9 March 2021

DOMINO'S PIZZA GROUP PLC

Full year results for the 52 weeks ended 27 December 2020

Strong trading through Covid-19; growth in system sales, profit and cash

Launch of new strategic plan to deliver £1.6bn to £1.9bn of system sales

	52 wks ending 27 Dec 2020	52 wks ending 29 Dec 2019 [5]
System sales[1]	£1,348.4m	£1,210.9m
Like-for-Like system sales growth (exc.splits)[2]	10.3%	3.7%
Underlying EBIT[3]	£109.0m	£105.3m
Underlying[3] profit before tax	£101.2m	£98.8m
Underlying[3] basic EPS	18.2p	17.6p
Net debt[4]	£171.8m	£232.6m
Statutory profit after tax	£39.7m	£2.8m
Statutory basic EPS	8.9p	2.8p

All commentary below is on an underlying basis unless otherwise stated

Financial highlights

- Strong UK & Ireland performance, with system sales of £1,348.4m, up 11.4% with like-for-like system sales, excluding splits, up 10.3% (9.3% including splits)
- Underlying profit before tax of £101.2m, up £2.4m, with Covid-19 costs incurred of £9.0m to support franchisees to trade safely
- Statutory profit after tax of £39.7m, up from £2.8m, with non-underlying charges reduced to £2.1m (2019: £21.8m) and loss on discontinued international operations reduced to £42.5m (2019: £56.5m), including £22.6m (2019: £35.2m) of impairments of international operations
- Free cash flow increased by 73% to £99.0m (2019: £57.1m)
- Disciplined cash management leading to net debt reduced by 26% to £171.8m, driven by trading performance and actions taken to preserve headroom
- £45m share buyback programme, effective imminently, in line with new capital allocation philosophy and commitment to distribute surplus capital to shareholders
- Total dividend for FY20 of 9.1p per share proposed as a final dividend to be paid on 4 May 2021

Operational highlights

- Transformed Board and Executive Leadership teams have focused on leading the business through the challenges resulting from Covid-19
- Remained open throughout the year with strong growth in delivery offsetting significant Covid-19 impact on collection business
- Digital transformation of the business accelerated through the year, UK online sales up 23.9% and App sales up 26.2%. Online sales now account for 94.3% of delivery sales in UK
- Maintained constructive engagement with our franchisees and have made an attractive offer to the Domino's franchisees in an attempt to reset relationship
- Disposal of discontinued International operations progressing – Norway disposal completed in May 2020, contract exchanged on disposal of Sweden, completion expected in May 2021, with Iceland and Switzerland disposal processes ongoing

Delivering the future – multi-year strategic plan to drive growth

- Our vision is to be the favourite food delivery and collection brand, with pizza at our heart
- Expected to deliver our medium-term ambition of total system sales of £1.6bn to £1.9bn
- New strategy for the business centred on growth:
  - Accelerating growth of delivery business, opening an additional 200 stores
  - Turbo-charging our collection business, doubling market share
  - Amplify our product quality and value
  - Uphold our industry-leading economics for both the Group and our franchisees
  - Enhance our digital, technological and brand marketing capabilities in order to excel as a franchisor and generate market leading returns for the entire system

Current trading and outlook

Trading in the current financial year has started strongly with exceptional trading over the new year period as we recorded our highest ever sales week. Our delivery business continues to perform very well, and collection remains at around 60% of 2019 levels.

We have demonstrated we have a flexible and robust business model that has been able to adapt to the uncertain and changing market conditions throughout 2020. The current trends and demand expectations, in addition to the investment in capabilities we have and are making, gives us confidence in delivering further operational and financial progress in the coming year.

Commenting on the results, Dominic Paul, Chief Executive Officer said:

"I am pleased with the performance we've delivered this year, and grateful to everyone across the system for their commitment during this extraordinary period. We've worked successfully in partnership with our franchisees to continue to operate safely through the various lockdowns and play our part in feeding the nation during the pandemic, while supporting our colleagues and key workers. We have continued to invest and innovate across the business, launching exciting new products such as our vegan pizza and investing in technology, with our new App, in the supply chain and in marketing to further strengthen the brand.

"At the same time, we have been looking to the future, and today we are announcing a multi-year strategic plan which will drive growth across the business and deliver an exciting and profitable future for both our shareholders and our franchisees. In my first year with Domino's, it has been clear to me that we have a great platform to build from - a uniquely powerful brand, high digital participation and outstanding people and franchisees. Our new strategy will enable us to build upon our strengths in both delivery and collection and provide our customers even better quality and value, which will drive continued strong performance. We have maintained an open dialogue with our franchisees throughout the development of this plan and, while we do not have an agreement yet, we have made an attractive offer to them which we believe will deliver powerful benefits to both them and the Group.

"As the economy begins to reopen, we have invested in our capabilities to enable us to capitalise on the substantial opportunities ahead. I am confident that we can achieve our vision of being the UK and Ireland's favourite food delivery and collection brand, and deliver great results for our colleagues, our customers, our shareholders and our franchisees."

Notes

[1] System sales represent the sum of all sales made by both franchised and corporate stores to consumers in UK & Ireland
[2] LFL excluding splits system sales performance is calculated for UK & Ireland against a comparable 52 week period in the prior year for mature stores which were not in territories split in the year or comparable period. Mature stores are defined as those opened prior to 30th December 2018.
[3] Underlying is defined as statutory performance excluding discontinued operations, and items classified as non-underlying which includes significant non-recurring items or items directly related to merger and acquisition activity and related instruments
[4] Net debt is defined as the bank revolving facilities, cash and cash equivalents and other loans, including balances held in disposal groups held for sale
[5] Results for 2020 include the impact of IFRS 16. Comparatives have not been restated. The adoption of IFRS 16 has increased underlying EBIT by £2.2m, and underlying profit before tax by £0.7m in 2020.

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Results webcast

A results webcast and Q&A for investors and analysts will be held at 9:30 am today. The webcast and presentation can be accessed at: https://www.investis-live.com/dominos/60096d7a9a1388100055e26f/ragd and will also be available on the Results, Reports and Presentations page of our corporate website.

Financial calendar

Domino's Pizza Group plc will hold its 2021 AGM and issue a Q1 trading update on 22 April 2021. It will publish its half year results on 3 August 2021, followed by a Q3 trading update in October 2021.

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Domino's does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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, Sweden and Iceland, and have associate investments in Germany and Luxembourg. As at 27 December 2020, we had 1,201 stores in the UK and Ireland.

Chief Executive Officer's Strategic Review

Performance summary

I am pleased to say that we responded promptly to the challenges created by Covid-19, prioritising the safety of our colleagues, franchisees and customers, while ensuring we were able to continue trading throughout the year. Indeed, we managed to deliver an improved financial performance year-on-year, reporting Group underlying profit before tax of £101.2m, up £2.4m from the prior year. This increase was despite Covid-19 related costs of approximately £9.0 million incurred to ensure we were able to operate safely.

Lower cash losses from the international businesses and timing differences contributed to strong cash generation in the year. We reported free cash flow of £99.0m (2019: £57.1m) and this drove a reduction in net debt of 26% to £171.8m. This cash generation has enabled us to announce a total of £88m of returns to our shareholders through a combination of the FY20 ordinary dividend and a share buyback.

Throughout the pandemic we have focussed on doing the right thing and it has been pleasing to see that this has been recognised by our customers where we have seen overall satisfaction increase from 61% in 2019 to 69% in 2020. We have supported our communities with two "£4m pizza giveaways" for key workers across the country and have launched the Domino's Partners Foundation, which will provide grants to colleagues, either working directly for us or for our franchisees, in times of hardship.

2020 was a challenging year for our business, our people, our franchisees, our suppliers and for our customers. The Board, and my newly formed Executive Leadership team, are very proud of the work of our people, for their unrelenting focus on the day-to-day challenges to ensure that we, and our franchisees, could operate and trade safely. I would like to thank them for their ongoing commitment and dedication to Domino's.

New Multi-Year Strategic Plan - Delivering the Future

We are focused on the future and planning how we deliver the next phase of growth of the business, by maximising on the opportunities in our market, our digital capabilities and our brand. It is critical that we retain customers that are new to the Domino's system, and continuing the digital shift that accelerated through the pandemic. Furthermore, we will ensure we are in as strong a position as possible to benefit from the gradual unlocking of the economy that we expect in 2021.

Since joining Domino's a year ago, I began a wide-ranging programme assessing our future growth avenues, our internal capabilities, our digital strategy, and the optimal capital structure for the Group. Today I am excited to share the details of that work and what it means for the Domino's brand, our business and our stakeholders.

In formulating the new strategy, we recognise the core foundations of the business:

- Domino's is a brand that customers love
- We are a leader in a growing delivery market
- We are accelerating the pace of digital adoption for collections and delivery
- We operate a world class supply chain
- We have high quality franchisees achieving best-in-class returns.

As we come out of the restrictions of Covid-19 we will be competing in an environment that has most likely changed forever with an increased presence of aggregator operators and more digitally aware consumers that are familiar with the benefits of home food delivery. We have already invested in our core capabilities and built upon our core strengths to capture the opportunities ahead. We know how to improve our marketing effectiveness, utilise data and insights to inform our decision making, leverage the strength of our supply chain to drive efficiencies and accelerate our already strong digital and technology credentials.

We are starting from a position of strength. Our supply chain already achieves 99.9% availability and accuracy; 94.3% of delivery sales are made online, our IT platform stability has significantly improved; and our new mobile App is due to launch later on in the first half of this year.

In developing our strategic growth plan we have consulted extensively with our franchisees and also scoured the global Domino's system to capture best practice and innovation, informed by in-depth consumer insights and future trends to help us evolve the UK & Ireland business.

Our vision is to be the favourite food delivery and collection brand, with pizza at our heart. Behind that vision is a set of five core objectives:

1. Delivery: Nobody delivers like Domino’s

Delivery is at the heart of our business, and what we are best known for – we have built a considerable following, with a brand that people love, enabling us to hold a leading position in the UK delivery market, with c.20% market share. Over this past year, there has been a notable increase in delivery volumes as consumers have flocked to delivery services during lockdown. While some of this growth will revert once the situation normalises, we expect some of the additional volume to endure in the future, as consumers continue to demand convenience.

Our scale and depth of vertical integration is our big advantage. We aim to capitalise on this by rolling out new digital platforms, including our mobile App that now allows group ordering, as well as launching our next generation web platform that will provide a personalised experience for our customers. We will also deploy new technology such as an upgraded GPS tracking solution to improve the delivery experience.

Our aspiration is to raise the bar for the rest of the market, accelerating our like-for-like delivery orders, and reducing the average delivery time for our customers to below 20 minutes, from the current figure of just under 25 minutes.

2. Collection: Turbocharge our collection business

Whilst Covid-19 has dampened the collection market considerably, with fewer people in areas where our stores are located, we expect it to bounce back swiftly as people return to work and we believe this is a strong growth avenue for Domino's. Our market-leading position in delivery is an indication of what we could aspire to in the collection business, where we currently are behind other global Domino’s operators, and we see the opportunity to extend our reach into different collection occasions (such as lunch, or dinners with family and friends), as well as different customer segments, particularly those where we are strong in delivery.

There are a number of evolutions we are planning to make our overall customer experience better for collection: we are going to enhance our food offer and make our products just right for the collection customer as well as re-design our in-store collection experience and roll-out targeted collection offers. In addition, we have developed an In-Car Collection service, which we are already rolling out across the system and aim to have 450 stores offering the service by the end of June.

Our aspiration is to grow our collection business faster than delivery and double our market share in the UK collection market over the medium term.

3. Product & value: Amplify our product quality and value

Our customers love our product and we see a great opportunity to re-ignite product innovation further to stay ahead of our competitors. There are other areas where we know we would like to focus our attention, including the introduction of more healthy options and the success of the vegan options over the last year shows that this is increasingly demanded by our customers.

We also understand from our customers that there is room for us to improve the perceived value for money. We have a product we can be proud of, and which is industry-leading in terms of quality for the price at which it is offered – and will focus on improving our messaging to reinforce this. Additionally, our new digital assets will allow us to offer our customers what they want, when they want it, and at the price that they want.

Our aim is to become the undisputed #1 delivery player in terms of Net Promotor Score, and make sure that our customers feel they are getting a good deal.

4. Performance: Uphold our industry-leading economics

Over the years, we have built a system which rewards both franchisees and the Group for the great performance of the brand for which they are responsible. We have even more opportunity to build on this with further efficiencies along our value chain. We can also do more to put the right tools in the hands of our franchisees to enable them to turbo-charge their success.

Within our supply chain, we can leverage our scale to realise operational and procurement-led efficiencies (including dynamic routing, sophisticated new logistics technologies and smarter ingredients contracts), whilst in our stores we can deploy our operational technology to support franchisee’s productivity.

Tackling both should allow us to maintain our best-in-class profitability for both franchisees and the Group.

5. Franchisor: Model excellence as a franchisor

The Domino’s’ system in the UK and Ireland has grown to a point where there are now circa 70 very successful franchisees with over 1,200 stores in the network but we can do more. We want to attract new franchisees to the system and reinforce our industry-leading capabilities to better position all franchisees for growth.

More now than ever, we are investing in our franchisor toolkit: investing in building key capabilities across data science, transformation, and store operations, and continuing to upgrade our supply chain and IT infrastructure. In addition, we will reinforce the business review process with our franchisees, in order to make sure that they get the personalised support they need in order to perform at their full potential. We are undertaking a review of future store formats which will unlock the next wave of growth in the system. Alongside all of this, our goal remains to attract and retain the best talent in the industry, to be the preferred partner for prospective franchisees, whilst delivering some 200 new stores in the medium-term.

