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6 August 2019

This announcement contains inside information

DOMINO'S PIZZA GROUP plc

INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 JUNE 2019

Good UK & Ireland performance; International remains challenging

	26 Weeks Ended 30 June 2019	26 Weeks Ended 1 July 2018	Change
Group System Sales¹	£645.8m	£616.6m	+4.7%
UK & ROI System Sales¹	£596.0m	£565.1m	+5.5%
UK Like-for-Like² System Sales¹ excluding impact of split territories	+3.9%	+5.9%	
Underlying³ Profit before tax	£42.3m	£45.7m	(7.4%)
Underlying³ Basic EPS	7.5p	7.8p	(3.8%)
Dividend per share	4.20p	4.05p	3.7%
Net debt	£238.8m	£182.1m	
STATUTORY REPORTING			
Statutory Revenue (restated)^{4,6}	£295.6m	£285.6m	+3.5%
Statutory Profit Before Tax	£30.5m	£41.7m	(26.9%)
Statutory Basic EPS	5.3p	7.2p	(26.4%)

All commentary below is on an underlying basis unless otherwise stated

Financial headlines

- Group system sales up 4.7%
- Robust UK & Ireland performance:
 - UK like-for-like excluding splits up 3.9% (1.8% including splits), with an improving trend through the half (LFL excluding splits Q1: 3.1%, Q2: 4.8%)
 - ROI like-for-like excluding splits up 6.9% (5.4% including splits)
 - UK & Ireland operating profit £51.6m, up 7.1%
- International performance remains challenging:
 - International system sales down 3.4%, up 0.4% on a constant currency basis
 - International operating loss £6.4m, versus £1.8m loss in H1 2018
- Net debt £238.8m, 2.2x Net Debt/EBITDA, impacted by a working capital build of £22m due to Brexit-related stock building and some timing issues which are expected to unwind
- Interim dividend +3.7% to 4.20p

Strategic headlines and outlook

- Active discussions with our UK & Ireland franchisees continue; new store openings and some working practices being impacted whilst these are ongoing. We remain committed to finding sustainable, win-win solutions but anticipate that resolution will take time, likely into 2020
- 13 stores opened in H1, of which 7 are in the UK, taking the Group total to 1,272
- Digital continues to drive customer engagement. Online now accounts for 82% of UK system sales
- Emily Somers joining as Chief Marketing Officer; Emily was previously Vice President of Marketing and Food Development at McDonalds

- International visibility remains limited and trading is challenging. Focused on improving operational capabilities and performance
- Full year Net Debt expected to be between £220m and £230m. No further share purchases expected in the second half
- David Wild, Group Chief Executive Officer, has informed the Board that he plans to retire. A process to recruit a successor is progressing and a further update is likely later this year.

Commenting on the results, Chief Executive Officer David Wild said:

“Our core UK and Republic of Ireland markets delivered a good performance, with system sales up 5.5% and underlying operating profit up 7.1%. Digital remains a key driver of customer engagement, with online now accounting for 82% of total sales in the UK. Although a small part of our business, we are delivering pleasing operational improvements in our London corporate store estate.”

“The relationship with our UK and Ireland franchisees is very important to the long-term sustainable growth of the system. We are actively involved in detailed discussions and are giving these considerable focus and attention. Whilst dialogue is continuing, new store openings are being delayed and some of our working practices are being impacted. The situation is complex, and we expect resolution will take some time, likely into 2020. We are committed to working with our franchisees to agree sustainable win-win solutions.”

“The performance of our International business is very challenging and trading visibility remains limited. The weakest performance was in Norway, although we also saw increasing losses in Sweden and Switzerland. Iceland profitability was impacted by the weak macro-economic backdrop. We are very focused on improving our operational capability across our International markets and will provide a further update at our full year results.”

¹ System sales represent the sum of all sales made by both franchised and corporate stores to consumers

² Like-for-like sales performance is calculated against a comparable 26 week period in the prior year for stores that have not donated addresses to new stores within the previous 12 months

³ Underlying is defined as statutory performance excluding amounts relating to non-underlying⁵ items

⁴ Statutory revenues represent revenues directly attributable to the Group being derived from monies paid by franchisees for foodstuffs together with royalty payments for use of the Domino's brand, rental income from freehold and leasehold property, revenue relating to advertising and ecommerce funds, and corporate store sales in the UK, Switzerland and the Nordics

⁵ Non-underlying items are defined in the Alternative Performance Measures section and reconciled to statutory measures in note 5 to the accounts

⁶ 2018 revenue, cost of sales and administrative costs have been restated following a review of the treatment of IFRS 15. This is discussed in detail in note 2 to the accounts

The person responsible for making this notification is David Bauernfeind, Chief Financial Officer.

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A presentation for investors and analysts will be held at 9.30am on 6 August 2019 at the offices of Numis Securities, LSE Building, 10 Paternoster Square, London EC4M 7LT .

The live webcast can be viewed at: <https://www.investis-live.com/dominos/5d1631469add6d110097eddc/domi>

About Domino's Pizza Group

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK, the Republic of Ireland, Switzerland and Liechtenstein. In addition, we have a controlling stake in the holders of the Domino's master franchise agreements in Iceland, Norway and Sweden, as well as associate investments in Germany and Luxembourg. As at 30 June 2019, we had 1,272 stores across six markets, including 1,109 stores in the UK.

For photography, please visit the media centre at corporate.dominos.co.uk, contact the Domino's Press Office on +44 (0)1908 580757, or call Brunswick on 0207 404 5959

Restatement of revenue, cost of sales and administrative costs

IFRS15 was implemented on 1 January 2018. At that time, the Group believed that the implementation of the new revenue recognition standard had no impact on the treatment of the revenue relating to the National Advertising Fund ("NAF") and eCommerce Fund. Subsequently, and in conjunction with the technical assessment undertaken by our new auditors, it has been concluded that it is appropriate to present the revenue and costs associated with these two funds on our income statement.

We have therefore adopted this treatment with effect from 2018 and have restated the 2018 comparatives accordingly. More information is contained in note 2. For H1 2018, revenue has been increased by £26.5m (FY 2018: £53.9m), cost of sales have been decreased by £0.5m (FY 2018: £1.1m) and administrative costs have been increased by £27.0m (FY 2018: £55.0m). The corresponding figures for H1 2019 are revenue £27.9m, cost of sales £0.7m and administrative costs £28.6m.

This change has no impact on the profits or cash flows of the Group, and does not reflect any change in the operation of the funds.

The change relates solely to the UK & Ireland business with no impact on International revenues or costs.

We continue to believe that system sales, rather than statutory revenue, is the most appropriate top line growth measure for the Group. Therefore, we will not be adopting an alternative performance measure to eliminate the revenue required by this adjustment, although we will disclose the revenue associated with the NAF and eCommerce funds going forward.

Performance overview

Total Group system sales increased 4.7% to £645.8m. UK system sales were up 5.3% and Ireland up 8.0%, with International system sales of £49.8m, down 3.4%, accounting for 7.7% of the Group total. Group statutory revenue increased 3.5% to £295.6m.

UK and Ireland delivered underlying operating profit of £51.6m, up 7.1%. International, including the contribution from our minority stake in the German associate, recorded an underlying operating loss of £6.4m, compared to a £1.8m loss in H1 2018. The primary driver of the decline was higher losses in Norway, although we saw a disappointing performance across our other international markets.

Group underlying profit before tax was £42.3m, a decline of 7.4% year-on-year, reflecting the increased losses from International and higher interest costs as a result of higher net debt. Underlying basic EPS declined 3.8% to 7.5p, with the decline in profitability partially offset by the reduction in shares in issue as a result of the share buyback programme. The Board has declared an interim dividend per share of 4.20p, an increase of 3.7%.

Free cash flow was £8.9m, and net debt increased by £35.6m to £238.8m as a result of the international losses, £17.4m of share purchases in H1, capex of £11.8m and the 2018 final dividend of £25.0m.

Board succession

David Wild, Group Chief Executive Officer, has informed the Board that he plans to retire from his role. David will continue with his responsibilities until a new CEO is in place and there has been an orderly transition. As part of the succession planning process noted in the 2018 Annual Report, a process to recruit a successor for the role of CEO is progressing and a further update is likely later this year.

