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12 March 2019

DOMINO'S PIZZA GROUP PLC

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 30 DECEMBER 2018

Continued UK growth; sharpened operational focus on International

	52 weeks to 30 December 2018	53 weeks to 31 December 2017	52 weeks to 31 December 2017	Change % 52 weeks vs 52 weeks
Group system sales[1]	**£1,259.5m**	£1,179.6m	£1,155.7m	9.0%
UK & ROI system sales[1]	**£1,155.4m**	£1,101.5m	£1,079.4m	7.0%
UK like-for-like system sales[1,2] growth (excluding splits)	**4.6%**	-	4.8%	
Underlying profit before tax[4]	**£93.4m**	**£96.2m**	**£94.4m**	**(1.1)%**
Non-underlying items before tax[5]	**£(31.5)m**	£(14.8)m	£(14.8)m	n/m
Total profit before tax	**£61.9m**	£81.4m	£79.6m	(22.2)%
Underlying basic EPS[3]	**16.1p**	**16.0p**	**15.7p**	**2.5%**
Net debt	**£203.3m**	£89.2m	-	n/m
Recommended total dividend per share	**9.50p**	9.00p	-	5.6%
Total revenue	**£534.3m**	£474.6m	£466.5m	14.5%
Statutory basic EPS	**10.3p**	13.8p	13.5p	(23.7)%

David Wild, Chief Executive Officer, said:

"2018 was a mixed year. In the UK and Ireland, which account for around 90% of the business, we extended our excellent track record of growth and cash generation, responding well to the very challenging environment for the casual dining market. Our franchisees opened 59 new stores, creating more than 2,000 jobs and sold a record 102 million pizzas. We also continued investing for future growth in digital and by successfully completing our new Supply Chain Centre in Warrington, our most significant investment to date, which supports our target of 1,600 stores in the UK.

"Internationally, we have experienced some growing pains which have hampered our overall financial performance. These are all good markets, with more than 100 million population, good appetites for pizza and little, if any, global brand competition. This is why we have strengthened our management teams and are committing disciplined capital to support future development. We expect an improved performance from International, with the business targeted to break even this year.

"I would like to thank our highly talented colleagues and franchisee partners for their ongoing dedication to the brand and our customers."

Financial highlights

- Group system sales[1] of £1,259.5m, up 9.0% on a 52 week basis
    - UK system sales up 7.1%, like-for-like[2] sales up 4.6%
    - Republic of Ireland system sales up 5.2%, like-for-like sales up 4.0%
    - Pro forma[3] International system sales up 7.7%
- Group statutory revenue up 12.6% to £534.3m
- Group underlying[4] PBT £93.4m, down 1.1% on a 52 week basis
- Underlying PBT excludes net non-underlying[5] charges of £31.5m relating mainly to International impairments, UK supply chain transformation and integration costs. See note 3 for full details
- Group statutory PBT £61.9m, down 24%
- Underlying basic earnings per share of 16.1p, up 2.5% on a 52 week basis
- Net debt £203.3m; net debt/EBITDA 1.85x

Strategic highlights

- Growing market positions in six countries: platform for long term growth
- 81 new Domino's stores opened across the Group; 58 in UK
- Completion of Warrington supply chain centre, supporting future growth in the UK business
- Dividend growth track record continued: full year dividend +5.6%
- Total cash returns to shareholders of £103.5m, comprising £44.3m dividends and £59.2m share buybacks

Outlook

- 2019 UK store pipeline similar to 2018 at the same time last year, although actual openings likely to be lower than 2018 given ongoing franchisee discussions
- Continued UK growth expected; International targeted to break even
- 2019 capex of £25-30m, including £5m of supply chain capacity and efficiency investments in UK & ROI. Controlled international investment
- Net debt/EBITDA expected to remain around 2018 year end level

Note: 2017 was a 53 week reporting period to 31 December 2017. For the purposes of comparability, all growth rates in this release are given on a 52 week basis.

1 System sales represent the sum of all sales made by both franchised and corporate stores in the United Kingdom, Republic of Ireland, Switzerland and Nordics to consumers.
2 Like-for-like system sales are defined as system sales from stores that were opened before 25 December 2016 and have not been impacted by donating territory to a new store (Split), compared to the corresponding 52-week period in the prior year.
3 Pro forma sales growth is calculated on a constant currency basis assuming the businesses were owned for the entirety of both years.
4 Underlying performance measures are defined as statutory performance measures excluding amounts relating to discontinued operations and non-underlying items.
5 Non-underlying items are defined as being items that are material in size, unusual or infrequent in nature and are disclosed separately as non-underlying items in the notes to the accounts. See note 3 for more information.

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A presentation for analysts and investors will be held at 9.00am this morning at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BB, with breakfast from 8.30am. The event will also be webcast live at https://www.investis-live.com/dominos/5c66cbddcad1ac0c00f38b16/jjub.

Participant dial-in numbers:

United Kingdom (Local) 020 3936 2999
All other locations + 44 20 3936 2999
Participant Access Code : 803742

Replay information:

A recording will be available until Tuesday 19th March 2019
UK: 020 3936 3001
USA: 1 845 709 8569
All other locations: +44 20 3936 3001
Access Code: **375196**

About Domino's Pizza Group

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK, the Republic of Ireland, Switzerland and Liechtenstein. In addition, we have a controlling stake in the holders of the Domino's master franchise agreements in Iceland, Norway and Sweden, as well as associate investments in Germany and Luxembourg.
For photography, please visit the media centre at corporate.dominos.co.uk, contact the Domino's press office on +44 (0)1908 580654, or call Maitland on +44 (0)20 7379 5151.

Chairman's statement

Overview

I am happy to be reporting on a year of continued growth for Domino's. We have responded to a very difficult period for the casual dining sector – beset by cost inflation and overcapacity – by investing in our infrastructure, supporting franchisees and paving the way for further long term growth.

Domino's UK & ROI remains one of the very strongest franchises across the global Domino's network, and we are fortunate to enjoy long term, mutually-beneficial partnerships with an outstanding group of franchisees. They continue to invest in new stores, with a further 59 opened during the year.

For our part, we completed our investment in the new Warrington supply chain centre, which will support franchisees' growth plans for many years to come, and have embarked on a major programme to upgrade our customer-facing IT platforms to drive further sales growth.

Outside the UK, we continue to make operational improvements and invest to strengthen our businesses. In Ireland, we took a 15% stake in our largest franchisee, investing alongside a private investor. This lays the foundations for further store openings in Ireland.

At the start of the year, we completed the acquisitions of a further 44.3% stake in Domino's Iceland and, through our minority stake in Germany, the number two independent operator in that market. Both businesses have performed very well this year. In Norway, the integration of last year's acquisition of Dolly Dimple's has presented challenges, and losses have been greater than anticipated. At the year end, we took an impairment on the values of Norway, Sweden and Switzerland, reflecting their increased risk profile and the issues encountered during the year.

Nonetheless, all of these markets offer long term growth prospects and the opportunity to create lasting value for Domino's shareholders.

The significant level of non-underlying items incurred this year reflects a period of transformation for the Group, as we renew our infrastructure and integrate new businesses.

Capital allocation and returns to shareholders

The Domino's business model generates high returns on capital and strong cash flows. The Board has a clear framework for capital allocation, making sure that existing businesses are invested in to maintain and grow competitive advantage, appraising new growth opportunities and returning cash to shareholders, all within an appropriate capital structure.

With the completion of Warrington, our capital investment fell this year to £28.9m. Acquisition spend totalled £60.1m, as outlined above. We returned £103.5m to shareholders, of which £44.3m was through the regular dividend and £59.2m was through share buybacks.

The total dividend for the year will be 9.5p, up 5.6% year-on-year. The proposed final dividend for the year of 5.45p per share will, subject to shareholder approval at the Annual General Meeting on 18 April 2019, be paid on 25 April 2019 to shareholders on the register at the close of business on 22 March 2019.

To support these uses of capital and to establish a more efficient funding structure, the Board also raised the Group's leverage target to 1.75–2.5 times net debt to EBITDA. Given that the Group was in a net cash position only three years ago, this is clearly a significant development of policy. Our £350m credit facility gives us flexibility should we see appropriate opportunities, but our expected level of net debt leaves us able to delever appropriately should the environment deteriorate.

Our stakeholders

Domino's has an unusual but highly successful business structure built on enduring collaboration between a number of skilled and experienced contributors. Running pizza restaurants is hard and committed work, and I would like to acknowledge here our franchisees' ongoing dedication to customers and the brand. From time to time, commercial tensions can rise to the surface, but I am confident that we remain strongly aligned for long term growth, and the Board and executive team are working hard to ensure that these current differences are short-lived.

We are also part of a global network: Domino's businesses around the world share best practice and a joint responsibility for the brand. We all support each other. Our common interest is sustaining and improving the customer experience. Finally, I thank our customers, who continue to love our pizzas despite the increasing choice and innovation in the market.

Board changes

During the year our CFO Rachel Osborne decided to leave Domino's to pursue other interests. In October we announced the appointment of a new CFO, David Bauernfeind, who comes with significant PLC experience and has already made a positive impact in the business. Steve Barber, the Chairman of the Audit Committee, also informed the Board of his intention to step down at the Annual General Meeting in April 2019. I would like to thank both Rachel and Steve, on behalf of the Board, for their contributions to the business.

Conclusion

2018 has been a year of solid financial performance, but we are determined to improve operational and financial performance in our international businesses, and ensure a smoother relationship with some of our franchisees. Despite some economic and political challenges, as the leading brand in the most popular cuisine in the market, supported by outstanding business partners and over 10 million customers, we are well set for profitable growth.

