markets, we employ dedicated teams of senior managers focused on business development, sales, marketing and operations, who work closely with our clients to ensure their requirements are met. They are supported by experienced, locally-based operational teams who have a track record of delivering operational excellence and great customer service.

In the medium-term the Group expects to see the gradual return of passenger travel to more normalised levels. The actions the Group is taking to rebuild the business will enable it to emerge better positioned to flexibly reopen units in line with local market demands.

*Delivering long term sustainable growth*

Our strategy for delivering long term sustainable growth for the benefit of all our stakeholders focuses on five key priorities to drive growth. These include:

1. **Optimising our existing estate and like-for-like revenue growth**: as we re-open units we are seeking to optimise our existing space through a range of opportunities from unit location to customer proposition. The scale of the business gives us access to a wealth of consumer insight, and we will seek to use this to deliver the right proposition, investing in product innovation and digital technology that makes sense, with the objective of giving us the best platform from which to drive participation and spend.

2. **Business development**: Prior to Covid-19, we had a strong track record of winning new business and had delivered an average of 4% net space growth per annum in the five years since IPO, with strong growth in North America and ROW. Once the market recovers, we expect these opportunities to re-emerge at existing and new sites, as well as in new geographies where the returns are attractive.

3. **Efficient conversion**: Running efficient operations is a core competency for SSP and deeply embedded into our culture. Building on the operational leverage inherent in the business, we continue to relentlessly strip out unproductive costs, simplify and automate processes to drive efficiencies and manage input cost inflation.

4. **Investment**: Capital investment is an important part of our model as it drives contract renewals as well as new contract growth. We typically achieve discounted cash flow paybacks of three to four years on the capex we invest in our concession contracts. The challenges of Covid-19 may also present selective acquisition opportunities, and we will be alert to these where they fit with our strategy and deliver the required returns. We will also continue to invest in automation and technology where that drives increased revenue or cost efficiency and to strengthen our competitive position, for example in product innovation.

5. **Returns to shareholders**: Creating shareholder value is extremely important to SSP, and prior to Covid-19, we had a long track record of delivering upper quartile total shareholder returns. Once the travel market recovers, the profit and cash flow growth we expect to generate will be used to de-lever the balance sheet over time as well as generate value for our shareholders.

Underpinning these priorities are our People and Corporate Responsibility strategies which we have redeveloped and reinforced this year. Our colleagues are at the heart of our business success, and we will be further investing in our teams by focusing on retention, engagement and development, embedding the Group's values within the organisation and incentivising our critical talent.

Additionally, we are committed to playing a key role in contributing to areas where we can make the greatest positive impact. We've developed a new framework for our Corporate Responsibility strategy in line with our stakeholder's priorities and will be increasing our focus on the wellbeing of our people and supporting our local communities, ensuring the products we serve are healthy and ethically sourced and minimising our impact on the planet.

## Financial review

### Group performance

| | IFRS 16 2020 £m | Pro forma IAS 17 2020 £m | IAS 17 2019 £m | IAS 17 change | | |
|---|---|---|---|---|---|---|
| | | | | Reported | Constant currency | LFL |
| Revenue | **1,433.1** | **1,433.1** | 2,794.6 | (48.7)% | (47.9)% | (50.8)% |
| Underlying operating (loss)/profit | **(315.4)** | **(211.7)** | 221.1 | (195.7)% | (195.7)% | |
| Operating (loss) / profit | **(363.9)** | **N/A** | 219.2 | N/A | | |

Revenue decreased by 47.9% on a constant currency basis, comprising a like-for-like sales reduction of 50.8% offset by net contract gains of 2.9%. At actual exchange rates, total revenue fell by 48.7%, to £1,433.1m.

The Group's strong sales performance during the early part of the year has been overshadowed by the very severe impact of Covid-19. Prior to seeing the initial impact from the virus in China towards the end of January, we had enjoyed a good start to the financial year, with like-for-like sales growth of 1.2% during the first quarter, in line with our expectations, despite a number of external headwinds, including the impact of the Boeing Max 737 groundings, the slowdown in Chinese passenger numbers, the failure of Jet Airways in India and the transport sector strikes in France.

In the second quarter, like-for-like sales decreased by 18.5%, with the Group's performance impacted significantly by the development of Covid-19. We began to see a material impact on trading in our Asia Pacific region (which accounted for around 8% of group sales) from the escalation of the virus during late January and throughout February. Trading then deteriorated rapidly across the entire group during March as the impact of the pandemic spread across the world. By the final few days of March, as lockdowns and travel restrictions were implemented around the world, like-for-like sales had decreased by over 90% across all regions.

During the third quarter, with the global lockdowns continuing, like-for-sales sales in April and May were approximately 95% below last year, improving slightly to 90% lower in June. Helped by a limited return of some short haul air travel over the summer holiday period, the fourth quarter saw a further gradual improvement in like-for-like sales, which were around 80% lower than the prior year.

Prior to the onset of Covid-19, the Group had also made good progress in delivering additional sales growth from net contract gains, particularly in North America and in Continental Europe, reporting net gains of 5.7% for the first half. Furthermore, new openings during the first half of 2020 and those planned for the second half were expected to drive significant further net gains in the remainder of the year, which were expected to be over 6% for the full year, prior to Covid-19. The new openings during the second quarter included outlets in Australia and Germany following the acquisitions of the Red Rock operations in Perth and Melbourne Airports and the Station Food rail business in Germany. For the year as a whole, despite the impact of Covid-19, net gains added 2.9% to prior year sales.

Trading results from outside the UK are converted into Sterling at the average exchange rates for the period. The overall impact of the movement of foreign currencies on revenue (principally the Euro, US Dollar and pegged currencies, Norwegian Krone, Swedish Krona and Indian Rupee) during 2020 compared to the 2019 average was a reduction of 0.8%. However, this is solely a translation impact.

*Underlying operating loss*
The underlying operating loss for the year was £315.4m. On a pro forma IAS 17 basis, the Group reported an underlying operating loss of £211.7m, compared to an equivalent profit of £221.1m in the prior year.

For the first half year, we estimated that the loss of sales as a result of the rapid spread of Covid-19 was approximately £147m (compared to our pre-Covid forecasts), and that this impacted operating profit by around £65m. The relatively high drop through on the sales lost due to Covid-19 in this period reflected the extreme speed with which travel restrictions impacted our markets during March, limiting our ability to reduce operating costs, particularly labour costs, at very short notice and prior to the commencement of government furlough support schemes, while we also suffered the impact of stock write offs as a result of the rapid closure of most of our outlets late in the month.

For the second half year, the devastating and prolonged impact of Covid-19 on our travel markets resulted in a much more significant loss of sales, estimated at approximately £1,435m (down 86% year-on-year) compared to our internal pre-Covid forecast for the period. The equivalent impact on second half underlying operating profit on a pro forma IAS 17 basis, was approximately £377m, a profit conversion of around 26% on the reduction in sales. This lower profit conversion on the lost sales compared to March reflected the speed with which we were able to reduce our operating costs during the "hibernation" period in April and May, when around 90% of our units were closed, and the systematic approach applied in re-opening our outlets during the summer, in particular the selective opening of units in multi-unit locations, ensuring that we were able to trade profitably even at lower levels of footfall. Our focus throughout this challenging period has been on maximising sales per passenger and ensuring that any units re-opened were making a positive contribution to cash profit. Looking forward, sales in the first quarter of the new financial year are expected to remain at similar levels to that seen in the final quarter of the year, approximately 80% lower year-on-year, and we are planning on the basis that sales will remain at similar levels during the second quarter. As a consequence, we expect the profit conversion on the lost sales to remain in the region of 25%, reflecting the actions taken to reduce our operating costs as well as continued government furlough support, which has been extended throughout the first half in many markets.

*Operating loss*
On a reported basis, the operating loss was £363.9m, reflecting an adjustment for the non-underlying operating items of £48.5m as described further below.

*Non-underlying operating items*
Items which are not considered reflective of the normal trading performance of the business, and are exceptional because of their size, nature or incidence, are treated as non-underlying operating items and disclosed separately. In addition to a recurring adjustment for the amortisation of acquisition-related intangible assets of £1.9m (2019 £1.9m), the non-underlying operating loss this year includes items specifically relating to the impact of Covid-19 on the business amounting to £46.6m.

The non-underlying operating items that have arisen as a direct consequence of Covid-19 are summarised below:

- *Impairment of goodwill*: as a result of past acquisitions, and in particular the acquisition of the SSP business by EQT in 2006, the Group holds a significant amount of goodwill on its consolidated balance sheet. This is allocated on a country level and tested annually for impairment by comparing the value held by each country with the net present value of its expected future cash flows. As a result of Covid-19, goodwill impairments totalling £33.0m were identified, comprising write downs in Switzerland, Germany and Singapore.

- *Impairment of property, plant and equipment and right of use assets:* the impact of Covid-19 on the Group's operations is expected to continue during the current year and beyond. As a result, the Group has carried out a review for potential impairment across the entire unit portfolio. The impairment review compared the value-in-use of individual cash-generating units, based on management’s assumptions regarding future trading performance (taking into account the effect of Covid-19), to the carrying values at 30 September 2020. Following this review, a charge of £76.6m has been recognised, which includes an impairment of right of use assets of £38.2m.

- *Accelerated depreciation:* As a result of a reassessment of the lease term of certain units, accelerated depreciation of £6.2m has been recorded on fixed assets to align their carrying value to their expected useful economic life based on the revised lease term.

- *Restructuring costs:* as a result of the impact of Covid-19, the Group has recognised a charge of £22.7m relating to its restructuring programmes carried out across the group during the second half of the year. The charge primarily relates to redundancy costs. It also includes some costs related to the exit from certain contracts, most notably at Sheremetyevo Airport in Russia.

- *IFRS 16 rent credit:* as part of its response to Covid-19, the Group negotiated rent waivers with clients totalling £91.9m. The Group applied the practical expedient issued by the International Accounting Standards Board as a part of the Amendment to IFRS 16 to record this as a reduction in rent expense and an exceptional item within the Consolidated Income Statement.

**Regional performance**

This section summarises the Group’s performance across its four operating segments. For full details of our key reporting segments, please refer to note 3 on page 38.

***UK (including Republic of Ireland)***

| | | **Pro forma** | | **IAS 17 change** | | |
|---|---|---|---|---|---|---|
| | **IFRS 16 2020 £m** | **IAS 17 2020 £m** | IAS 17 2019 £m | Reported | Constant currency | LFL |
| Revenue | **410.1** | **410.1** | 840.5 | (51.2)% | (51.1)% | (51.2)% |
| Underlying operating (loss)/profit | **(28.7)** | **(12.4)** | 101.8 | (112.2)% | (112.1)% | |

Note – Statutory reported operating loss was £39.0m (2019: £100.3m profit) which includes an adjustment for the amortisation of acquisition-related intangible assets of £1.5m (2019: £1.5m). It also includes adjustments for items specifically related to the impact of Covid-19 of £8.8m.

Revenue decreased by 51.1% on a constant currency basis, comprising a like-for-like reduction of 51.2% and net contract gains of 0.1%. At actual exchange rates, revenue declined by 51.2% to £410.1m.