Stephen Hemsley, Chair of the Board, will oversee the recruitment process of a new CEO and will thereafter step down once his successor as Chair has been appointed. The new Chair will then lead the Nomination Committee's process of refreshing the Board more generally. The Board will keep the market updated on progress with these appointments.

UK and Republic of Ireland

UK system sales in H1 were up 5.3% year-on-year, with LFL of 3.9% excluding splits, or 1.8% including splits. Q1 LFL (excluding splits) was 3.1% (0.9% including splits), with Q2 LFL of 4.8% (2.7% including splits).

Ireland local currency system sales increased by 8.5% in the period, and by 8.0% on a sterling basis to £32.5m. LFL sales increased by 6.9% excluding splits or 5.4% including splits. Q1 LFL (excluding splits) was 6.8% (5.3% including splits), with Q2 LFL of 7.0% (5.5% including splits).

Components of sales growth

Franchisees have control over menu pricing and discounts, and we continue to see a wide range of pricing strategies across franchisees. The majority of sales during a year are generated by local pricing, with around a fifth of sales generated based on national campaign pricing.

Going forward, in order to deepen external understanding of the drivers of UK LFL sales growth, we are expanding and refining our disclosure of the sales components. On an 'including splits' basis, LFL orders were down 3.4%, items per order were down 0.8%,

product mix impact was up 2.9% and price up 3.0%. LFL orders improved through the half, with Q1 down 4.6% and Q2 down 2.1%. Total UK orders were 32.3m, up 0.2% year-on-year, with Q1 down 0.7% and Q2 up 1.2%.

We continue to see a broadly stable average discount on menu prices across the system, of 39%, although there is a wide range across franchisees driven by different pricing stances. The proportion of orders sold on discount stood at 89.6%, compared to 88.1% in H1 2018.

In H1 there were 8 new store openings, made up of 7 stores in the UK and one in Ireland, and one planned UK store closure. Two stores were corporate and six were franchised, from five different franchisees.

Against the backdrop of ongoing discussions with our franchisees, we are seeing franchisees delay opening new stores. This means that we are unable to give guidance on the number of new stores this year, although we continue to expect a materially lower number compared to 2018.

Discussions with franchisees

In the UK we have 63 franchisees, with a further 7 in Ireland. Our franchisees are amongst the best entrepreneurs and operators in the Domino's system worldwide, and they have been an important component of the success of the Group over several decades. The largest two franchisees account for 39% of stores, with the third largest accounting for a further 7%.

We are actively involved in detailed discussions with our franchisees to agree a way forward sustainably to grow future system profits, in a way which benefits both the Group and our franchisees. We are giving considerable focus and attention to these discussions. Whilst they progress, some working practices continue to be affected, with the timing of store openings being delayed and joint activities such as national marketing campaigns also being impacted.

We are confident that we will ultimately agree long-term, sustainable, win-win solutions, however we need to allow sufficient time for these discussions to take place and for agreements to be reached. The situation is complex and we expect resolution to take some time, likely into 2020. Fundamentally our interests are aligned: we all benefit from increased scale, through the growing value of the brand, greater buying efficiency and the shared investment in new innovations to further improve the customer experience.

Customer experience

We continue to invest in our own digital platforms, making it increasingly easy for customers to find the best deal, place an order and pay for their meal. Online sales in the UK grew 9.3% year-on-year and now represent 81.7% of system sales, or 90.7% of total delivery sales.

Last year we announced £10.0m funding to invest in new platforms for e-commerce and app development. This will further improve the customer experience, whilst enabling us to introduce enhancements more quickly and flexibly. This project is now well underway and we are pleased with progress to date.

Collection remains an important growth area for Domino's and is a particularly important factor when considering the location and business case for new stores. Collection sales incur limited incremental labour cost, meaning they can make a significant difference to the overall profitability of a store. Total collection sales were up 3.6% in H1. Collection now accounts for 21% of system sales, or 30% of orders, so it remains a significant growth opportunity.

Brand

The strength of the Domino's brand is a key differentiator for us. Our brand strength is supported by great tasting pizza, excellent service and good value for money which drives store sales and profitability. Our brand recall in H1 2019 was 87%.

"The Official Food of Everything" platform continued to form the bedrock of our marketing activity, demonstrating its versatility through a range of broadcast and digital campaigns. A key focus was new product, with successful launches for the Cheeseburger and Catalan Chicken and Chorizo pizzas.

We solidified our dominance in Catch-up TV with new idents for ITV Hub, helping us to have presence around key summer TV such as Love Island. We further strengthened our ownership of Catch-up TV viewing, adding sponsorship of All 4 as well as our existing ITV Hub partnership. We've also grown our year-round presence, running TV campaigns in the summer months for the first time on top of these 365 days a year sponsorships.

We are pleased to announce that Emily Somers will join as Chief Marketing Officer in August following the recent departure of Tony Holdway. Emily's remit will cover Sales, Brand Marketing, New Product Development and Innovation. Emily previously worked at McDonalds as Vice President of Marketing and Food Development, as part of the UK and Ireland Executive team. During her time at McDonalds, she led the business through a time of unprecedented transformation of the customer experience, including McDelivery, Dynamic Digital Merchandising, Digital Ordering and Table Service and the Signature Collection.

Corporate stores

We now directly operate 35 stores in the London area, having opened two in the first half of the year, in Mill Hill and Brentford. We are opening another new store, in Carshalton, in the coming month. London is an important part of our strategy for UK growth, as we are currently underpenetrated in London compared to the rest of the UK. Operating stores ourselves gives us scope to develop operational expertise and test innovations. The acquisition of Have More Fun, a portfolio of six stores in August 2018 gave us the opportunity to both strengthen our position further and acquire a relatively poor performing estate, improve operations and protect the brand.

Corporate store revenue was £15.5m in H1, with LFL sales up 4.4%. The EBITDA of corporate stores was £0.4m, compared to £0.6m in H1 2018, as we increased our investment in local marketing.

During the first half we have made good progress improving the operations of our corporate store network, particularly the six stores which made up the Have More Fun estate. There has been positive traction here with collection up 5 percentage points to 27% and orders per man hour seeing a steady improvement. For the first time, we included corporate store managers, area managers and the corporate stores office team in our annual colleague survey, and we were pleased with the results, with overall engagement at 84% and 91% proud to work for Domino's. The key priority for the remainder of the year is completing the integration and process alignment of our head office and store operations, together with further reinforcing our position as an employer of choice.

Supply chain and infrastructure

Our new supply chain centre in Warrington is now serving 449 stores and we are pleased with its performance and service levels. We are undertaking trials with our franchisees to assess moving to cages and dollies for the majority of our deliveries to stores, from the sack-barrow method we use now. In the coming 24 months we also plan to invest in extending and upgrading our supply chain centre in Naas in Ireland and opening a small facility in Scotland.

Franchisee profitability

We are working more closely with franchisees to gain more consistent financial data, at the level of both store and franchisee profitability. In the first half, average store EBITDA for all stores was approximately £68.9k, equivalent to a 13% EBITDA margin, and at the franchisee level, taking into account a franchisees' central costs, H1 EBITDA margin was 10%.

The biggest challenge for franchisees remains the cost and availability of labour, particularly delivery drivers. 2019 food cost inflation for franchisees remains between 3% - 3.5%. There remains a headwind for some franchisees from donor stores from recent store splits, which are seeing longer profit recovery periods than has previously been the case. There is a wide range of EBITDA margins achieved both at a store and franchisee level, and we are focused on working with franchisees to optimise store and franchisee level profitability.

International

We own or control Domino's operations in Switzerland, Iceland, Norway and Sweden, and are a minority shareholder in Germany. The performance of our directly controlled operations has been challenging in the first half, with EBIT losses increasing significantly versus H1 2018 and Q2 losses higher than Q1. The weakest performance was seen in Norway, however we also saw increasing losses in Sweden and Switzerland, and Iceland profitability was impacted by the weak macro-economic backdrop. We have new management in Norway, Sweden and Switzerland, and have clear plans in place focused on improving our operational capability and financial performance. However, trading visibility remains weak, and we are therefore not in a position to provide quantitative guidance on the FY 2019 operating loss.