Chief Executive Officer's review

Overview

2018 has been a year of steady growth in our established markets, underpinned by important and successful operational developments behind the scenes. In our newer markets, revenue growth has been strong but accompanied by a number of operational issues that have increased losses in the short term. None of these changes our view of the long term profitable growth prospects that these markets offer.

Our strategy remains simple. We aim to be the number one pizza company in each neighbourhood, through a commitment to offering the best product and service to our customers.

UK

Market

The overall delivered food market in the UK continued to grow strongly in 2018, with the ongoing stimuli of increased awareness, the convenience of digital ordering, and improved home entertainment. The pizza market also continued to grow, albeit at a slightly slower rate, reflecting its very strong starting position and increased competition from new cuisine options. All of the delivered food market was negatively impacted in the middle of the year by the record hot and dry weather.

The casual dining market also witnessed concerted cost inflation during the year, particularly labour. Increases in the National Living Wage, as well as the introduction of the apprenticeship levy, impacted on profitability for the sector. Combined with high rents and rising business rates, a number of operators closed restaurants or went out of business altogether.

As in 2017, we have been operating in an uncertain consumer environment. Although employment is at record levels and wage inflation has picked up, costs of living are rising and customers are very focused on value. Until the UK's future relationship with the EU becomes clearer, we expect this uncertainty to continue.

Drivers of growth

Compared to the equivalent 52 weeks of 2017, UK system sales were up 7.1% to £1,091.6m. Like-for-like growth, excluding the effect of splitting territories, was 4.6%. Like-for-like growth was relatively balanced between order volume (+2.2%) and value (+2.4%), with order volume slightly below our initial expectations as a result of the prolonged heatwave.

We continued to take share in the overall pizza delivery market, thanks to our scale, our brand, our new store growth and the quality of our product; and of course, from the continued expertise and dedication of our franchisees.

58 new stores were opened in 2018, taking the total over the last three years to 234. With 1,103 stores across the UK, we are confident of reaching our goal of 1,600 over time. This confidence is underpinned by the strong performance of stores opened in the last three years, which have had an average address count of 16,577 compared to 24,159 across the mature store base. Sales per address per week, at 84p, were up 3.3% across the mature store base, and sales per address in new and immature stores are respectively 5.7% and 1.4% higher than the mature store base.

We now directly operate 33 stores in London, after our acquisition of 25 stores in 2017 and the further acquisition in August 2018. London is an important part of our strategy for UK growth, and operating the stores ourselves gives us scope to develop operational expertise and to test innovations. Trading in the stores acquired last year improved significantly through 2018 and achieved a like-for-like performance well ahead of the rest of London, as we successfully implemented a number of commercial and operational initiatives.

Customer value and experience

We operate in a highly competitive marketplace. Technology and new business models have given customers more choice and greater convenience, as well as making it easier to seek value. Our own business has evolved rapidly to meet these challenges and look for additional opportunities.

Domino's in the UK is a leading digital success story. The speed of migration to digital ordering over the last five years has been extraordinary. In 2018, online orders represented 79% of all orders by value, and 89% of delivery orders by volume. During the year we began a project to upgrade both our eCommerce platform and our app, to make it easier and more cost effective to make future updates, and to make further improvements to the customer journey. The Group will contribute £10m to this programme.

After a period in the first half of 2017 when customers were telling us we weren't offering value for money, we have renewed our focus on the appeal of our promotions and improved communication around them. We saw the benefit not only in an improvement in volume growth, but also in customer ratings for value: through 2018, an average of 32% of customers rated us 5/5 for value compared to 27% during 2017. The overall level of promotional activity remained relatively steady, with 88.2% of orders on some kind of promotion, and an average discount to menu prices of 38.6%.

We also continue to use collection deals as a way to reinforce the value message. Collection business tends to be incremental to delivery and has limited labour cost attached to it, so still makes an attractive contribution at lower prices. Collection sales rose 5.9% in 2018.

Brand

The strength of the Domino's brand is a key differentiator for us. Franchisees contribute 4% of their sales into a national advertising fund which we then invest on their behalf. As we drive sales higher, the advertising fund grows, creating a virtuous circle.

The strength of the brand, supported by great tasting pizza, excellent service and good value for money, drives higher store sales and profitability. Our spontaneous recall in 2018 was 82%, compared to an average of 55% for our closest competitors.

"The Official Food of Everything" platform, launched in September 2017, was the mainstay of our communications throughout the year, and showed its versatility through a range of campaigns. As we increased our focus on major events, our campaign for the football World Cup was particularly effective, supported by a range of topical out-of-home billboards, a strong video presence on social media, and a dedicated pizza, the Meatfielder.

We continued to sponsor relevant TV platforms, such as Hollyoaks, Sky Sports News and the ITV Hub, and we also began to target the large and growing gaming audience through our multi-year deal with Gfinity, a leading e-sports solutions provider.

Supporting franchisees

During the year we completed our biggest ever investment in the business, our £39m Warrington supply chain centre. By the year end it was making dough and delivering supplies to 285 stores. Warrington gives us ample capacity for the next leg of franchisee store openings, supporting their profitable growth plans and making sure we have the most efficient supply chain in the industry.

Technology is another key element of our support for franchisees. We expect them to be a key beneficiary in the new platform investments, as we drive the next leg of growth through further personalisation and improvements to the customer journey.

We are also conscious of the inflationary environment, notably in labour. This has inevitably contributed to a period of more intense commercial discussions with franchisees, which have continued into the new year. We are confident that we will resolve our differences to the benefit of customers and maintain the long term alignment of interests that has served all parties very well for so long.

Despite these inflationary headwinds and an uncertain consumer environment, franchisee profitability per store (measured across all stores) was only slightly down during the year. Solid like-for-like growth, as well as some additional support on food costs to provide compelling value for customers, partially offset inflationary pressures.

We recognise, though, that many new store openings have a temporary negative impact on existing stores where franchisees are splitting territories. While the returns are still very attractive for franchisees longer term, we do provide some short term relief in the shape of incentives for new stores. In 2018 these incentives totalled £3.4m, equivalent to £75,000 per new store that qualified.

ROI

Our performance in the Republic of Ireland was steady this year, with a much stronger second half compensating for a slow start to the year. We opened one new store, taking the total to 50, and achieved like-for-like growth of 4.0%. We still see ample opportunity to raise store numbers to 75 over time: the Irish economy has recovered strongly and the casual dining market is booming.

In November 2018 we reached agreement to invest €12.5m for a 15% stake in Shorecal Limited, the Domino's franchise business owned by the Caldwells, the largest Domino's franchisee in Ireland. This was part of a wider transaction in which we invested alongside a private investor that took a 34% stake. Shorecal will open 10 new stores in Ireland (of which six will be in ROI) over the next four years.

International

We continue to believe in the long term potential of our international businesses. We are making some progress as we further refine the operating model in each market. We have, however, faced a number of challenges which have impacted on certain markets this year, and have resulted in a worse financial result than anticipated. We are investing more in people and infrastructure to ensure we are best positioned to take advantage of the opportunities.

Overall pro forma system sales growth in our controlled international operations was 7.7% on a constant currency basis, and we generated an EBIT loss of £4.1m. Within this, Iceland and our German associate were profitable, and Switzerland, Norway and Sweden all continue to be loss-making.

Switzerland achieved constant currency system sales growth of 7.0%, with like-for-like performance of 0.4% reflecting a very strong performance in the prior period. We opened two stores in the year, taking the total to 20. Growth was negatively affected by planning restrictions on our two most recently opened stores in Geneva, which were resolved before the year end. We now have a good pipeline of new openings in Switzerland, and a strengthened management team. Although we remain confident of reaching profitability in Switzerland, we have taken a net impairment charge of £1.2m to recognise the higher risk profile in the business given underperformance over several years.

In Iceland, constant currency system sales were up 4.2%, with like-for-like growth of 1.4%. We opened two stores in 2018, taking the total to 25 – in Domino's Iceland's 25th year of operation. Iceland continues to achieve record sales per store performances despite the lowest population per store of any major Domino's market.

In Norway, we now trade from 42 Domino's branded outlets, adding a further 15 Domino's stores during the year. System sales growth in local currency from the Domino's chain was 115.0%. Like-for-like performance was flat, reflecting the impact of persistent warm and dry weather, and increased store density as we build scale in Oslo and complete the conversion of Dolly Dimple's stores. Given the underperformance in Norway, and the higher risk profile of the business, we have recognised an impairment of £10.2m. This is discussed in more detail in the financial review.

In Sweden, constant currency system sales in our nine stores were up 53.5%. We have recently appointed a new country manager with significant experience in the QSR sector, and continue to strengthen the local management team. Although we remain confident that the Swedish market can be profitable, we have taken an impairment charge of £2.7m to reflect the higher risk profile in the business.

In Germany, our associate in which we own a 33% interest completed the acquisition of Hallo Pizza, the largest independent pizza operator, in January 2018. The business made significant progress in store conversions and continues to build nationwide scale under the Domino's brand.

Outlook

We expect further growth in the UK and ROI in 2019, both from like-for-like growth and new store openings. There are likely to be fewer new stores this year given the ongoing discussions with franchisees on commercial terms, but we are confident that the strong commercial rationale will drive decision-making in the medium term.

In our international businesses, we are investing in new stores and improved capabilities to sharpen execution, and, while recognising a heightened risk profile in delivery in the Nordics, we anticipate a break-even result for International as a whole in 2019. Overall group capex is expected to be £25-30m.