Prior to the impact of Covid-19 in March, like-for-like sales growth had been robust, driven by increasing passenger numbers. However, the significant reduction in passenger numbers during March resulted in overall first half like-for-like sales declining by 5.2%. Net contract gains of 2.1% during the first half included contributions from the three Jamie Oliver outlets at Gatwick airport that we began operating last summer.

During the third quarter, the impact on passenger travel arising from Covid-19 resulted in the closure of almost all of our units in the UK. In the fourth quarter there was a slight recovery in the air sector over the summer holiday season, however the UK Government's quarantine restrictions limited passenger numbers. The rail sector remained weak throughout the second half, although we had begun to see a slow recovery during the fourth quarter, driven by a gradual return in commuter travel as people returned to the office. This recovery, however, was curtailed by further government restrictions announced towards the end of September. Overall UK second half sales fell by 91.8%, comprising a like-for-like sales decrease of 91.6% and net contract losses of 0.2%.

The underlying operating loss for the year for the UK was £28.7m and reported operating loss was £39.0m. Non-underlying operating items comprised an impairment charge of £21.1m, accelerated depreciation of £6.2m, exceptional restructuring costs of £5.9m and an adjustment for the amortisation of acquisition-related intangible assets of £1.5m. These were offset by IFRS 16 rent credits of £24.4m. On a pro forma IAS 17 basis, the underlying operating loss was £12.4m, which compared to an underlying operating profit of £101.8m last year

***Continental Europe***

| | IFRS 16 2020 £m | Pro forma IAS 17 2020 £m | IAS 17 2019 £m | IAS 17 change | | |
|---|---|---|---|---|---|---|
| | | | | Reported | Constant currency | LFL |
| Revenue | **558.2** | **558.2** | 1,036.9 | (46.2)% | (44.7)% | (48.2)% |
| Underlying operating (loss) / profit | **(148.1)** | **(103.2)** | 79.3 | (230.1)% | (229.5)% | |

Note – Statutory reported operating loss was £193.5m (2019: £78.9m profit) which includes an adjustment for the amortisation of acquisition related intangible assets of £0.4m (2019: £0.4m). It also includes adjustments for items specifically related to the impact of Covid-19 of £45.0m.

Revenue decreased by 44.7% on a constant currency basis, comprising a like-for-like reduction of 48.2% and net contract gains of 3.5%. At actual exchange rates, revenue declined by 46.2% to £558.2m.

During the first half, revenue decreased by 3.2% on a constant currency basis, comprising a like-for-like reduction of 10.7% and net contract gains of 7.5%. The impact of Covid-19 on first half like-for-like sales was more significant in this region than in either the UK or North America, with a number of countries in Continental Europe announcing that they were closing borders and restricting travel in early March following the outbreak in Italy towards the end of February. Prior to the impact of Covid-19, like-for-like sales had been in line with our expectations, albeit with a continuation of some of the headwinds from the

second half of last year, including the national strikes in France during December and January and the impact of major redevelopments in a number of airports, including Copenhagen, Malaga and Las Palmas.

Net contract gains during the first half remained very strong, driven by new outlets opened last year at Montparnasse Railway station and in the new motorway service areas in Germany, as well as the Starbucks units in railway stations across the Netherlands. They also included the impact of the acquisition of the Station Food rail business in Germany at the end of February.

As was the case in the other regions, like-for-like sales remained at very low levels during the third quarter, with the majority of our units closed across this period. However the fourth quarter saw a stronger recovery in Continental Europe compared to the rest of the Group, with weekly sales approximately 66% lower year-on-year, compared with the UK, North America and the Rest of the World, where weekly sales remained around 80-85% lower year-on-year. This was helped by the limited return of some short haul air travel over the summer holiday period, by a stronger recovery in rail passengers numbers in Germany and France compared to the UK, with more people returning to their normal workplaces, and by the motorway business in Germany and France which, in line with government requirements, remained open throughout the crisis. Overall Continental Europe second half sales fell by 77.1%, comprising a like-for-like sales decrease of 77.6% and net contract gains of 0.5%.

The underlying operating loss for Continental Europe was £148.1m and reported operating loss was £193.5m. Non-underlying operating items comprised an impairment charge of £62.2m, exceptional restructuring costs of £8.3m and an adjustment for the amortisation of acquisition-related intangible assets of £0.4m. These were offset by an IFRS 16 concession credit of £25.5m.

On a pro forma IAS 17 basis, the underlying operating loss was £103.2m, which compared to an underlying operating profit of £79.3m last year. The overall impact from Covid-19 in this region during the first half was much more significant than in others, partly due to the earlier imposition of travel restrictions compared to the UK and North America, but also as a result of the longer lead times required to reduce labour costs in response to a rapid reduction in sales. Prior to the impact of Covid-19, operating profit for the region had already been impacted by transport strikes in France throughout December and January, the ongoing impact of the airport redevelopments in Denmark and Spain, and significant pre-opening and integration costs from new contracts and the acquisition of the Station Food business in Germany.

***North America***

| | **IFRS 16 2020 £m** | **Pro forma IAS 17 2020 £m** | IAS 17 2019 £m | **IAS 17 change** Reported | Constant currency | LFL |
|---|---|---|---|---|---|---|
| Revenue | **274.9** | **274.9** | 533.4 | (48.5)% | (47.9)% | (53.1)% |
| Underlying operating (loss) / profit | **(55.4)** | **(43.7)** | 41.9 | (204.3)% | (204.6)% | |

Note – Statutory reported operating loss was £63.3m (2019: £41.9m profit) which includes adjustments for items specifically related to the impact of Covid-19 of £7.9m.

Revenue decreased by 47.9% on a constant currency basis, comprising a like-for-like decrease of 53.1% offset by net contract gains of 5.2%. At actual exchange rates, revenue declined by 48.5% to £274.9m.

Prior to the impact of Covid-19, like-for-like sales growth had been robust, benefiting from positive trends in airport passenger numbers in the North American market. However, the significant reduction in passenger numbers during March resulted in overall first half like-for-like sales declining by 6.5%. Net gains of 10.5% during the first half were driven by new openings in Ottawa, Seattle, Oakland and LaGuardia Airports.

Following the lockdowns during the third quarter, domestic air travel began to recover in many states over the summer, although international travel remained largely closed. Overall, second half sales fell by 90.2%, comprising a like-for-like sales decrease of 91.5% and net contract gains of 1.3%.

The underlying operating loss for North America was £55.4m and reported operating loss was £63.3m. Non-underlying operating items comprised an impairment charge of £19.1m and exceptional restructuring costs of £2.1m, offset by IFRS 16 concession credits of £13.4m. On a pro forma IAS 17 basis, the underlying operating loss was £43.7m, which compared to an underlying operating profit of £41.9m last year.

***Rest of the World***

| | **IFRS 16 2020 £m** | **Pro forma IAS 17 2020 £m** | IAS 17 2019 £m | **IAS 17 change** Reported | Constant currency | LFL |
|---|---|---|---|---|---|---|
| Revenue | **189.9** | **189.9** | 383.8 | (50.5)% | (49.9)% | (53.5)% |
| Underlying operating (loss) / profit | **(55.6)** | **(24.8)** | 35.9 | (169.1)% | (170.8)% | |

Note – Statutory reported operating loss was £37.3m (2019: £35.9m profit) which includes adjustments for items specifically related to the impact of Covid-19 of £18.3m.

Revenue decreased by 49.9% on a constant currency basis, comprising a like-for-like fall of 53.5% offset by net contract gains of 3.6%. At actual exchange rates, revenue declined by 50.5% to £189.9m.

The impact of Covid-19 on first half like-for-like sales was more significant in the Rest of the World region than in the others, falling by 12.3%, reflecting the earlier escalation of the virus in China and across the Asia Pacific region from late January. Prior to the impact of Covid-19, like-for-like sales growth in the Rest of the World had been steady, benefiting from an improving trend in India but impacted by the ongoing political disruption in Hong Kong.

First half net gains included sales from new outlets in Cebu Airport in the Philippines and in Bangalore Airport in India, as well from the acquisition of the Red Rock operations in Perth and Melbourne Airports in Australia.

During the second half, whilst domestic air passenger levels had recovered strongly in China by the fourth quarter and were improving in Thailand and India, international traffic remained low across the region. Overall, second half sales fell by 90.2%, comprising a like-for-like sales decrease of 91.3% and net contract gains of 1.1%.

The underlying operating loss for the Rest of the World was £55.6m and reported operating loss was £37.3m. Non-underlying operating items comprised an impairment charge of £7.2m and exceptional restructuring costs of £3.2m, offset by an IFRS 16 concession credit of £28.6m. On a pro forma IAS 17 basis, the underlying operating loss was £24.8m, which compared to an underlying operating profit of £35.9m last year.

**Share of loss of associates**

The Group's share of losses from associates was £2.4m. On a pro forma IAS 17 basis, the Group's share of losses from associates was £1.7m (2019: £4.1m profit), the year-on-year reduction reflecting the impact of Covid-19 on our associate investments around the world.

**Net finance costs**

The underlying net finance expense was £54.0m including interest on lease liabilities of £27.8m. Reported net finance expense was £59.5m, including an adjustment of £5.4m relating to non-cash interest charges arising from the adoption of the debt modification rules under IFRS 9. On a pro forma IAS 17 basis, underlying net finance costs increased year-on-year to £26.2m (2019: £22.0m), primarily due to the higher net debt compared to the prior year.

**Taxation**

The Group's underlying tax credit for the year was £23.7m (2019: £45.1m charge), representing an effective tax rate of 6.4% (2019: 22.2%) of underlying loss (2019: profit) before tax. On a reported basis, the tax credit for the year was £28.1m (2019: £43.7m charge).

On a pro forma IAS 17 basis, the Group's underlying tax credit was £6.3m (2019: £45.1m charge), equivalent to an effective tax rate of 2.6% (2019: 22.2%) of the underlying loss (2019: profit) before tax.

The Group's tax rate is sensitive to the geographic mix of profits and losses and reflects a combination of higher rates in certain jurisdictions, as well as the impact of losses in some countries for which no deferred tax asset is recognised. The change in the tax rate for the current year compared to historical rates of around 22% is due to the impact of Covid-19 which has led to a significant change in the Group's geographic mix of profits and losses compared to prior years.

**Non-controlling interests**

The loss attributable to non-controlling interests was £22.7m. On a pro forma IAS 17 basis the loss attributable to non-controlling interests was £9.6m (2019: £26.6m profit), with the year on year change largely reflecting the impact of Covid-19 on our partly-owned operations in North America and in the Rest of the World.

**Earnings/(loss) per share**

The Group's underlying loss per share was 68.0 pence per share, and its reported loss per share was 76.1 pence per share**.** On a pro forma IAS 17 basis the underlying loss per share was 45.4 pence per share (2019: 29.1 pence earnings per share).

**Dividends**

There was no interim dividend declared during the financial year 2020 (2019: £25.8m). Additionally, the Directors will not be recommending a financial year 2020 final dividend (2019: £26.8m) which will result in

no ordinary dividends for the year (2019: £52.6m). Looking forward, the Group will continue to be restricted from declaring or paying dividends until the expiry of certain restrictions that apply under the amended debt arrangements with the Group's lending group of banks and US private placement note holders. When these restrictions are lifted and conditions improve, the Board will consider the best way to restart returning capital to shareholders.