Total system sales from consolidated international operations were £49.8m in H1, down 3.4% year-on-year. On a constant currency basis system sales were up 0.4%. We made an underlying EBIT loss of £6.4m, compared to £1.8m in H1 2018. The breakdown of system sales and EBIT by country is shown on the table below.

£m	H1 2019		H1 2018		FY 2018	
	System Sales	EBIT	System Sales	EBIT	System Sales	EBIT
Iceland	18.1	1.1	20.2	1.8	40.3	4.1
Norway	19.5	(4.1)	19.9	(2.6)	40.1	(6.6)
Switzerland	10.0	(1.7)	9.5	(0.9)	19.7	(2.5)
Sweden	2.2	(1.8)	1.9	(1.3)	4.0	(1.6)
German associate	-	1.2	-	1.2	-	2.5
Central costs	-	(1.1)	-	-	-	-
International total	49.8	(6.4)	51.5	(1.8)	104.1	(4.1)

At the start of the year, associated with the appointment of an International Managing Director and the creation of a small dedicated International management team, we started to treat International central costs separately. This includes the International management team and central functions such as International finance, IT and HR. Prior to 2019, central costs for International were attributed across both the UK & Ireland operations and individual international markets.

In Iceland we currently have 25 stores (25 at the end of 2018) and our ownership currently stands at 95.3%. Total system sales in Iceland were down 1.6% in local currency and down 10.7% on a reported basis. We generated an EBIT of £1.1m, compared to £1.8m in H1 2018. The biggest driver of this decline was the macro-economic background, which currently represents a significant trading headwind. Against this backdrop, our second half initiatives are primarily focused on labour productivity. During the period we relaunched the website, with encouraging early indications. Since the period end the Group has received a put option exercise notice in relation to the remaining 4.7% minority interest. Further information is contained within note 18.

In Norway we currently have 47 Domino's branded stores (42 at the end of 2018) and 10 Dolly Dimple's stores (12 at the end of 2018). We opened 3 Domino's branded stores in H1 and converted 2 Dolly Dimple's stores. We currently own 71% of Norway.

Local currency system sales growth in Domino's branded stores was up 13.7%, driven by the 8 store openings and 5 conversions year-on-year. Total system sales in Norway were flat in local currency, and down 1.5% on a reported basis. Norway recorded an EBIT loss of £4.1m, compared to £2.6m in H1 2018.

We have developed a comprehensive turnaround plan for our business in Norway, which we have started to implement. This includes colleague training to improve the quality of pizza making, a new pricing structure and marketing activity plan, and improved labour scheduling. We will assess the performance of this first phase at the end of this year before deciding our next steps in this market.

In Switzerland we currently have 21 stores (20 at the end of 2018) and we own 100% of the business. Local currency system sales in H1 were up 1.9%, with like-for-like sales down 5.7%. On a reported basis, system sales were up 5.2%. Switzerland recorded an EBIT loss of £1.7m, compared to £0.9m in H1 2018. While the store performance in Zurich has improved, Geneva remains challenging and this is a focus area for us in the second half. We have reengineered the product recently and are focused on driving a turnaround through a combination of this and improved labour efficiency.

In Sweden we currently have 9 stores (9 at the end of 2018; 6 stores at the end of H1 2018) and our ownership currently stands at 71%. Local currency system sales in H1 were up 17.5%, with like-for-like sales down 17.9%. On a reported basis, system sales were up 12.3%. Sweden recorded an EBIT loss of £1.8m, compared to £1.3m in H1 2018. We launched the Dominos global online ordering platform ("GOLO") in the first half, with early signs on the improvement in conversion rate encouraging.

Our share of post tax underlying profits from our German associate was £1.2m (H1 2018: £1.2m).

FY19 Guidance

We are today providing the following guidance for FY 2019:

- Underlying Depreciation & Amortisation c.£16m
- Underlying Interest (excluding foreign exchange movements) c.£6m
- Underlying Effective Tax rate c.22%
- Non-underlying items - no further cash non-underlying charges expected in H2
- Capital expenditure £25m - £30m for 2019, including £8m on International
- No further share buyback programme planned in FY19
- Net debt £220m - £230m

Financial review

	26 Weeks Ended 30 June 2019 £m	26 Weeks Ended 1 July 2018 (restated)* £m	Change %
System sales			
UK & ROI	596.0	565.1	5.5%
International	49.8	51.5	(3.4%)
System sales	645.8	616.6	4.7%
Revenue			
UK & ROI	249.6	238.9	4.5%
International	46.0	46.7	(1.5%)
Revenue	295.6	285.6	3.5%
Underlying operating profit/(loss)			
UK & ROI	51.6	48.2	7.1%
International	(6.4)	(1.8)	(255.6%)
Underlying operating profit	45.2	46.4	(2.6%)
Underlying profit before tax	42.3	45.7	(7.4%)
Underlying profit after tax	32.9	36.7	(10.4%)
Non-underlying items	(10.5)	(3.4)	208.8%
Statutory profit after tax	22.4	33.3	(32.7%)
Underlying basic EPS (pence)	7.5p	7.8p	(3.8%)
Statutory basic EPS (pence)	5.3p	7.2p	(26.4%)

* - See Note 2 to the financial information for details around the revenue restatement

System sales and Revenue

Group system sales increased 4.7% to £645.8m. System sales in UK & ROI increased 5.5% to £596.0m, while in the International segment they decreased 3.4% to £49.8m.

Group revenue grew by 3.5% to £295.6m. UK & ROI revenue increased 4.5% to £249.6m, including corporate store sales of £15.5m, offset by the associated supply chain centre sales. International revenue decreased 1.5% to £46.0m, with a disappointing performance across all markets. Group revenue has been restated to reflect the change in treatment of income and expenses relating to the NAF and eCommerce revenue, as set out in note 2 to the financial information. This restatement has had no impact on profits, cash flows or the balance sheet position and does not reflect any change in the commercial relationship with franchisees.

Underlying operating profit

In the UK & ROI, underlying operating profit increased 7.1% to £51.6m, slightly ahead of system sales growth. Our international businesses made an underlying operating loss of £6.4m compared to a £1.8m loss in the prior year period. Norway recorded the highest loss, at £4.1m (H1 2018: £2.6m), however we also saw increasing losses in Sweden and Switzerland, and Iceland profitability declined year-on-year. Group underlying operating profit decreased 2.6% to £45.2m.

Interest

Net underlying interest expense in the period was £2.9m, a £2.2m increase year-on-year. This primarily relates to £1.6m interest costs on the revolving credit facility, due to the higher debt position, and £0.6m from foreign exchange losses and other interest movements.

Taxation

The underlying effective tax rate was 22.2%, higher than 19.7% in the prior year due to tax losses in the international segment not subject to Group tax relief and the impact of disallowable expenses. Excluding these impacts, the UK & ROI underlying effective tax rate is 20.7%, which is higher than the UK statutory rate of 19% due to disallowable expenses and the impact of capital allowances.

Earnings per share

Underlying basic earnings per share for the period was 7.5p, down 3.8% year-on-year, reflecting the decline in profit partially offset by the lower weighted average share count year-on-year following the share buyback programmes. Underlying diluted earnings per share for the period was 7.5p, down 2.6% on the prior year.

Statutory basic earnings per share for the period was 5.3p, down 26.4% on the prior year. Statutory diluted earnings per share for the period of 5.3p was down 25.4% on the prior year.