Financial review

Performance reporting

The 2018 year comprised 52 weeks whereas the 2017 year comprised 53 weeks. In this section, all figures are given on a 52 week versus 52 week basis unless otherwise stated. The statutory reporting section gives all growth rates on a reported basis.

System sales and drivers

Group system sales were up 9.0% in the year to £1,259.5m. Excluding the impacts of foreign exchange movements and acquisitions, Group system sales were up 7.0%.

We saw solid growth in all of our markets. The UK, which represented 87% of system sales in 2018, saw system sales growth of 7.1%. H1 system sales growth was 8.3%, as we lapped a weaker first half last year and achieved good volume growth; in H2, growth was 6.0%, and was mainly driven by ticket – the amount paid per order.

UK like-for-like growth, excluding the impact on stores in split territories, was 4.6%. Average weekly unit sales in mature stores were £20,331, despite the dilutive effect of 73 having reduced address counts year-on-year as a result of splits. Like-for-like order volume growth was 2.2% and ticket growth was 2.4%, which we view as a healthy balance.

We opened 58 new stores in the UK, taking the base to 1,103. New and immature stores generated £90.4m of system sales (2017: £90.1m), mature stores generated £913.7m (2017: £838.7m), and stores affected by territory splits generated £87.5m (2017: £90.1m).

Total system sales outside the UK amounted to £167.8m. The Republic of Ireland grew system sales by 5.2% after adjusting for foreign currency effects. After a relatively weak first half, affected by the weather and lacklustre promotions, the business recovered strong momentum in H2. Switzerland grew system sales by 7.0%, with growth affected by a very strong year in 2017 and some licence issues on new stores.

System sales for our Nordic markets were £84.4m. These businesses were only consolidated when we took majority ownership in May 2017. Iceland, a relatively mature business that has a very strong market position, continued to grow steadily. We underperformed against our plans in Norway and Sweden, leading to impairments in both markets.

Operating margin and drivers

Group underlying operating profit for the year was £96.9m, up 1.0% year-on-year. Our operating margin, measured as a percentage of system sales, was 7.7%, down 40 basis points over 2017, due to the full year inclusion of international operations within the Group and their disappointing performance.

UK & ROI underlying operating profits were up 8.4% to £101.0m, driven by the good top line performance with our gross profit drivers – royalty fees, food and non-food sales - driven by system sales. The margin on system sales increased slightly to 8.7%.

Most of our costs are variable, so we do not typically experience significant operating leverage relative to system sales performance. Where we achieve financial benefits from increased scale, we typically seek to reinvest them in driving growth rather than achieving significant margin expansion.

In our International operations, we recorded an operating loss of £4.1m, reflecting a profitable business in Iceland, a positive contribution from our German associate, and losses in Switzerland, Norway and Sweden. We continue to work on the profitability of our international markets.

Underlying profit before tax was £93.4m, down 1.1% on a 52 week basis. The slight decline reflects the continued sales and profit growth in the UK, ROI and Iceland, offset by losses in Norway, Sweden and Switzerland.

Statistory reporting

Earnings per share

Underlying basic earnings per share for 2018 was 16.1p, representing 2.5% growth over last year (2017: 15.7p on a 52 week basis). EPS growth was driven largely by a 3.1% reduction in the average share count as a result of share buybacks over the last two years.

On a statutory basis, basic earnings per share was 10.3p (2017: 13.8p on a 53 week basis) and diluted earnings per share was 10.2p (2017: 13.6p).

Cash flows and capital allocation

The Group is highly cash generative and has many opportunities to invest for growth, while also returning excess cash to shareholders in a regular and structured way. In 2018 we generated £85.8m in net cash flow from operating activities, a decrease from £104.2m in 2017, largely due to less favourable working capital movements of £15.4m.

We deployed £192m of capital during 2018. This year we invested £28.9m in the business. Of this, £7.8m related to the completion of our new supply chain centre in Warrington. We also invested £7.4m in IT, both to support franchisees in providing service to customers and to upgrade our technology platforms. £1.3m was invested in our UK corporate stores, and £10.4m was invested in new stores and conversions, supporting our international growth.

We returned £44.3m to shareholders through the ordinary dividend. From a cash perspective, this reflects the payments of the final dividend for 2017 and the interim dividend for 2018. On a declared basis, dividends per share for 2017 amounted to 9.5p (interim 4.05p, final 5.45p), up 5.6% on 2017's 9.00p dividend (interim 3.75p, final 5.25p). Our policy is for ordinary dividends to be 1.7-2x covered by earnings per share.

We invested £60.1m in M&A activity: £26.8m increasing our ownership of Domino's Iceland to 95.3%; £5.8m to acquire Hallo Pizza, the largest independent chain in Germany through our 33%-owned associate, Daytona; £16.4m on corporate stores, including £9.2m to complete the full acquisition of the 2017 purchase and £7.2m to acquire six more stores in London; and £10.8m to take a 15% stake in the largest franchisee in Ireland.

When we have excess capital relative to our target leverage ratio, we will look to return it to shareholders to maintain capital discipline and an efficient balance sheet. During the year we invested £59.2m in buying our own shares, at an average price of 323p. We assess the value of share buybacks by reference to the Board's own view of intrinsic value as well as an internal rate of return calculation.

Capital employed and balance sheet

Non-current assets have increased by £15.8m in the year. Intangible assets have decreased by £7.5m, largely as a result of impairments of £13.2m over the international businesses offset by additions to the new IT platform in the year. Property, plant and equipment has increased by £1.7m, largely as a result of additions on the Warrington supply centre, corporate stores and international operations of £16.8m offset by impairments of £7.5m. Overall net current liabilities are £39.4m, compared to £48.3 last year.

Current assets have increased £1.8m largely due to increases in trade receivables. Current liabilities have decreased £7.1m with a £3.6m decrease in deferred consideration and £2.5m decrease in share buyback obligations being offset by £5.9m increase in trade and other payables.

The increase in non-current liabilities of £86.7m is largely due to additional drawdowns on the RCF.

The significant changes in equity are the reduction in other reserves of £15.2m as a result of the lapsing of the put option in Iceland which was separately acquired and £59.2m of share buybacks recognised, together with £4.4m of EBT share purchases.

Treasury management and net debt

In November 2018 the Group exercised an option to extend its unsecured revolving multi-currency facility of £350m to December 2023 with the option of one further extension for a period of 12 months to be exercised before the second anniversary of the facility. The facility's lower range remains at a margin of 75bps above LIBOR rising to 185bps with increased leverage, plus a utilisation fee of between 0.15-0.30% of the aggregate amount of the outstanding loans.

The Group monitors its overall level of financial gearing on a regular basis to ensure that it remains well within its targets and banking covenants. The Group monitors its cash resources centrally through short, medium and long-term cash forecasting. Surplus cash in the UK is swept into interest bearing accounts or placed on short-term money market deposits. We ended the year with net debt of £203.3m up from £89.2m at the end of 2017, giving us a leverage ratio of 1.85, within our target leverage ratio of 1.75 – 2.5 times net debt/EBITDA.

Underpinning Treasury activity is a robust Treasury Policy and Strategy that aims to minimise financial risk. Foreign exchange movement arising from transactional activity is reduced by either agreeing fixed currency rates with suppliers or pre-purchasing the currency spend. Translation exposure is minimised by reducing overseas net assets.

Group income statement

52 weeks ended 30 December 2018

	Notes	**52 weeks ended 30 December 2018 £m**	53 weeks ended 31 December 2017* £m
Revenue		534.3	474.6
Cost of sales		(311.1)	(280.7)
Gross profit		223.2	193.9
Distribution costs		(31.6)	(28.4)
Administrative costs		(117.6)	(93.0)
Other expenses		(19.0)	-
		55.0	72.5
Share of post-tax profits of associates and joint ventures		1.0	3.2
Operating profit		56.0	75.7
Net gain on step acquisition of foreign operations	3	-	5.8
Other income	3	8.2	-
Profit before interest and taxation		64.2	81.5
Finance income		2.1	1.8
Finance costs		(4.4)	(1.9)
Profit before taxation		61.9	81.4
Taxation	5	(18.0)	(14.8)
Profit for the period		43.9	66.6
Profit/(loss) attributable to:			
-Equity holders of the parent		49.0	67.5
-Non-controlling interests		(5.1)	(0.9)
Profit for the year		43.9	66.6
Earnings per share			
– Basic (pence)	6	10.3	13.8
– Diluted (pence)	6	10.2	13.6
Non-GAAP measures:			
Operating profit		56.0	75.7
Add back non-underlying:			
– Administrative costs	3	18.7	19.5
– Other expenses	3	19.0	-
– Share of non-underlying post tax costs of associates and joint ventures	3	3.2	0.7
Underlying operating profit		96.9	95.9
Net finance costs		(2.3)	(0.1)
– Add back non-underlying finance (income)/costs	3	(1.2)	0.4
Underlying profit before tax		93.4	96.2
Taxation		(18.0)	(14.8)
– Add back non-underlying tax credit	3	(1.7)	(2.7)
Underlying profit after tax for the period	3	73.7	78.7
Underlying earnings per share			
– Basic (pence)	6	16.1	16.0
– Diluted (pence)	6	15.9	15.8

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

Group statement of comprehensive income

52 weeks ended 30 December 2018

	Notes	**52 weeks ended 30 December 2018 £m**	53 weeks ended 31 December 2017 £m
Profit for the period		43.9	66.6
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
- Exchange loss on retranslation of foreign operations		(1.6)	(1.5)
Items that will not be subsequently reclassified to profit or loss:			
- Exchange differences recycled on deemed disposal of foreign operations		-	(6.6)
Other comprehensive expense for the period, net of tax		(1.6)	(8.1)
Total comprehensive income for the period		42.3	58.5
- attributable to equity holders of the parent		47.4	59.4
- attributable to the non-controlling interests		(5.1)	(0.9)