**Free Cash flow**

The table below presents a summary of the Group's free cash flow during the year:

| | **2020** | **2019** |
|---|---|---|
| | **£m** | **£m** |
| Underlying operating (loss) / profit[1] | (211.7) | 221.1 |
| Depreciation and amortisation | 113.5 | 105.3 |
| Exceptional restructuring costs[3] | (22.7) | - |
| Working capital | (67.6) | 3.7 |
| Net tax | (11.0) | (37.1) |
| Other | 2.0 | 8.2 |
| **Net cash flow from operations** | **(197.5)** | 301.2 |
| Capital expenditure[2] | (134.5) | (185.0) |
| Acquisition of subsidiaries, adjusted for net debt acquired | (26.5) | (25.8) |
| Net dividends to non-controlling interests and from associates | (16.8) | (22.5) |
| Net finance costs | (19.6) | (17.4) |
| **Free cash flow** | **(394.9)** | **50.5** |

[1] Presented on an underlying pro forma IAS 17 basis (refer to pages 23 - 25 for details)
[2] Capital expenditure is net of capital contributions from non-controlling interests of £3.1m (2019: £9.0m)
[3] Refer to the APMs section on pages 23-25 for further details.

The Group's net cash outflow during the year from operations was £197.5m, compared to a £301.2m net cash inflow last year. The principal driver of this significant year on year change was the underlying operating loss of £211.7m, compared with a profit of £221.1m in the prior year, reflecting the impact of Covid-19 as described earlier. Furthermore, the exceptional restructuring costs of £22.7m were all incurred as a direct consequence of the pandemic, primarily reflecting the costs of redundancy programmes carried out across the Group during the second half of the year.

The working capital outflow was £67.6m compared to a small cash inflow of £3.7m in the prior year. This cash outflow was primarily driven by the extreme reduction in average daily sales following Covid-19. Nevertheless, this was a significantly better working capital out-turn than anticipated at our interim results in June, driven by very tight management of working capital which has continued since the escalation of the virus in March. Throughout this period, the Group has worked hard to manage its payments, agreeing rent waivers and deferrals with many of our clients and taking advantage of government-approved payment deferral schemes around the world, particularly in relation to payroll taxes and VAT.

Corporation tax payments were materially lower year-on-year at £11.0m (2019: £37.1m), the reduction reflecting considerably lower payments on account (of tax due for the current year) compared to 2019. Indeed, during the second half we saw a net recovery of corporation tax (an inflow of £9.1m) as we successfully applied for and received corporation tax repayments across a number of countries.

Capital expenditure was £134.5m, a reduction of £50.5m compared to the prior year. Following the Covid-19 escalation, we placed our capital programme on hold pending a recovery in the travel sector and we were able to reduce our second half expenditure to £15.0m, in line with our indications at the interim results in June. For the year ahead, we anticipate a further significant year on year reduction as we continue to work with our clients to defer capital programmes until passenger numbers and sales show material signs of recovery.

Acquisitions of £26.5m primarily reflected the purchases of the Red Rock operations in Perth and Melbourne Airports in Australia and of the Station Food rail business in Germany during the first half. Net cash outflows to non-controlling interests and from associates amounted to £16.8m, nearly all of which was incurred during the first half year prior to the onset of Covid-19.

Net finance costs paid of £19.6m were £2.2m higher than the prior year, mainly reflecting increased average levels of net debt and related financing costs.

**Net debt**

Overall net debt increased by £208.6m to £692.0m on a pro forma IAS 17 basis, with the significant free cash outflow in the year of £394.9m offset by the £208.6m equity issuance (net of related fees) in late March. We were also able to retain some of the cash related to the payment of £26.8m in respect of the final 2019 dividend (declared and approved at the AGM in February 2020) through a further small equity placing, retail offer and subscription raising net proceeds of £10.8m in June, as we gave investors the opportunity to reinvest the proceeds of that dividend payment into new SSP shares. To further preserve liquidity for the Group as the impact of Covid-19 became apparent, we suspended our previously announced share buyback programme having only incurred £1.7m on the purchase of shares.

The table below highlights the movements in net debt in the year on a pro forma IAS 17 basis. Note that the Group adopted IFRS 16 'Leases' with effect from 1 October 2019 using the modified retrospective approach to transition which means that the prior year balances including net debt have not been restated.

| | £m |
|---|---|
| Net debt excluding lease liabilities at 1 October 2019 (IAS 17 basis) | (483.4) |
| Underlying free cash flow | (394.9) |
| March 2020 equity issue (net of fees paid) | 208.6 |
| June 2020 equity issue (net of fees paid) | 10.8 |
| Dividend paid | (26.8) |
| Share buyback | (1.7) |
| Impact of foreign exchange rates | (2.0) |
| Other | (2.6) |
| **Net debt excluding lease liabilities at 30 September 2020 (IAS 17 basis)** | **(692.0)** |
| Lease liabilities | (1,349.3) |
| Other | 0.7 |
| **Net debt including lease liabilities at 30 September 2020 (IFRS 16 basis)** | **(2,040.6)** |

As noted above, the Group adopted IFRS 16 on 1 October 2019 and as a result now recognises lease liabilities, which are initially based on the present value of the future payments required under each lease discounted at the incremental borrowing rate. The movement in the lease liabilities from the transition date of 1 October 2019 to 30 September 2020 was as follows:

| | Year ended 30 September 2020 £m |
|---|---|
| Beginning of the year | - |
| Lease liabilities on transition | (1,464.4) |
| Acquisitions | (24.1) |
| Additions | (266.4) |
| Interest charge in the year | (27.8) |
| Payment of lease liabilities | 200.4 |
| Remeasurement adjustments | 227.2 |
| Currency translation | 5.8 |
| End of the year | (1,349.3) |

**Actions taken to strengthen liquidity and to secure covenant waivers**

Since the onset of Covid-19, we have taken decisive action to protect cash, minimise costs and raise additional liquidity to allow us to operate throughout even our most pessimistic trading scenario. This action to increase liquidity included a £209m (net of related fees) equity placing and share subscription in late March 2020, followed shortly afterwards by securing access to the Bank of England's Covid Corporate Financing Facility (CCFF), under which facility we were permitted to draw up to £300m. In addition, the Group also secured access to a number of additional smaller liquidity lines, including government-backed facilities in France, Spain and Switzerland, providing a further £44m.

As well as raising this additional funding, we have taken a number of further steps to protect liquidity. At the current very low levels of sales, the current monthly cash burn of approximately £25-30m reflects the many management actions taken to minimise operating costs, as already described. Furthermore, we have also taken action to defer all non-essential capital expenditure, to agree rent waivers and deferrals with our clients, to suspend our previously announced share buyback programme and to negotiate with our lending banks a two year deferral of term loan amortisation payments, amounting to approximately £63m, which were due to be paid in July 2020 and July 2021. The Board has also announced that the Company will not pay a dividend in respect of the current financial year.

At the end of the year, the Group had approximately £520m of available liquidity, including cash of £185m and committed undrawn revolving credit facilities of £150m, as well as a further £175m available to be drawn down under the CCFF. The £150m revolving credit facility is committed until July 2022, while the Bank of England has confirmed that the Group can draw down the maximum £300m available to it under the CCFF for a period extending through to February 2022.

Taking into account the current level of cash and available facilities and the monthly cash burn as described above, we are confident that we have sufficient liquidity to operate even through a prolonged crisis and a slow recovery. Nevertheless, notwithstanding the recent positive news on the development of potential vaccines, we recognise that the pace of the anticipated recovery in our markets remains uncertain, and as such there may be a requirement to raise additional liquidity prior to the repayment of the CCFF in early 2022.

In addition to the action taken in the Spring to strengthen liquidity, the Group secured an agreement in May 2020 from SSP's lending group of banks and its US private placement note holders to waive existing financial covenants, testing both interest cover and leverage, for the two testing periods covering the

twelve months to 30 September 2020 and 31 March 2021. They agreed that these existing covenants would be replaced between the date of the agreement and 30 September 2021 by two new covenants, each tested monthly, with the first of these based on the Group demonstrating a minimum level of liquidity and the second based on the Group not exceeding a maximum level of net debt. For the testing period ending 30 September 2021 both the existing and new covenants would be relevant, with the Group returning to the existing covenants thereafter, once compliance with the existing covenants has been confirmed.

In order to provide the maximum financial flexibility for the Group through this exceptionally challenging period, we have now agreed further covenant waivers and amendments covering the period up to March 2022. As was the case with the covenant amendments agreed in May, the existing financial covenant testing leverage has been waived, until reinstated in March 2022, with the two temporary, monthly-tested new covenants on minimum liquidity and maximum net debt introduced for a further six months from October 2021. For the testing period ending 31 March 2022 both the existing and new covenants would be relevant, with the Group returning to the existing covenants thereafter, once compliance with the existing covenants has been confirmed. In addition, we have agreed to an additional new covenant, testing minimum EBITDA thresholds for the six months ending 30 September 2021 and 31 December 2021. Modified interest cover tests (calculated on a last six months basis) will also be applied at these two testing dates. All of these new covenant thresholds have been based on our most pessimistic trading scenario, which is described in more detail alongside the Board's considerations in adopting the going concern basis of accounting in note 1.2 on pages 31-33.

**Impact of IFRS 16 'Leases'**

As stated above, the Group adopted IFRS 16 'Leases' with effect from 1 October 2019 using the modified retrospective approach to transition which means that the prior year balances have not been restated. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities. Interest expense is recognised on the lease liability and the right-of-use assets are required to be depreciated on a straight-line basis over the lease term.

***Income Statement impact***

The impact of the implementation of IFRS 16 on the Income Statement for the year ended 30 September 2020 is as follows:

| | Year ended 30 September 2020 IAS 17 £m | IFRS 16 adjustment £m | Year ended 30 September 2020 IFRS 16 £m |
|---|---|---|---|
| Revenue | 1,433.1 | - | 1,433.1 |
| Underlying operating loss[1] | (211.7) | (103.7) | (315.4) |
| Share of loss from associates | (1.7) | (0.7) | (2.4) |
| Finance income | 2.5 | - | 2.5 |
| Finance expense | (28.7) | (27.8) | (56.5) |
| Underlying loss before tax[1] | (239.6) | (132.2) | (371.8) |

[1] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on page 23-25.