Non-underlying

	26 weeks ended 30 June 2019 £m	26 weeks ended 1 July 2018 £m
Contribution to NAF and eCommerce funds	(7.1)	(0.7)
International impairments	(2.2)	-
Amortisation of London corporate stores	(0.5)	(0.4)
Put option revaluations	0.9	-
UK supply chain transformation	-	(1.9)
Dolly Dimple's integration costs	-	(2.1)
Market access fee	-	2.5
German associate store conversion costs	(2.5)	(1.4)
Total non-underlying items before interest and taxation	(11.4)	(4.0)
Included within net finance cost:		
Put option revaluations	(0.7)	-
Market access fee	0.3	-
Total non-underlying items before taxation	(11.8)	(4.0)
Taxation	1.3	0.6
Total non-underlying items	(10.5)	(3.4)

Net non-underlying items for the period totalled £10.5m (H1 2018: £3.4m). These costs are itemised in full in note 5 and summarised below:

- £7.1m of costs (H1 2018: £0.7m; FY 2018: £2.9m) has been recorded associated with our contribution into the eCommerce fund for the development and build out of new web and app platforms which are scheduled to go live in the second half of 2019. This consists of £1.1m of accelerated amortisation (H1 2018: £0.7m) and a £6.0m commitment into the fund through reduction of the existing fund deficit. This cost represents the finalisation of our £10.0m commitment made to franchisees to contribute towards the development of the platform.
- £2.2m of impairments have been recorded over our operations in Norway (£1.2m) and Switzerland (£1.0m) due to the performance of the businesses and the movements in asset base. This is following the impairments recorded in FY 2018 of £10.2m for Norway and £1.2m in Switzerland.
- Amortisation of £0.5m (H1 2018: £0.4m) relates to the amortisation of the SFA ('Standard Franchise Agreement') intangible asset recognised on the corporate store acquisitions of Sell More Pizza in 2017 and Have More Fun in 2018.
- A gain of £0.9m has been recorded in EBIT relating to revaluation of the put options over our investments in Norway, Sweden and Iceland as a result of the performance of the underlying businesses. Interest expense of £0.7m relates to the unwinding of the discount used in the valuation of the options.
- A cost of £2.5m (H1 2018: £1.4m) has been recorded in relation to our share of the store conversion costs for the German associate.

Free cash flow and Net Debt

	26 Weeks Ended 30 June 2019 £m	26 Weeks Ended 1 July 2018 £m
Underlying EBITDA	52.4	53.4
Add back non-cash items		
- Share of profits/losses of associates and JV's	(2.4)	(2.7)
- Other non-cash items	(0.3)	0.5
Working capital	(22.2)	(8.8)
Capex	(11.8)	(18.3)
Dividends received	0.5	0.9
Net interest	(2.9)	(0.8)
Corporation tax	(4.1)	(7.5)
Other	0.2	(0.5)
Free cash flow before non-underlying cash items	9.4	16.2
Non-underlying cash	(0.5)	(4.0)
Free cash flow	8.9	12.2
Funding to German associate	(1.4)	(10.8)
Acquisitions	-	(30.2)
Dividends	(25.0)	(25.2)
Share buybacks	(17.4)	(38.9)
Movement in Net Debt	(34.9)	(92.9)
Opening net debt	(203.2)	(89.2)
Forex on RCF	(0.7)	-
Closing net debt	(238.8)	(182.1)
Last 12 months net debt/EBITDA ratio	2.2x	1.6x

Overall Group net debt increased from £203.2m at 30 December 2018 to £238.8m, with dividends and share buybacks greater than the free cash flow generated in the period.

Underlying EBITDA was £52.4m (H1 2018: £53.4m).

Free cash flow was an inflow of £8.9m (H1 2018: £12.2m), which consists of an inflow of £19.1m in our UK business and an outflow of £10.2m in our international business.

Funding to our German associate of £1.4m (H1 2018: £10.8m) represents our continued contribution following the Hallo Pizza acquisition in 2018.

The Group experienced a working capital outflow of £22.2m (H1 2018: £8.8m) in the period which primarily consisted of £7m increase in inventory levels for Brexit planning, £7m of reduction in creditors as a result of seasonal fluctuations, £2m in timing of tax payments, £3m movement in accruals and £2m in international working capital movements. Of these working capital movements, we expect c.£9m to unwind in H2 2019. We expect the increased inventory level related to Brexit to be maintained into 2020.

Capital expenditure in the period was £11.8m (H1 2018: £18.3m), with the year-on-year decrease primarily due to spend on the Warrington Supply Chain Centre in H1 2018. Overall capital expenditure in the UK & Ireland was £7.5m (H1 2018: £13.6m), of which £0.7m was considered strategic capital expenditure on corporate stores and IT systems, £2.5m is considered maintenance capital expenditure and £4.3m in capital expenditure on the new IT platform. International capital expenditure was £4.3m, primarily on new corporate store openings.

Dividends received relates to amounts received from our UK joint venture and associates. The net interest cash outflow of £2.9m (H1 2018: £0.8m), has increased year-on-year due to the increased borrowings.

Non-underlying cash payments of £0.5m relate primarily to cash costs of restructuring provisions recognised in the prior year. The H1 2018 non-underlying cash of £4.0m relates primarily to the SCC restructuring programme and the Dolly Dimple's conversions in Norway.

Acquisitions in H1 2018 of £30.2m related to the cash paid on the acquisition of the further shareholding in Iceland of £26.8m and the settlement of the working capital adjustment on the Sell More Pizza corporate stores acquisition in 2017.

Share buybacks of £17.4m (H1 2018: £38.9m) represents the completion of the share buyback scheme announced in 2018 of £16.0m and £1.4m of EBT share purchases.

Capital Employed and Balance Sheet

	30 June 2019 £m	30 December 2018 £m	1 July 2018 £m
Intangible assets	102.7	106.7	114.4
Property, plant and equipment	110.1	107.6	110.5
Investments, associates and joint ventures	40.9	40.8	33.1
Market access fee	9.3	8.9	11.8
Deferred consideration	6.6	6.6	-
Provisions	(17.2)	(16.8)	(17.5)
Working capital	8.9	(8.6)	5.6
Net debt	(238.8)	(203.3)	(182.1)
Put options	(11.6)	(11.8)	(14.0)
Tax	(14.9)	(11.8)	(8.4)
Share buyback obligations	-	(15.8)	(0.7)
Net (liabilities) / assets	(4.0)	2.5	52.7

Intangible assets have decreased from £106.7m to £102.7m during H1 2019 as a result of foreign exchange movements, amortisation of the eCommerce platform and £0.8m of impairments of intangibles in Norway and Switzerland (£0.8m of the overall £2.2m impairment discussed in the non-underlying section). The decrease from 1 July 2018 to 30 June 2019 is as a result of the impairment recorded in H2 2018 over our international business, offset by additions to goodwill for the Have More Fun acquisition and other intangible assets for the eCommerce platform.

Property, plant and equipment has increased during H1 2019 from £107.6m to £110.1m largely as a result of capital additions in UK & ROI as explained in the capital expenditure section above in excess of depreciation, offset by £1.4m of impairments in Norway and Switzerland (£1.4m of the overall £2.2m impairment discussed in the non-underlying section).

Investments, associates and joint ventures represents our investment in the German associate and our investment in Full House and West Country in the UK, which are treated as associates and joint ventures respectively. This also represents our investment in Shorecal during H2 2018. There have been no significant movements in the investment balances in H1 2019, with the largest movement being foreign exchange.

The market access fee asset, representing the fee receivable following our disposal of the German MFA ('Master Franchise Agreement') in 2016, has increased in H1 2019 from £8.9m to £9.3m as a result of the unwind of the discount for the future amounts receivable.

Deferred consideration represents the amounts owed to the Group following our disposal of the Shayban joint venture in H2 2018.

Working capital has decreased during H1 2019 from a £8.6m liability to an £8.9m asset as a result of the factors outlined in the cashflow section above. A reconciliation of the movement in working capital is provided in note 20 to the financial information.

The put option liability of £11.6m has decreased from £11.8m as a result of revaluation decreases of £0.9m as described above in the non-underlying section, partially offset by unwind of the discount of £0.7m.

Tax liabilities have increased from £11.8m to £14.9m as a result of timing of cash payments.

During H1 2019 the Group completed the previously announced share buyback programme and therefore no ongoing obligation remains.

Total equity has reduced by £6.5m from £2.5m to £(4.0m) due to the recognition of total comprehensive income for the period of £19.5m and favourable other reserve movements of £0.6m, offset by net share buyback impacts of £1.6m and dividends paid of £25.0m.