Group balance sheet

As at 30 December 2018

	Notes	At 30 December 2018 £m	At 31 December 2017 £m
Non-current assets			
Intangible assets	4	106.7	114.2
Property, plant and equipment		107.6	105.9
Trade and other receivables		39.4	29.2
Other financial asset		8.9	9.0
Investments		11.1	-
Investments in associates and joint ventures		29.7	27.3
Deferred consideration		5.7	-
Deferred tax asset		0.6	8.3
		309.7	293.9
Current assets			
Inventories		8.4	8.4
Trade and other receivables		54.7	49.6
Deferred consideration		0.9	-
Cash and cash equivalents		24.8	29.0
		88.8	87.0
Total assets		398.5	380.9
Current liabilities			
Trade and other payables		(100.4)	(94.5)
Financial liabilities	8	(2.5)	(6.2)
Financial liabilities – share buyback obligation	8	(15.8)	(18.3)
Deferred and contingent consideration		-	(3.6)
Current tax liabilities		(5.9)	(8.2)
Provisions		(3.6)	(4.5)
		(128.2)	(135.3)
Non-current liabilities			
Trade and other payables		(10.7)	(7.7)
Financial liabilities	8	(237.4)	(152.3)
Deferred tax liabilities		(6.5)	(7.8)
Provisions		(13.2)	(13.3)
		(267.8)	(181.1)
Total liabilities		(396.0)	(316.4)
Net assets		2.5	64.5
Shareholders' equity			
Called up share capital		2.4	2.5
Share premium account		36.7	36.7
Capital redemption reserve		0.5	0.5
Capital reserve – own shares		(6.4)	(6.5)
Currency translation reserve		(2.7)	(1.1)
Other reserves		(25.1)	(40.3)
Retained earnings		(2.6)	52.0
Total equity shareholders' funds		2.8	43.8
Non-controlling interests		(0.3)	20.7
Total equity		2.5	64.5

David Wild
Director
11 March 2019

Group statement of changes in equity

52 weeks ended 30 December 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Currency translation reserve £m	Other Reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
At 25 December 2016	2.6	36.6	0.5	(12.3)	7.0	-	72.8	107.2	-	107.2
Profit for the period	-	-	-	-	-	-	67.5	67.5	(0.9)	66.6
Other comprehensive income – exchange differences	-	-	-	-	(8.1)	-	-	(8.1)	-	(8.1)
Total comprehensive income for the period	-	-	-	-	(8.1)	-	67.5	59.4	(0.9)	58.5
Proceeds from share issues	-	0.1	-	0.5	-	-	-	0.6	-	0.6
Share cancellations	-	-	-	12.3	-	-	(12.3)	-	-	-
Impairment of share issues*	-	-	-	2.8	-	-	(2.8)	-	-	-
Share buybacks	(0.1)	-	-	(9.8)	-	-	(26.7)	(36.6)	-	(36.6)
Share buybacks obligation satisfied	-	-	-	-	-	-	10.0	10.0	-	10.0
Share buybacks obligation outstanding	-	-	-	-	-	-	(18.3)	(18.3)	-	(18.3)
Tax on employee share options	-	-	-	-	-	-	0.5	0.5	-	0.5
Share options and LTIP charge	-	-	-	-	-	-	1.7	1.7	-	1.7
Acquisitions	-	-	-	-	-	(40.3)	-	(40.3)	22.0	(18.3)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Equity dividends paid	-	-	-	-	-	-	(40.4)	(40.4)	-	(40.4)
At 31 December 2017	2.5	36.7	0.5	(6.5)	(1.1)	(40.3)	52.0	43.8	20.7	64.5
Profit for the period	-	-	-	-	-	-	49.0	49.0	(5.1)	43.9
Other comprehensive income – exchange differences	-	-	-	-	(1.6)	-	-	(1.6)	-	(1.6)
Total comprehensive income for the period	-	-	-	-	(1.6)	-	49.0	47.4	(5.1)	42.3
Proceeds from share issues	-	-	-	1.2	-	-	-	1.2	-	1.2
Impairment of share issues*	-	-	-	3.3	-	-	(3.3)	-	-	-
Share buybacks	(0.1)	-	-	(4.4)	-	-	(59.1)	(63.6)	-	(63.6)
Share buybacks obligation satisfied	-	-	-	-	-	-	18.3	18.3	-	18.3
Share buybacks obligation outstanding	-	-	-	-	-	-	(15.8)	(15.8)	-	(15.8)
Share options and LTIP charge	-	-	-	-	-	-	0.9	0.9	-	0.9
Tax on employee share options	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Increase in ownership interest in subsidiary (note 9)	-	-	-	-	-	15.2	-	15.2	(15.7)	(0.5)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Equity dividends paid	-	-	-	-	-	-	(44.3)	(44.3)	-	(44.3)
At 30 December 2018	2.4	36.7	0.5	(6.4)	(2.7)	(25.1)	(2.6)	2.8	(0.3)	2.5

*-Impairment of share issues represents the difference between share allotments made pursuant to the Sharesave schemes and the Long Term Incentive Plan, and the original cost at which the shares were acquired as treasury shares into Capital reserve – own shares.

Group cash flow statement

52 weeks ended 30 December 2018

	Notes	**52 weeks ended 30 December 2018 £m**	53 weeks ended 31 December 2017* £m
Cash flows from operating activities			
Profit before interest and taxation		64.2	81.5
Amortisation and depreciation		16.8	14.4
Impairment		20.7	2.0
Loss/(profit) on disposal of non-current assets		-	0.4
Share of post-tax (profits)/losses of associates and joint ventures		(1.0)	(3.2)
Gain on disposal of joint venture		(8.2)	-
Net gain on step acquisition of foreign operations		-	(5.8)
Net loss on financial instruments at fair value through profit or loss		1.0	-
Increase/(decrease) in provisions		(1.0)	11.1
Share option and LTIP charge		0.9	1.7
Revaluation of put option liability		3.7	-
Decrease/(increase) in inventories		-	2.2
Decrease/(increase) in receivables		(9.5)	3.0
Increase in payables		12.7	12.5
Cash generated from operations		100.3	119.8
UK corporation tax paid		(13.0)	(14.8)
Overseas corporation tax paid		(1.5)	(0.8)
Net cash generated by operating activities		85.8	104.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(21.4)	(37.2)
Purchase of intangible assets		(7.5)	(6.2)
Purchase of other non-current assets		-	(3.2)
Acquisition of subsidiaries, net of cash received		(10.8)	(23.2)
Proceeds on disposal of joint ventures		5.3	-
Investment in joint ventures and associates		(5.8)	-
Investments		(10.8)	-
Interest received		0.5	0.4
Other	10	(3.3)	(0.7)
Net cash used by investing activities		(53.8)	(70.1)
Cash inflow before financing		32.0	34.1
Cash flows from financing activities			
Interest paid		(3.6)	(1.1)
Issue of Ordinary share capital		1.2	0.6
Purchase of own shares	10	(63.6)	(36.6)
New bank loans and facilities draw down		239.1	396.3
Repayment of borrowings		(132.4)	(339.9)
Cash received from non-controlling interest on acquisition of subsidiaries		-	1.7
Increase in ownership interest in a subsidiary		(32.7)	-
Equity dividends paid	7	(44.3)	(40.4)
Dividends paid to the non-controlling interest		-	(7.6)
Net cash used by financing activities		(36.3)	(27.0)
Net increase/(decrease) in cash and cash equivalents		(4.3)	7.1
Cash and cash equivalents at beginning of period		29.0	23.1
Foreign exchange gain/(loss) on cash and cash equivalents		0.1	(1.2)
Cash and cash equivalents at end of period		24.8	29.0

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

Notes to the Group financial statements

52 weeks ended 30 December 2018

1. Accounting policies

Basis of preparation

The material accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 30 December 2018.

The Group financial statements are presented in sterling and are prepared using the historical cost basis with the exception of the other financial assets, investments held at fair value through profit or loss, contingent consideration and put option liabilities which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

The Group financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Please refer to the Directors' report for further details.

Restatement to remove discontinued operations

The profit and loss account for the 53 weeks ended 31 December 2017 has been restated to remove discontinued operations and allocate the results to continuing operations, as these are not considered material for separate disclosure in either the current or prior periods. During the 53 weeks ended 31 December 2017, discontinued operations represented a loss after tax of £0.2m, which consisted of an operating profit of £0.2m and a taxation charge of £0.4m. The operating profit of £0.2m has been allocated to administrative expenses. This has restated the operating profit, profit before interest and taxation and profit before taxation by £0.2m. The restatement has increased the tax charge by £0.4m, resulting in an impact on profit after tax of £0.2m.

For segmental purposes this restatement is allocated to the international segment as this is where the discontinued operations relate.

In reporting underlying and non-underlying results, the result from discontinued operations has been allocated to non-underlying.

Non-GAAP performance measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. The Group believes that these additional measures, which are used internally, are useful to the users of the financial statements in helping them understand the underlying business performance, as defined in the key performance indicators section of the strategic report.

The principal non-GAAP measures the Group uses are underlying operating profit, underlying profit before tax, underlying profit, underlying earnings per share and system sales. Underlying measures remove the impact of non-underlying items from earnings and are reconciled to operating profits; system sales measure the performance of the overall business, as defined in the key performance indicators section of the strategic report.