Implementing the plan

Any successful strategic plan needs to build upon the existing strengths of the organisation and provide the necessary culture within which change can be effective. We have refined the values which are core to our business and are aligning our colleagues behind a shared purpose and vision. We have been busy enhancing our skills and capabilities to support the execution of our strategic plan. We have seen significant change at the Board level where we have introduced greater diversity and wide-ranging skill-sets and experience. We have also made significant changes across the Executive Leadership team, with new hires including Chief Financial Officer, Chief Marketing Officer, Chief Information Officer, Operations Director, the establishment of a new Data & Insights team, a new CEO Ireland role to focus on growth of our business in the Republic of Ireland and a Transformation Office, with a new Chief Transformation Officer to lead the strategic transformation programme.

We have clear targets against which we can measure progress and which align to the five core objectives of our strategy. Underpinning these strategic objectives is a Board-sponsored transformation programme which will be managed by our newly established Transformation Office and delivered by my Executive leadership team.

Successful execution of the new strategic plan is expected to deliver our medium-term aspirations of total system sales of £1.6bn to £1.9bn supported by the opening of an additional 200 new stores.

Delivering our sustainable future

Our focus is not just on financial strategy and performance but doing the right thing by supporting our people, our environment, our community and our customers, within a strong governance framework. Alongside our strategic plan we will be working to drive forward our wider sustainability programme and credentials. Important work has been done in the year to develop a more systematic understanding of our material issues. An engagement exercise with our wider stakeholders has enabled us to understand what they expect from Domino’s, enabling us to establish areas of focus for our programme: our food; our customers; our people; our supply chain and the environment.

Across each area we have identified what we need to do to improve our performance and reporting, forming our Group sustainability approach. Alongside this we established a new environmental management system and policy, setting objectives across our direct and indirect material impact areas.

We recognise that we have much work to do across our impact areas. During 2021 we will measure and externally validate our current performance, setting a base line of data, which will enable us to set ourselves ambitious targets against which we can be held accountable.

Capital allocation philosophy

Our asset-light business model is highly cash generative. As a Board we have reviewed our approach to capital allocation to develop a philosophy for the use of the cash generated to optimise long term shareholder returns. We will seek to sustain the growth of our core business through capital investment and we will operate a disciplined approach to assessing additional growth opportunities. Operating within a normalised leverage range of 1.5x – 2.5x net debt to EBITDA, we aim to maximise shareholder returns with an annual allocation of surplus cash to shareholders through a combination of dividends and other forms of returns, such as share buybacks.

In the year we have generated £99.0m of free cash, in addition we have received net cash flows of £11.6m from disposals and share issuances giving a total of £110.6m available for allocation. We have firstly invested £19.4m in capital investment in our core business and have proposed a final dividend of 9.1p for the full year, amounting to £43m. From the remaining surplus cashflow, we have announced a £45m share buyback programme as an initiation of an approach to consistently review the most accretive use of our surplus cash.

Operational review

Trading summary

At the start of the first lockdown period in March 2020, we moved quickly to ensure the business continued to trade safely, switching to entirely contact free delivery and stopping customer collections. These decisions were made in collaboration with franchisees in order to ensure that store colleagues could operate in a safe environment. The like-for-like system sales growth reported for the full year of 10.3% has not been adjusted for stopping collection orders in the initial lockdown and, for context, in 2019 collection accounted for 21.3% of sales and 31.1% of orders. The performance of our delivery business during the year was very strong, more than offsetting the lack of collection business at a sales level. At an order count level, although we saw a significant acceleration of delivery orders, up 10.3%, this did not fully offset the lack of collection orders, which were down 41.9%, resulting in total orders declining by 6.0% in the year.

Another significant change to our consumer offering was the rationalisation of our menu. Working together with our franchisees, at the start of the first lockdown, we rationalised our menu to enable store colleagues to work safely and maintain appropriate social distancing in store. As lockdown restrictions have eased, and we introduced additional safety measures in stores to ensure colleague safety, some menu items such as stuffed crust and chicken wings have been reintroduced, and we have been able to launch new products such as our vegan range.

Throughout 2020 we have been focussed on doing the right thing. Whilst continuing to trade, it was important we did this safely. As a business that was able to continue trading it was important that we did not take direct financial support from government so we voluntarily repaid the business rate relief that we received for our wholly owned corporate stores and we placed no employees on furlough.

We are grateful to our colleagues, our franchisees and our suppliers that we have managed to work together to serve our customers and we feel privileged to have been able to offer direct support to the fantastic frontline workers through our pizza give-aways as a small token of our collective gratitude for their heroic work.

We have incurred incremental costs of £9.0m in the year in order to trade safely. These included costs associated with the changes necessary in our supply chain, the provision of safety equipment to our franchisees and community support costs. The VAT rate reduction introduced by the UK government in July 2020 has brought some relief against these costs as we have enjoyed increased royalty income on higher system sales and increased income via our corporate stores and joint venture investments. The estimated VAT benefit is £3.6m in year such that our total net cost directly attributable to Covid-19 in the year is £5.4m.

The UK government recently announced the extension of the reduced VAT rate for much of 2021 which we welcome and which we estimate will offset the on-going incremental costs that we are incurring in our supply chain and in planned community support investment.

Our franchisees

We know that, as a system, we are stronger when we work together with our franchisees, with aligned objectives, as evidenced by the performance of the organisation throughout the Covid-19 pandemic.

As part of our ongoing dialogue and engagement we have discussed with franchisee representatives a long-term agreement that would enable the whole system to align behind the strategic growth plans to our mutual benefit. In establishing the appropriate parameters of a long-term agreement we have consulted with key stakeholders including Domino's Pizza, Inc (the global master franchisor) who are supportive of the core components of an offer that we have made, which includes:

- Enhanced food rebate mechanism that would encourage growth;
- New store incentives which would support accelerated store openings;
- Capital investment from us to fund a new technology roadmap, a new digital platform, CRM and supply chain enhancements;
- Investment in our capabilities to enhance marketing effectiveness through data & insights;
- Agreement from franchisees to participate in national deals and a modest phased increase in the funding of the National Advertising Fund, aligned with enhanced marketing effectiveness, to increase investment in the brand.

While the engagement has been constructive we do not yet have agreement of the terms of the offer, but we remain hopeful the franchisees will appreciate the mutual benefits its acceptance would yield. We believe this offer is in the long-term interests of our shareholders, our franchisees and all other stakeholders and as such we will continue talking to find a satisfactory resolution.

The franchisees have worked incredibly hard this year and have performed exceptionally well. Based on the unaudited data submitted to us by franchisees, average store EBITDA for all UK stores for the full year was approximately £229k, equivalent to a 20% EBITDA margin. This compares to £145k or 14% margin in 2019. Franchisee profitability would have been assisted by the strong growth of delivery during the year, along with a ten-week reduction in National Advertising Fund (NAF) contributions from 4% to 2%, as we tactically chose to reduce marketing spend over the Q2 lockdown period. In addition, whilst franchisees have passed on some of the benefit of the VAT rate cut through increased discounts to consumers, the net benefit of the VAT reduction has more than offset increased Covid-19 related costs incurred by our franchisees.

System sales performance

Like-for-like system sales across UK & Ireland grew by 10.3% excluding split stores (9.3% including splits). The quarterly analysis of this performance is in the table below which shows a steady growth in the first half of the year, a solid performance given the significant uncertainty prevalent in the market from March onwards. The second half of the year reports very strong like-for-like sales growth largely as a result of the change in rate of VAT on hot takeaway food from 20% to 5% with effect from 15 July 2020 in the UK.

UK & Ireland	Q1 2020	Q2 2020	**H1 2020**	Q3 2020	Q4 2020	**H2 2020**	**FY 2020**
LFL inc. splits	2.2%	4.2%	**3.2%**	16.5%	14.1%	**15.2%**	**9.3%**
LFL exc. Splits	3.5%	5.2%	**4.3%**	17.5%	14.6%	**16.0%**	**10.3%**

The benefit of the reduction in the rate of VAT primarily accrues to our franchisees to mitigate the additional costs of trading in a safe, socially distanced manner and also enables them to increase the level of discounts they can offer their consumers. We enjoy limited direct benefit to our profitability from the VAT reduction by way of a small increase in royalty and income from our corporate stores and joint ventures. These benefits have been significantly outweighed by incremental Covid-19 related costs incurred in the year.

The sales performance through the year can effectively be divided into three distinct periods: before the Covid-19 pandemic, which was effectively Q1; the widespread lockdown in the UK, which closely mirrored our Q2 period; and then a longer period of easing and tightening tiered restrictions, both nationally and regionally, which we saw throughout H2. The initial national lockdown period in our Q2 stands out for two reasons: the closing of many national competitors during this time, and our decision to close our collection business to ensure the safety of our colleagues. Collection was reopened through the second half, albeit demand was at a lower level than normal due to changes in customer behaviour.

Since Q2, we have seen the increase in delivery sales more than outweigh the decline in collection sales. However, at an order count level this has not been the case. Since the start of the Covid-19 pandemic we have seen strong growth in items per order which softens the impact on the overall order count decline on our profitability. Throughout H2 these dynamics have remained, with collection order levels around 60% of the prior year, as expected.

Our UK business, which accounts for 95% of system sales, performed strongly driven by delivery order count and ticket growth, particularly from Q2 onwards. Our business in Ireland is a much smaller part of the Group and we saw a weaker performance particularly in Q2 as the Ireland lockdown had a more pronounced impact on consumer spending.

UK & ROI	LFL Inc Splits (YOY Growth)			Total (All Stores)	
	Sales	Volume	Price	Orders (m)	YOY Order Growth
Total					
Q1	2.2%	1.3%	0.9%	17.5m	1.8%
Q2	4.2%	3.2%	1.0%	15.1m	(11.3)%
Q3	16.5%	3.9%	12.6%	15.7m	(6.0)%
Q4	14.1%	0.5%	13.6%	16.8m	(8.2)%
FY	9.3%	1.9%	7.4%	65.1m	(6.0)%
Delivery only					
Q1	3.9%	2.6%	1.3%	12.4m	2.5%
Q2	30.1%	31.8%	(1.7)%	14.4m	22.4%
Q3	28.7%	17.8%	10.9%	12.4m	11.8%
Q4	23.2%	10.4%	12.8%	13.4m	5.1%
FY	21.4%	15.3%	6.1%	52.6m	10.3%
Collection only					
Q1	(4.2)%	(3.0)%	(1.2)%	5.1m	0.0%
Q2	(93.8)%	(86.9)%	(6.9)%	0.7m	(87.2)%
Q3	(25.6)%	(34.9)%	9.3%	3.2m	(41.5)%
Q4	(20.5)%	(30.3)%	9.8%	3.5m	(38.1)%
FY	(35.7)%	(39.8)%	4.1%	12.5m	(41.9)%

Digital

The Covid-19 lockdown period accelerated our evolution to a truly digital business, in our ways of working, our decision making and our customer engagement, and we expect this trend to be a permanent one. Full year online sales in the UK grew 23.9% to represent 90.5% of system sales, or 94.3% of total delivery sales. Our App continues to be the driving force of our digital efforts. During the year, sales generated through the App grew 26.2%, and the App accounted for 39.2% of system sales, or 43.3% of all online sales. Our App had 4.3m downloads in the year with a 4.8 star rating on the App store.

Online traffic to our sites doubled at the start of the lockdown period and has remained at elevated levels throughout the rest of the year. This increase in traffic, combined with significant changes in our operations, meant that we needed to quickly mobilise our technology teams to ensure updates could be developed and implemented, and customer demand serviced. In the second half we maintained 100% platform availability, despite a notable increase in the number of features rolled out to customers. Furthermore, over the peak Christmas period we managed record visitor numbers to our website and App, with no performance issues.

In addition to supporting and improving our online experience, we have continued to develop the next iteration of our App. This has gone through extensive testing and is currently in the process of being rolled out across the system. The new App has a new look and feel, which makes it even easier for customers to find deals, includes the option for In-Car Collection, google pay, saving customised orders and the ability to reorder your last order.

As part of our evolution to a truly digital business, we have reviewed our approach to the development of the future online eCommerce platform, to enhance flexibility and reliability. As part of the review, we identified previously capitalised development costs of £4.6m which have been impaired in the current year and charged to non-underlying results.

Data & Insights

The Data & Insights function was created in March 2020 with a core role to ensure business decisions are being led by the rich data Domino's holds.

The function has proven to be a real asset during Covid-19. During the year the team have provided valuable data analysis which has aided decision making, for instance around the largely incremental nature of collection customers, which supported the reopening of contact free collection in the summer, the impact of stopping cash across the estate, and which products we should temporarily remove from our menus to improve social distancing on the make line.

Beyond dealing with Covid-19 the team is also building customer insight into decision making across the business. In marketing this includes ad testing to ensure our content is focussed, in food innovation we will use customer insight at numerous points along the innovation cycle and we have been utilising our customer experience data to drive better operations. As a newly formed and growing team there are also capabilities that we will be building out including CRM personalisation, sales forecasting and test and learn programmes for our marketing channels.

Brand

The Domino's brand is a significant asset for our business. During the year we have seen customer satisfaction increase to all-time highs and are pleased this performance has continued since restrictions have eased. Our overall customer satisfaction during the year was 69%, an increase of 8 ppts.

Throughout the crisis we acted swiftly to demonstrate the increased steps we had taken to ensure colleague and customer safety. We ensured that we aligned messaging to the prevailing environment and pulled planned new product development that would have increased store level complexity. Very soon after the announcement of the UK lockdown, we advertised on TV to communicate the enhanced hygiene steps we had implemented, including contact free delivery. We made increased use of social media channels and email to provide further customer reassurance.

In November, we launched our new brand platform, "We Got This". This platform has been created to demonstrate the certainty and reliability of ordering from Domino's to ensure the brand is well positioned to win the war on delivery. The new campaign was tested using a new methodology developed in partnership with Domino's Pizza Inc, and outperformed both previous UK benchmarks and UK advertising norms.

In September we launched two vegan-friendly pizzas across the UK and Ireland, our Vegan Vegi Supreme and Vegan Margherita. This followed a year of development work on a new vegan dough and our own vegan cheese alternative. Customer response to our new vegan range has been very encouraging, with the vegan range driving incremental sales for franchisees.