Group income statement

26 weeks ended 30 June 2019

	Notes	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 (restated) £m	52 weeks ended 30 December 2018 (restated) £m
Revenue	3	295.6	285.6	588.2
Cost of sales		(168.0)	(152.3)	(310.0)
Gross profit		127.6	133.3	278.2
Distribution costs		(15.8)	(15.0)	(31.6)
Administrative costs		(76.6)	(79.7)	(172.6)
Other expenses		(2.2)	-	(19.0)
		33.0	38.6	55.0
Share of post-tax (losses)/profits of associates and joint ventures		(0.1)	1.3	1.0
Operating profit		32.9	39.9	56.0
Other income	5	0.9	2.5	8.2
Profit before interest and taxation		33.8	42.4	64.2
Finance income	6	0.8	1.0	2.1
Finance expense	6	(4.1)	(1.7)	(4.4)
Profit before taxation		30.5	41.7	61.9
Taxation	7	(8.1)	(8.4)	(18.0)
Profit for the period		22.4	33.3	43.9
Profit/(loss) attributable to:				
– Equity holders of the parent		24.5	34.8	49.0
– Non-controlling interests		(2.1)	(1.5)	(5.1)
Profit for the period		22.4	33.3	43.9
Earnings per share				
– Basic (pence)	8	5.3p	7.2p	10.3p
– Diluted (pence)	8	5.3p	7.1p	10.2p
Non-GAAP measures:				
Operating profit		32.9	39.9	56.0
Add back non-underlying:				
– Cost of sales	5	-	4.0	-
– Administrative costs	5	7.6	1.1	18.7
– Other expenses	5	2.2	-	19.0
– Share of non-underlying post-tax costs of associates and joint ventures	5	2.5	1.4	3.2
Underlying operating profit		45.2	46.4	96.9
Net finance costs	6	(3.3)	(0.7)	(2.3)
– Add back non-underlying finance costs/(income)	5	0.4	-	(1.2)
Underlying profit before tax		42.3	45.7	93.4
Taxation	7	(8.1)	(8.4)	(18.0)
– Add back non-underlying tax credit	5	(1.3)	(0.6)	(1.7)
Underlying profit for the period		32.9	36.7	73.7
Underlying earnings per share				
– Basic (pence)	8	7.5p	7.8p	16.1p
– Diluted (pence)	8	7.5p	7.7p	15.9p

Group statement of comprehensive income

26 weeks ended 30 June 2019

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Notes			
Profit for the period	22.4	33.3	43.9
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
– Exchange loss on retranslation of foreign operations	(2.9)	-	(1.6)
Other comprehensive expense for the period, net of tax	(2.9)	-	(1.6)
Total comprehensive income for the period	19.5	33.3	42.3
Total comprehensive income attributable to			
– Equity holders of the parent	21.8	34.8	47.4
– Non-controlling interests	(2.3)	(1.5)	(5.1)

Group balance sheet

At 30 June 2019

	Notes	(unaudited) At 30 June 2019 £m	(unaudited) At 1 July 2018 £m	At 30 December 2018 £m
Non-current assets				
Intangible assets		102.7	114.4	106.7
Property, plant and equipment	10	110.1	110.5	107.6
Trade and other receivables		37.9	32.5	39.4
Other financial asset	14	9.3	11.8	8.9
Investments	14	11.0	-	11.1
Investments in associates and joint ventures	11	29.9	33.1	29.7
Deferred consideration		5.7	-	5.7
Deferred tax asset		0.9	7.9	0.6
		307.5	310.2	309.7
Current assets				
Inventories		15.0	10.6	8.4
Trade and other receivables		51.9	59.4	54.7
Deferred consideration		0.9	-	0.9
Cash and cash equivalents		11.5	18.5	24.8
		79.3	88.5	88.8
Total assets		386.8	398.7	398.5
Current liabilities				
Trade and other payables		(85.4)	(88.4)	(100.4)
Financial liabilities	13	(5.8)	(5.8)	(2.5)
Financial liabilities – share buyback obligation		-	(0.7)	(15.8)
Current tax liabilities		(9.9)	(8.9)	(5.9)
Provisions		(4.3)	(4.2)	(3.6)
		(105.4)	(108.0)	(128.2)
Non-current liabilities				
Trade and other payables		(10.5)	(8.5)	(10.7)
Financial liabilities	13	(256.1)	(208.8)	(237.4)
Deferred tax liabilities		(5.9)	(7.4)	(6.5)
Provisions		(12.9)	(13.3)	(13.2)
		(285.4)	(238.0)	(267.8)
Total liabilities		(390.8)	(346.0)	(396.0)
Net (liabilities)/assets		(4.0)	52.7	2.5
Shareholders' equity				
Called up share capital		2.4	2.5	2.4
Share premium account		36.7	36.7	36.7
Capital redemption reserve		0.5	0.5	0.5
Capital reserve – own shares		(7.7)	(6.2)	(6.4)
Currency translation reserve		(5.4)	(1.1)	(2.7)
Other reserves		(25.1)	(30.8)	(25.1)
Retained earnings		(2.8)	42.0	(2.6)
Total equity shareholders' funds		(1.4)	43.6	2.8
Non-controlling interests		(2.6)	9.1	(0.3)
Total equity		(4.0)	52.7	2.5

Group statement of changes in equity

26 weeks ended 30 June 2019

	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Currency translation reserve £m	Other reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non- controlling interests £m	Total £m
At 31 December 2017		2.5	36.7	0.5	(6.5)	(1.1)	(40.3)	52.0	43.8	20.7	64.5
Profit for the period		-	-	-	-	-	-	34.8	34.8	(1.5)	33.3
Other comprehensive income – exchange differences		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	-	34.8	34.8	(1.5)	33.3
Share buybacks		-	-	-	(2.2)	-	-	(36.7)	(38.9)	-	(38.9)
Share buyback obligation satisfied		-	-	-	-	-	-	17.6	17.6	-	17.6
Proceeds from share issues		-	-	-	1.2	-	-	-	1.2	-	1.2
Impairment of share issues		-	-	-	1.3	-	-	(1.3)	-	-	-
Share option and LTIP charge		-	-	-	-	-	-	1.1	1.1	-	1.1
Tax on employee share options		-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Increase in interest in a subsidiary	12	-	-	-	-	-	9.5	-	9.5	(10.0)	(0.5)
Transactions with non-controlling interest		-	-	-	-	-	-	-	-	(0.1)	(0.1)
Equity dividends paid		-	-	-	-	-	-	(25.2)	(25.2)	-	(25.2)
At 1 July 2018 (unaudited)		2.5	36.7	0.5	(6.2)	(1.1)	(30.8)	42.0	43.6	9.1	52.7
Profit for the period		-	-	-	-	-	-	14.2	14.2	(3.6)	10.6
Other comprehensive income – exchange differences		-	-	-	-	(1.6)	-	-	(1.6)	-	(1.6)
Total comprehensive income for the period		-	-	-	-	(1.6)	-	14.2	12.6	(3.6)	9.0
Impairment of share issues		-	-	-	2.0	-	-	(2.0)	-	-	-
Share buybacks	(0.1)	-	-	-	(2.2)	-	-	(22.4)	(24.7)	-	(24.7)
Share buybacks obligation satisfied		-	-	-	-	-	-	0.7	0.7	-	0.7
Share buybacks obligation outstanding		-	-	-	-	-	-	(15.8)	(15.8)	-	(15.8)
Share options and LTIP charge		-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Increase in interest in a subsidiary	12	-	-	-	-	-	5.7	-	5.7	(5.7)	-
Transactions with non-controlling interest		-	-	-	-	-	-	-	-	(0.1)	(0.1)
Equity dividends paid		-	-	-	-	-	-	(19.1)	(19.1)	-	(19.1)
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 for the period		-	-	-	-	-	-	24.5	24.5	(2.1)	22.4
Other comprehensive income – exchange differences		-	-	-	-	(2.7)	-	-	(2.7)	(0.2)	(2.9)
Total comprehensive income for the period		-	-	-	-	(2.7)	-	24.5	21.8	(2.3)	19.5
Share buybacks		-	-	-	(1.4)	-	-	(16.0)	(17.4)	-	(17.4)
Share buyback obligation satisfied		-	-	-	-	-	-	15.8	15.8	-	15.8
Impairment of share issues		-	-	-	0.1	-	-	(0.1)	-	-	-
Share options and LTIP charge		-	-	-	-	-	-	0.1	0.1	-	0.1
Tax on employee share options		-	-	-	-	-	-	0.5	0.5	-	0.5
Equity dividends paid		-	-	-	-	-	-	(25.0)	(25.0)	-	(25.0)
At 30 June 2019 (unaudited)		2.4	36.7	0.5	(7.7)	(5.4)	(25.1)	(2.8)	(1.4)	(2.6)	(4.0)