While the disclosure of non-underlying items and system sales is not required by IFRS, these items are separately disclosed either as memorandum information on the face of the income statement and in the segmental analysis, or in the notes to the accounts as appropriate. Non-underlying items include significant non-recurring items such as UK supply chain transformation, Norway conversion costs of stores acquired and post-acquisition integration costs, German joint venture store conversion costs, gains and losses on step acquisitions, Market Access Fee fair value uplift, impairments and amortisation of acquired intangibles and accelerated amortisation of the Group's mobile app and web platforms. These items are not considered to be underlying by management due to quantum and nature. Factors considered include items that are non-recurring, not part of the ordinary course of business or reduce understandability of business performance. For a detailed description of items see note 3.

System sales represent the sum of all sales made by both franchisee and corporate stores in the United Kingdom, Ireland, Norway, Iceland, Sweden and Switzerland to consumers.

Adoption of new and revised standards – IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The standard has an effective date of 1 January 2018.

The new standard has had the following effects on the Group's financial statements:

The Market Access Fee, a financial instrument relating to the underlying performance of the associate company Daytona JV Limited, was classified as an available-for-sale financial asset under IAS 39 and previously gains and losses were recorded within other comprehensive income. Under IFRS 9 this instrument is now classified as Fair Value through Profit or Loss ('FVTPL'). There have been no changes in the fair value of the instrument in previous periods and therefore there is no change to opening balances within equity.

The Group's impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. The Group's history of low credit losses as a result of strong

franchisee profitability and cash sales for corporate store sales has resulted in no change to the provision value previously recorded and there is no change to the opening balances within equity.

Adoption of new and revised standards – IFRS 15 Revenue from Contracts with Customers
IFRS 15 has replaced all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard has an effective date of 1 January 2018.

The Group's revenues that are applicable for IFRS 15 are royalties, franchisee and 'change of hands' fees, sales to franchisees and corporate store sales. The Group has performed the five-step model on each of these elements, identifying the contracts, the performance obligations, transaction price and then allocating this to determine the timing of revenue recognition. For each of these there is no impact on the timing of transfer of control and therefore no impact on the timing of recognition of revenue. There are no impacts in relation to performance obligations identified or changes in measurement.

The Group considered the accounting policy for the National Advertising Fund ('NAF') and eCommerce funds on adoption of IFRS 15. The Group operates the funds on behalf of the franchisees. The Group acts as agent for the funds and any short-term timing surplus or deficit is carried in the Group balance sheet within working capital. There is no impact on the income statement, which is consistent with prior years.

The Group's profit before tax remains unchanged and no adjustments to any line items have been made to the opening balances within equity.

Rental income on leasehold and freehold property falls outside of the scope of IFRS 15.

New standards and interpretations not applied - IFRS 16 Leases (not yet adopted)

IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The standard has an effective date of 1 January 2019. Due to the year end of the Group being 30 December 2018, the first period for which the standard will be effective will be the year ended 27 December 2020.

IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and an increase in finance costs. Where the Group operates as lessor the rental income will continue to be recognised on the same basis. The Group operates as intermediate lessor for a significant proportion of its leases. Where the sublease is substantially all of the right of use head lease, the right of use asset will be derecognised and recorded as a lease receivable, with interest income recognised in the income statement. Where the sublease is not substantially all of the right of use head lease, but management judges that it is likely the sublease will be renewed to become substantially all of the right of use asset then the same treatment will be applied. This will result in lease receivables and lease liabilities being recorded on the balance sheet with interest income and expense recognised separately in the income statement, replacing revenue and cost of sales.

Whilst a majority of the Group's property leases in the UK & Ireland are back to back with franchisees, there are certain sub leases which do not mirror the head lease, and the impact of these is currently being assessed.

For the international operations and UK corporate stores, the Group is the lessee and therefore the standard will have an impact. This will also impact across the leased equipment in the UK and International, largely in the distribution and supply chain area.

The standard will impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. The Group has purchased an industry standard property management software suite and is currently working through the implementation of the tool which is planned to go operational in 2019; outputs will include the accounting entries necessary for the implementation of IFRS 16 but it is not practical to provide a reasonable estimate of the financial effect until this implementation is complete.

2. Segmental information

For management purposes, the Group is organised into two geographical business units based on the operating models of the regions: the United Kingdom and Ireland operating more mature markets with a sub-franchise model and limited corporate stores, and International whose markets are at an earlier stage of development and which operate predominantly as corporate stores. The International segment includes Switzerland, Germany, Iceland, Norway and Sweden. These are considered to be the Group's operating segments as the information provided to the chief operating decision makers, who are considered to be the Executive Directors of the Board, is based on these territories. Revenue included in each includes all sales made to franchise stores (royalties, sales to franchisees and rental income) and by corporate stores located in that segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The comparative period at 31 December 2017 has been restated to allocate goodwill on consolidation of £20.8m to the International segment as this is the segment in which the assets have been generated and is consistent with the allocation reviewed by the Board

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the share buyback obligation, bank revolving facility and taxation liabilities.

	At 30 December 2018 £m	At 31 December 2017 £m
Deferred tax asset	0.6	8.3
Cash and cash equivalents	24.8	29.0
Unallocated assets	25.4	37.3
Current tax liabilities	5.9	8.2
Deferred tax liabilities	6.5	7.8
Bank revolving facility	224.5	113.9
Share buyback obligation	15.8	18.3
Unallocated liabilities	252.7	148.2

Operating segments

	52 weeks ended 30 December 2018			53 weeks ended 31 December 2017*		
	International £m	**UK & Ireland £m**	**Total £m**	International £m	UK & Ireland £m	Total £m
Revenue						
Sales to external customers	94.8	439.5	534.3	73.0	401.6	474.6
Segment revenue	**94.8**	**439.5**	**534.3**	**73.0**	**401.6**	**474.6**
Results						
Underlying segment result before associates and joint ventures	(6.6)	99.3	92.7	(0.7)	92.7	92.0
Underlying share of profit of associates and joint ventures	2.5	1.7	4.2	1.5	2.4	3.9
Underlying segment result	**(4.1)**	**101.0**	**96.9**	**0.8**	**95.1**	**95.9**
Non-underlying items	(26.7)	(14.2)	(40.9)	(6.4)	(13.8)	(20.2)
Group operating profit	**(30.8)**	**86.8**	**56.0**	**(5.6)**	**81.3**	**75.7**
Net gain on step acquisition of foreign operation			-			5.8
Other income			8.2			-
Profit before interest and taxation			**64.2**			**81.5**
Net finance costs			(2.3)			(0.1)
Profit before taxation			**61.9**			**81.4**
Taxation			(18.0)			(14.8)
Profit for the year			43.9			66.6
Other segment information						
Depreciation	3.6	4.8	8.4	4.9	4.1	9.0
Amortisation	0.1	8.3	8.4	0.5	5.6	6.1
Impairment	14.3	6.4	20.7	0.8	1.2	2.0
Share-based payment charge	0.1	0.8	0.9	0.1	1.6	1.7
Entity-wide disclosures						
Royalties, franchise fees and change of hands fees	0.6	62.1	62.7	0.3	61.1	61.4
Sales to franchisees	1.4	325.7	327.1	0.6	314.6	315.2
Corporate store income	92.8	27.1	119.9	72.1	3.4	75.5
Rental income on leasehold and freehold property	-	24.6	24.6	-	22.5	22.5
	94.8	439.5	534.3	73.0	401.6	474.6
Segment assets						
Segment current assets	12.0	52.0	64.0	7.9	54.0	61.9
Segment non-current assets	78.8	200.6	279.4	91.5	162.9	254.4
Equity accounted investments - investment in associates and joint ventures	19.2	10.5	29.7	14.2	13.1	27.3
Unallocated assets			25.4			37.3
Total assets	110.0	263.1	398.5	113.6	230.0	380.9
Segment liabilities						
Liabilities	24.7	118.6	143.3	21.6	146.6	168.2
Unallocated liabilities			252.7			148.2
Total liabilities	24.7	118.6	396.0	21.6	146.6	316.4

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

Major customers

Annual revenue from two franchisees amounted to £81.0m (2017: £84.7m) and £74.1m (2017: £71.3m) respectively, arising from sales reported in the UK and Ireland segment.