Supply chain

We remain incredibly pleased with the operational performance of our world-class supply chain, which maintained 99.9% availability and accuracy in a year with the unprecedented challenges of Covid-19 and Brexit. We adopted a proactive approach to issues presented by Covid-19, which meant that we significantly changed operational practices and delivery schedules to ensure that we could maintain supply in a manner that was safe for our teams, our franchisees and our customers. In addition, we had to plan for all possible outcomes arising from the Brexit discussions, which meant working closely with our key suppliers to ensure we held high contingency stock levels at the year end and with agreed mitigation plans in place to ensure there were no material impacts on pricing or availability.

We continue to invest in our supply chain to enhance capacity and drive efficiency. Our new site at Cambuslang in Scotland will be operational in the next few weeks and we are expecting the first phase of our expansion of the Naas site in Ireland to be completed in December 2021.

New store openings

During the year we opened 19 new stores, all in the UK, with eight stores opened in the first half and 11 stores in the second half. 18 of these store openings were franchised, operated by 13 different franchisees. In total the store estate at the end of the year stood at 1,201 (UK: 1,147; Ireland: 54).

Corporate stores

At the year end we directly operated 37 stores in the London area. During the second half we opened one new store, in Camden aligned with the planned closure of our Chalk Farm store in January 2021.

The significant reduction in footfall across London, together with the greater bias towards collection, resulted in our corporate store estate being disproportionately affected by Covid-19. Corporate store revenue for the full year was £32.3m, up 0.1%, with first half revenue down 0.1% and second half revenue up 0.4%. LFL sales excluding splits were down 1.8%, with LFL in the first half down 6.5% and in the second half up 2.8%.

The EBITDA of corporate stores was £1.6m, compared to £1.3m in 2019. EBITDA in the second half was impacted by reduced order count due to the continued Covid-19 restrictions, however this was in part offset by the reduction in the rate of VAT. The first half saw additional labour costs incurred as we made the decision to pay our store teams a salary supplement whilst working during the height of the first lockdown period.

International - German associate (continuing activity included within underlying results)

Our share of post-tax underlying profits from our German associate was £4.7m (2019: £2.9m). Our 33% investment in the German associate is a valuable investment which we hold on our balance sheet at an aggregate value of £57.6m. We have a put option exercisable from 1 January 2021 to 31 December 2023 which is not valued within our balance sheet, in accordance with the requirements of IFRS. In total we believe that exercising our put option and disposing of our interest in the associate could yield total cash receipts of £80-£110m depending on EBITDA performance of the associate and the timing of exercise. The majority shareholders have a call option exercisable from 1 January 2023.

International – Discontinued operations

In October 2019, the Board announced that we would exit from the markets of Norway, Sweden, Switzerland and Iceland seeking new owners for these businesses. Following this decision, the trading results of these territories, together with International central costs, have been classified as discontinued operations and excluded from underlying results, consistent with the treatment in FY19.

In February 2020, we announced that we had agreed the disposal of our Norwegian business, with the minority shareholders taking full ownership of this business. This transaction was a significant milestone as Norway represented our most troubled market and the largest cash drain on the Group. As part of the transaction, the minority stake in Sweden was transferred to us. The cash consideration paid to the buyers on completion of the transaction was £6.4m. Shareholder consent was given at a general meeting on 22 May 2020, with completion occurring the same day.

Marketing of the remaining businesses was difficult during the late spring and summer months due to the various Covid-19 restrictions applied in the different countries. Since the autumn the disposal process has been re-energised leading to the announcement that we have exchanged contracts to sell the business in Sweden, with a cash payment due to the purchaser of £1.8m. We expect the transaction to complete on 2 May. The process of disposing of our interests in Iceland and Switzerland is on-going. As a result of the offers received, and based on our best estimate of expected value and current discussions, we have recorded impairments of £22.6m in discontinued operations, of which £14.5m relates to Iceland and £8.1m relates to Sweden. These impairments have arisen as market conditions have limited the pool of potential buyers and impacted their view of longer-term growth prospects of the businesses. Final agreed proceeds for each of the International disposal groups may differ from current offers or expectations, but given the advanced stage of the disposal process, a material change in fair value is not considered probable.

We are confident that, through our actions, we have stemmed the significant cash drain from the Group that has resulted from our ownership of these International businesses.

Financial review

The results for the Group are summarised below. Given the backdrop of the Covid-19 pandemic we are very pleased to have delivered a strong financial performance in the year. Underlying profit before tax on a reported basis is £101.2m, up £2.4m on last year and as a result of significant efforts to reduce the drag of international losses, and reduction in non-underlying charges and impairments, our statutory profit after tax is £39.7m compared to only £2.8m in the prior year.

	Pre-IFRS 16	Impact of IFRS 16	**At 27 December 2020 £m** Reported	At 29 December 2019 £m Reported
Group revenue	**530.5**	**(25.4)**	**505.1**	**508.3**
UK & Ireland underlying EBIT before contribution of investments	**96.0**	**2.2**	**98.2**	**100.4**
Contribution of investments	6.1	-	6.1	2.0
UK & Ireland underlying EBIT	**102.1**	**2.2**	**104.3**	**102.4**
German associate contribution	4.7	-	4.7	2.9
Underlying EBIT	**106.8**	**2.2**	**109.0**	**105.3**
Underlying interest	(6.3)	(1.5)	(7.8)	(6.5)
Underlying profit before tax	**100.5**	**0.7**	**101.2**	**98.8**
Underlying tax charge	(16.9)	-	(16.9)	(17.7)
Underlying profit after tax	**83.6**	**0.7**	**84.3**	**81.1**
Non-underlying items	(2.1)	-	(2.1)	(21.8)
Profit after tax from continued operations	**81.5**	**0.7**	**82.2**	**59.3**
Loss from discontinued operations	(42.5)	-	(42.5)	(56.5)
Statutory profit after tax	**39.0**	**0.7**	**39.7**	**2.8**

IFRS 16

During the period, the Group has adopted IFRS 16 Leases for the first time. The Group has adopted a modified retrospective approach to application, and therefore comparatives have not been restated. IFRS 16 impacts the treatment of our property and equipment leases, and our lease receivables with franchisees. The summary impact of the change in accounting standard on the income statement for 2020 is set out above.

Overall EBIT has increased by £2.2m as a result of the implementation, with a benefit to profit before tax of £0.7m. Statutory revenue has decreased as income on property lease agreements has been de-recognised and this is offset by increases in cost of sales and other cost categories which represent the removal of lease charges and replacement with depreciation.

Within finance costs, whilst the net impact is an increase in net finance costs of £1.5m, there is a gross increase to both finance income and expense. The finance income represents the interest unwind of our lease receivables with franchisees, and the expense represents the interest unwind of the liability under our lease contracts.

Given the relatively small size of the impact at an EBIT level, movements are discussed including the impact of IFRS 16 in the FY 2020 figures, compared to excluding the impact of IFRS 16 in the FY 2019 numbers. Where impacts are considered significant these have been explained.

Earnings per share includes the impact of IFRS 16 in the current period. This has increased underlying basic EPS measures for continuing operations by 0.1p and statutory basic EPS including both continuing and discontinued operations by 0.2p.

Group revenue

Our key metric for measuring the revenue performance of the Group is system sales, rather than our Group revenue. System sales are the total sales to end customers through our network of stores, for both franchisee and corporate stores. Our Group revenue consists of food and non-food sales to franchisees, royalties paid by franchisees, contributions into the National Advertising Fund and eCommerce Fund, rental income and end-customer sales in our corporate stores. Within our Group revenue, the volatility of food wholesale prices, together with the combination of different revenue items, means that analysis of margin generated by the Group is less comparable than an analysis based on system sales. We consider that system sales provide a useful alternative analysis over time of the health and growth of the business.

Group revenue, consisting of directly generated UK and Ireland revenues, decreased by 0.6% to £505.1m. This includes a £25.4m reduction due to the impact of IFRS 16, as lease income is no longer being recognised in revenue for our long term leases with franchisees. If the impact of IFRS 16 is excluded, revenue increased by 4.4%. The drivers of revenue growth continued to be sales growth within the franchisee system, which drives increased food and royalty revenues and is reflected is system sales.

Underlying earnings before interest and taxation

The reported underlying earnings before interest and taxation was £109.0m, an increase on the prior year reported earnings of £105.3m. The reported increase primarily arose from the IFRS 16 adjustment of £2.2m and £1.3m fair value movement on investment in Shorecal.

Excluding the impact of IFRS 16, UK & Ireland underlying EBIT was down £0.3m from the prior year, largely driven by significant incremental Covid-19 related costs. In the year we have incurred some £9.0m of Covid-19 related costs and have received incremental benefit to our royalty and JV income from the VAT reduction of £3.6m. Removing the impact of the above identified items, UK & Ireland underlying EBIT would have increased by £5.1m or 5.0%.

Our associate investment in Germany contributed £4.7m (2019: £2.9m), an increase of £1.8m as the business traded strongly throughout the year with high same store monthly sales growth and the finalisation of the conversion of Hallo Pizza stores.

Interest

Net underlying finance costs in the period were £7.8m, a £1.3m increase year-on-year. Of this increase, £1.5m relates to the implementation of IFRS 16. Excluding this impact, net underlying finance costs have remained relatively consistent year-on-year, with interest payable under the revolving credit facility increasing from £6.4m to £6.7m as a result of additional drawdowns made over the Covid-19 period to ensure sufficient flexibility, offset with £0.5m additional foreign exchange gains. Statutory net finance costs were £7.5m (2019: £6.3m) after non-underlying interest and foreign exchange gains relating to the Market Access fee and put options of £0.3m (2019: £0.2m).

Taxation

The underlying effective tax rate for 2020 was 16.7% (2019: 17.9%), which is lower than the UK statutory rate due to the one-off impact of adjustments to prior year and the contribution of the Daytona joint venture. The statutory effective tax rate excluding discontinued operations is 16.9% (2019: 21.1%) due to the lower level of disallowable non-underlying charges.

Profit after tax and non-underlying items

Underlying profit after tax from continuing operations was £84.3m, an increase from £81.1m in 2019. After non-underlying items, statutory profit after tax from continuing operations was £82.2m, an increase from £59.3m in 2019. Net non-underlying items were £2.1m (2019: £21.8m). These costs are itemised in full in note 4 and are summarised below:

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 £m
eCommerce asset impairment	(4.6)	-
Legal and professional fees	(3.5)	(1.4)
Amortisation of London corporate stores	(1.1)	(1.0)
German associate store conversion costs	(0.5)	(2.8)
Market Access fee revaluations	7.1	(2.1)
Corporate stores impairment	-	(18.7)
Contribution to eCommerce fund	-	(7.1)
Put option revaluations	-	9.0
Other non-underlying items	-	0.2
Non-underlying interest charges	0.3	0.2
Tax impact of non-underlying items	0.2	1.9
Total non-underlying items after interest and taxation	**(2.1)**	**(21.8)**

- **eCommerce asset impairment:** An impairment charge of £4.6m has been recorded in relation to assets previously capitalised in respect of the new eCommerce platform which, following strategic review of the future direction of the development, have no future use.

- **Legal and professional fees:** Professional fees of £3.5m have been incurred, of which £2.3m relates to professional fees associated with the development of our long-term strategy and £1.2m relates to the disposal and marketing of the remaining international operations.

- **Amortisation of London corporate stores:** During the period amortisation of acquired intangibles of £1.1m (2019: £1.0m) was incurred in relation to the Standard Franchise Agreement (“SFA”) recognised on the acquisition of the London corporate stores in 2017 and Have More Fun (London) Limited in 2018. No further impairment of corporate stores has been recorded in the current year.

- **German associate 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 £0.5m (2019: £2.8m) which relate to the conversion of the Hallo Pizza stores which were acquired by the German associate in January 2018, which has now completed.

- **Market access fee revaluations:** A gain of £7.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2019: loss of £2.1m).

- **Costs and income recorded in 2019:** No further costs or income have been recorded in 2020 relating to corporate stores impairments, the contribution to the eCommerce fund which concluded in 2019 or put option revaluations, which were extinguished following the disposal of Norway in May 2020.

Discontinued operations

The total loss recorded from discontinued operations was £42.5m (2019: £56.5m). This consists of a trading loss of £10.1m, reduced from £20.8m in 2019, interest and tax charges of £1.0m and non-underlying costs of £33.4m (2019: £35.4m) relating to the disposal of Norway of £10.8m, and impairments of the remaining international businesses of £22.6m (2019: £35.2m).

The total loss from discontinued operations is set out below:

£m	2020		2019	
	System sales	EBIT	System sales	EBIT
Iceland	29.2	0.6	36.6	1.7
Norway	9.3	(3.3)	38.3	(11.3)
Switzerland	22.1	(1.5)	20.6	(5.4)
Sweden	8.2	(4.5)	5.2	(4.0)
Central costs		(1.4)		(1.8)
Trading result from discontinued operations	**68.8**	**(10.1)**	**100.7**	**(20.8)**
Finance costs and taxation		1.0		(0.3)
Loss on disposal of Norway		(10.8)		-
International impairments		(22.6)		(35.4)
Total charge from discontinued operations		**(42.5)**		**(56.5)**

Total system sales from consolidated discontinued International operations were £68.8m, compared to £100.7m last year, largely as a result of the disposal of Norway. Excluding Norway, system sales for the remaining businesses decreased by £2.9m, a decrease of 4.6% on a reported currency basis. On a constant currency basis, system sales increased by 1.6%. We made a trading loss of £10.1m, compared to a loss of £20.8m in 2019. This includes a trading loss from Norway, prior to its disposal, of £3.3m (2019 Norway loss: £11.3m).

In Iceland we currently have 23 stores (24 at the end of 2019). Performance in 2020 was significantly impacted by both competitive pressure and Covid-19, which reduced local demand and affected the Icelandic economy given that it is highly dependent on tourism, resulting in a 3.0% LFL decline in FY20.