Group cash flow statement

26 weeks ended 30 June 2019

	Notes	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Cash flows from operating activities				
Profit before interest and taxation		33.8	42.4	64.2
Amortisation and depreciation		8.8	8.0	16.8
Impairment		2.2	-	20.7
Share of post-tax (profits)/losses of associates and joint ventures		0.1	(1.3)	(1.0)
Gain on disposal of joint venture		-	-	(8.2)
Net (gain)/loss on financial instruments at fair value through profit or loss		-	(2.5)	1.0
Increase/(decrease) in provisions		0.5	(0.5)	(1.0)
Share option and LTIP charge		0.1	1.1	0.9
Revaluation of put option liability		(0.9)	-	3.7
(Increase)/decrease in inventories		(6.6)	(2.1)	-
Decrease/(increase) in receivables		4.9	(7.3)	(9.5)
(Decrease)/increase in payables		(15.9)	0.6	12.7
Cash generated from operations		27.0	38.4	100.3
UK corporation tax paid		(3.8)	(6.2)	(13.0)
Overseas corporation tax paid		(0.3)	(1.3)	(1.5)
Net cash generated by operating activities		22.9	30.9	85.8
Cash flows from investing activities				
Purchase of property, plant and equipment		(8.6)	(14.6)	(21.4)
Purchase of intangible assets		(3.2)	(3.7)	(7.5)
Purchase of other non-current assets		-	(1.5)	-
Acquisition of subsidiaries, net of cash received		-	(3.4)	(10.8)
Proceeds on disposal of joint ventures		-	-	5.3
Investment in joint ventures and associates		(0.7)	(5.4)	(5.8)
Investments		-	-	(10.8)
Interest received		0.3	0.2	0.5
Other	20	-	(5.1)	(3.3)
Net cash used by investing activities		(12.2)	(33.5)	(53.8)
Cash (outflow)/inflow before financing		10.7	(2.6)	32.0
Cash flows from financing activities				
Interest paid		(3.2)	(1.0)	(3.6)
Issue of Ordinary share capital		-	1.2	1.2
Purchase of own shares		(17.4)	(38.9)	(63.6)
New bank loans and facilities drawn down		74.7	185.7	239.1
Repayment of borrowings		(53.1)	(102.9)	(132.4)
Increase in ownership interest in a subsidiary		-	(26.8)	(32.7)
Equity dividends paid		(25.0)	(25.2)	(44.3)
Dividends paid to non-controlling interest		-	(0.1)	-
Net cash used by financing activities		(24.0)	(8.0)	(36.3)
Net decrease in cash and cash equivalents		(13.3)	(10.6)	(4.3)
Cash and cash equivalents at beginning of period		24.8	29.0	29.0
Foreign exchange gain on cash and cash equivalents		-	0.1	0.1
Cash and cash equivalents at end of period		11.5	18.5	24.8

Notes to the Group interim report

26 weeks ended 30 June 2019

1. General information

Domino's Pizza Group plc ('the Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB. The Company's ordinary shares are listed on the Official List of the FCA and traded on the Main Market of the London Stock Exchange. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

2. Basis of preparation

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The financial information contained in this interim report does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

The interim results for the 26 weeks ended 30 June 2019 and the comparatives to 1 July 2018 are unaudited but have been reviewed by the auditors. A copy of their review report has been included at the end of this report.

The financial information for the 52 weeks ended 30 December 2018 has been extracted from the Group financial statements for that period. These published financial statements were reported on by the auditors without qualification or an emphasis of matter reference and did not include a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The interim financial information has been prepared on the going concern basis. This is considered appropriate, given the financial resources of the Group including the current position of the banking facilities, together with long-term contracts with its master franchisor, its franchisees and its key suppliers. The Group has considered the overall business risks but has not identified any risks that could impact the financial performance or position of the Group as at 30 June 2019. The Group has sufficient headroom to conform with covenants on its existing borrowings and sufficient undrawn facilities to service its operating activities and ongoing capital requirements.

The interim financial information is presented in sterling and all values are rounded to the nearest tenth of million pounds (£0.1m), except when otherwise indicated. The financial statements are prepared using the historic cost basis with the exception of the derivative financial assets, contingent consideration and gross put option liabilities which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

Restatement of National Advertising Fund and eCommerce funds

During the period, the Group has changed the accounting policy around the treatment of the National Advertising Fund ("NAF") and eCommerce fund (together "the Funds").

Stores within the Domino's Pizza system contribute into the Funds which are designed to build store sales through increased public recognition of the Domino's Pizza brand and the development of the eCommerce platform on which customers place orders. The Funds are managed with an objective of operating to a break-even position.

In the 52 weeks ended 30 December 2018, following the implementation of IFRS 15, the Group considered the treatment of the Funds. All Fund income is designated for specific purposes therefore the Group was considered to act as agent for the Funds. All the income and expenses of the Fund were not included in the Group income statement. Any short-term timing surplus or deficit of the fund was carried in the Group balance sheet.

During the period, the Group has reconsidered the contractual arrangements around the operation of the Funds in conjunction with the new auditors of the Group. Whilst commercially and through past practice, the use of the Funds are directed by franchisees through the operation of the Marketing Advisory Committee ("MAC"), the terms of the SFA ("Standard Franchise Agreement") allow the Group to control the Funds. The Group monitors and communicates the assets and liabilities on a separate basis, however from a legal perspective under the franchise agreement these assets and liabilities are not legally separated.

As a result, for the purposes of accounting under IFRS 15 we consider that we are principal over the operation of the Funds. For this reason, contributions by franchisees into the Funds will be treated as revenue, and expenses which are incurred under the fund will be treated as administrative expenses by the Group. This results in an increase to statutory revenue and administrative expenses of the Group. Revenue and cost of sales related to intercompany transactions from our corporate stores in the UK are eliminated in the Group result.

Accounting policy around revenue recognition for NAF and eCommerce funds

In assessing the nature of the revenue we have considered the performance obligations stated under the franchise agreement. Franchisees contribute a percentage of their system sales into the Funds. For both the NAF and eCommerce sections of the SFA, the Group is committed to use these funds to provide advertising and marketing services for the NAF contributions, and to provide development and maintenance of the eCommerce platforms, together with other ancillary services such as merchant credit card services for our franchisees.

The Group provides these services to franchisees at cost and the overall objective is to manage the funds to reach nil surplus or deficit. Each of these revenue streams is considered to be a performance obligation.

The overall transaction price of the contract is the variable revenue received from the franchisees as a percentage of system sales. Revenue is then recognised on a franchisee portfolio basis, based on the satisfaction of the performance obligation over time, and is measured based on an input basis, being the costs incurred.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

Restatement of National Advertising Fund and eCommerce funds (continued)

Accounting policy around revenue recognition for NAF and eCommerce funds (continued)

The result of the above treatment is that revenue is recognised in line and equal to the costs we incur over both funds. Any timing differences relating to the revenue received compared to the costs incurred is held as a contract asset or liability on the balance sheet. As both arrangements are under the same franchise agreement, these funds are held on a net basis, and presented within trade and other receivables or trade and other payables based on the net position of the funds.

Restatement of income statement

Total NAF and eCommerce revenues recognised in the 26 weeks ended 30 June 2019 were £27.9m (26 weeks ended 1 July 2018: £26.5m, 52 weeks ended 30 December 2018: £53.9m), and therefore revenue in the current period and comparative periods has been increased by these amounts. Cost of sales has been decreased by £0.7m (26 weeks ended 1 July 2018: £0.5m, 52 weeks ended 30 December 2018: £1.1m) and administrative costs has increased by £28.6m (26 weeks ended 1 July 2018: £27.0m, 52 weeks ended 30 December 2018: £55.0m). There is no impact on operating profit, profit before interest and taxation or on cash flows.