3. Items excluded from non-GAAP measures:
Non-underlying items included in financial statements

	52 weeks ended 30 December 2018			53 weeks ended 31 December 2017*		
	Before non-underlying items	**Non-underlying items**	**Total**	Before non-underlying items	Non-underlying items	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	534.3	-	534.3	474.6	-	474.6
Cost of sales	(311.1)	-	(311.1)	(280.7)	-	(280.7)
Gross profit	**223.2**	**-**	**223.2**	193.9	-	193.9
Other operating costs	(130.5)	(37.7)	(168.2)	(101.9)	(19.5)	(121.4)
	92.7	(37.7)	55.0	92.0	(19.5)	72.5
Share of post-tax profits of associates and joint ventures	4.2	(3.2)	1.0	3.9	(0.7)	3.2
Operating profit	**96.9**	**(40.9)**	**56.0**	95.9	(20.2)	75.7
Net gain on step acquisition of foreign operations	-	-	-	-	5.8	5.8
Other income	-	8.2	8.2	-	-	-
Profit before interest and taxation	**96.9**	**(32.7)**	**64.2**	95.9	(14.4)	81.5
Finance income	0.9	1.2	2.1	1.8	-	1.8
Finance expense	(4.4)	-	(4.4)	(1.5)	(0.4)	(1.9)
Profit before taxation	**93.4**	**(31.5)**	**61.9**	96.2	(14.8)	81.4
Taxation	(19.7)	1.7	(18.0)	(17.5)	2.7	(14.8)
Profit for the period	**73.7**	**(29.8)**	**43.9**	78.7	(12.1)	66.6
Profit attributable to:						
- Equity holders of the parent	76.4	(27.4)	49.0	78.2	(10.7)	67.5
- Non-controlling interests	(2.7)	(2.4)	(5.1)	0.5	(1.4)	(0.9)
Profit for the period	**73.7**	**(29.8)**	**43.9**	78.7	(12.1)	66.6

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

	Note	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017* £m
Included in other operating costs:			
UK supply chain transformation	(a)	(9.5)	-
Accelerated amortisation of eCommerce platform	(b)	(2.9)	-
Dolly Dimple's integration costs	(c)	(4.5)	(4.3)
Amortisation of London corporate stores	(d)	(1.0)	(0.2)
Acquisition costs	(e)	(0.6)	(2.2)
Legal costs and previously disposed operations	(f)	(0.2)	0.2
Market access fee	(g)	(1.2)	-
International impairments	(h)	(14.1)	-
Put option revaluations	(i)	(3.7)	-
Impairment of property, plant and equipment	(j)	-	(2.0)
Reversionary scheme	(k)	-	(11.0)
		(37.7)	(19.5)
Included in share of post-tax profits of associates and joint ventures			
Germany store conversion costs	(l)	(3.2)	(0.7)
Included in operating profit		(40.9)	(20.2)
Included in net gain on step acquisition of foreign operations		-	5.8
Included in other income			
Profit on disposal of joint venture	(m)	8.2	-
Included in profit before interest and taxation		(32.7)	(14.4)
Included within net finance cost			
Put option revaluation	(i)	0.3	(0.4)
Market access fee	(g)	0.9	-
Included in profit before taxation		(31.5)	(14.8)
Taxation	(n)	1.7	2.7
Total non-underlying items		(29.8)	(12.1)

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

a) UK supply chain transformation

In April of this year the Group opened a new supply chain centre in Warrington as part of a transformation of production and distribution in the UK & Ireland. Costs of £9.5m include £6.4m of impairment charges for former manufacturing facilities, £1.9m of ramp up costs associated with the new facility and £1.2m of restructuring and exit costs. The impairment and restructuring costs of the facilities and associated people costs are considered non-underlying because they have been driven solely as a consequence of the establishment of the new Warrington facility, making the Kingston and Penrith facilities redundant. The costs are being incurred over a short time frame and are directly related to the Warrington investment. The ramp up costs have been calculated based on an assessment of normal efficiency levels for the business. If we didn't separately identify these costs then we would be distorting the operational performance of the supply chain, which is the key driver of profit for the business. The separate treatment of ramp up costs has only been adopted during the commissioning period and rather than during the whole of the period to achieving full capacity.

b) Accelerated amortisation of eCommerce platform

During the current year, the Group announced a significant investment in upgrading its mobile and web platforms. These costs are ordinarily charged into the eCommerce fund and borne by franchisees, however as a result of the Group's decision to invest in the platform these costs are borne by the Group as a contribution into the eCommerce fund. £2.9m of accelerated amortisation has been recorded in the period representing the amortisation to date of the legacy platform on an accelerated basis. Overall the Group will contribute an additional £7.0m into the platform in

future years. A commitment to provide this future contribution is expected to be made in H1 2019.The contribution is a part of the wider £10m investment being made by the Group over FY18 and FY19. All costs of the development of the eCommerce platform are ordinarily borne by the franchisees, and as such we consider our material and non-contractual support to the franchisees should be highlighted as a non-underlying item.

c) Dolly Dimple's integration costs

Costs of £4.5m (2017: £4.3m) have been recognised in relation to the Dolly Dimple's stores in Norway, which are being converted to Domino's. A number of stores have already rebranded to Domino's stores and the amount represents costs incurred with both the conversion of the stores into Domino's, dilapidations and onerous leases on remaining stores which will not be converted, together with integration costs associated with the acquisition. Had these costs been identified at acquisition in May 2017, they would have been accounted for as a provision to convert and develop the stores over this period. We have therefore deemed them to be non-underlying.

d) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £1.0m (2017: £0.2m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores and Have More Fun Limited. This is considered to be non-underlying as the Group has a policy of franchise agreements having an indefinite life, however the SFA is deemed to be a re-acquired right under IFRS 3 which requires such rights to be amortised.

e) Acquisition costs

Acquisition costs in 2018 of £0.6m represent costs associated with the acquisition of Shorecal Ltd and the acquisition of Have More Fun Limited as set out in note 9. Acquisition costs in 2017 of £2.2m relate to the acquisition of Pizza Pizza EHF and DP Norway AS and the subsequent hive out of PPS Foods AB. The group's accounting policy is to treat M&A costs as non-underlying, so as not to distort annual operational performance with unevenly incurred transactional fees.

f) Legal costs and previously disposed operations

Legal costs of £0.2m recorded in 2018 represent costs associated with the liquidation of former operations in Germany and the legal advice on the reversionary share plan. A net gain of £nil (2017: £0.2m) has been recorded in relation to previously disposed operations.

g) Market access fee

During the period a decrease has been recorded in the fair value of the Market Access Fee of £1.2m. The decrease is a reflection of the underlying performance of the Daytona JV and further costs incurred in the Hallo Pizza acquisition. The amount recorded in net finance costs of £0.9m represents the unwind of the discount of the fair value. The impact of revaluations of the MAF are not considered to be ordinary trading for the Group. In the event that we receive any material capital sum for a MAF on any business it would equally be treated as non-underlying.

h) International impairments

A total impairment of £14.1m has been recorded over the Group's operations in Norway (£10.2m), Switzerland (£1.2m) and Sweden (£2.7m). For Norway, this consists of an impairment of goodwill of £5.3m, intangible assets of £2.7m and tangible assets of £2.2m. For Switzerland, a net impairment has been recorded of £1.2m over the tangible assets and goodwill held. For Sweden, this represents an impairment of goodwill of £2.7m. For further details see note 4. The non-cash impairments of these businesses are treated as non-underlying because they are material reductions in value for the businesses concerned. This is also consistent with the treatment of the gain on sale of DP Shayban Limited as non-underlying.

i) Put option revaluations

A net cost of £3.4m has been recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden. This represents £3.7m of fair value movement recorded in other expenses and £0.3m of foreign exchange gains presented in net finance costs. The increase in the fair value of the options is due to a change in valuation approach to value based on a sales collar present in the option agreements as opposed to an EBITDA multiple, given the expected future performance of the businesses. The revaluations are treated as non-underlying because they are non-trading in nature and consistent with the other equity related revaluations, disposals and impairments in the business as above.

j) Impairment of property, plant and equipment

The impairment of property, plant and equipment recorded in 2017 relates to the impairment of assets no longer used for operating purposes.

k) Reversionary scheme

A provision for employment taxes was recorded in 2017. The related expense of £11.0m has been included in the compensation to current and former members of the senior management team and Board. The amounts are presented gross and do not reflect future recoveries of the expense from certain members of the senior management team and Board.

l) Germany store conversion costs
Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £3.2m which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the Joint Venture in January 2018. Costs recorded in 2017 of £0.7m represented the conversion costs of the original Joey's pizza stores. The costs incurred by our JV partner on converting Hallo Pizza stores have been reported to us as non-underlying. We consider the treatment to be consistent with the treatment we have adopted for Dolly Dimple's stores in Norway.

m) DP Shayban Limited disposal
On 18 December 2018, the Group disposed of its 50% holding in DP Shayban Limited for consideration of £11.4m, resulting in a gain on disposal of joint ventures and associates of £8.2m which has been presented in other income. The profit on disposal of the investment in DP Shayban Limited has been treated as non-underlying as the gain is material and the trading of stores is not considered to be part of our ordinary course of business. This contrasts with 'Change of Hands' fees, we which we consider to be ordinary income receivable to us as an intermediary when franchisees buy and sell stores.

n) Taxation
The tax credit of £1.7m relates to the non-underlying net loss before taxation of £31.5m and the effective tax rate of 5.4% is less than the statutory rate of 19% as not all of these costs will qualify for tax relief. Taxation on the items considered to be non-underlying is treated as non-underlying where it can be identified in order to ensure consistency of treatment with the item to which it relates. The creation and revaluation of deferred tax assets are treated consistently with the treatment adopted when the asset was created.

4. Intangible assets

	Goodwill £m	Franchise fees £m	Software £m	Other £m	Total £m
Cost or valuation					
At 25 December 2016	1.9	4.3	24.5	0.5	31.2
Additions	-	-	6.4	0.3	6.7
Acquisitions	47.8	44.9	-	1.9	94.6
Disposals	-	-	(0.2)	-	(0.2)
Foreign exchange on translation	-	0.3	-	-	0.3
At 31 December 2017	49.7	49.5	30.7	2.7	132.6
Additions	-	-	7.3	0.2	7.5
Acquisitions	4.6	2.8	-	-	7.4
Disposals	-	-	-	-	-
Foreign exchange on translation	(0.3)	(0.9)	0.1	-	(1.1)
At 30 December 2018	54.0	51.4	38.1	2.9	146.4
Amortisation and impairment					
At 25 December 2016	-	1.6	11.2	0.2	13.0
Provided during the year	-	0.2	4.8	0.4	5.4
Disposals	-	-	-	-	-
Foreign exchange on translation	-	-	-	-	-
At 31 December 2017	-	1.8	16.0	0.6	18.4
Provided during the year	-	0.9	7.0	0.2	8.1
Impairment	10.0	2.4	-	0.8	13.2
Disposals	-	-	-	-	-
Foreign exchange on translation	-	-	-	-	-
At 30 December 2018	10.0	5.1	23.0	1.6	39.7
Net book value at 30 December 2018	44.0	46.3	15.1	1.3	106.7
Net book value at 31 December 2017	49.7	47.7	14.7	2.1	114.2

During the current and prior periods the Group has made a number of acquisitions, recognising intangible assets at fair value and goodwill at cost. Intangible assets recognised include the Master Franchise Agreements for Iceland, Norway and Sweden and the Standard Franchise Agreement for the London corporate stores. See note 9.