In Switzerland we currently have 20 stores (21 at the end of 2019). Covid-19 led to a significant reduction in average weekly orders (down 7.4% LFL), which was offset by an increase in average ticket (up 8.8% LFL) as carry out and dine-in were temporarily stopped. Overall, the market was up 0.7% LFL with trading significantly improving towards the end of 2020.

In Sweden we currently have 14 stores (13 at the end of 2019). Following completion of the Norwegian transaction we now own 100% of this business. Performance in Sweden has also been affected by Covid-19 although our mature stores recorded year-on-year sales growth of 14.9% LFL, with trading particularly improving in the Malmo area due to higher ticket.

The Norway transaction resulted in a loss on disposal of £10.8m, including £1.9m of foreign exchange losses recycled from reserves, and £1.6m of other costs associated with the Norway disposal. In addition, impairments of £22.6m were recorded over the remaining businesses in Iceland of £14.5m and Sweden of £8.1m, to write the carrying values down to the best estimate of expected disposal value. These costs, together with the trading losses, finance costs and taxation, resulted in a total loss from discontinued operations of £42.5m (2019: £56.5m loss).

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchaser. This is materially consistent with the asset values recorded after the impairment described above.

After inclusion of the loss from discontinued operations, the overall statutory profit for the period was £39.7m (2019: £2.8m).

Earnings per share

Underlying basic EPS increased to 18.2p from 17.6p as a result of the underlying profit increase and decreased tax charge. Statutory basic EPS increased to 8.9p from 2.8p as a result of lower non-underlying charges and reduced loss from discontinued operations.

Free cash flow and net debt

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 (restated) £m
Underlying EBITDA	125.5	117.0
Discontinued operations EBITDA	(4.2)	(15.2)
Add back non-cash items		
- Contribution of investments	(10.8)	(4.9)
- Other non-cash items	(0.1)	1.2
Working capital	29.1	(23.3)
IFRS 16 – net lease payments	(11.0)	-
Dividends received	2.5	1.0
Net interest	(4.4)	(5.7)
Corporation tax	(23.1)	(14.1)
Free cash flow before non-underlying cash items	**103.5**	**56.0**
Non-underlying cash	(4.5)	1.1
Free cash flow	**99.0**	**57.1**
Capex	(19.4)	(23.4)
Repayment from/(funding to) German associate	4.6	(2.9)
Disposals	(6.4)	(2.7)
Dividends	(25.6)	(44.3)
Share transactions	0.5	(17.4)
Proceeds from issue of shares	12.9	-
Movement in net debt	**65.6**	**(33.6)**
Opening net debt	(232.6)	(203.3)
Forex on RCF	(4.8)	4.3
Closing net debt	**(171.8)**	**(232.6)**
Last 12 months net debt/EBITDA ratio from continuing operations (excl IFRS 16)	**1.46x**	**1.99x**
Last 12 months net debt/EBITDA ratio from continuing and discontinued operations (excl IFRS 16)	**1.57x**	**2.28x**

Free cash flow in the table above has been restated for the 52-week period ended 29 December 2019 from £33.7m to £57.1m due to the removal of capex from the free cash flow definition. Capex is now shown as a utilisation of free cash flow, which we consider better reflects the sources and uses of cash in the business.

Overall Group net debt decreased from £232.6m at 30 December 2019 to £171.8m, primarily due to increased free cash flow and the impact of the temporary suspension of the FY 2019 dividend and removal of the interim dividend.

Free cash flow was an inflow of £99.0m (2019: £57.1m), which consists of an inflow of £106.1m in our UK business and an outflow of £7.1m in our International business.

Underlying EBITDA was £125.5m (2019: £117.0m) with EBITDA from discontinued operations a loss of £4.2m (2019: £15.2m).

The Group experienced a working capital inflow of £29.1m (2019: £23.3m outflow) in the period which primarily consisted of an inflow of £21m due to a change in a payment timing at the end of 2019, £4m cash timing benefit as a result of increased creditors at the end of 2020, and £2m reduction in inventory levels.

Dividends received relates to amounts received from our UK joint venture and associates. The net interest cash outflow of £4.4m (2019: £5.7m) has decreased year-on-year due to the timing of drawdowns and related interest payments.

Corporation tax payments have increased by £9.0m as a result of changes in timing of UK corporation tax payments in the year.

Non-underlying cash paid of £4.5m relates mainly to UK strategy costs and international business disposal costs.

Capital expenditure in the period was £19.4m, of which £16.9m (2019: £15.0m) relates to our UK & Ireland business, and £2.5m (2019: £8.3m) relates to the international business. This is lower than the prior year primarily due to reduced international spend.

Funding from our German associate of £4.6m (2019: payment of £2.9m) represents repayment of funding and loan balances from the associate.

The disposal of our 71% interest in Norway resulted in a £6.4m cash outflow, this consisted of £3.4m cash remaining in the company and an additional £3.0m paid on disposal.

Dividends of £25.6m represents the deferred payment of the FY19 final dividend, which was paid in September 2020. No dividend payment was made during the year in respect to the financial performance of the 2020 year.

A total of £13.4m was raised through the issue of shares, of which £0.5m related to issues for employee share options and £12.9m related to proceeds from the issue of shares in relation to an option granted in 2014 held by a former minority interest of our previous wholly owned German operations.

Capital employed and balance sheet

	At 27 December 2020 £m	At 29 December 2019 £m
Intangible assets	30.5	34.5
Property, plant and equipment	91.1	84.8
Right-of-use assets	20.1	-
Lease receivables	204.7	-
Investments, associates and joint ventures	51.7	42.9
Market Access Fee	15.3	7.1
Deferred consideration	5.7	5.7
Lease liabilities	(226.5)	-
Provisions	(13.5)	(15.5)
Working capital	(21.9)	16.5
Net debt (continuing operations)	(180.2)	(237.3)
Put options	-	(0.9)
Tax	(0.4)	(6.9)
Held within assets and liabilities held for sale	14.6	27.8
Net (liabilities) / assets	**(8.8)**	**(41.3)**

Intangible assets have decreased from £34.5m to £30.5m as a result of additions of £6.5m offset by amortisation of £5.6m and impairment of £4.9m, relating primarily to the UK & Ireland eCommerce platform.

Property, plant and equipment has increased from £84.8m to £91.1m, primarily due to additions of £11.6m offset by depreciation of £5.3m.

Right of use assets of £20.1m represents the lease assets for our corporate stores, warehouses and equipment leases recognised under IFRS 16 in the current period. Lease receivables of £204.7m represents a financial receivable for the leases we hold with franchisees, where we are the lessor.

Investments, associates and joint ventures represents our investment in the German associate and our investment in Full House Restaurant Holdings Limited and Domino's Pizza West Country Limited in the UK, which are treated as associates and joint ventures respectively, as well as our investment in Shorecal. This has increased by £8.8m during the year, largely as a result of trading performance of the associates and joint ventures in excess of dividends received.

The Market Access Fee asset, representing the fee receivable following our disposal of the German master franchise agreement'), has increased from £7.1m to £15.3m, largely due to the revaluation at the end of 2020 as a result of increased trading performance during the year, leading to increased expected future cash receipts.

Deferred consideration largely represents the amounts owed to the Group following our disposal of shares held in the joint venture company, DP Shayban Limited in H1 2019.

The lease liability of £226.5m represents the amounts payable under leases, either for our own leases or for franchisee leases where we lease the property from the landlord, and then sub lease to a franchisee.

Working capital has increased from an asset of £16.5m to a liability of £21.9m as a result of the factors outlined in the cash flow section above.

The put option liability of £0.9m has been extinguished on the disposal of the Norway business in H1 2020.

Tax liabilities have decreased from £6.9m to £0.4m as a result of the change in legislation over timing of corporation tax payments.

The overall assets held for sale balance has decreased by £13.2m, largely as a result of impairments recorded in 2020 over the international asset base.

Total equity has improved by £32.5m from a net liability position of £41.3m to £8.8m largely due to the profits for the period exceeding dividend payments made. There are sufficient distributable reserves in the standalone accounts of Domino's Pizza Group plc for the proposed dividend payment and announced share buyback. The reserves available for distribution of Domino's Pizza Group plc at 27 December 2020 were £100.1m.

Treasury management

The Group holds an unsecured multi-currency revolving credit facility of £350m to December 2023 with a syndicate of eight lenders. An option for the Group to extend the facility by a further 12 months to December 2024 has been deferred by nine months with all lender consent and becomes exercisable in August 2021. 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 0bps and 30bps of the aggregate amount of the outstanding loans. A commitment fee in the base currency computed at 35% of the margin is payable for the undrawn loan amount. 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 £171.8m, giving us a leverage ratio of 1.46x from continuing operations, and 1.57x including the trading EBITDA of our International operations classified as discontinued.

Underpinning treasury management 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.

FY21 Guidance

For the current financial year we expect:

- Underlying depreciation & amortisation of between £16m to £18m, including the impact of IFRS 16
- Underlying Interest (excluding foreign exchange movements) in the range of £4m to £6m
- Estimated underlying effective tax rate of c.18% for the full year
- UK and Ireland capital expenditure of c£15m
- Net debt at FY21 year-end around £200m

Group income statement

52 weeks ended 27 December 2020

	Notes	**52 weeks ended 27 December 2020 £m**			52 weeks ended 29 December 2019 £m		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total
Revenue	2	505.1	-	505.1	508.3	-	508.3
Cost of sales		(268.6)	-	(268.6)	(273.5)	-	(273.5)
Gross profit		236.5	-	236.5	234.8	-	234.8
Distribution costs		(30.8)	-	(30.8)	(30.9)	-	(30.9)
Administrative costs		(107.5)	(4.6)	(112.1)	(103.5)	(9.5)	(113.0)
Other expenses		-	(4.6)	(4.6)	-	(20.8)	(20.8)
Share of post-tax profits of associates and joint ventures		9.5	(0.5)	9.0	4.9	(2.8)	2.1
Other income		1.3	7.1	8.4	-	9.2	9.2
Profit/(loss) before interest and taxation		109.0	(2.6)	106.4	105.3	(23.9)	81.4
Finance income		13.7	0.7	14.4	0.8	0.8	1.6
Finance costs		(21.5)	(0.4)	(21.9)	(7.3)	(0.6)	(7.9)
Profit/(loss) before taxation		101.2	(2.3)	98.9	98.8	(23.7)	75.1
Taxation	6	(16.9)	0.2	(16.7)	(17.7)	1.9	(15.8)
Profit/(loss) for the period from continuing operations		84.3	(2.1)	82.2	81.1	(21.8)	59.3
Loss from discontinued operations	3	-	(42.5)	(42.5)	-	(56.5)	(56.5)
Profit/(loss) for the period		84.3	(44.6)	39.7	81.1	(78.3)	2.8
Profit/(loss) attributable to:							
- Equity holders of the parent		84.3	(43.2)	41.1	81.1	(68.0)	13.1
- Non-controlling interests		-	(1.4)	(1.4)	-	(10.3)	(10.3)
Profit/(loss) for the period		84.3	(44.6)	39.7	81.1	(78.3)	2.8
Earnings per share							
From continuing operations							
– Basic (pence)	7	18.2		17.8	17.6		12.9
– Diluted (pence)	7	18.1		17.7	17.5		12.8
From continuing and discontinued operations (statutory)							
– Basic (pence)	7			8.9			2.8
– Diluted (pence)	7			8.8			2.8

Group statement of comprehensive income

52 weeks ended 27 December 2020

	Notes	**52 weeks ended 27 December 2020 £m**	52 weeks ended 29 December 2019 £m
Profit for the period		39.7	2.8
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
- Exchange loss on retranslation of foreign operations		(3.3)	(1.5)
- Transferred to income statement on disposal	10	(1.9)	-
Items that will not be subsequently reclassified to profit or loss:			
- Exchange differences recycled on deemed disposal of foreign operations		-	-
Other comprehensive expense for the period, net of tax		(5.2)	(1.5)
Total comprehensive income for the period		34.5	1.3
- attributable to equity holders of the parent		35.5	11.7
- attributable to the non-controlling interests		(1.0)	(10.4)

Group balance sheet

As at 27 December 2020

	Notes	At 27 December 2020 £m	At 29 December 2019 £m
Non-current assets			
Intangible assets	5	30.5	34.5
Property, plant and equipment		91.1	84.8
Right-of-use assets		20.1	-
Lease receivables		191.5	-
Trade and other receivables		21.2	37.1
Other financial asset		13.3	7.1
Investments		12.3	10.5
Investments in associates and joint ventures		39.4	32.4
Deferred consideration		5.7	5.7
		425.1	212.1
Current assets			
Lease receivables		13.2	-
Inventories		11.0	13.0
Trade and other receivables		36.2	62.0
Assets held for sale	3	38.1	55.7
Other financial asset		2.0	-
Current tax assets		3.2	-
Cash and cash equivalents		63.4	11.1
		167.1	141.8
Total assets		592.2	353.9
Current liabilities			
Lease liabilities		(17.8)	-
Trade and other payables		(90.0)	(85.4)
Liabilities held for sale	3	(23.5)	(27.9)
Financial liabilities	9	-	(0.9)
Deferred and contingent consideration		-	(0.2)
Current tax liabilities		-	(5.8)
Provisions		(0.4)	(2.7)
		(131.7)	(122.9)
Non-current liabilities			
Lease liabilities		(208.7)	-
Trade and other payables		(0.3)	(10.1)
Financial liabilities	9	(243.6)	(248.3)
Deferred tax liabilities		(3.6)	(1.1)
Provisions		(13.1)	(12.8)
		(469.3)	(272.3)
Total liabilities		(601.0)	(395.2)
Net liabilities		(8.8)	(41.3)

Group balance sheet continued

As at 27 December 2020

	Notes	At 27 December 2020 £m	At 29 December 2019 £m
Shareholders' equity			
Called up share capital		2.4	2.4
Share premium account		49.6	36.7
Capital redemption reserve		0.5	0.5
Capital reserve – own shares		(3.4)	(4.5)
Currency translation reserve		(9.7)	(4.1)
Other reserves		-	(5.5)
Accumulated losses		(48.2)	(55.1)
Total shareholders' equity		(8.8)	(29.6)
Non-controlling interests		-	(11.7)
Total equity		(8.8)	(41.3)