The revenues, cost of sales and administrative expenses are recognised in underlying results. The impact of the restatement on the Group income statement in comparative periods has been set out below:

	26 weeks ended 1 July 2018 £m		
	As previously reported	Restatement impact	As restated
Revenue	259.1	26.5	285.6
Cost of sales	(152.8)	0.5	(152.3)
Gross profit	106.3	27.0	133.3
Distribution costs	(15.0)	-	(15.0)
Administrative costs	(52.7)	(27.0)	(79.7)
Other expenses	-	-	-
	38.6	-	38.6
Share of post-tax profits of associates and joint ventures	1.3	-	1.3
Operating profit	39.9	-	39.9
Other income	2.5	-	2.5
Profit before interest and taxation	42.4	-	42.4

	52 weeks ended 30 December 2018 £m		
	As previously reported	Restatement impact	As restated
Revenue	534.3	53.9	588.2
Cost of sales	(311.1)	1.1	(310.0)
Gross profit	223.2	55.0	278.2
Distribution costs	(31.6)	-	(31.6)
Administrative costs	(117.6)	(55.0)	(172.6)
Other expenses	(19.0)	-	(19.0)
	55.0	-	55.0
Share of post-tax profits of associates and joint ventures	1.0	-	1.0
Operating profit	56.0	-	56.0
Other income	8.2	-	8.2
Profit before interest and taxation	64.2	-	64.2

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

Restatement of National Advertising Fund and eCommerce funds (continued)

Segmental reporting

The restatement relates solely to UK & Ireland, and therefore the impact has been allocated to the appropriate segment. If the change in accounting policy was not applied, the segmental revenue for UK & Ireland for the current period would be £221.7m. The restatement of segmental results for the 26 weeks ended 1 July 2018 and the 52 weeks ended 30 December 2018 is set out below:

	26 weeks ended 1 July 2018 £m								
	As previously reported			Restatement impact			As restated		
	International	UK & Ireland	Total	International	UK & Ireland	Total	International	UK & Ireland	Total
Revenue									
Sales to external customers	46.7	212.4	259.1	-	26.5	26.5	46.7	238.9	285.6
Segment revenue	46.7	212.4	259.1	-	26.5	26.5	46.7	238.9	285.6
Results									
Underlying segment result before associates and joint ventures	(3.0)	46.7	43.7	-	-	-	(3.0)	46.7	43.7
Underlying share of profit of associates and joint ventures	1.2	1.5	2.7	-	-	-	1.2	1.5	2.7
Underlying segment result	(1.8)	48.2	46.4	-	-	-	(1.8)	48.2	46.4

	52 weeks ended 30 December 2018 £m								
	As previously reported			Restatement impact			As restated		
	International	UK & Ireland	Total	International	UK & Ireland	Total	International	UK & Ireland	Total
Revenue									
Sales to external customers	94.8	439.5	534.3	-	53.9	53.9	94.8	493.4	588.2
Segment revenue	94.8	439.5	534.3	-	53.9	53.9	94.8	493.4	588.2
Results									
Underlying segment result before associates and joint ventures	(6.6)	99.3	92.7	-	-	-	(6.6)	99.3	92.7
Underlying share of profit of associates and joint ventures	2.5	1.7	4.2	-	-	-	2.5	1.7	4.2
Underlying segment result	(4.1)	101.0	96.9	-	-	-	(4.1)	101.0	96.9

Other disclosures

In accordance with the policy as set out above, there have been no restatements made to the Group balance sheet, Group statement of comprehensive income, Group statement of changes in equity or Group cash flow statement.

Contract asset and liability position

The timing difference, being the difference between the amounts received under the contract and expenditure incurred, is held on the balance sheet and presented in trade and other receivables or trade and other payables on a net basis across both funds. As the relevant performance obligations are under the same contract with the customer, it is appropriate to present the contract assets or liabilities on a net basis.

The Group has the right to vary the charges for either fund to recover any deficits on a prospective basis, and for that reason there is no concern over the recoverability of amounts. The Group also has the ability to recover any deficit through decreased future charges into the fund. Surpluses or deficits naturally arise because of timing differences between cash flows of the NAF and eCommerce expenditure and contributions received from the franchisees.

As at 30 June 2019 the gross amounts of the NAF and eCommerce fund were as follows:

	26 weeks ended 30 June 2019 £m	26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
NAF surplus	(14.2)	(11.1)	(14.1)
eCommerce fund deficit	14.5	17.0	20.3
Net NAF and eCommerce asset	0.3	5.9	6.2

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

Accounting policies and new standards

The consolidated accounts for the 52 weeks ended 30 December 2018 were prepared in accordance with IFRS as adopted by the EU. The accounting policies applied by the Group are consistent with those disclosed in the Group's Annual Report and Accounts for the 52 weeks ended 30 December 2018, except for as described in the restatement section above. There is no impact from new standards and interpretations effective for the first time for the reporting period.

New standards and interpretations not applied

The following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective:

	Effective for periods beginning on or after:
International Financial Reporting Standards ('IFRSs')	
AIP 2015-2017 Cycle: IFRS 3 Business Combinations – Previously held interests in a joint operation	1 January 2019
AIP 2015-2017 Cycle: IFRS 11 Joint Arrangements – Previously held interest in a joint operation	1 January 2019
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 Leases	1 January 2019
International Accounting Standards ('IAS')	
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
AIP 2015-2017 Cycle: IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
AIP 2015-2017 Cycle: IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019
Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures	1 January 2019

IFRS 16 Leases (not yet adopted)

IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The standard has an effective date of 1 January 2019. Due to the current period commencing on 31 December 2018, the first period for which the standard will be effective will be the year ended 27 December 2020.

IFRS 16 will impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16, for leases where we are the lessee, and there is no sub lease to a third party, the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and an increase in finance costs. There is no impact on cash flows or commercial operations for the Group.

The above applies to our corporate stores in the UK and international businesses, together with our leased equipment in the UK and international, largely in the distribution and supply chain area. In the year ended 30 December 2018, the total rental expense for corporate stores across UK & Ireland and International operations was £6.0m, and equipment lease charges was £5.1m.

Across the UK & Ireland franchise business, the Group operates as intermediate lessor for a significant proportion of the franchisee store leases, and holds both the head lease with the landlord and the sub lease with the franchisee. The payments for the majority of these leases are 'back to back' (e.g. the head lease and sub lease payments made and received are the same), however the length of contractual lease may differ. The annual payments under such leases are between £20m and £25m on the head leases consistent with the receipts on the sub leases.

Under IFRS 16, where the sublease to the franchisee represents substantially all of the right of use head lease to the landlord which we hold, a lease receivable will be recognised from the franchisee and a lease payable will be recognised to the landlord. Where the sublease is not substantially all of the right of use head lease, but management judges that it is likely the sublease will be renewed to become substantially all of the right of use asset then the same treatment will be applied. This will result in lease receivables and lease liabilities being recorded on the balance sheet with interest income and expense recognised separately in the income statement, replacing revenue and cost of sales.

The key judgement around the treatment outlined above is the assessment of the extension terms of the contracts. Franchisees enter into a franchise agreement with us for a period of 10 years, with extension options beyond the initial term. Under the agreement, franchisees must enter into a separate lease agreement with the Group for the trading store (with a low number of exceptions where stores are directly held by the franchisee).

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

New standards and interpretations not applied (continued)

IFRS 16 Leases (not yet adopted) (continued)

The usual length of a lease with a landlord is between 10 and 20 years. The sub lease with the franchisee is usually 10 years, as it is limited by the length of the franchise agreement. There are therefore a large number of leases where the term is not 'back to back'.

The franchise agreement contains options around extension, and by nature of the agreements being linked through the franchise agreement requirements, we have considered that the extensions to the SFA should be considered when assessing the sub lease length.

If this judgement were to differ, then a high proportion of leases, where the term differs by up to 10 years, would be treated as an 'operating lease', with lease income recognised in earnings and no receivable shown. On the head lease, depreciation charges and interest would be recorded in the income statement and an asset and liability recorded on the balance sheet. This would lead to volatility in the income statement and an asset position of the group which is not consistent with the commercial substance of the agreements.

We currently consider, for a significant majority of the leases, that we can determine the length of the leases to be coterminous based on the franchise agreements in place and the likelihood of sub lease extension, and therefore expect a majority of these leases to be considered 'back to back' with limited income statement impact.