The carrying amount of goodwill and indefinite life intangibles has been allocated as follows:

	At 30 December 2018 £m	At 31 December 2017 £m
Goodwill		
Switzerland	-	1.8
Norway	-	5.3
Sweden	0.8	3.7
Iceland	12.1	12.4
UK corporate stores	31.1	26.5
	44.0	49.7
Indefinite life intangibles		
Switzerland	2.7	2.7
Norway	7.8	10.2
Sweden	9.4	9.6
Iceland	21.1	22.1
	41.0	44.6
	85.0	94.3

UK and international investments

The Group is obliged to test goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications that goodwill and indefinite life intangibles might be impaired.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ('CGU') including the goodwill with its recoverable amount. The recoverable amounts of the CGU are determined as the higher of fair value less cost to sell or value in use. In performing impairment reviews, management consider the different nature of the operations to determine the appropriate methodology to apply.

Impairment reviews performed over Sweden, Iceland and UK corporate stores goodwill

An impairment review has been performed over the goodwill and intangible assets of the operations in Sweden, Iceland and the UK corporate stores. The key assumptions for determining the recoverable amount are those regarding discount rates and expected changes to the level of sales in stores, control of costs and number of new store openings. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. Growth rates are based on market growth forecasts. Changes in levels of Average Weekly Unit Sales ('AWUS') are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial projections approved by management for the next five years and extrapolates terminal value cash flows based on the average long-term growth rates which do not exceed the average long-term growth rate for the relevant market. The long-term growth rate and the rate used to discount the forecast cash flows from the CGUs are in the table below:

	Long-term growth rate		Discount rate	
	At 30 December 2018	At 31 December 2017	**At 30 December 2018**	At 31 December 2017
Sweden	1.5%	3.0%	14.7%	12.0%
Iceland	1.4%	4.0%	11.4%	10.4%
UK corporate stores	2.0%	1.5%	8.5%	9.0%

The Group has also conducted a sensitivity analysis on the impairment test of the CGU carrying value including reducing sales growth, changing discount rates, and, for Sweden, reducing store growth.

London Corporate Stores

The forecast for the London corporate stores assumes no store openings over the forecast period and includes revenue growth assumptions of 5% over the first five years on a like for like basis. Growth in future years is based on the long term growth rate of 2.0%. The key sensitivity within the forecast is the ability to drive revenue growth through increased volumes and average ticket prices. The impairment review indicates the valuation of the business is highly dependent on this future growth.

Due to the level of headroom in the valuation performed, we consider that a reasonably possible change could give risk to an impairment. A decrease in LFL revenue growth of 1% in each year of the five year forecast would lead to an impairment of £2.0m.

Given the maturity of the business and the period since acquisition, we consider the forecasts used supportable and therefore, whilst remaining highly reliant on future growth, no impairment charge has been recorded.

Sweden

The impairment review for Sweden has been based on a discounted cash flow, modelling fair value less cost to sell. The forecast for Sweden assumes a high level of store openings over the forecast period (between 7 and 14 each year), and a high level of LFL growth of between 9-10% over each year in the five year forecast period. Given the market opportunity within Sweden, and the small nature of the current operations, we consider that the forecasts used are supportable.

The valuation remains highly dependent on both the LFL growth and ability to reach store opening targets. For this reason, an increased discount rate of 14.7% has been used to account for this risk.

An impairment charge of £2.7m has been recorded over the goodwill of the business, reflecting the execution risk within the growth plan reflected in the discount rate.

We note that a reasonably possible change within one of these assumptions would lead to an increased impairment. A decrease in LFL growth of 1% in each forecast year would lead to a further impairment of £4.3m being recorded. A decrease in store openings across the most significant year of openings (2020, with 14 openings forecast) of one store would lead to an additional impairment of £0.8m.

Iceland

For the operations in Iceland, no reasonably possible change would give rise to an impairment charge.

Impairment reviews performed over Norway and Switzerland

For Norway and Switzerland, management have performed impairment reviews based on fair value less cost to sell. The rationale for the use of this methodology is based on the historical performance of the businesses and, for Norway, reflects a more reliable forecasting basis given the historic control environment. These models resulted in a value higher than the value in use. The review has been performed using a multiple of AWUS for each store, based on recent European transactions for similar stores. For each review, the average 12 months trailing AWUS as at December 2018 has been used, based on the corporate stores which were opened at that time.

Norway
For Norway, the review performed indicates an impairment based on a multiple of 24x AWUS. An impairment of £10.2m has been recorded in the consolidated financial statements. This reduces the carrying value of goodwill to £nil and the remaining impairment charge has been allocated over the intangible assets and tangible assets of the CGU. A charge of £5.3m was recorded over goodwill, with £2.7m charged to intangible assets and £2.2m charged to tangible assets.

A reduction in the AWUS multiple applied of 1x, to reduce to 23x, would lead to an additional impairment of £0.6m.

The review has also been performed over the investment and intercompany loans held in the PLC company-only balance sheet. An impairment of £27.5m has been recorded, reducing the carrying value of the investment by £17.5m to £nil and recording a provision against a group receivable owed to the PLC company-only of £10.0m.

Switzerland
For Switzerland, the review performed indicates an impairment based on a multiple of 24x AWUS. A net impairment of £1.2m has been recorded over the goodwill and intangible assets of the operation. This reduces the carrying value of goodwill to £nil.

A reduction in the AWUS multiple applied of 1x would lead to an additional impairment of £0.4m.

Master franchise fees
Master franchise fees consist of costs relating to the MFA for the UK, Ireland, Switzerland, Iceland, Norway and Sweden. Each MFA is treated as having an indefinite life. They are tested annually for impairment in accordance with IAS 36. The Swiss, Norwegian, Swedish and Icelandic MFAs have been tested as described in the goodwill section. The UK and Ireland assumptions are not disclosed as the carrying value is not material.

Standard franchise agreement
The Standard Franchise Agreement ('SFA') has been recognised at fair value on acquisition of London corporate stores and Have More Fun (London) Limited. As a reacquired asset, this has been calculated over the remaining contractual term, and will be amortised over that period. The net book value at 30 December 2018 is £6.2m (2017: £4.3m). These are tested for impairment as part of the analysis above.

The amortisation of intangible assets is included within administration expenses in the income statement.

5. Taxation

Tax on profit on ordinary activities

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
– current period	11.6	15.7
– adjustment in respect of prior periods	(0.6)	(0.5)
	11.0	15.2
Income tax on overseas operations	1.9	1.6
Total current income tax charge/(credit)	12.9	16.8
Deferred tax:		
Origination and reversal of temporary differences	3.9	(2.2)
Effect of change in tax rate	0.5	(0.3)
Adjustment in respect of prior periods	0.7	0.5
Total deferred tax charge/(credit)	5.1	(2.0)
Tax charge in the income statement	18.0	14.8
The tax charge in the income statement is disclosed as follows:		
Income tax charge	18.0	14.8
Tax relating to items (charged)/credited to equity		
Reduction in current tax liability as a result of the exercise of share options	0.4	0.4
Origination and reversal of temporary differences in relation to unexercised share options	(0.7)	0.1
Tax (charge)/credit in the Group statement of changes in equity	(0.3)	0.5

There is no tax impact in relation to the foreign exchange differences in the statement of comprehensive income.

The deferred tax charge of £5.1m include a £4.1m charge arising from the write-off of a deferred tax asset previously recognised in relation to the Group's leasing subsidiary, Domino's Leasing Limited and a £3.1m charge arising from the write-off of deferred tax assets previously recognised for tax losses in Norway (£2.0m) and Switzerland (£1.1m). The current period income tax charge for the UK of £11.6m is net of a £4.1m credit relating to additional tax relief from Domino's Leasing Limited reducing the UK corporation tax charge from £15.7m thereby reducing the Group's cash tax payments.

6. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would have been issued on the conversion of all dilutive potential Ordinary shares into Ordinary shares.

Earnings

	Notes	**52 weeks ended 30 December 2018 £m**	53 weeks ended 31 December 2017* £m
Profit attributable to owners of the parent		49.0	67.5
Non-underlying items:			
– Included in other operating costs	3	37.7	19.5
– Amounts included within share of post-tax result of associates and joint ventures	3	3.2	0.7
– Net gain on step acquisition of foreign operations	3	-	(5.8)
– Other income	3	(8.2)	-
– Net finance (income)/costs	3	(1.2)	0.4
– Tax	3	(1.7)	(2.7)
– Attributable to non-controlling interests		(2.4)	(1.4)
Underlying profit attributable to owners of the parent		76.4	78.2

*- Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 1.

Weighted average number of shares

	At 30 December 2018 Number	At 31 December 2017 Number
Basic weighted average number of shares (excluding treasury shares)	474,381,014	489,375,873
Dilutive effect of share options and awards	4,930,504	6,690,858
Diluted weighted average number of shares	479,311,518	496,066,731

The performance conditions relating to share options granted over 3,955,660 shares (2017: 2,041,160) have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2017: nil).