Dominic Paul
Director
8 March 2021

Group statement of changes in equity

52 weeks ended 27 December 2020

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve - own shares £m	Currency translation reserve £m	Other Reserves £m	Accumulated losses £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
At 30 December 2018	2.4	36.7	0.5	(6.4)	(2.7)	(25.1)	(2.6)	2.8	(0.3)	2.5
Profit/(loss) for the period	-	-	-	-	-	-	13.1	13.1	(10.3)	2.8
Other comprehensive income – exchange differences	-	-	-	-	(1.4)	-	-	(1.4)	(0.1)	(1.5)
Total comprehensive income for the period	-	-	-	-	(1.4)	-	13.1	11.7	(10.4)	1.3
Impairment of share issues*	-	-	-	3.3	-	-	(3.3)	-	-	-
Share buybacks	-	-	-	(1.4)	-	-	(16.0)	(17.4)	-	(17.4)
Share buybacks obligation satisfied	-	-	-	-	-	-	15.8	15.8	-	15.8
Share options and LTIP charge	-	-	-	-	-	-	0.6	0.6	-	0.6
Tax on employee share options	-	-	-	-	-	-	0.7	0.7	-	0.7
Repurchase of equity from dividend equivalent employee share awards	-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Increase in ownership interest in subsidiary	-	-	-	-	-	19.6	(18.6)	1.0	(1.0)	-
Equity dividends paid	-	-	-	-	-	-	(44.3)	(44.3)	-	(44.3)
At 29 December 2019	2.4	36.7	0.5	(4.5)	(4.1)	(5.5)	(55.1)	(29.6)	(11.7)	(41.3)
Change in accounting policy	-	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)
Restated at 30 December 2019	2.4	36.7	0.5	(4.5)	(4.1)	(5.5)	(57.6)	(32.1)	(11.7)	(43.8)
Profit/(loss) for the period	-	-	-	-	-	-	41.1	41.1	(1.4)	39.7
Other comprehensive income – exchange differences	-	-	-	-	(5.6)	-	-	(5.6)	0.4	(5.2)
Total comprehensive income for the period	-	-	-	-	(5.6)	-	41.1	35.5	(1.0)	34.5
Proceeds from share issues	-	12.9	-	0.6	-	-	-	13.5	-	13.5
Impairment of share issues*	-	-	-	0.5	-	-	(0.5)	-	-	-
Share options and LTIP charge	-	-	-	-	-	-	1.4	1.4	-	1.4
Tax on employee share options	-	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Increase in ownership interest in subsidiary	-	-	-	-	-	2.4	(4.6)	(2.2)	2.2	-
Disposal of interest in a subsidiary	-	-	-	-	-	3.1	(2.3)	0.8	10.5	11.3
Equity dividends paid	-	-	-	-	-	-	(25.6)	(25.6)	-	(25.6)
At 27 December 2020	2.4	49.6	0.5	(3.4)	(9.7)	-	(48.2)	(8.8)	-	(8.8)

*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 27 December 2020

	Notes	**52 weeks ended 27 December 2020 £m**	52 weeks ended 29 December 2019 £m
Cash flows from operating activities			
Profit before interest and taxation			
- from continuing operations	2	106.4	81.4
- from discontinued operations	2	(43.5)	(56.2)
Amortisation and depreciation		20.0	18.8
Impairment		30.7	54.6
Profit on disposal of non-current assets		-	(0.5)
Share of post-tax (profits) of associates and joint ventures		(9.0)	(2.1)
Loss on disposal of subsidiary		9.2	-
Net (gain)/loss on financial instruments at fair value through profit or loss		(8.4)	2.1
Increase/(decrease) in provisions		(1.6)	3.9
Share option and LTIP charge		1.4	0.6
Revaluation of put option liability		-	(9.0)
Decrease/(increase) in inventories		1.9	(7.3)
Decrease/(increase) in receivables		20.9	(14.3)
Increase in payables		7.3	2.3
Cash generated from operations		135.3	74.3
UK corporation tax paid		(22.7)	(13.1)
Overseas corporation tax paid		(0.4)	(1.0)
Net cash generated by operating activities		112.2	60.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(11.6)	(14.1)
Purchase of intangible assets		(7.8)	(9.3)
Proceeds from sale of property, plant and equipment		-	1.6
Consideration paid on disposal of subsidiary		(6.4)	-
Investment in joint ventures and associates		0.8	(1.5)
Interest received		1.0	0.6
Other	11	6.2	0.2
Net cash used by investing activities		(17.8)	(22.5)
Cash inflow before financing		94.4	37.7

Group cash flow statement continued
52 weeks ended 27 December 2020

	Notes	**52 weeks ended 27 December 2020 £m**	52 weeks ended 29 December 2019 £m
Cash flows from financing activities			
Interest paid		(5.3)	(6.3)
Issue of Ordinary share capital		12.9	-
Share transactions	11	0.5	(17.4)
Repurchase of equity from dividend equivalent employee share awards		-	(0.5)
New bank loans and facilities draw down		205.0	186.0
Repayment of borrowings		(215.1)	(160.9)
Receipts on lease receivables		25.6	-
Repayment of lease liabilities		(36.6)	-
Increase in ownership interest in a subsidiary		-	(2.7)
Equity dividends paid	8	(25.6)	(44.3)
Net cash used by financing activities		(38.6)	(46.1)
Net increase/(decrease) in cash and cash equivalents		55.8	(8.4)
Cash and cash equivalents at beginning of period		16.0	24.8
Foreign exchange loss on cash and cash equivalents		-	(0.4)
Cash and cash equivalents at end of period		71.8	16.0

The cash flow statement has been prepared on a consolidated basis including continuing and discontinued operations.

Notes to the Group financial statements

52 weeks ended 27 December 2020

1. Accounting policies

Basis of preparation

The financial information set out in this document does not constitute statutory accounts for Domino's Pizza Group plc for the period ended 27 December 2020, but is extracted from the 2020 Annual Report.

The Annual Report for 2020 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either Section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, as they apply to the financial statements of the Group for the 52 week period ended 27 December 2020 and applied in accordance with the Companies Act 2006.

The 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 and contingent consideration which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

Going concern

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.

The Directors of the Group have performed an assessment of the overall position and future forecasts for the purposes of going concern in light of the current environment. The overall Group has continued trading in the UK and Ireland, and international markets, throughout the Covid-19 period. In the UK and Ireland sales growth has been strong throughout the year, especially over the initial lockdown period. This increase in sales growth has been offset with additional costs incurred in ensuring the Group continued to trade safely. Performance of the International operations has been mixed, however given the relative size does not cause a significant risk to the ongoing position of the Group from a going concern and cash flow perspective.

The Directors of the Group have considered the future position based on current trading and a number of potential downside scenarios which may occur, either through further Covid-19 related impacts, further Brexit related risks, general economic uncertainty and other risks, in line with the analysis performed for the viability statement as outlined in the Directors report. This assessment has considered the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks. The Group has a £350.0m multicurrency syndicated revolving credit facility which matures in December 2023, and a net debt position of £171.8m.

The scenarios modelled are based on our current forecast projections out to the end of 2023. The first scenario considers the following risks:

- A downside impact of economic uncertainty and other sales related risks over the forecast period, reflected in sales performance, with a c.5% reduction in LFL sales compared to budget and the impact of no new store openings over the forecast period.
- A further reduction in sales of c.3% from 2022 to account for the potential impact of the public health debate.
- Future potential Covid-19 related risks, including a potential local outbreak within our SCC's impacting our ability to supply stores for a period of two weeks, further restrictions in the UK and Ireland leading to the temporary closure of 10% of our stores for four weeks and disruption to one of our key suppliers impacting our supply chain over a period of four weeks whilst alternate sourcing is secured.
- Future potential impacts of Brexit related tariffs without any pass through in pricing.
- The impact of retention of our International operations.

The second scenario, considered severe but plausible, includes the economic impacts from scenario one and also includes the impact of fines from a potential wider data breach in 2021 as well as impacts of temporary failure of our online sales platform over two 24 hour periods during peak trading.

Reverse stress testing has also been performed, which is a materially worse scenario than the combinations described in the scenarios above, which concluded that the Group's currently agreed financing could only be breached if a highly unlikely combination of scenarios resulted in a material annual reduction in system sales greater than 26%.

In each of the ‘severe but plausible’ scenarios modelled, there remains significant cash headroom on the revolving credit facility Under scenario one there remains sufficient headroom under the covenant requirements of the facility. If all the risks under scenario one and scenario two were to occur simultaneously, the Group would breach its leverage covenants. The Board has mitigation actions available in the form of an early exit from the investment in Daytona or delays of dividends and share buy backs which would prevent a breach. Based on this assessment, the Directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

Accounting policies and new standards

The accounting policies applied by the Group are consistent with those disclosed in the Group’s Annual Report. These policies are consistent with the Accounts for the 52 weeks ended 29 December 2019, except for new standards and interpretations effective for the first time for the reporting period.

New standards and interpretations - IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 30 December 2019, the first day of the 52 week financial period ending 27 December 2020.

IFRS 16 replaces IAS 17, and provides a single lease accounting model. For leases where the Group is a lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases. Right-of-use assets and lease liabilities are recognised, with the depreciation of right-of-use assets presented separately from the unwinding of discount on lease liabilities. For leases where the Group is lessor and the freehold is also held within the Group, rental income continues to be recognised as before.

The Group holds both a head-lease with the landlord, and a sub-lease with a franchisee, for the majority of Domino’s sites in the UK and Ireland. In the majority of cases terms agreed with landlords are mirrored in terms agreed with franchisees in a “back-to-back” sub-lease arrangement, but in certain cases the terms of sub-leases with franchisees do not mirror the head-lease with landlords. Where the sub-lease covers substantially all of the right-of-use head-lease, the right of use asset the Group would usually recognise as lessee is derecognised and replaced by a lease receivable from the franchisee sub-lease, with interest income recognised in the income statement and depreciation of a right-of-use asset as lessee no longer recorded. This results in a lease receivable for the Group as lessor and a lease liability for the Group as lessee, with interest income and expense recognised separately. This same treatment is applied where the current sub-lease does not cover substantially all of the right-of-use head-lease, if management judges that it is reasonably certain the sub-lease will be renewed to cover substantially all of the right-of-use head-lease. The contractual extension periods are within the SFA which each of the stores enter into, which relates solely to the property address. As the sub-lease and the SFA are entered into at the same time, the contracts have been linked for the purposes of assessing extension periods.

The Group performed an impact assessment of adopting IFRS 16, which involved collating information on lease obligations and contractual arrangements across the Group. This data was then used to compare the impact of the new standard under its different transitional options.

The Group decided to select the modified retrospective approach to transition. The Group has elected to apply the transition exemptions proposed by IFRS 16 for leases of low value assets. For certain right-of-use asset categories, primarily our equipment leases, the Group has also elected to apply the transition exemptions for leases with terms ending within 12 months of the date of initial application.

Under the modified retrospective approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 30 December 2019. There are two options for measuring right-of-use assets under the modified retrospective approach: by measuring the asset as if IFRS 16 had been applied since lease commencement; or by measuring the asset at an amount equal to the lease liability on the date of transition, adjusted by the amount of any prepaid or accrued lease payments. The Group has elected to measure the asset at an amount equal to the lease liability on the date of transition.

A methodology for determining incremental borrowing rates has been developed in order to calculate lease liabilities under IFRS 16. This methodology incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Group) and an asset class adjustment (reflecting the variation risk between asset categories). The discount rates determined are between 4.9% and 7.9% dependent on the asset location and nature.

The transitional impact on the balance sheet as at 30 December 2019 is as follows:

	£m
Assets	
Lease receivables	207.4
Lease right-of-use assets	19.6
Prepayments and deferred income	(20.0)
Liabilities	
Lease liabilities	(228.7)
Provisions	1.6
Accruals and deferred income	17.1
Net deferred tax liabilities	0.5
Net impact on equity	**(2.5)**

The impact on the income statement from continuing operations is as follows:

	52 weeks ended 27 December 2020 £m
Depreciation expense as reported under IFRS 16	(6.2)
Amortisation no longer recognised under IFRS 16	0.5
Net operating lease expense as reported under IAS 17	7.9
Net impact on profit before interest and tax	**2.2**
Finance income	12.8
Finance costs	(14.3)
Impact on profit after tax	**0.7**

Under IFRS 16, the Group's profit before interest and tax has increased, while its net finance costs have also increased, leading to an overall net increase in profit before tax.

Under the transition approach selected, comparative information in the income statement has not been restated. We estimate the impact on the 2019 results to be broadly consistent with the impact in 2020.

Earnings per share includes the impact of IFRS 16 in the current period. This has increased underlying basic EPS measures for continuing operations, by 0.1p and underlying diluted EPS for continuing operations by 0.1p. On a statutory basis from continuing operations, basic EPS has increased by 0.2p, and diluted EPS by 0.2p. Including both continuing and discontinued operations, basic EPS has been increased by 0.2p and the diluted EPS has increased by 0.1p.

Under IFRS 16, the Group's net debt and cash flow statement are impacted as follows:

- With the exception of back to back head-leases, depreciation of right-of-use assets is added back to operating profit to arrive at operating cash flows, which increases the Group's EBITDA
- Lease liabilities are treated as financial liabilities however are not included in net debt
- Payment of the principal amount of leases and receipts on lease receivables are treated as financing cash flows within the cash flow statement
- In the free cash flow, EBITDA is presented including the impact of IFRS 16, and the lease payments and receipts on lease receivables are included in the free cash flow

In applying IFRS 16 for the first time, the group has used the following practical expedients:

- Reliance on previous assessments on whether leases are onerous
- The exclusion of initial direct costs for the measurement of right-of-use assets on initial application;
- The use of a single discount rate to a portfolio of leases with characteristics which are reasonably similar;
- The accounting for leases with a remaining lease term of less than 12 months at the date of transition as short-term leases where these leases are unlikely to be renewed on a case-by-case basis

In the year ended 29 December 2019, the Group disclosed minimum lease commitments under IAS 17 of £360.9m. Of this amount, £332.8m related to our continuing businesses. The difference between the lease liability recognised on transition of £228.7m is primarily relating to discounting of the lease obligations.