***Balance Sheet impact***

The impact of the implementation of IFRS 16 on the Balance Sheet as at 30 September 2020 is as follows:

| | As at 30 September 2020 IAS 17 | IFRS 16 adjustment | As at 30 September 2020 IFRS 16 |
|---|---|---|---|
| | £m | £m | £m |
| **Non-current assets** | | | |
| Right-of-use assets | - | 1,271.2 | 1,271.2 |
| Other non-current assets | 1,294.9 | 9.3 | 1,304.2 |
| | 1,294.9 | 1,280.5 | 2,575.4 |
| **Current assets** | | | |
| Trade and other receivables | 132.4 | (7.1) | 125.3 |
| Other current assets | 216.7 | 1.9 | 218.6 |
| | 349.1 | (5.2) | 343.9 |
| **Total assets** | 1,644.0 | 1,275.3 | 2,919.3 |
| **Current liabilities** | | | |
| Lease liabilities | - | (289.1) | (289.1) |
| Other current liabilities | (596.3) | 5.9 | (590.4) |
| | (596.3) | (283.2) | (879.5) |
| **Non-current liabilities** | | | |
| Lease liabilities | - | (1,060.2) | (1,060.2) |
| Other non-current liabilities | (779.1) | 1.5 | (777.6) |
| | (779.1) | (1,058.7) | (1,837.8) |
| **Total liabilities** | (1,375.4) | (1,341.9) | (2,717.3) |
| **Net assets** | **268.6** | **(66.6)** | **202.0** |
| **Total equity** | **268.6** | **(66.6)** | **202.0** |

***Cash flow impact***

There is no net impact on cash flows. However, there has been a change in classification of cash flows whereby an increase in net cash inflows from operating activities has been offset by a decrease in net cash flows from financing activities, as highlighted below:

| | Year ended 30 September 2020 IAS 17 | IFRS 16 Adjustment | Year ended 30 September 2020 IFRS 16 |
|---|---|---|---|
| | £m | £m | £m |
| Net cash flows from operating activities | (197.5) | 199.9 | 2.4 |
| Net cash flows from investing activities | (153.1) | - | (153.1) |
| Net cash flows from financing activities | 307.5 | (199.9) | 107.6 |
| | (43.1) | - | (43.1) |

Further information on the impact of adoption of IFRS 16 can be found in note 1.

**Principal risks**

Two new principal risks facing the Group have been added since last year regarding liquidity and funding and the impact of Covid-19. The impact of these risks has been discussed above.

The Company's principal risks, together with the Group's risk management process, will be set out in the Annual Report and Accounts 2020, and relate to the following areas: the two new risks noted above, business environment and geopolitical uncertainty; retention of existing contracts; impact of Brexit; senior management capability and retention; regulatory compliance; food safety and product compliance; labour laws and unionisation; information security and stability; benefits realisation from efficiency programmes; changing client behaviours; outsourcing programmes; tax strategy; maintenance and development of brand portfolio; and expansion into new markets.

**Post balance sheet events**

In December 2020, SSP Financing Limited secured an agreement from its lending group of banks and US private placement note holders to waive the net debt cover financial covenant for the testing period covering the twelve months to 30 September 2021. Please refer to the Going Concern section on pages 31-33 for further details.

**Alternative Performance Measures**

The Directors use alternative performance measures for analysis as they believe these measures provide additional useful information on the underlying trends, performance and position of the Group. 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, net contract gains/(losses) and the impact of acquisitions where appropriate.

| (£m) | UK | Continental Europe | North America | RoW | Total |
|---|---|---|---|---|---|
| 2020 Revenue at actual rates by segment | 410.1 | 558.2 | 274.9 | 189.9 | 1,433.1 |
| Impact of foreign exchange | 0.6 | 15.5 | 3.2 | 2.5 | 21.8 |
| 2020 Revenue at constant currency[1] | **410.7** | **573.7** | **278.1** | **192.4** | **1,454.9** |
| 2019 Revenue at actual rates | **840.5** | **1,036.9** | **533.4** | **383.8** | **2,794.6** |
| Constant currency sales (fall) / growth | **(51.1)%** | **(44.7)%** | **(47.9)%** | **(49.9)%** | **(47.9)%** |
| Which is made up of: | | | | | |
| Like-for-like sales growth[2] | (51.2)% | (48.2)% | (53.1)% | (53.5)% | (50.8)% |
| Net contract gains[3] | 0.1% | 3.5% | 5.2% | 3.6% | 2.9% |
| | **(51.1)%** | **(44.7)%** | **(47.9)%** | **(49.9)%** | **(47.9)%** |

[1] Constant currency is based on average 2019 exchange rates weighted over the financial year by 2019 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. Units temporarily closed as a result of Covid-19 have not been excluded for the purposes of the like-for-like calculation. Like-for-like sales are presented on a constant currency basis.
[3] Net contract gains represent the net year-on-year revenue impact from new outlets opened and existing units permanently closed in the past 12 months. Net contract gains/(losses) are presented on a constant currency basis.

*Underlying profit measures*

The Group presents underlying profit / (loss) measures, including operating profit / (loss), profit / (loss) before tax, and earnings / (loss) per share, which exclude a number of items which are not considered reflective of the normal trading performance of the business, and are considered exceptional because of their size, nature or incidence. The table below provides a breakdown of the non-underlying items in both the current year and the prior year.

| | Non-underlying items | |
|---|---|---|
| | **IFRS 16** | **IAS 17** |
| | **2020** | **2019** |
| | **£m** | **£m** |
| **Operating costs** | | |
| Impairment of goodwill | **(33.0)** | - |
| Impairment of property, plant and equipment | **(38.4)** | - |
| Impairment of right-of-use assets | **(38.2)** | - |
| Depreciation | **(6.2)** | - |
| IFRS 16 rent credit | **91.9** | - |
| Restructuring expenses | **(22.7)** | - |
| Amortisation of intangible assets arising on acquisition | **(1.9)** | (1.9) |
| | **(48.5)** | (1.9) |
| **Finance expenses** | | |
| Effective interest rate charge and debt modification loss | **(5.4)** | (2.2) |
| Unwind of discount on obligation to acquire additional share of subsidiary undertaking | **-** | (0.3) |
| Foreign exchange (losses)/gains on revaluation of obligation to acquire additional share of subsidiary undertaking | **-** | (1.6) |
| Other | **(0.1)** | - |
| | **(5.5)** | (4.1) |
| **Taxation** | | |
| Tax credit on non-underlying items | **4.4** | 1.4 |
| **Total non-underlying items** | **(49.6)** | (4.6) |

Further details of the non-underlying operating items have been provided in the Financial Review section on page 13. Furthermore, a reconciliation from the underlying to the statutory reported basis is presented below:

| | **2020 (IFRS 16)** | | | 2019 (IAS 17) | | |
|---|---|---|---|---|---|---|
| | **Underlying** | **Non-underlying items** | **Total** | Underlying | Non-underlying Items | Total |
| Operating (loss) / profit (£m) | **(315.4)** | **(48.5)** | **(363.9)** | 221.1 | (1.9) | 219.2 |
| Operating margin | **(22.0)%** | **(3.4)%** | **(25.4)%** | 7.9% | (0.1)% | 7.8% |
| (Loss) / profit before tax (£m) | **(371.8)** | **(54.0)** | **(425.8)** | 203.2 | (6.0) | 197.2 |
| (Loss) / earnings per share (p) | **(68.0)** | **(8.1)** | **(76.1)** | 29.1 | (1.0) | 28.1 |

Furthermore, it should be noted that the Group adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective approach to transition. In accordance with the standard, the prior year figures have not been restated and as a result comparison with the prior year is distorted. However, in order to provide a meaningful comparison with prior year, which was accounted for under IAS 17 'Leases', commentary has been included in the Business Review, Financial Review and other sections with reference to underlying profit measures computed in accordance with IAS 17. These are referred to as 'Pro forma IAS 17' measures. A reconciliation of key underlying profit measures to 'Pro forma IAS 17' numbers is presented below:

| | **Pro forma IAS 17 2020 £m** | **Impact of IFRS 16 2020 £m** | **IFRS 16 2020 £m** |
|---|---|---|---|
| **Underlying operating loss** | **(211.7)** | **(103.7)** | **(315.4)** |
| **Underlying loss before tax** | **(239.6)** | **(132.2)** | **(371.8)** |
| **Underlying loss per share (p)** | **(45.4)** | **(22.6)** | **(68.0)** |
| **Net debt** | **(692.0)** | **(1,348.6)** | **(2,040.6)** |

IFRS 16 increases the underlying operating loss, whereby the depreciation of the right-of-use assets of £305.3m is offset primarily by the reduced lease expense of £201.6m, resulting in a net charge to underlying operating loss of £103.7m. The interest charge on the lease liabilities of £27.8m and the loss from associates of £0.7m further increases the loss, giving the underlying loss before tax impact of £132.2m. The impact of IFRS 16 on net debt is primarily the recognition of the lease liability balance.

## Consolidated income statement

***for the year ended 30 September 2020***

| | Notes | **Year ended 30 September 2020** Underlying[1, 2] £m | Non-underlying items £m | Total £m | Year ended 30 September 2019 Underlying[1] £m | Non-underlying items £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | 3 | **1,433.1** | **-** | **1,433.1** | 2,794.6 | - | 2,794.6 |
| **Operating costs** | 5 | **(1,748.5)** | **(48.5)** | **(1,797.0)** | (2,573.5) | (1.9) | (2,575.4) |
| **Operating (loss) / profit** | | **(315.4)** | **(48.5)** | **(363.9)** | 221.1 | (1.9) | 219.2 |
| Share of (loss) / profit of associates | | **(2.4)** | **-** | **(2.4)** | 4.1 | - | 4.1 |
| Finance income | 6 | **2.5** | **-** | **2.5** | 2.3 | - | 2.3 |
| Finance expense | 6 | **(56.5)** | **(5.5)** | **(62.0)** | (24.3) | (4.1) | (28.4) |
| **(Loss) / profit before tax** | | **(371.8)** | **(54.0)** | **(425.8)** | 203.2 | (6.0) | 197.2 |
| Taxation | | **23.7** | **4.4** | **28.1** | (45.1) | 1.4 | (43.7) |
| **(Loss) / profit for the year** | | **(348.1)** | **(49.6)** | **(397.7)** | 158.1 | (4.6) | 153.5 |
| **(Loss) / profit attributable to:** | | | | | | | |
| Equity holders of the parent | | **(334.7)** | **(40.3)** | **(375.0)** | 131.5 | (4.6) | 126.9 |
| Non-controlling interests | | **(13.4)** | **(9.3)** | **(22.7)** | 26.6 | - | 26.6 |
| **(Loss) / profit for the year** | | **(348.1)** | **(49.6)** | **(397.7)** | 158.1 | (4.6) | 153.5 |
| **(Loss) / earnings per share (p):** | | | | | | | |
| - Basic | 4 | **(68.0)** | | **(76.1)** | 29.1 | | 28.1 |
| - Diluted | 4 | **(68.0)** | | **(76.1)** | 28.7 | | 27.7 |

[1] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on pages 23 - 25.

[2] The Group adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective approach to transition and in accordance with the standard the Group's financial results for the prior year has not been restated. As a result, with the exception of revenue, the statutory results shown above for the year ended 30 September 2020 are not directly comparable with the prior year. To provide a meaningful comparison with the prior year an alternative presentation of the Group's results prepared under IAS 17 'Leases', the previous accounting standard for leases, is shown in note 2.