Earnings per share

	52 weeks ended 30 December 2018	53 weeks ended 31 December 2017
Basic earnings per share	**10.3p**	13.8p
Diluted earnings per share	**10.2p**	13.6p
Underlying earnings per share:		
Basic earnings per share	**16.1p**	16.0p
Diluted earnings per share	**15.9p**	15.8p

7. Dividends paid and proposed

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2017: 5.25p (2016: 4.50p)	25.2	22.0
Interim dividend for 2018: 4.05p (2017: 3.75p)	19.1	18.4
Dividends paid	44.3	40.4
Proposed for approval by shareholders at the AGM (not recognised as a liability at 30 December 2018 or 31 December 2017)		
Final dividend for 2018: 5.45p (2017: 5.25p)	25.0	25.2

8. Financial liabilities

	At 30 December 2018 £m	At 31 December 2017 £m
Current		
Current instalments due on other loans	0.7	0.2
Current instalments due on finance leases	0.4	0.4
	1.1	0.6
Put option liabilities	1.4	5.6
	2.5	6.2
Share buyback obligation	15.8	18.3
	18.3	24.5
Non-current		
Bank revolving facility	224.5	113.9
Non-current instalments due on other loans	2.5	3.7
Put option liabilities	10.4	34.7
	237.4	152.3

Banking facilities
At 30 December 2018 the Group had a total of £359.5m (2017: £359.5m) of banking facilities, of which £131.7m (2017: £241.3m) was undrawn.

Bank revolving facility
The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 13 December 2022 which following a one-year extension arranged in November 2018 has been extended to 12 December 2023. Fees of £0.5m were paid for this extension. Arrangement fees of £3.0m (2017: £3.2m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the extended term of the facility.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent) when the Group's leverage is less than 1:1 up to 1.85% per annum above LIBOR for leverage above 2.5:1. A further utilisation fee is charged if over one-third utilised at 0.15% which rises to 0.30% of the outstanding loans if over two-thirds is drawn. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

The facility is secured by an unlimited cross guarantee between Domino's Pizza Group plc, DPG Holdings Limited, Domino's Pizza UK and Ireland Limited, DP Realty Limited, DP Pizza Limited, DP Group Developments Limited, DP Cyco Switzerland Limited and Domino's Pizza GmbH.

An ancillary overdraft and pooling arrangement is in place with Barclays Bank Plc for £10.0m covering the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, and DP Pizza Limited. An ancillary overdraft is in place with Barclays Bank Plc for €5.0m for Domino's Pizza UK and Ireland Limited. Interest is charged at the same margin as applicable to the revolving credit facility above bank base rate.

Other loans
DP Norway AS has a five year amortising loan facility provided by Nordea Bank AB for NOK50m maturing in November 2022 with a final bullet repayment of NOK10.4m (£0.9m) and quarterly repayments of NOK2.1m (£0.2m). Interest is charged at 0.6% above NIBOR plus a yearly commission of 0.9%. At 30 December 2018 NOK35.4m (£3.2m) was drawn down (2017: NOK43.8m (£3.9m)). Interest is charged at 1.35% above NIBOR with quarterly commission of 0.15%. DP Norway AS also has access to a NOK 4.0m (£0.3m) overdraft. Both the overdraft and loan facility are guaranteed by the Company.

Share buyback obligation
On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2018. The remaining share buybacks outstanding at 30 December 2018 was recognised as a financial liability of £15.8m. The full obligation had been met by 27 February 2019.

On 14 December 2017 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £20.0m of shares from 18 December 2017. The remaining share buybacks outstanding at 31 December 2017 was recognised as a financial liability of £18.3m. The full obligation had been met by 5 February 2018.

Put option liabilities
The Group has granted put options held by non-controlling interests over their remaining shareholdings of PPS Foods AB, DP Norway AS, Pizza Pizza EHF and Sell More Pizza Limited. The gross amount attributed to the put options held by the non-controlling interests over the remaining shareholdings at 30 December 2018 was £11.8m (2017: £40.3m).

During the period, options over 44.3% of shares of Pizza Pizza EHF lapsed as the shares were purchased by the Group during the exercise period. As a result of this acquisition, £26.3m of the put option liability was derecognised during the period.

In respect of the put options relating to PPS Foods AB, DP Norway AS, and Pizza Pizza EHF, the value of the financial liabilities is the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The put option liability is based on a forecast sales multiple of the respective businesses during the exercise period. The options are exercisable from 1 July 2019 until 30 June 2023.

During the period, the value of the options increased as the sales collar indicated a higher valuation than the previous fair value used based on the overall profitability of the business.

In respect of the put options relating to Sell More Pizza Limited arising on acquisition of London corporate stores on 5 October 2017, a liability at the present value of the gross amount of the put options was held by the non-controlling interests over the remaining shareholding amounting to £5.6m. This option, which was exercisable at this value from six months up until 12 months after the acquisition date, was exercised and settled in full in October 2018.

9. Business combinations

Pizza Pizza EHF

On 15 January 2018, the Group acquired a further 44.3% of Pizza Pizza EHF for consideration of ISK3.7bn (£26.8m), increasing the proportion of voting rights and share capital to 95.3%. As a result of this acquisition, £26.3m of the put option liability was derecognised. The non-controlling interest in Pizza Pizza EHF was adjusted by a £10.0m debit and the Other reserve relating to the initially recognised put options was adjusted by a £9.5m credit. The £0.5m variance between these amounts was realisation of the foreign exchange movements on the initial liability in the income statement. For further information refer to the statement of changes in equity.

Sell More Pizza

In relation to the London corporate stores acquisition in 2017, deferred consideration of £3.6 was still owing and the non-controlling interests held a put option over the remaining shareholding related to this acquisition. The Group settled the deferred consideration January 2018 and the put option was exercised and settled in full October 2018.

Acquisition of Have More Fun (London) Limited (formerly Hamandi Investments Limited)

On 6 August 2018, the Group acquired 100% of the share capital of Hamandi Investments Limited, a franchisee operating six Domino’s stores in London. Subsequent to acquisition, the company was renamed to Have More Fun (London) Limited (‘Have More Fun’).

Deferred consideration is a working capital adjustment payable in March 2019. The acquisition balance sheet, shown below, was adjusted to reflect the provisional fair value adjustments.

Adjustments to the completion balance sheet primarily relate to recognition of intangible assets for the SFA and of necessary provisions. The SFA was valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. As a reacquired asset, this has been calculated over the remaining contractual term, and will be amortised over that period. Adjustments to taxes relate to deferred tax on the fair value adjustments. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Have More Fun contributed £0.1m to operating profit from the acquisition date to 30 December 2018. If the acquisition of Have More Fun had taken place on 31 December 2017, the Group underlying operating profit for the period ending 30 December 2018 would have been £97.6m and revenue for continuing operations would have been £540.7m.

	Have More Fun **Total** **£m**
Consideration transferred	
Cash	**7.2**
Deferred consideration	**(0.9)**
Non-cash consideration	**-**
Total	**6.3**
Fair value of net assets acquired (provisional)	
Property, plant and equipment	**0.7**
Intangible assets	**2.8**
Inventories	**-**
Trade and other receivables	**0.1**
Deferred tax assets	**-**
Assets held for sale	**-**
Cash and cash equivalents	**-**
Total assets acquired	**3.6**
Trade and other payables	**(1.0)**
Loans	**(0.3)**
Provisions	**-**
Deferred tax liabilities	**(0.6)**
Total liabilities acquired	**(1.9)**
Net identifiable assets acquired at fair value	**1.7**
Goodwill arising on acquisition	
Consideration transferred	**6.3**
Transfer of equity at acquisition	**-**
Non-controlling interests	**-**
Fair value of net assets acquired (provisional)	**(1.7)**
Goodwill	**4.6**

10. Additional cash flow information

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Cash flows from investing activities		
Receipts from the sale of other non-current assets	-	0.2
Payment of deferred consideration	-	(1.1)
Dividends received from associates and joint ventures	1.6	1.2
Decrease/(increase) in loans to associates and joint ventures	(5.8)	0.1
(Increase)/decrease in loans to franchisees	(0.3)	(0.4)
Receipts from repayments of franchisee leases	1.2	-
Payments to acquire finance lease assets	-	(0.7)
Other	(3.3)	(0.7)

Reconciliation of financing activities

	At 31 December 2017 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 30 December 2018 £m
Bank revolving facility	(113.9)	(108.0)	(2.6)	-	(224.5)
Bank loans	(3.9)	0.7	-	-	(3.2)
Finance leases	(0.4)	-	-	-	(0.4)
Other	(58.6)	96.2	(0.3)	(64.9)	(27.6)
	(176.8)	(11.1)	(2.9)	(64.9)	(255.7)

	At 25 December 2016 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 31 December 2017 £m
Bank revolving facility	(56.7)	(56.4)	-	(0.8)	(113.9)
Bank loans	-	(0.2)	0.2	(3.9)	(3.9)
Finance leases	(0.1)	(0.1)	-	(0.2)	(0.4)
Other	(0.9)	-	-	(57.7)	(58.6)
	(57.7)	(56.7)	0.2	(62.6)	(176.8)

Included within other loans are gross put option liabilities of £11.8m (2017:£40.3m) and share buyback liabilities of £15.8m (2017: £18.3m).

Purchase of own shares

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Purchase of own shares - share buyback	59.2	26.8
Purchase of own shares into employee benefit trust	4.4	9.8
	63.6	36.6

11. Post balance sheet events

Share buybacks

Subsequent to 30 December 2018, the Group bought back a total of 6,276,657 Ordinary shares for a total value of £15.8m, fully extinguishing the share buyback liability at 30 December 2018.