In order to provide comparability, the Net Debt to EBITDA multiples used do not include the EBITDA benefit of IFRS 16. The Net Debt to EBITDA ratio for covenant testing purposes for the Group's revolving credit facility remains on a frozen GAAP basis.

2. Segmental information

For management purposes, the Group is organised into two geographical business units based on the operating models of the regions: the UK & Ireland operating more mature markets with a franchise model, limited corporate stores and investments held in our franchisees, compared to 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 Executive Directors of the Board, who are considered to be the chief operating decision makers, 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 profit before interest and tax.

The International operations in Sweden, Switzerland, Iceland and Norway (up to disposal date) which are held as discontinued under IFRS 5: Non-current assets held for sale and discontinued operations, are presented as a separate segment. During the year, the Board continued to monitor the trading performance of the businesses and therefore are still considered an operating segment. The results of the German associate remain in continuing results and therefore are presented separated.

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the bank revolving facility and taxation liabilities.

	At 27 December 2020 £m	At 29 December 2019 £m
Current tax asset	3.2	-
Cash and cash equivalents	71.8	11.1
Unallocated assets	75.0	11.1
Current tax liabilities	0.8	5.8
Deferred tax liabilities	6.0	1.1
Bank revolving facility	243.6	248.1
Unallocated liabilities	250.4	255.0

Segment assets and liabilities

	52 weeks ended 27 December 2020				52 weeks ended 29 December 2019			
	UK & Ireland £m	International - continuing £m	International - discontinued £m	**Total £m**	UK & Ireland £m	International - continuing £m	International - discontinued £m	Total £m
Segment assets								
Segment current assets	62.5	-	29.6	92.1	75.0	-	55.7	130.7
Segment non-current assets	373.4	-	-	373.4	169.2	-	-	169.2
Equity accounted investments - investment in associates and joint ventures	13.9	25.5	-	39.4	11.5	20.9	-	32.4
Investments	12.3	-	-	12.3	10.5	-	-	10.5
Unallocated assets				75.0				11.1
Total assets				592.2				353.9
Segment liabilities								
Liabilities	329.5	-	21.1	350.6	112.3	-	27.9	140.2
Unallocated liabilities				250.4				255.0
Total liabilities				601.0				395.2

Segmental performance 2020

	UK & Ireland £m	International - continuing £m	Total underlying £m	Non-underlying £m	Total reported £m	International - discontinued £m	Total including discontinued operations £m
Revenue							
Sales to external customers	505.1	-	505.1	-	505.1	69.9	575.0
Segment revenue	505.1	-	505.1	-	505.1	69.9	575.0
Results							
Underlying segment result before associates and joint ventures	98.2	-	98.2	-	98.2	(10.1)	88.1
Share of profit of associates and joint ventures	4.8	4.7	9.5	-	9.5	-	9.5
Segment result	103.0	4.7	107.7	-	107.7	(10.1)	97.6
Other non-underlying items	-	-	-	(9.7)	(9.7)	(33.4)	(43.1)
Other income	1.3	-	1.3	7.1	8.4	-	8.4
Profit/(loss) before interest and taxation	104.3	4.7	109.0	(2.6)	106.4	(43.5)	62.9
Net finance costs	(7.8)	-	(7.8)	0.3	(7.5)	(0.7)	(8.2)
Profit before taxation	96.5	4.7	101.2	(2.3)	98.9	(44.2)	54.7
Taxation	(16.9)	-	(16.9)	0.2	(16.7)	1.7	(15.0)
Profit/(loss) for the year	79.6	4.7	84.3	(2.1)	82.2	(42.5)	39.7
Effective tax rate	17.5%	-	16.7%	8.7%	16.9%	3.8%	27.4%
Other segment information							
Depreciation	11.5	-	11.5	-	11.5	2.9	14.4
Amortisation	4.5	-	4.5	1.1	5.6	-	5.6
Impairment	0.5	-	0.5	4.6	5.1	25.6	30.7
Total depreciation, amortisation and impairment	16.5	-	16.5	5.7	22.2	28.5	50.7
EBITDA	120.8	4.7	125.5	3.1	128.6	(15.0)	113.6
Underlying EBITDA	120.8	4.7	125.5	-	125.5	(4.2)	121.3
Capital expenditure	16.9	-	16.9	-	16.9	2.5	19.4
Share-based payment charge	1.4	-	1.4	-	1.4	-	1.4
Revenue disclosures							
Royalties, franchise fees and change of hands fees	70.2	-	70.2	-	70.2	0.3	70.5
Sales to franchisees	347.9	-	347.9	-	347.9	1.2	349.1
Corporate store income	32.2	-	32.2	-	32.2	68.3	100.5
Rental income on leasehold and freehold property	0.6	-	0.6	-	0.6	-	0.6
National Advertising and eCommerce income	54.2	-	54.2	-	54.2	0.1	54.3
Total segment revenue	505.1	-	505.1	-	505.1	69.9	575.0

Major customers and revenue by destination

Revenue from two franchisees individually totalled £95.9m (2019: £99.5m) and £83.7m (2019: £91.2m), within sales reported in the UK and Ireland segment. Revenue in the current year has been reduced due to the treatment of lease revenue receivable under IFRS 16, which eliminates the revenue recognised for property lease income from these customers.

Analysed by origin, revenue from the UK was £478.3m (2019: £480.6m), with other significant countries being Ireland with revenue of £26.8m (2019: £27.7m), Norway with revenue of £9.4m (2019: £30.1m), Iceland with revenue of £30.5m (2019: £36.6m), Sweden with revenue of £7.8m (2019: £5.2m) and Switzerland with revenue of £22.2m (2019: £20.6m).

Segmental performance 2019

	UK & Ireland £m	International - continuing £m	Total underlying £m	Non-underlying £m	Total reported £m	International - discontinued £m	Total including discontinued operations £m
Revenue							
Sales to external customers	508.3	-	508.3	-	508.3	92.5	600.8
Segment revenue	508.3	-	508.3	-	508.3	92.5	600.8
Results							
Underlying segment result before associates and joint ventures	100.4	-	100.4	-	100.4	(20.8)	79.6
Share of profit of associates and joint ventures	2.0	2.9	4.9	-	4.9	-	4.9
Segment result	102.4	2.9	105.3	-	105.3	(20.8)	84.5
Other non-underlying items	-	-	-	(33.1)	(33.1)	(35.4)	(68.5)
Other income	-	-	-	9.2	9.2	-	9.2
Profit/(loss) before interest and taxation	102.4	2.9	105.3	(23.9)	81.4	(56.2)	25.2
Net finance costs	(6.5)	-	(6.5)	0.2	(6.3)	-	(6.3)
Profit before taxation	95.9	2.9	98.8	(23.7)	75.1	(56.2)	18.9
Taxation	(17.7)	-	(17.7)	1.9	(15.8)	(0.3)	(16.1)
Profit/(loss) for the year	78.2	2.9	81.1	(21.8)	59.3	(56.5)	2.8
Effective tax rate	18.5%	-	17.9%	8.0%	21.0%	(0.5)%	85.2%
Other segment information							
Depreciation	5.2	-	5.2	-	5.2	5.6	10.8
Amortisation	5.8	-	5.8	2.2	8.0	-	8.0
Impairment	0.7	-	0.7	18.7	19.4	35.2	54.6
Total depreciation and amortisation	11.7	-	11.7	20.9	32.6	40.8	73.4
EBITDA	114.1	2.9	117.0	(3.0)	114.0	(15.4)	98.6
Underlying EBITDA	114.1	2.9	117.0	-	117.0	(15.2)	101.8
Capital expenditure	15.0	-	15.0	-	15.0	8.4	23.4
Share-based payment charge	0.6	-	0.6	-	0.6	-	0.6
Revenue disclosures							
Royalties, franchise fees and change of hands fees	63.0	-	63.0	-	63.0	0.5	63.5
Sales to franchisees	333.3	-	333.3	-	333.3	1.4	334.7
Corporate store income	32.1	-	32.1	-	32.1	90.4	122.5
Rental income on leasehold and freehold property	25.1	-	25.1	-	25.1	-	25.1
National Advertising and eCommerce income	54.8	-	54.8	-	54.8	0.2	55.0
Total segment revenue	508.3	-	508.3	-	508.3	92.5	600.8

3. Discontinued Operations

Discontinued operations consist of the International business disposal groups, consisting of the operations in Sweden, Switzerland, Iceland and Norway. The operation in Norway was disposed during the period, see note 10, and is included in the result up to disposal date. The remaining operations have each been classified based on the current status of the disposals, as set out in the Strategic Report. The operations meet the criteria in IFRS 5: Non-current assets held for sale and discontinued operations to be classified as assets held-for-sale. The operations additionally meet the criteria for discontinued operations under the standard. They are classified as held-for-sale and represent a separate major line of business and part of a single co-ordinated plan to dispose.

Items related to these businesses are classified in discontinued operations, except for the movements in equity put options of Norway and Sweden which are considered to be a Group liability and intercompany finance costs which offset against UK intercompany finance income.

International central costs have been included in the discontinued operations and relate to the costs incurred by the Group in management activities and other services for the discontinued operations, which are not considered to be continuing costs for the Group.

The result of the disposal groups classified as discontinued operations are as follows:

	52 weeks ended 27 December 2020			52 weeks ended 29 December 2019		
	Total trading result	Non-underlying costs	**Total result from discontinued operations**	Total trading result	Non-underlying costs	Total result from discontinued operations
	£m	**£m**	**£m**	£m	£m	£m
Revenue	69.9	-	69.9	92.5	-	92.5
Cost of sales	(55.5)	-	(55.5)	(71.7)	-	(71.7)
Gross profit	14.4	-	14.4	20.8	-	20.8
Distribution costs	(0.8)	-	(0.8)	(0.8)	-	(0.8)
Administrative costs	(23.7)	(24.2)	(47.9)	(40.8)	-	(40.8)
Other expenses	-	(9.2)	(9.2)	-	(35.4)	(35.4)
Loss before interest taxation	(10.1)	(33.4)	(43.5)	(20.8)	(35.4)	(56.2)
Finance costs	(0.7)	-	(0.7)	-	-	-
Loss before taxation	(10.8)	(33.4)	(44.2)	(20.8)	(35.4)	(56.2)
Taxation	(0.7)	2.4	1.7	(0.3)	-	(0.3)
Loss for the period	(11.5)	(31.0)	(42.5)	(21.1)	(35.4)	(56.5)

Segmental result by country

Segmental result	Iceland	Switzerland	Norway	Sweden	International central costs	Total trading result
	£m	£m	£m	£m	£m	£m
52 weeks ended 27 December 2020	0.6	(1.5)	(3.3)	(4.5)	(1.4)	(10.1)
52 weeks ended 29 December 2019	1.7	(5.4)	(11.3)	(4.0)	(1.8)	(20.8)

Non-underlying costs presented in discontinued operations

In the 52 weeks ended 27 December 2020, non-underlying costs presented in discontinued operations relate to the disposal of Norway as well as impairments of International operations. The cost of disposal of Norway consisted of £9.2m loss on disposal, after accounting for the net assets disposed, minority interest and foreign exchange recycled and consideration paid, as set out in Note 10. Non-underlying costs also includes £1.6m of professional fees associated with the disposal of Norway. Impairments of International operations recorded in other expenses of £22.6m in 2020 and £35.2m in 2019, are explained below. Additional non-underlying costs presented in discontinued operations in the prior year relate to £0.2m of costs associated with disposal of the legacy Germany operations in 2019.

Impairments – 2020: £22.6m, 2019: £35.2m

In 2020, a total impairment of £22.6m has been recorded over the Group's International operations, on a fair value less cost to dispose basis. This consists of an impairment of the Sweden operations of £8.1m and Iceland of £14.5m.

In Sweden, an impairment of £8.1m has been recorded to reduce the asset base to reflect the best estimate of the amount expected to be realised through any disposal transaction, and has been recorded against intangible assets £4.2m, tangible assets £1.2m and right of use assets of £2.7m. In Iceland, an impairment of £14.5m has been recorded to reduce the asset base to the best estimate of the likely value to be realised through any disposal transaction, and has been recorded against goodwill £7.4m and intangible assets £7.1m.

In 2019, a total impairment of £35.2m was recorded over the Group's International operations, on a fair value less cost to dispose basis following classification as disposal groups held for sale. This consisted of an impairment of the Norway operations of £13.4m, Iceland of £2.5m, Sweden of £8.4m and Switzerland of £10.9m. In Norway, the impairment of £13.4m reduced the asset base of the operations to £nil as a result of the announced transaction, and was recorded over intangible assets of £7.9m and tangible assets of £5.5m. In Iceland, the impairment of £2.5m was recorded over the goodwill held, and the impairment review was performed based on forecast cash flow projections from the entity, taking account of the macro-economic conditions and our expectations of fair value. In Sweden, an impairment of £8.4m was recorded to reduce the asset base to the likely value to be realised through any disposal transaction, and was recorded against goodwill £0.7m, intangible assets £5.1m and tangible assets £2.6m. In Switzerland, the impairment recorded of £10.9m reduced the asset base to £nil. The impairment was recorded against intangible assets £2.7m and tangible fixed assets £8.2m.

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchaser. The Group continues to market the remaining international operations of Iceland and Switzerland, and therefore some uncertainty continues to exist in relation to the final amounts that will be received. For further details over the impairments recorded see note 5.

Earnings per share

The discontinued operations contributed a basic loss per share of 8.9p (2019: 10.1p) and a diluted loss per share of 8.9p (2019: 10.0p).