## Consolidated statement of other comprehensive income
***for the year ended 30 September 2020***

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| **Other comprehensive (expense) / income** | | |
| *Items that will never be reclassified to the income statement* | | |
| Remeasurements on defined benefit pension schemes | **1.2** | (6.2) |
| Tax (charge) / credit relating to items that will not be reclassified | **(2.5)** | 1.9 |
| *Items that are or may be reclassified subsequently to the income statement* | | |
| Net gain / (loss) on hedge of net investment in foreign operations | **4.2** | (4.3) |
| Other foreign exchange translation differences | **(19.7)** | 16.0 |
| Effective portion of changes in fair value of cash flow hedges | **(1.8)** | (5.9) |
| Cash flow hedges - reclassified to income statement | **1.6** | 3.8 |
| Tax credit relating to items that are or may be reclassified | **0.5** | 0.2 |
| **Other comprehensive (expense) / income for the year** | **(16.5)** | 5.5 |
| (Loss) / profit for the year | **(397.7)** | 153.5 |
| **Total comprehensive (expense) / income for the year** | **(414.2)** | 159.0 |
| **Total comprehensive (expense) / income attributable to:** | | |
| Equity shareholders | **(386.1)** | 129.1 |
| Non-controlling interests | **(28.1)** | 29.9 |
| **Total comprehensive (expense) / income for the year** | **(414.2)** | 159.0 |

**Consolidated balance sheet**
***as at 30 September 2020***

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **437.2** | 466.5 |
| Goodwill and intangible assets | | **731.2** | 747.1 |
| Right-of-use assets | 9 | **1,271.2** | - |
| Investments in associates | | **12.2** | 17.3 |
| Deferred tax assets | | **49.8** | 28.2 |
| Other receivables | | **73.8** | 54.3 |
| | | **2,575.4** | 1,313.4 |
| **Current assets** | | | |
| Inventories | | **23.5** | 38.7 |
| Tax receivable | | **10.1** | 0.8 |
| Trade and other receivables | | **125.3** | 205.4 |
| Cash and cash equivalents | 12 | **185.0** | 233.3 |
| | | **343.9** | 478.2 |
| **Total assets** | | **2,919.3** | 1,791.6 |
| **Current liabilities** | | | |
| Short-term borrowings | 12 | **(158.2)** | (128.8) |
| Trade and other payables | | **(399.0)** | (551.9) |
| Tax payable | | **(20.9)** | (30.9) |
| Lease liabilities | 10 | **(289.1)** | - |
| Provisions | | **(12.3)** | (4.6) |
| | | **(879.5)** | (716.2) |
| **Non-current liabilities** | | | |
| Long-term borrowings | 12 | **(718.1)** | (587.9) |
| Post-employment benefit obligations | | **(18.6)** | (19.6) |
| Lease liabilities | 10 | **(1,060.2)** | - |
| Other payables | | **(4.0)** | (4.1) |
| Provisions | | **(21.4)** | (29.9) |
| Derivative financial liabilities | 12 | **(5.1)** | (4.6) |
| Deferred tax liabilities | | **(10.4)** | (13.7) |
| | | **(1,837.8)** | (659.8) |
| **Total liabilities** | | **(2,717.3)** | (1,376.0) |
| **Net assets** | | **202.0** | 415.6 |
| **Equity** | | | |
| Share capital | | **5.8** | 4.8 |
| Share premium | | **472.7** | 461.2 |
| Capital redemption reserve | | **1.2** | 1.2 |
| Merger relief reserve | 13 | **206.9** | - |
| Other reserves | | **3.1** | 12.9 |
| Retained losses | | **(559.6)** | (152.1) |
| Total equity shareholders' funds | | **130.1** | 328.0 |
| Non-controlling interests | | **71.9** | 87.6 |
| **Total equity** | | **202.0** | 415.6 |

## Consolidated statement of changes in equity
### *for the year ended 30 September 2020*

| | Share capital | Share premium | Capital redemption reserve | Merger relief reserve | Other reserves [1] | Retained losses | Total parent equity | NCI | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **At 1 October 2018** | 4.8 | 461.2 | 1.2 | - | (13.0) | (71.5) | 382.7 | 81.8 | 464.5 |
| Profit for the year | - | - | - | - | - | 126.9 | 126.9 | 26.6 | 153.5 |
| Other comprehensive (expense) / income for the year | - | - | - | - | 6.5 | (4.3) | 2.2 | 3.3 | 5.5 |
| Capital contributions from NCI | - | - | - | - | - | - | - | 9.0 | 9.0 |
| Reclassification of obligation to purchase subsidiary | - | - | - | - | 10.4 | (10.4) | - | - | - |
| Dividends paid to equity shareholders | - | - | - | - | - | (200.8) | (200.8) | - | (200.8) |
| Dividends paid to NCI | - | - | - | - | - | - | - | (24.7) | (24.7) |
| Purchase of additional stake in subsidiary | | | | | 8.3 | - | 8.3 | (8.3) | - |
| Transactions with NCI | - | - | - | - | 0.7 | - | 0.7 | (0.1) | 0.6 |
| Share-based payments | - | - | - | - | - | 8.2 | 8.2 | - | 8.2 |
| Tax on share-based payments | - | - | - | - | - | (0.2) | (0.2) | - | (0.2) |
| **At 30 September 2019** | 4.8 | 461.2 | 1.2 | - | 12.9 | (152.1) | 328.0 | 87.6 | 415.6 |
| | | | | | | | | | |
| **At 1 October 2019** | **4.8** | **461.2** | **1.2** | **-** | **12.9** | **(152.1)** | **328.0** | **87.6** | **415.6** |
| Loss for the year | **-** | **-** | **-** | **-** | **-** | **(375.0)** | **(375.0)** | **(22.7)** | **(397.7)** |
| Other comprehensive expense for the year | **-** | **-** | **-** | **-** | **(9.8)** | **(1.3)** | **(11.1)** | **(5.4)** | **(16.5)** |
| Capital contributions from NCI | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **30.5** | **30.5** |
| Acquisition of shares in partly owned subsidiary from NCI | **-** | **-** | **-** | **-** | **-** | **(4.3)** | **(4.3)** | **(0.7)** | **(5.0)** |
| Equity issues[2] | **1.0** | **11.5** | **-** | **206.9** | **-** | **-** | **219.4** | **-** | **219.4** |
| Share buyback | **-** | **-** | **-** | **-** | **-** | **(1.7)** | **(1.7)** | **-** | **(1.7)** |
| Dividends payable to equity shareholders[3] | **-** | **-** | **-** | **-** | **-** | **(26.8)** | **(26.8)** | **-** | **(26.8)** |
| Dividends paid to NCI | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(20.4)** | **(20.4)** |
| Share-based payments | **-** | **-** | **-** | **-** | **-** | **2.0** | **2.0** | **-** | **2.0** |
| Tax on share based payments | **-** | **-** | **-** | **-** | **-** | **0.5** | **0.5** | **-** | **0.5** |
| Other movements | **-** | **-** | **-** | **-** | **-** | **(0.9)** | **(0.9)** | **3.0** | **2.1** |
| **At 30 September 2020** | **5.8** | **472.7** | **1.2** | **206.9** | **3.1** | **(559.6)** | **130.1** | **71.9** | **202.0** |

[1] At 30 September 2019 and 30 September 2020, the other reserves include the translation reserve and cash flow hedging reserve.

[2] Refer to note 13 for details of the equity issue.

[3] Refer to note 8 for details of dividends paid.

**Consolidated cash flow statement**
***for the year ended 30 September 2020***

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flow from operations | 7 | **13.4** | 338.3 |
| Tax paid | | **(11.0)** | (37.1) |
| **Net cash flows from operating activities** | | **2.4** | 301.2 |
| | | | |
| **Cash flows from investing activities** | | | |
| Dividends received from associates | | **3.6** | 5.2 |
| Interest received | | **2.4** | 2.4 |
| Purchase of property, plant and equipment | | **(120.3)** | (175.9) |
| Purchase of other intangible assets | | **(17.3)** | (18.1) |
| Acquisitions, net of cash and cash equivalents acquired | | **(21.5)** | (3.4) |
| Investment in associate | | **-** | (3.0) |
| **Net cash flows from investing activities** | | **(153.1)** | (192.8) |
| | | | |
| **Cash flows from financing activities** | | | |
| Equity funding from shareholders net of expenses | | **219.4** | - |
| Share buyback | | **(1.7)** | - |
| Receipt of bank loans | | **32.1** | - |
| Repayment of borrowings | | **-** | (32.0) |
| Drawdown on revolving credit facility | | **-** | 27.5 |
| Repayment of revolving credit facility | | **(97.5)** | - |
| Receipt of USPP debt | | **101.8** | 239.8 |
| Drawdown on Covid Corporate Financing Facility | | **125.0** | |
| Purchase of additional 16% stake in TFS | | **-** | (22.4) |
| Repayment of finance leases and other loans | | **-** | (3.2) |
| Payment of lease liabilities - principal | | **(172.6)** | - |
| Payment of lease liabilities - interest | | **(27.8)** | - |
| Financing fee paid | | **-** | (1.3) |
| Acquisition of shares in partly owned subsidiary from non-controlling interest | | **(5.0)** | - |
| Interest paid excluding interest on lease liabilities | | **(22.0)** | (18.5) |
| Dividends paid to equity shareholders | | **(26.8)** | (200.8) |
| Dividends paid to non-controlling interests | | **(20.4)** | (24.7) |
| Capital contribution from non-controlling interests | | **3.1** | 9.0 |
| **Net cash flows from financing activities** | | **107.6** | (26.6) |
| | | | |
| **Net (decrease) / increase in cash and cash equivalents** | | **(43.1)** | 81.8 |
| | | | |
| Cash and cash equivalents at beginning of the year | | **233.3** | 147.8 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | **(5.2)** | 3.7 |
| **Cash and cash equivalents at end of the year** | | **185.0** | 233.3 |
| | | | |
| **Reconciliation of net cash flow to movement in net debt** | | | |
| Net (decrease) / increase in cash in the year | | **(43.1)** | 81.8 |
| Cash (inflow) from US Private Placement debt | | **(101.8)** | (239.8) |
| Cash (inflow) from Covid Corporate Financing Facility | | **(125.0)** | - |
| Cash outflow / (inflow) from movements in Revolving Credit Facility | | **97.5** | (27.5) |
| Cash (inflow) / outflow from other changes in debt | | **(32.1)** | 35.2 |
| Cash (inflow) from movement in other financial assets | | **-** | (5.1) |
| Change in net debt resulting from cash flows, excluding lease liabilities | | **(204.5)** | (155.4) |
| Translation differences | | **(2.0)** | (0.6) |
| Other non-cash changes | | **(1.4)** | 7.3 |
| | | | |
| **Increase in net debt excluding lease liabilities in the year** | | **(207.9)** | (148.7) |
| **Net debt at beginning of the year** | | **(483.4)** | (334.7) |
| **Net debt excluding lease liabilities at end of the year** | | **(691.3)** | (483.4) |
| | | | |
| **Recognition of lease liabilities upon transition to IFRS 16** | 10 | **(1,349.3)** | - |
| **Net debt including lease liabilities at end of the year** | | **(2,040.6)** | (483.4) |

**Notes**

## 1 Basis of preparation and accounting policies

The Group adopted IFRS 16 'Leases' on 1 October 2019 which, whilst having no overall net cash flow impact, significantly distorts comparisons with previous years for certain line items, particularly because the payment of lease liabilities is now included as a deduction within financing activities whereas previously under IAS 17 'Leases' operating lease charges were included as a deduction within cash flow from operating activities.