Cash flows generated from discontinued operations

The cash flows from discontinued operations have been presented combined with the cash flows from continuing operations on the Group cash flow statement. The cash flows related to discontinued operations are as follows:

	52 weeks ended 27 December 2020	52 weeks ended 29 December 2019
	£m	£m
Net cash from operating activities	(4.1)	(10.7)
Net cash from investing activities	(5.8)	(8.3)
Net cash from financing activities	13.4	19.4
Net cash flows for the year	3.5	0.4

Disposal groups held for sale

The International operations represent disposal groups held for sale at the balance sheet date and have been classified accordingly in the Group balance sheet, with a single line representing the assets of the disposal group held for sale and a single line representing the liabilities of the disposal groups held for sale. Included in these amounts are the following:

	52 weeks ended 27 December 2020 **£m**	52 weeks ended 29 December 2019 **£m**
Goodwill and Intangible assets	10.5	31.9
Property, plant and equipment	5.7	8.0
Lease receivables	0.2	-
Right-of-use asset	7.6	-
Trade and other receivables	3.8	8.4
Inventories	1.9	2.5
Cash and cash equivalents	8.4	4.9
Assets held for sale	38.1	55.7
Trade and other payables	9.8	16.7
Lease liabilities	10.5	-
Financial liabilities	-	0.2
Current tax liabilities	0.8	0.9
Deferred tax liabilities	2.4	5.1
Provisions	-	5.0
Liabilities held for sale	23.5	27.9

Tax on discontinued operations

	52 weeks ended 27 December 2020 **£m**	52 weeks ended 29 December 2019 £m
Current income tax:		
Income tax on overseas operations	0.7	1.5
Total current income tax charge	0.7	1.5
Deferred tax:		
Origination and reversal of temporary differences	(2.4)	(1.7)
Adjustment in respect of prior periods	-	0.5
Total deferred tax	(2.4)	(1.2)
Tax charge in relation to discontinued operations	(1.7)	0.3
The tax charge in relation to discontinued operations is disclosed as follows:		
Income tax charge	(1.7)	0.3

The tax charge in relation to discontinued operations for the 52 weeks ended 27 December 2020 is lower (2019: lower) than the statutory corporation tax rate of 19.0% (2019: 19.0%). The differences are reconciled below:

	52 weeks ended 27 December 2020 **£m**	**52 weeks ended 29 December 2019** **£m**
Profit before taxation on discontinued operations	(44.2)	(56.2)
Accounting profit multiplied by the UK statutory rate of corporation tax of 19.0% (2019: 19.0%)	(8.4)	(10.7)
Expenses not deductible for tax purposes	4.0	5.1
Adjustments relating to prior periods	0.3	0.7
Overseas losses carried forward not recognised	2.6	5.3
Other	(0.1)	(0.1)
Tax rate differences	(0.1)	-
Total tax charge reported in the income statement	(1.7)	0.3
Effective tax rate (%)	3.8%	(0.5%)

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

	Note	**52 weeks ended 27 December 2020 £m**	52 weeks ended 29 December 2019 £m
Included in administrative costs:			
Legal and professional fees	(a)	(3.5)	(1.4)
Amortisation of London corporate stores	(b)	(1.1)	(1.0)
Contribution to eCommerce fund	(f)	-	(7.1)
		(4.6)	(9.5)
Included in other expenses:			
eCommerce asset impairment	(c)	(4.6)	-
Market Access Fee	(d)	-	(2.1)
Corporate stores impairment	(f)	-	(18.7)
		(4.6)	(20.8)
Included in share of post-tax profits of associates and joint ventures:			
German associate store conversion costs	(e)	(0.5)	(2.8)
		(0.5)	(2.8)
Included in other income			
Market Access Fee	(d)	7.1	-
Put option revaluations	(f)	-	9.0
UK supply chain transformation	(f)	-	0.2
		7.1	9.2
Included in profit before interest and taxation		(2.6)	(23.9)
Included within net finance cost			
Market Access Fee	(d)	0.3	1.0
Put option revaluation	(f)	-	(0.8)
Included in profit before taxation		(2.3)	(23.7)
Taxation	(g)	0.2	1.9
Included in profit for the period from continuing operations		(2.1)	(21.8)
Loss for the year from discontinued operations	(h)	(42.5)	(56.5)
Included in profit/(loss) for the year		(44.6)	(78.3)

a) Legal and professional fees

Legal and professional fees of £3.5m have been incurred of which £2.4m relates to our long-term strategic plan, £1.3m in relation to the disposal of the International operations (excluding Norway) and an income of £0.1m in relation to the derecognition of previous provisions relating to acquisitions. The long-term strategic plan to reignite UK and Ireland growth is further described in the Strategic Report. The costs in relation to the disposal of the International operations (excluding Norway), consists mainly of professional fees paid to advisors in ongoing marketing of the operations. Legal costs of £1.4m recorded in 2019 represent £0.5m of legal fees related to the disposal of International operations and £0.9m of one-off advisory fees in relation to corporate structuring. Legal and professional fees are treated as non-underlying where they are not considered to be part of our ordinary course of business and are considered significant by nature or amount.

b) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £1.1m (2019: £1.0m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores and Have More Fun (London) 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.

c) eCommerce asset impairment

An impairment of £4.6m has been recorded in relation to assets capitalised during the development of the new eCommerce platform, following an impairment review performed. Commencing in 2018 and through early 2020, the Group began development of a replacement to the current eCommerce platform and capitalised a total of £4.6m of development costs, both in internal staff costs and external development costs. Following a review in 2020, a decision was made to change the strategic direction of the platform development, and due to the nature of the new direction, the development work performed up until 2020 was no longer considered viable and has therefore been impaired. We consider this to be a non-underlying charge given the significance of the impact, and the impairment being one-off in nature.

d) Market Access Fee

A gain of £7.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2019: loss of £2.1m). The increase in valuation is following the strong performance of the associate during 2020, and the increased expectations of trading performance into 2021, the performance of which determines the level of income received under the instrument. The amount recorded in net finance costs of £0.3m (2019: £1.0m) represents the unwind of the discount of the fair value and foreign exchange movements. The impact of revaluation of the Market Access Fee is not considered to be ordinary trading for the Group. In the event that we receive any material capital sum for deferred consideration on any business, it would equally be treated as non-underlying.

e) German associate 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 £0.5m (2019: £2.8m) which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the German associate in January 2018. No further costs are expected to be incurred in relation to the conversion, which was completed during 2020. These conversion costs have been reported to us as non-underlying and we consider the treatment to be consistent with the approach we previously adopted for Dolly Dimple's stores in Norway.

f) Costs and income recorded in 2019

No further costs or income have been recorded in 2020 in relation to the following areas recorded in 2019:

Contribution to eCommerce fund - In April 2019, the Group announced to franchisees that the Group would be making a further immediate contribution of £7.1m into the eCommerce fund. This contribution represents further accelerated amortisation on the legacy platform of £1.1m and an additional one-off contribution of £6.0m to forgive part of the Fund deficit, in recognition of the increased cost of the new platform.

Corporate stores impairment - In 2019 an impairment of £18.7m was recorded over the goodwill acquired from the acquisition of Sell More Pizza Limited in 2017 and Have More Fun (London) Limited in 2018. The operations were been valued based on a Value in Use model, using forecast cash flow projections. The impairment of £18.7m in 2019 was the result of weaker performance of corporate stores in the second half of 2019, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate. This was against the backdrop of very limited headroom in the 2018 year end calculation. An impairment review has been performed in 2020 based on a value in use model using updated forecast cash flow projections, and given the level of headroom, no further impairment is required.

Put option revaluations - In 2019, net income of £8.2m was recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden. This represented £9.0m income of valuation movement recorded in other income and £0.8m cost presented in net finance costs representing the unwind of the discounting of the options and foreign exchange movements. Following the disposal of the Norway operations, the Norway and Sweden put options have been extinguished, therefore no further movements have been recorded in 2020.

UK supply chain transformation - In 2019, an income of £0.2m was recorded in other income, being the net of additional expenses incurred in disposal of the Penrith facility of £0.3m offset by income of £0.5m following sale of the facility.

g) Taxation

The tax credit of £0.2m (2019: £1.9m) relates to the non-underlying net loss before taxation of £2.3m (2019: £23.7m) and the effective tax rate of 8.7% (2019: 8.0%) is lower than the statutory rate of 19.0% (2019: 19.0%). The effective tax rate may differ from the statutory tax rate due to the tax treatment of certain fair value gains and the treatment of disallowed items. Taxation on the items considered to be non-underlying is also 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.

h) Loss for the year from discontinued operations

The loss of £42.5m (2019: £56.5m) represents the post-tax result of the International operations of Norway, Switzerland, Sweden and Iceland, consisting of a trading loss of £10.1m (2019: £20.8m), interest costs of £0.7m (2019: £nil), impairments and other restructuring costs of £33.4m (2019: £35.4m) and a tax credit of £1.7m (2019: charge of £0.3m). The result and rationale for classification are set out in note 3, with further detail on the impairments included in note 5.

5. Intangible assets

	Goodwill £m	Franchise fees £m	Software £m	Other £m	Total £m
Cost or valuation					
At 30 December 2018	54.0	51.4	38.1	2.9	146.4
Additions	-	0.7	8.2	-	8.9
Acquisitions	0.8	-	-	-	0.8
Foreign exchange on translation	(1.3)	(1.8)	(0.1)	(0.7)	(3.9)
Transferred to assets held for sale	(21.6)	(42.0)	(1.2)	(1.4)	(66.2)
At 29 December 2019	31.9	8.3	45.0	0.8	86.0
Additions	-	-	6.5	-	6.5
At 27 December 2020	31.9	8.3	51.5	0.8	92.5
Accumulated amortisation and impairment					
At 30 December 2018	10.0	5.1	23.0	1.6	39.7
Provided during the year	-	1.1	6.4	-	7.5
Impairment	21.9	15.2	1.2	-	38.3
Foreign exchange on translation	-	0.3	-	-	0.3
Transferred to assets held for sale	(13.3)	(18.5)	(1.2)	(1.3)	(34.3)
At 29 December 2019	18.6	3.2	29.4	0.3	51.5
Provided during the year	-	1.1	4.5	-	5.6
Impairment	-	-	4.9	-	4.9
At 27 December 2020	18.6	4.3	38.8	0.3	62.0
Net book value at 27 December 2020	13.3	4.0	12.7	0.5	30.5
Net book value at 29 December 2019	13.3	5.1	15.6	0.5	34.5

During prior periods, the Group made a number of acquisitions, recognising intangible assets at fair value and goodwill at cost. Intangible assets recognised include the MFAs for Iceland, Norway and Sweden and the SFA for the London corporate stores.

At 27 December 2020 the net book value of internally generated intangibles included within software was £5.3m (2019: £6.2m). Internally generated intangibles included within software additions during the year was £5.0m (2019: £4.2m).

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

	At 27 December 2020 £m	At 29 December 2019 £m
Goodwill		
Iceland*	-	8.3
UK corporate stores	13.3	13.3
	13.3	21.6
Indefinite life intangibles		
Sweden*	-	3.9
Iceland*	8.2	19.6
	8.2	23.5
	21.5	45.1

*Included within assets held for sale

Impairment Review

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 performing these impairment tests, management is required to compare the carrying value of the assets of a Cash Generating Unit ('CGU'), including goodwill and indefinite life intangibles, with their estimated recoverable amount. The recoverable amounts of an asset being the higher of its fair value less costs to sell and value in use. Management consider the different nature of the Group's operations to determine the appropriate methods for assessing the recoverable amounts of the assets of a CGU. When testing goodwill for impairment, the goodwill is allocated to the CGU or group of CGUs that were expected to benefit from the synergies of the business combination from which it first arose.

UK Corporate stores

An impairment review has been performed over the goodwill and intangible assets attributable to the Group's UK corporate store business, within the UK & Ireland operating segment. The impairment review has been based on the value in use of the overall UK corporate store group of cash generating units, which comprises the businesses acquired with Sell More Pizza in 2017 and Have More Fun in 2018. In assessing value in use, the impairment review draws on the Group's five-year plan. The corporate store business performed marginally unfavourably to the 2020 budget due to a fall in sales caused by the impact of Covid-19 in London but was able to mitigate this through cost reduction. The key assumption in the five-year plan is that the corporate store business will recover from the impact of Covid-19 and will gradually grow back to 95% of the 2020 budgeted levels by the end of 2021. Other key assumptions in the cash flow projections are those regarding revenue growth and EBITDA margins, which include food cost inflation, labour inflation and expected productivity gains. In accordance with IAS 36, future new store openings are only included in the projections for impairment purposes if they are committed to at the point of carrying out the review. Capital Expenditure is forecast in the projections for store refits and other capital expenditure outside of store openings, including considering the impact of any necessary changes to make the business model more sustainable including eBikes and energy efficiency measures.

Long-term growth rates are set no higher than the long-term economic growth projections of the UK, which is where the business operates. Management applies pre-tax discount rates in value in use estimation that reflect current market assessments of the time value of money and the risks specific to the CGUs and businesses under review. The discount rates and long-term growth rates applied in the annual impairment reviews conducted in the current and prior year, are as follows:

	Long-term growth rate		Discount rate	
	At 27 December 2020	At 29 December 2019	**At 27 December 2020**	At 29 December 2019
UK Corporate Stores	2.0%	2.0%	8.9%	9.0%

For the year ended 27 December 2020 no impairment has been recognised against the goodwill allocated to the corporate stores (2019: £18.7m). The prior year impairment reduced the carrying amount of the group of CGUs £22.0m, following trading during the period the revised asset base is £20.6m.

The forecast for the London corporate stores assumes no store openings over the forecast period and includes an initial revenue growth in 2021 of 9%, followed by revenue growth assumptions between 2% and 3% over the remaining term of the five-year period. All revenue growth is on a like for like basis. Growth in future years is based on the long-term growth rate of 2.0%. The key sensitivities within the forecast is strong sales growth in 2021 with a lessening impact from Covid-19 following a challenging year in 2020; as well as the ability to drive down costs through operational efficiencies and tighter control over operating costs. The valuation based on the current five-year plan gives headroom of £10.2m. Sensitivity analysis has been performed to highlight the impact of assumptions and key sensitivities in isolation and in conjunction:

- A reduction in 2021 revenue growth from 900bps to 200bps would reduce the headroom to £6.4m;
- A 100bps increase in food cost percentage would reduce the headroom to £5.1m;
- A 100bps increase in food cost percentage and a 100bps increase to labour cost percentage results in an impairment of £0.1m;
- A 100bps increase in the discount rate reduces headroom to £6.3m;

Given the maturity of the business and the improvements in cost control and operational efficiencies we have seen since acquisition we believe the further cost control and efficiencies are achievable. EBITDA margin would have to decrease by more than 197bps throughout the forecast to trigger an impairment.

Disposal groups held for sale

The International operations have been classified as disposal groups held for sale at the balance sheet date and have been presented accordingly in the Group balance sheet. IFRS 5 requires a business classified as a disposal group held for sale to be valued at its expected fair value less costs of disposal, with its long-term value in use disregarded in light of the decision to dispose of the operations.

The fair value less costs of disposal of the goodwill, intangible assets, freehold property, plant and equipment and right of use leased assets attributable to each of the International disposal groups have been based on either offers received for the businesses or expectations based on conversations to date with potential buyers.

An impairment charge of £14.5m has been recognised in respect of the Icelandic disposal group, £7.4m recorded against goodwill and £7.1m recorded against intangible assets. This reduces the carrying value of goodwill to £nil and intangible assets to £10.6m. The closing carrying value of freehold property, plant and equipment attributable to the Icelandic business is £5.7m. The closing carrying values of both right of use leased assets and lease liabilities attributable to the Icelandic business are £3.7m.

An impairment charge of £8.1m has been recognised in respect of the Swedish disposal group, £4.2m recorded against intangible assets, £1.2m recorded against freehold property, plant and equipment and £2.7m recorded against right of use leased assets. This reduces the carrying value of these assets to £nil. The carrying value of goodwill attributable to the Swedish business is also £nil, following impairments in prior periods. In impairing the right of use leased assets to £nil, but retaining lease liabilities with a carrying value of £2.7m in the Swedish disposal group, the Group is recognising the expected consideration will have to be paid to the buyer to dispose of the business.

No impairment charge has been recognised in respect of the Swiss disposal group in the period. The closing carrying value of goodwill, intangible assets and freehold property, plant and equipment attributable to the Swiss disposal group is £nil, following impairments in prior periods. The closing carrying values of both the right of use leased assets and lease liabilities attributable to the Swiss business are £4.0m.

Final agreed proceeds for each of the International disposal groups may differ from current offers or expectations, but given the advanced stage of the disposal process, a material change in fair value is not considered probable.

Master franchise fees

Master franchise fees consist of costs relating to the MFA for 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 for impairment in tandem with the goodwill and other intangible assets attributable to these businesses, as described above. The assumptions underlying the tests on the UK & Ireland MFAs are not disclosed as the carrying value is not material.

Standard franchise agreements

The SFAs were recognised at fair value on acquisition of the UK corporate store portfolio in 2017 and 2018 and, as reacquired assets, are being amortised over their remaining contractual life. The net book value of SFAs at 27 December 2020 is £4.0m (2019: £5.1m). The SFAs attributable to the UK corporate stores business are tested for impairment in tandem with the goodwill and other intangible assets attributable to that business, as described above.

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

6. Taxation

Tax on profit from continuing activities

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 £m
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
– current period	14.4	15.1
– adjustment in respect of prior periods	(1.3)	(2.0)
	13.1	13.1
Income tax on overseas operations	0.7	0.8
Total current income tax charge	13.8	13.9
Deferred tax:		
Origination and reversal of temporary differences	2.5	0.3
Effect of change in tax rate	0.2	(0.6)
Adjustment in respect of prior periods	0.2	2.2
Total deferred tax charge/(credit)	2.9	1.9
Tax charge in the income statement	16.7	15.8
The tax charge in the income statement is disclosed as follows:		
Income tax charge	16.7	15.8
Tax relating to items (charged)/credited to equity		
Reduction in current tax liability as a result of the exercise of share options	-	0.2
Rate change differences in relation to deferred tax on unexercised share options	0.1	-
Origination and reversal of temporary differences in relation to unexercised share options	(0.2)	0.5
Tax (charge)/credit in the Group statement of changes in equity	(0.1)	0.7

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

In 2016 the Group recognised a current tax liability in respect of the deferred consideration, the Market Access Fee, it expected to receive from Domino's Pizza Enterprises Limited in relation to its former German business. As the exact timing for payment of this liability is not known, in 2019 the Group recognised a deferred tax provision of £1.7m for this liability and released its current tax liability of £1.7m. The net impact to the income statement was £nil in relation to the reallocation.

In 2019, tax charge for the UK of £15.1m is net of a £1.7m credit noted above. The deferred tax charge of £1.9m includes the £1.7m noted above together with a further charge of £0.6m arising from the write-off of deferred tax assets previously recognised for tax losses in Sweden.

7. 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

	52 weeks ended 27 December 2020 £m			52 weeks ended 29 December 2019 £m		
	Profit/(loss) after tax for the period	Adjust for non-controlling interest	Attributable to equity holders of the parent	Profit/(loss) after tax for the period	Adjust for non-controlling interest	Attributable to equity holders of the parent
Continuing and discontinuing operations	39.7	1.4	41.1	2.8	10.3	13.1
Less discontinued operations	42.5	(1.4)	41.1	56.5	(10.3)	46.2
Continuing operations	82.2	-	82.2	59.3	-	59.3
Adjustments for underlying earnings per share:						
Continuing operations	82.2	-	82.2	59.3	-	59.3
-Included in profit after tax – other non-underlying items	2.1	-	2.1	21.8	-	21.8
Underlying profit after tax attributable to owners of the parent	84.3	-	84.3	81.1	-	81.1

Weighted average number of shares

	At 27 December 2020 Number	At 29 December 2019 Number
Basic weighted average number of shares (excluding treasury shares)	461,992,362	460,355,785
Dilutive effect of share options and awards	3,391,802	3,081,964
Diluted weighted average number of shares	465,384,164	463,437,749

The performance conditions relating to share options granted over 3,672,670 shares (2019: 5,258,208) 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 (2019: nil).

Earnings per share

	52 weeks ended 27 December 2020	52 weeks ended 29 December 2019
Continuing operations:		
Basic earnings per share	17.8p	12.9p
Diluted earnings per share	17.7p	12.8p
Underlying earnings per share:		
Basic earnings per share	18.2p	17.6p
Diluted earnings per share	18.1p	17.5p
Continuing and discontinued operations:		
Basic earnings per share	8.9p	2.8p
Diluted earnings per share	8.8p	2.8p

8. Dividends paid and proposed

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 £m
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2019: nil (2018: 5.45p)	-	25.0
Interim dividend for 2020: 5.56p (2019: 4.20p)	25.6	19.3
Dividends paid	25.6	44.3
Proposed for approval by shareholders at the AGM (not recognised as a liability at 27 December 2020 or 29 December 2019)		
Final dividend for 2020: 9.10p (2019: 5.56p)	42.6	26.1

The proposed final dividend for 2019 was suspended and not tabled at the AGM.

9. Financial liabilities

	At 27 December 2020 £m	At 29 December 2019 £m
Current		
Put option liabilities	-	0.9
	-	0.9
Non-current		
Bank revolving facility	243.6	248.1
Non-current instalments due on finance leases	-	0.2
	243.6	248.3

The table above relates to continuing operations. There are no financial liabilities related to discontinued operations in the current year. Within discontinued operations in 2019, there was a current overdraft of £0.2m.

Banking facilities

At 27 December 2020 the Group had a total of £350.0m (2019: £350.0m) of banking facilities, of which £104.8m (2019: £99.6m) 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 with the option of submitting two extension notices to extend the facility twice, each by a period of 12 months. The first extension was arranged in November 2018 and extended the facility to 12 December 2023 with fees of £0.5m paid for this extension. There is an option for a second extension to extend for a further year by August 2021. Arrangement fees of £1.6m (2019: £2.3m) 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 (or equivalent), for leverage above 2.5:1. A further utilisation fee of 0.15% is charged if over one-third utilised, which rises to 0.30% 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 & Ireland Limited, DP Realty Limited, DP Pizza Limited, Sell More Pizza Limited, Sheermans SS Limited and Sheermans Limited.

An ancillary overdraft and pooling arrangement are in place with Barclays Bank Plc for £10.0m covering the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, and DP Pizza Limited. An ancillary overdraft is in place with Barclays Bank Plc for €5.0m (£4.3m) for Domino's Pizza UK & Ireland Limited. Interest is charged for both overdrafts at the same margin as applicable to the revolving credit facility above LIBOR (or equivalent).

Other loans

The five year amortising loan facility provided by Nordea Bank AB to DP Norway AS for NOK 50.0m maturing in November 2022 was repaid during 2019. The facility was repayable in three quarterly instalments of NOK 2.1m (£0.2m) followed by a final bullet payment of NOK 21.4m (£1.8m). Interest was charged at 1.35% above three month NIBOR with quarterly commission of 0.15%.

The NOK 4.0m (£0.3m) overdraft facility provided by Nordea Bank AB to DP Norway AS was cancelled during the 2019 year.

Both the overdraft and loan facility were previously guaranteed by the Company.

Share buyback obligation

As at 27 December 2020, there is no obligation to buy back shares (2019: £nil). 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 27 December 2018 were recognised as a financial liability of £15.8m. The share buyback obligation was fully satisfied by 27 February 2019.

Put option liabilities

The Group previously granted put options held by non-controlling interests over their remaining shareholdings of PPS Foods AB, DP Norway AS and Pizza Pizza EHF. The gross amount attributed to the put options held by the non-controlling interests over the remaining shareholdings at 29 December 2019 was £0.9m.

In respect of the put options relating to PPS Foods AB, DP Norway AS, and Pizza Pizza EHF, the value of the financial liabilities was 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 was based on a forecast sales multiple of the respective businesses during the exercise period. The options were exercisable in stages from 1 July 2019 until 30 June 2023.

Following the disposal of DP Norway AS, the put option liabilities have been extinguished and therefore no amounts are recognised as at 27 December 2020.

10. Business combinations

DP Norway AS

On 22 May 2020, the Group disposed of its 71% interest in DP Norway SA, the business in Norway, with consideration paid to the buyers of £6.4m.

The loss on disposal of the Group's controlling 71% interest in Norway is analysed as follows:

	£m
Cash paid on disposal	(3.0)
Cash disposed	(3.4)
Net cash paid on disposal	**(6.4)**
Net liabilities disposed excluding cash (see below)	5.8
Non-controlling interest disposed	(10.5)
Currency translation gains transferred from translation reserve	1.9
Exceptional loss on disposal	**(9.2)**
Non-underlying professional fees related to the disposal	(1.6)
Total costs of disposal	**(10.8)**

Property, plant and equipment	-
Inventories, trade and other receivables/(payables)	(0.9)
Provisions	3.5
Deferred tax liabilities	3.2
Net assets disposed excluding cash	**5.8**

As a result of this transaction the £0.8m put option liability was derecognised. Other reserves, which related to the initially recognised put options, were reduced by £3.1m with a corresponding impact on retained earnings. The non-controlling interest of £10.5m was recycled through the income statement.

PPS Foods AB

On 22 May 2020, in combination with the disposal of Norway, the Group acquired the remaining 29% of PPS Foods AB, the business in Sweden for consideration of €1, at which point the subsidiary became wholly owned by the Group. As a result of this transaction the non-controlling interest of £2.2m and other reserves of £2.4m (relating to the initially recognised put options) were derecognised.

Pizza Pizza EHF

On 3 July 2019, the Group received a put option exercise notice in relation to the remaining 4.7% minority interest of Pizza Pizza EHF. On 14 August 2019, the Group paid a consideration of €2.9m (£2.7m) to acquire the remaining 4.7% of Pizza Pizza EHF, at which point the subsidiary became wholly owned by the Group. The non-controlling interest of £1.0m in Pizza Pizza EHF and the other reserve of £19.6m (relating to the initially recognised put option) were derecognised.

11. Additional cash flow information

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 £m
Cash flows from investing activities		
Dividends received from associates and joint ventures	2.5	1.0
Decrease/(increase) in loans to associates and joint ventures	3.7	(1.5)
Increase in loans to franchisees	-	(0.2)
Receipts from repayments of franchisee leases	-	0.9
Other	6.2	0.2

Reconciliation of financing activities

	At 29 December 2019 £m	**Adoption of IFRS 16 £m**	**Cash flow £m**	**Exchange differences £m**	**Non-cash movements £m**	**At 27 December 2020 £m**
Bank revolving facility	(248.1)	-	9.9	(4.8)	(0.6)	(243.6)
Bank loans	(0.2)	-	0.2	-	-	-
Lease liabilities	(0.3)	(241.2)	36.6	0.2	(32.2)	(236.9)
Other	(0.9)	-	-	-	0.9	-
	(249.5)	(241.2)	46.7	(4.6)	(31.9)	(480.5)

	At 30 December 2018 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 29 December 2019 £m
Bank revolving facility	(224.5)	(27.9)	5.0	(0.7)	(248.1)
Bank loans	(3.2)	2.9	0.1	-	(0.2)
Finance leases	(0.4)	0.1	-	-	(0.3)
Other	(27.6)	71.0	(0.4)	(43.9)	(0.9)
	(255.7)	46.1	4.7	(44.6)	(249.5)

Included within other loans are gross put option liabilities of £nil (2019: £0.9m).

Share transactions

	52 weeks ended 27 December 2020 £m	52 weeks ended 29 December 2019 £m
Purchase of own shares - share buyback	-	(16.0)
Purchase of own shares into employee benefit trust	-	(1.4)
Consideration received on exercise of share options – employee benefit trust	0.5	-
	0.5	(17.4)

12. Post balance sheet events

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchaser.

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 27 December 2020 it would have had the effect of increasing the net deferred tax liability by £1.1m.