### 1.1 Basis of preparation

SSP Group plc (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group) and equity-account the Group's interest in its associates. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements are presented in Sterling and unless stated otherwise, rounded to the nearest £0.1 million. The financial statements are prepared on the historical cost basis except for the derivative financial instruments which are stated at their fair value.

### 1.2 Going concern

These financial statements are prepared on a going concern basis.

The Board has reviewed the Group's trading forecasts, incorporating the impact on SSP of Covid-19, as part of the Group's adoption of the going concern basis, in which context the Directors have reviewed cash flow forecasts prepared for a period of 16 months from the date of approval of these financial statements, with a number of different scenarios considered. Having carefully reviewed these forecasts, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements for the reasons set out below.

Since the onset of Covid-19, management has taken decisive action to protect cash, minimise costs and raise additional liquidity to allow the Company to operate throughout even its most pessimistic trading scenario. This action to increase liquidity included a £209m (net of related fees) equity placing and share subscription in late March 2020, followed shortly afterwards by securing access to the Bank of England's Covid Corporate Financing Facility (CCFF), under which facility the Group was permitted to draw up to £300m. In addition, the Group also secured access to a number of additional smaller liquidity lines, including government-backed facilities in France, Spain and Switzerland, providing a further £44m.

At the end of the year, the Group had approximately £520m of available liquidity, including cash of £185m and committed undrawn revolving credit facilities of £150m, as well as a further £175m available to be drawn down under the CCFF. The £150m revolving credit facility is committed until July 2022, while the Bank of England has confirmed that the Group can draw down the maximum £300m available to it under the CCFF for a period extending through to February 2022.

In making the going concern assessment, the directors have modelled a number of scenarios for the period to March 2022. The base case scenario is consistent with the Board-approved 2021 Budget, adjusted for

the lockdown across England announced by the UK Government on 31 October, as well as significantly increased government-imposed restrictions in many other parts of Continental Europe which are likely to remain in place for the immediate future. Our Budget reflects our expectations of ongoing challenging trading conditions for the remainder of this financial year, with sales recovering only gradually in calendar year 2021 and remaining well below pre-pandemic levels for the duration of the going concern period. While the recent positive news on the development of potential vaccines is extremely encouraging, the Directors recognise that the pace of the anticipated recovery in sales and passenger numbers in our markets remains uncertain.

In light of the considerable uncertainty surrounding the ongoing impact of Covid-19, a downside scenario has also been modelled, applying severe but plausible assumptions to the base case. This scenario assumes a further twelve week lockdown (in addition to the November lockdown), lasting from December until February. The downside scenario then assumes a gradual recovery, but at a much slower pace than envisaged in our Budget throughout the second and third quarters of the current financial year. Only by the fourth quarter do our downside sales assumptions converge with those in our Budget.

In both the base case and the downside case the Group would continue to have sufficient liquidity headroom based on the cash and available facilities as described above.

In addition to the action taken in the Spring to strengthen liquidity, the Group secured an agreement in May 2020 from SSP's lending group of banks and its US private placement note holders to waive existing financial covenants ('existing covenants'), testing both interest cover and leverage, for the two testing periods covering the twelve months to 30 September 2020 and 31 March 2021. They agreed that these existing covenants would be replaced between the date of the agreement and 30 September 2021 by two new covenants ('new covenants'), each tested monthly, with the first of these based on the Group demonstrating a minimum level of liquidity and the second based on the Group not exceeding a maximum level of net debt. For the testing period ending 30 September 2021 both the existing and new covenants would be relevant, with the Group returning to the existing covenants thereafter once compliance with the existing covenants had been confirmed.

In order to provide the maximum financial flexibility for the Group through this exceptionally challenging period, we have now agreed further covenant waivers and amendments covering the period up to March 2022. As was the case with the covenant amendments agreed in May, the existing financial covenant testing leverage has been waived, until reinstated in March 2022, with the two temporary, monthly-tested new covenants on minimum liquidity and maximum net debt introduced for a further six months from October 2021. For the testing period ending 31 March 2022 both the existing and new covenants would be relevant, with the Group returning to the existing covenants thereafter, once compliance with the existing covenants has been confirmed. In addition, we have agreed to an additional new covenant, testing minimum EBITDA thresholds for the six months ending 30 September 2021 and 31 December 2021. Modified interest cover tests (calculated on a last six months basis) will also be applied at these two testing dates. All of these new covenant thresholds have been based on our most pessimistic trading scenario.

Although the Directors are confident that the Group has sufficient headroom to stay within the applicable new covenants for at least the next twelve months, they also recognise that there is likely to be continued disruption to travel markets during 2021, notwithstanding the recent vaccine developments, and as a consequence it is difficult to predict with confidence the overall impact of Covid-19 on the Group's profitability in the twelve month period ending March 2022 at this stage. Given this level of uncertainty, there are scenarios in which the Group could breach its existing interest cover and leverage covenants at

the end of March 2022 when these tests are reinstated, as well as the minimum liquidity covenant when the CCFF is expected to be repaid in the first quarter of 2022.

In adopting the going concern basis of preparation, the Directors took account of the fact that they would be able to raise additional liquidity prior to the repayment of the CCFF in early 2022 , and that management would remain in close dialogue with both lenders and noteholders, and would seek further covenant waivers should the need arise. Nevertheless, the possibility of a covenant breach during the first quarter of calendar year 2022, together with the possible requirement to raise additional liquidity prior to the repayment of the CCFF at that time, cannot be discounted, and as such represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, and that it therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

After reviewing the most recent projections and the sensitivity analysis and having carefully considered the material uncertainty and the mitigating actions available as set out in the previous paragraph, the Directors believe that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not contain any adjustments that would be necessary if that basis were inappropriate.

### 1.3 New accounting standards adopted by the Group

#### A. IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' with effect from 1 October 2019 using the modified retrospective approach to transition. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities. Adoption of the new standard has had a material impact on the Group's financial statements, with right-of-use assets of £1,468.9m recognised on transition together with lease liabilities of £1,464.4m. As at 30 September 2020 the right-of-use assets were £1,271.2m and the lease liabilities were £1,349.3m.

The Group's lease portfolio consists of approximately 1,500 leases which are within the scope of IFRS 16, principally for concession contracts, offices, warehouses, vehicles and equipment for which the Group has been collating data for a number of years in preparation for the new standard. This data has been used in conjunction with a lease accounting tool implemented for the Group to provide the accounting entries required under IFRS 16.

On transition, the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition. The right-of-use assets have been measured at the carrying amounts that would have been in place had the standard been applied since the commencement of each lease, discounted using the incremental borrowing rate at the date of transition. The weighted average incremental borrowing rate applied to the Group's lease portfolio on 1 October 2019 was 1.62%.

On transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made in applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group applied the following available practical expedients permitted by the standard:

- the exclusion of leases relating to low-value assets (less than £5,000 when new);
- the exclusion of short-term leases, being those with a lease term of 12 months or less;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- reliance on its assessment of whether leases are onerous immediately prior to the date of transition.

The impact of the adoption of IFRS 16 on the opening balance sheet as at 1 October 2019 is shown in the table below:

| | **As at 30 September 2019 £m** | **Impact of IFRS 16 £m** | **Restated as at 1 October 2019 £m** |
|---|---|---|---|
| **Right-of-use assets** | - | 1,468.9 | 1,468.9 |
| **Other receivables** | 118.4 | (10.9) | 107.5 |
| **Other payables** | (201.3) | 2.6 | (198.7) |
| **Provisions** | (34.5) | 3.8 | (30.7) |
| **Lease liabilities** | - | (1,464.4) | (1,464.4) |

Under IFRS 16, the operating lease expense previously recorded in operating costs has been replaced by a depreciation charge, which is higher in the current year than the operating lease expense recognised under IAS 17, the previous accounting standard for leases, and a separate interest expense, recorded in finance expense. This significantly impacts certain line items in the Group's consolidated income statement and distorts comparisons with the prior year because in accordance with the standard, as a result of the Group transitioning to IFRS 16 using the modified retrospective approach, the prior year has not been restated. However, in order to provide a meaningful comparison with prior year, the Group's financial results for the year ended 30 September 2020 have also been presented in accordance with IAS 17. The results for the year ended 30 September 2020 under IAS 17 are referred to as 'Pro forma IAS 17'. Note 2 includes a Consolidated income statement showing the results for year ended 30 September 2020 both as reported under IFRS 16 and on a pro forma IAS 17 basis together with growth rates versus the prior year on a like-for-like basis under IAS 17.

A summary of the impact of the adoption of IFRS 16 on the Group's underlying results for the year ended 30 September 2020 compared to the pro forma IAS 17 results is shown in the table below:

| | **Pro forma IAS 17 2020 £m** | **Impact of IFRS 16 £m** | **IFRS 16 2020 £m** |
|---|---|---|---|
| **Underlying[1] operating loss** | **(211.7)** | **(103.7)** | **(315.4)** |
| **Underlying[1] loss before tax** | **(239.6)** | **(132.2)** | **(371.8)** |
| **Underlying[1] loss per share (pence)** | **(45.4)** | **(22.6)** | **(68.0)** |

[1] Stated on an underlying basis, which excludes non-underlying items as further explained in the section on Alternative Performance Measures (APMs) on pages 23-25.

There is no net cash flow impact arising from the adoption of the new standard. As discussed in the going concern section above, the Group's principal debt covenants, which are net debt to EBITDA and interest

cover, have been waived for 30 September 2020, 31 March 2021 and 30 September 2021 (in the case of net debt only) and replaced by new covenants based on minimum liquidity and a maximum consolidated net debt levels as well as (from 30 September 2021) minimum EBITDA and modified interest cover. These new covenants are measured on a historical accounting standards basis and are therefore unaffected by the adoption of IFRS 16. The Group does not intend to alter its approach going forward as to whether assets should be leased or bought.

From 1 October 2019, the Group's lease accounting policy is as follows:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Judgements are involved in determining the lease term, particularly because termination options are included in a number of property leases across the Group to facilitate operational flexibility. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Termination options are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

**Covid-19-related rent concessions**

The Group has applied Covid-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. The amendment has been applied retrospectively and has no impact on retained earnings at 1 October 2019. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

### B. Other standards

In addition to IFRS 16, the following accounting standards and amendments have been adopted by the Group in the current year:

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

Adoptions of these new IFRS standards have had no material impact on the consolidated financial statements.

### 1.4 New accounting standards not yet adopted by the Group

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements

- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IFRS 3 ‘Definition of a business’
- Amendments to IAS 1 and IAS 8 ‘Definition of material’
- Amendments to IFRS 9, IAS 39 and IFRS 7 ‘Interest rate benchmark reform’
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Sale of Contribution of Assets between an investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)
- IFRS 14 ‘Regulatory Deferral Accounts’
- IFRS 17 ‘Insurance Contracts’
- Onerous Contracts - Cost of fulfilling a Contract (Amendments to IAS 37)

## 2 Pro forma consolidated income statement

As referred to in note 1, the Group adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective approach to transition. In accordance with the standard, the prior year figures have not been restated and as a result comparison with the prior year is distorted. However, in order to provide a meaningful comparison with the prior year, which was accounted for under IAS 17 'Leases', the table below shows the Group's underlying financial results for the year ended 30 September 2020 presented in accordance with IAS 17 under the heading 'Pro forma underlying IAS 17':

| | Notes | **Underlying IFRS 16 2020 £m** | **Impact of IFRS 16 £m** | **Pro forma Underlying IAS 17 2020 £m** | Underlying IAS 17 2019 £m | Underlying IAS 17 Year on year change % |
|---|---|---|---|---|---|---|
| **Revenue** | 3 | **1,433.1** | **-** | **1,433.1** | 2,794.6 | -48.7% |
| Operating costs | 5 | **(1,748.5)** | **103.7** | **(1,644.8)** | (2,573.5) | +36.1% |
| **Operating (loss) / profit** | | **(315.4)** | **103.7** | **(211.7)** | 221.1 | -195.7% |
| Share of (loss) / profit of associates | | **(2.4)** | **0.7** | **(1.7)** | 4.1 | -141.5% |
| Finance income | 6 | **2.5** | **-** | **2.5** | 2.3 | +8.7% |
| Finance expense | 6 | **(56.5)** | **27.8** | **(28.7)** | (24.3) | -18.1% |
| **(Loss) / profit before tax** | | **(371.8)** | **132.2** | **(239.6)** | 203.2 | -217.9% |
| Taxation | | **23.7** | **(17.4)** | **6.3** | (45.1) | +114.0% |
| **(Loss) / profit for the year** | | **(348.1)** | **114.8** | **(233.3)** | 158.1 | -247.6% |
| Equity holders of the parent | | **(334.7)** | **111.0** | **(223.7)** | 131.5 | -270.2% |
| Non-controlling interests | | **(13.4)** | **3.8** | **(9.6)** | 26.6 | -136.1% |
| **(Loss) / profit for the year** | | **(348.1)** | **114.8** | **(233.3)** | 158.1 | -247.6% |
| **(Loss) / earnings per share (pence):** | | | | | | |
| - Basic | 4 | **(68.0)** | | **(45.4)** | 29.1 | -256.0% |
| - Diluted | 4 | **(68.0)** | | **(45.4)** | 28.7 | -258.2% |

## 3 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, India and South America. 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.

| | **UK** | **Continental Europe** | **North America** | **RoW** | **Non-attributable** | **Total** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **2020 (IFRS 16)** | | | | | | |
| Revenue | **410.1** | **558.2** | **274.9** | **189.9** | **-** | **1,433.1** |
| Underlying operating loss | **(28.7)** | **(148.1)** | **(55.4)** | **(55.6)** | **(27.6)** | **(315.4)** |
| Non-underlying operating costs | **(10.3)** | **(45.4)** | **(7.9)** | **18.3** | **(3.2)** | **(48.5)** |
| Operating loss | **(39.0)** | **(193.5)** | **(63.3)** | **(37.3)** | **(30.8)** | **(363.9)** |
| **2020 (Pro forma IAS 17)** | | | | | | |
| Revenue | **410.1** | **558.2** | **274.9** | **189.9** | **-** | **1,433.1** |
| Underlying operating loss | **(12.4)** | **(103.2)** | **(43.7)** | **(24.8)** | **(27.6)** | **(211.7)** |
| **2019 (as reported under IAS 17)** | | | | | | |
| Revenue | 840.5 | 1,036.9 | 533.4 | 383.8 | – | 2,794.6 |
| Underlying operating profit / (loss) | 101.8 | 79.3 | 41.9 | 35.9 | (37.8) | 221.1 |
| Adjustment | (1.5) | (0.4) | - | - | - | (1.9) |
| Operating profit / (loss) | 100.3 | 78.9 | 41.9 | 35.9 | (37.8) | 219.2 |

The following amounts are included in underlying operating profit or loss:

| | UK | Continental Europe | North America | RoW | Non-attributable | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **2020 (IFRS 16)** | | | | | | |
| Depreciation and amortisation[1] | **(78.3)** | **(183.7)** | **(72.7)** | **(78.0)** | **(6.1)** | **(418.8)** |
| **2020 (Pro forma IAS 17)** | | | | | | |
| Depreciation and amortisation[1] | **(15.4)** | **(42.4)** | **(33.4)** | **(16.2)** | **(6.1)** | **(113.5)** |
| 2019 (as previously reported under IAS 17) | | | | | | |
| Depreciation and amortisation[1] | (15.2) | (35.6) | (31.3) | (18.6) | (4.6) | (105.3) |

[1] Excludes amortisation of acquisition related intangible assets and accelerated depreciation as shown in the APMs section.

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

| | **IFRS 16 2020 £m** | IAS 17 2019 £m |
|---|---|---|
| Underlying operating (loss) / profit | **(315.4)** | 221.1 |
| Non-underlying operating costs (note 5) | **(48.5)** | (1.9) |
| Share of (loss) / profit from associates | **(2.4)** | 4.1 |
| Finance income | **2.5** | 2.3 |
| Finance expense | **(56.5)** | (28.4) |
| Non-underlying finance expense (note 6) | **(5.5)** | (4.1) |
| **(Loss) / profit before tax** | **(425.8)** | 197.2 |
| Taxation | **28.1** | (43.7) |
| **(Loss) / profit after tax** | **(397.7)** | 153.5 |

## 4 Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the result for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings / (loss) per share is calculated by dividing the result for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted by potentially dilutive outstanding share options.

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

| | IFRS 16 | IAS 17 |
|---|---|---|
| | **2020** | 2019 |
| | **£m** | £m |
| (Loss) / Profit attributable to ordinary shareholders | **(375.0)** | 126.9 |
| | | |
| *Adjustments:* | | |
| Non-underlying operating costs | **48.5** | 1.9 |
| Net revaluation and discount unwind of the TFS financial liability (note 6) | **-** | 1.9 |
| Non-underlying finance costs | **5.5** | 2.2 |
| Tax effect of adjustments | **(4.4)** | (1.4) |
| Less non-underlying costs attributable to NCI | **(9.3)** | - |
| Underlying (loss) / profit attributable to ordinary shareholders | **(334.7)** | 131.5 |
| | | |
| Basic weighted average number of shares | **492,458,604** | 452,360,460 |
| Dilutive potential ordinary shares | **-** | 5,953,867 |
| Diluted weighted average number of shares | **492,458,604** | 458,314,327 |
| | | |
| *Earnings / (loss) per share (p):* | | |
| - Basic | **(76.1)** | 28.1 |
| - Diluted | **(76.1)** | 27.7 |
| | | |
| *Underlying earnings / (loss) per share (p):* | | |
| - Basic | **(68.0)** | 29.1 |
| - Diluted | **(68.0)** | 28.7 |

The number of ordinary shares in issue as at 30 September 2020 was 537,596,432 which excludes treasury shares (30 September 2019: 444,852,520). The Company also holds 263,499 ordinary shares in treasury.

Potential ordinary shares can only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. As the Group has recognised a loss for the year, none of the potential ordinary shares are considered to be dilutive.

## 5 Operating costs

| | IFRS 16 | IAS 17 |
|---|---|---|
| | **2020** | 2019 |
| | **£m** | £m |
| *Cost of food and materials:* | | |
| Cost of inventories consumed in the year | **(431.1)** | (806.7) |
| | | |
| *Labour cost:* | | |
| Employee remuneration | **(518.6)** | (809.3) |
| | | |
| *Overheads:* | | |
| Depreciation of property, plant and equipment | **(111.0)** | (98.3) |
| Depreciation of right-of-use assets | **(305.3)** | - |
| Amortisation of intangible assets | **(10.6)** | (8.9) |
| Impairment of property, plant and equipment | **(38.4)** | - |
| Impairment of right-of-use assets | **(38.2)** | - |
| Impairment of goodwill | **(33.0)** | - |
| Profit on lease disposal | **0.3** | - |
| Other exceptional costs | **(22.7)** | - |
| Rentals payable under leases | **(149.2)** | (551.8) |
| IFRS 16 rent credit | **91.9** | - |
| Other overheads | **(231.1)** | (300.4) |
| | **(1,797.0)** | (2,575.4) |

**Non-underlying operating costs**

The non-underlying operating costs in the year to 30 September 2020 are shown below.

| | **IFRS 16 2020 £m** | IAS 17 2019 £m |
|---|---|---|
| Impairment of goodwill | **(33.0)** | - |
| Impairment of property, plant and equipment | **(38.4)** | - |
| Impairment of right-of-use assets | **(38.2)** | - |
| Depreciation | **(6.2)** | - |
| IFRS 16 rent credit | **91.9** | - |
| Restructuring expenses | **(22.7)** | - |
| Amortisation of intangible assets arising on acquisition | **(1.9)** | (1.9) |
| Total non-underlying operating costs | **(48.5)** | (1.9) |

## 6 Finance income and expense

| | **IFRS 16 2020 £m** | IAS 17 2019 £m |
|---|---|---|
| *Finance income* | | |
| Interest income | **2.5** | 2.3 |
| Total finance income | **2.5** | 2.3 |
| *Finance expense* | | |
| Total interest expense on financial liabilities measured at amortised cost | **(22.8)** | (18.1) |
| Lease interest expense | **(27.8)** | - |
| Debt modification loss | **(3.4)** | - |
| Effective interest rate | **(2.0)** | - |
| Net change in fair value of cash flow hedges utilised in the year | **(1.6)** | (3.8) |
| Unwind of discount on provisions | **(0.4)** | (0.4) |
| Net interest expense on defined benefit pension obligations | **(0.2)** | - |
| Foreign exchange losses on revaluation of obligation to acquire additional share in subsidiary undertaking | **-** | (1.6) |
| Unwind of discount on obligation to acquire additional share in subsidiary undertaking | **-** | (0.3) |
| Other net foreign exchange losses | **(0.3)** | (0.7) |
| Other | **(3.5)** | (3.5) |
| Total finance expense | **(62.0)** | (28.4) |

**Non-underlying finance costs**

The non-underlying finance costs in the year to 30 September 2020 includes expense arising as a result of amendments and extensions of borrowings under IFRS 19.

| | **IFRS 16 2020 £m** | IAS 17 2019 £m |
|---|---|---|
| Effective interest rate charge and debt modification loss | **(5.4)** | (2.2) |
| Unwind of discount on obligation to acquire additional share of subsidiary undertaking | **-** | (0.3) |

| | | |
|---|---|---|
| Foreign exchange loss on revaluation of obligation to acquire additional share of subsidiary undertaking | **-** | (1.6) |
| Other | **(0.1)** | - |
| Total non-underlying finance costs | **(5.5)** | (4.1) |

## 7 Cash flow from operations

| | **IFRS 16 2020** | IAS 17 2019 |
|---|---|---|
| | **£m** | £m |
| (Loss) / profit for the year | **(397.7)** | 153.5 |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | **111.0** | 98.3 |
| Depreciation of right-of-use assets | **305.3** | |
| Amortisation of intangible assets | **10.6** | 8.9 |
| Profit on disposal of lease | **(0.3)** | - |
| Non-cash change in lease liabilities | **(91.9)** | |
| Impairments | **109.6** | - |
| Share-based payments | **2.0** | 8.2 |
| Finance income | **(2.5)** | (2.3) |
| Finance expense | **62.0** | 28.4 |
| Share of loss / (profit) of associates | **2.4** | (4.1) |
| Taxation | **(28.1)** | 43.7 |
| | **82.4** | 334.6 |
| Decrease / (increase) in trade and other receivables | **77.2** | (30.4) |
| Decrease / (increase) in inventories | **15.5** | (3.6) |
| (Decrease) / increase in trade and other payables including provisions | **(161.7)** | 37.7 |
| Cash flow from operations | **13.4** | 338.3 |

## 8 Dividends

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Interim dividend paid in the year of £nil per share (2019: 5.8p) | **-** | (25.8) |
| Special dividend paid in the year of £nil per share (2019: 32.1p) | **-** | (149.8) |
| Prior year final dividend of 6.0p per share paid in the year (2019: 5.4p) | **(26.8)** | (25.2) |
| | **(26.8)** | (200.8) |

The prior year final dividend of 6.0p per share was approved at the Group's Annual General Meeting in February 2020 and was paid in June 2020 for a total payment of £26.8m. No dividend for financial year 2020 is proposed.

## 9 Right-of-use assets

| | Concessions contracts £m | Land, buildings and leasehold improvements £m | Other equipment £m | Total £m |
|---|---|---|---|---|
| Beginning of the year | - | - | - | **-** |
| Right-of-use assets on transition | 1,441.4 | 26.5 | 1.0 | **1,468.9** |
| Acquisitions | 24.1 | - | - | **24.1** |
| Additions | 247.9 | 17.7 | 0.8 | **266.4** |
| Depreciation charge in the year | (298.8) | (5.9) | (0.6) | **(305.3)** |
| Remeasurement adjustments | (130.2) | (6.7) | - | **(136.9)** |
| Impairments | (38.2) | - | - | **(38.2)** |
| Currency translation | (7.0) | (0.8) | - | **(7.8)** |
| **End of the year** | 1,239.2 | 30.8 | 1.2 | **1,271.2** |

## 10 Lease liabilities

| | 2020 £m |
|---|---|
| Beginning of the year | **-** |
| Lease liabilities on transition | **(1,464.4)** |
| Acquisitions | **(24.1)** |
| Additions | **(266.4)** |
| Interest charge in the year | **(27.8)** |
| Payment of lease liabilities | **200.4** |
| Remeasurement adjustments | **227.2** |
| Currency translation | **5.8** |
| **End of the year** | **(1,349.3)** |
| | |
| Of which are: | |
| Current lease liabilities | **(289.1)** |
| Non-current lease liabilities | **(1,060.2)** |
| **End of the year** | **(1,349.3)** |

## 11 Business combinations and purchase of non-controlling interest

### Business combinations

During the year ended 30 September 2020, the Group purchased 100% of the share capital of two companies and the trade and assets comprising part of the business of two other companies for a total consideration, net of cash and cash equivalents acquired, of £21.5m. These four transactions were deemed to be business combinations within the scope of IFRS 3 Business Combinations. A summary of the details of these acquisitions is shown in the table below:

| Business / Company | Acquisition method | Sector | Country | Acquisition date |
|---|---|---|---|---|
| Land's End Pasty | Trade and assets | Rail | UK | 1 October 2019 |
| Red Rock's F&B business in Melbourne Airport | Trade and assets | Air | Australia | 23 December 2019 |
| WA Airport Hospitality Pty Ltd | Share capital | Air | Australia | 23 January 2020 |
| Station Food GmbH | Share capital | Rail | Germany | 29 February 2020 |

The acquisitions are in line with the Group's strategy to grow its geographic footprint and expand its operations in the UK, Australia and Germany. These acquisitions are individually not material but are material in aggregate.

A summary of the aggregate effect of acquisitions completed in 2020 are shown below:

| | **£m** |
|---|---|
| Property, plant and equipment | 9.8 |
| Right-of-use assets | 24.1 |
| Inventories | 0.3 |
| Trade and other receivables | 0.6 |
| Cash | 1.0 |
| Trade and other payables | (2.1) |
| Lease liabilities | (24.1) |
| **Fair value of the assets acquired** | **9.6** |
| **Goodwill** | **12.9** |
| **Cash consideration** | **22.5** |

**Reconciliation of consideration to the consolidated cash flow statement:**

| | |
|---|---|
| Cash consideration | **22.5** |
| Less: cash and cash equivalents acquired | **(1.0)** |
| **Cash consideration, net of cash and cash equivalents acquired** | **21.5** |

The Board believes that the excess consideration paid over fair value of the net identifiable assets is best considered as goodwill on acquisition, representing the operating synergies, derived from adding scale and other benefits to our local existing operations. Goodwill recognised is not deductible for tax purposes.

For the year ended 30 September 2020, the acquisitions in aggregate contributed £6.6m to revenue and £2.7m to operating losses from the dates of acquisition. If the acquisitions had occurred at the beginning of the year, their contribution to revenue and operating loss would have been £16.0m and £3.3m respectively.

Total transaction costs and expenses incurred of £0.6m have been included in other overheads within the income statement and primarily related to professional fees for reviews and due diligence of these deals.

**Purchase of non-controlling interest**

Prior to 6 February 2020 the Group held a 50% interest in Rail Gourmet Togservice Norge AS (RGT), a subsidiary of the Group. On 6 February 2020, the Group purchased the 50% interest in RGT it did not own, taking its ownership to 100%. The consideration paid for the additional 50% interest was NOK60m, equivalent to £5.0m.

## 12 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 value and fair values of certain financial instruments**

The following table shows the carrying value of financial assets and financial liabilities.

| | **IFRS 16** | IAS 17 |
|---|---|---|
| | **2020** | 2019 |
| | **£m** | £m |
| **Financial assets measures at amortised cost** | | |
| Cash and cash equivalents | **185.0** | 233.3 |
| Trade and other receivables | **155.1** | 184.5 |
| **Total financial assets measured at amortised cost** | **340.1** | 417.8 |
| **Non-derivative financial liabilities measured at amortised cost** | | |
| Bank loans | **(411.3)** | (471.6) |
| Covid Corporate Financing Facility (CCFF) | **(123.9)** | - |
| US Private Placement notes | **(341.1)** | (243.9) |
| Lease liabilities | **(1,349.3)** | - |
| Finance lease liabilities | **-** | (1.2) |
| Trade and other payables | **(380.0)** | (532.8) |
| **Total financial liabilities measured at amortised cost** | **(2,605.6)** | (1,249.5) |
| **Derivative financial liabilities** | | |
| Interest rate swaps | **(5.1)** | (4.6) |
| **Total derivative financial liabilities** | **(5.1)** | (4.6) |

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 excluding lease liabilities estimated using market prices at 30 September 2020 is £885.4m (30 September 2019: £727.1m).

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.

## 13 Equity issue

On 25 March 2020, the Company announced that it had raised new equity by agreeing to allot and issue 86,195,459 new ordinary shares (of nominal value 1 17/200 pence each) ("Ordinary Shares") to investors at £2.50 per share, by way of a share placing. Due to the size of the transaction, and the short time-frame required as part of the Company's response to the Covid-19 pandemic, the placing was effected by the Company's placing agent subscribing for shares in a subsidiary of the Company for an amount broadly equal to the proceeds of the placing, and then transferring those shares to the Company in exchange for the allotment of the Company's new shares to investors. The Company raised gross proceeds of £215.5m and incurred issue costs and other related fees of £7.6m.

The excess of the gross proceeds raised over the nominal value of the shares issued, and the issue costs and other related fees incurred from the March placing, are both recorded in the merger relief reserve, in accordance with Section 612 of the Companies Act 2006.

Concurrent to the March placing, certain directors of the Company and members of the senior management team of the Group subscribed in cash at £2.50 per share for an aggregate 304,000 new Ordinary Shares, raising additional proceeds of £0.8m and incurring £0.1m of issue costs. The excess of the proceeds raised over the nominal value of the shares issued and issue costs incurred are recorded in share premium, in accordance with section 610 of the Companies Act 2006.

On 4 June 2020, the Company announced that it had raised further new equity by agreeing to allot and issue 3,382,255 new ordinary shares to investors at £3.15 per share, by way of a share placing. The Company raised gross proceeds of £10.7m and incurred issue costs and other related fees of £0.1m.

Concurrent to the June placing, (i) certain directors of the Company and members of the senior management team of the Group subscribed in cash at £3.15 per share for an aggregate 31,739 new ordinary shares, raising additional proceeds of approximately £0.1m and (ii) retail investors subscribed in an offer made by the Company via the PrimaryBid platform for an aggregate of 61,394 new Ordinary Shares in the capital of the Company at £3.15 per share, collectively raising additional proceeds of approximately £0.1m.

The excess of the gross proceeds raised over the nominal value of the shares issued, and the issue costs and other related fees incurred from the June placing, subscription and retail offer, are recorded in share premium, in accordance with section 610 of the Companies Act 2006.

## 14 Post balance sheet events

In December 2020, SSP Financing Limited secured an agreement from its lending group of banks and US private placement note holders to waive the net debt cover financial covenant for the testing period covering the twelve months to 30 September 2021. Please refer to the Going Concern section on pages 31-33 for further details.

## 15 Annual General Meeting

The Group's Annual General Meeting will be held on 26 February 2021. Details of the resolutions to be proposed at that meeting will be included in the notice of Annual General Meeting that will be sent to shareholders in January 2021.

## 16 Other information

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2020 or 30 September 2019 but is derived from those accounts. Statutory accounts for year ended 30 September 2019 have been delivered to the registrar of companies, and those for year ended 30 September 2020 will be delivered in due course.

The auditor has reported on the accounts for the year ended 30 September 2020; their report was:

i. unqualified,

ii. included a reference to a material uncertainty that may cast significant doubt on the Group’s and the parent company’s ability to continue as a going concern as referred to in note 1.2; and

iii. did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Company’s Annual Report and Accounts for the year ended 30 September 2020 will be posted and made available to shareholders on the Company’s website in January 2021.

## 17 Forward looking statement

This announcement 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", “anticipate”; “will”; “plans”, “aims”, “projects”; “may”; “would”; “could”; “should” or, in each case, their negative and words of similar meaning are forward-looking. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (ii) business and management strategies and the expansion and growth of the Company's operations. By their nature, forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions 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, performance, 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 disclosures made by us or on the Group’s behalf, including as a result of the macroeconomic and other impacts of Covid-19, economic and business cycles, the terms and conditions of the Company's financing arrangements, foreign currency rate fluctuations, competition in the Company's principal markets, acquisitions or disposals of businesses or assets and trends in the Company's principal industries.

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 announcement, those results or developments may not be indicative of results or developments in subsequent periods. The forward-looking statements contained in this announcement speak only as of the date of this announcement. Except where required to do so under applicable law or regulatory obligations, the Company and its Directors expressly disclaim any undertaking or obligation to update or publicly revise any forward looking statements whether as a result of new information, future events or otherwise.