We are currently concluding on the assessment of the judgements above, and the overall impact of the standard. The impact will be communicated in the December 2019 Annual Report.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 (restated) £m	52 weeks ended 30 December 2018 (restated) £m
Sales to franchisees	162.6	159.6	327.1
Royalties, franchise fees and change of hands fees	32.2	30.7	62.7
Corporate store sales	60.4	56.1	119.9
Rental income on leasehold and freehold property	12.5	12.7	24.6
National Advertising and eCommerce income	27.9	26.5	53.9
	295.6	285.6	588.2

4. Segmental information

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

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

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

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

4. Segmental information (continued)

Operating segments results

	26 weeks ended 30 June 2019			26 weeks ended 1 July 2018 (restated)			52 weeks ended 30 December 2018 (restated)		
	International	UK & Ireland	Total	International	UK & Ireland	Total	International	UK & Ireland	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue									
Sales to external customers	46.0	249.6	295.6	46.7	238.9	285.6	94.8	493.4	588.2
Segment revenue	46.0	249.6	295.6	46.7	238.9	285.6	94.8	493.4	588.2
Results									
Underlying segment result before associates and joint ventures	(7.6)	50.4	42.8	(3.0)	46.7	43.7	(6.6)	99.3	92.7
Underlying share of profit of associates and joint ventures	1.2	1.2	2.4	1.2	1.5	2.7	2.5	1.7	4.2
Underlying segment result	(6.4)	51.6	45.2	(1.8)	48.2	46.4	(4.1)	101.0	96.9
Non-underlying items	(3.7)	(8.6)	(12.3)	(3.5)	(3.0)	(6.5)	(26.7)	(14.2)	(40.9)
Operating profit	(10.1)	43.0	32.9	(5.3)	45.2	39.9	(30.8)	86.8	56.0
Other Income			0.9			2.5			8.2
Profit before interest and taxation			33.8			42.4			64.2
Net finance costs			(3.3)			(0.7)			(2.3)
Profit before taxation			30.5			41.7			61.9
Taxation			(8.1)			(8.4)			(18.0)
Profit for the period			22.4			33.3			43.9

Operating segments financial information

	26 weeks ended 30 June 2019			26 weeks ended 1 July 2018 (restated)			52 weeks ended 30 December 2018 (restated)		
	International	UK & Ireland	Total	International	UK & Ireland	Total	International	UK & Ireland	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other segment information									
Depreciation	2.4	2.4	4.8	2.0	1.9	3.9	3.6	4.8	8.4
Amortisation	-	4.0	4.0	-	4.1	4.1	0.1	8.3	8.4
Impairment	2.2	-	2.2	-	-	-	14.3	6.4	20.7
Share-based payment charge	-	0.1	0.1	-	1.1	1.1	0.1	0.8	0.9
Entity-wide disclosures									
Royalties, franchise fees and change of hands fees	0.5	31.7	32.2	0.6	30.1	30.7	0.6	62.1	62.7
Sales to franchisees	0.6	162.0	162.6	0.5	159.1	159.6	1.4	325.7	327.1
Corporate store income	44.9	15.5	60.4	45.6	10.5	56.1	92.8	27.1	119.9
Rental income on leasehold and freehold property	-	12.5	12.5	-	12.7	12.7	-	24.6	24.6
National Advertising and eCommerce income	-	27.9	27.9	-	26.5	26.5	-	53.9	53.9
	46.0	249.6	295.6	46.7	238.9	285.6	94.8	493.4	588.2
Segment assets									
Segment current assets	13.2	54.6	67.8	17.0	66.6	83.6	12.0	52.0	64.0
Segment non-current assets	74.6	202.1	276.7	81.9	173.7	255.6	78.8	200.6	279.4
Equity accounted investments - investment in associates	18.7	11.2	29.9	19.3	13.8	33.1	19.2	10.5	29.7
Unallocated assets			12.4			26.4			25.4
Total assets	106.5	267.9	386.8	118.2	254.1	398.7	110.0	263.1	398.5
Segment liabilities									
Liabilities	(24.1)	(103.7)	(127.8)	(22.3)	(109.7)	(132.0)	(24.7)	(118.6)	(143.3)
Unallocated liabilities			(263.0)			(214.0)			(252.7)
Total liabilities	(24.1)	(103.7)	(390.8)	(22.3)	(109.7)	(346.0)	(24.7)	(118.6)	(396.0)

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

4. Segmental information (continued)

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

	(unaudited) At 30 June 2019 £m	(unaudited) At 1 July 2018 £m	At 30 December 2018 £m
Deferred tax asset	0.9	7.9	0.6
Cash and cash equivalents	11.5	18.5	24.8
Unallocated assets	12.4	26.4	25.4
Current tax liabilities	(9.9)	(8.9)	(5.9)
Deferred tax liabilities	(5.9)	(7.4)	(6.5)
Bank revolving facility	(247.2)	(197.0)	(224.5)
Share buyback obligation	-	(0.7)	(15.8)
Unallocated liabilities	(263.0)	(214.0)	(252.7)

5. Items excluded from non-GAAP measures

Non-underlying items included in financial statements

	(unaudited) 26 weeks ended 30 June 2019			(unaudited) 26 weeks ended 1 July 2018 (restated)			52 weeks ended 30 December 2018 (restated)		
	Before non- underlying items £m	Non- underlying items) £m	Total £m	Before non- underlying items £m	Non- underlying items £m	Total £m	Before non- underlying items £m	Non- underlying items £m	Total £m
Revenue	295.6	-	295.6	285.6	-	285.6	588.2	-	588.2
Cost of sales	(168.0)	-	(168.0)	(148.3)	(4.0)	(152.3)	(310.0)	-	(310.0)
Gross profit	127.6	-	127.6	137.3	(4.0)	133.3	278.2	-	278.2
Other operating costs	(84.8)	(9.8)	(94.6)	(93.6)	(1.1)	(94.7)	(185.5)	(37.7)	(223.2)
	42.8	(9.8)	33.0	43.7	(5.1)	38.6	92.7	(37.7)	55.0
Share of post-tax profits/(losses) of associates and joint ventures	2.4	(2.5)	(0.1)	2.7	(1.4)	1.3	4.2	(3.2)	1.0
Operating profit	45.2	(12.3)	32.9	46.4	(6.5)	39.9	96.9	(40.9)	56.0
Other income	-	0.9	0.9	-	2.5	2.5	-	8.2	8.2
Profit before interest and taxation	45.2	(11.4)	33.8	46.4	(4.0)	42.4	96.9	(32.7)	64.2
Finance income	0.8	-	0.8	1.0	-	1.0	0.9	1.2	2.1
Finance expense	(3.7)	(0.4)	(4.1)	(1.7)	-	(1.7)	(4.4)	-	(4.4)
Profit before taxation	42.3	(11.8)	30.5	45.7	(4.0)	41.7	93.4	(31.5)	61.9
Taxation	(9.4)	1.3	(8.1)	(9.0)	0.6	(8.4)	(19.7)	1.7	(18.0)
Profit for the period	32.9	(10.5)	22.4	36.7	(3.4)	33.3	73.7	(29.8)	43.9
Profit/(loss) attributable to:									
- Equity holders of the parent	34.7	(10.2)	24.5	37.5	(2.7)	34.8	76.4	(27.4)	49.0
- Non-controlling interests	(1.8)	(0.3)	(2.1)	(0.8)	(0.7)	(1.5)	(2.7)	(2.4)	(5.1)
Profit for the period	32.9	(10.5)	22.4	36.7	(3.4)	33.3	73.7	(29.8)	43.9

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

5. Items excluded from non-GAAP measures (continued)

	Note	26 weeks ended 30 June 2019 £m	26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Included in other operating costs:				
Contribution to eCommerce fund	(a)	(7.1)	(0.7)	(2.9)
Amortisation of London corporate stores	(b)	(0.5)	(0.4)	(1.0)
Put option revaluations	(c)	-	-	(3.7)
UK supply chain transformation	(d)	-	(1.9)	(9.5)
Dolly Dimple's integration costs	(e)	-	(2.1)	(4.5)
Acquisition costs	(f)	-	-	(0.6)
Legal costs and previously disposed operations	(g)	-	-	(0.2)
Market access fee	(h)	-	-	(1.2)
International impairments	(i)	(2.2)	-	(14.1)
		(9.8)	(5.1)	(37.7)
Included in share of post-tax profits of associates and joint ventures				
German associate store conversion costs	(j)	(2.5)	(1.4)	(3.2)
Included in operating profit		(12.3)	(6.5)	(40.9)
Included in other income				
Put option revaluations	(c)	0.9	-	-
Market access fee	(h)	-	2.5	-
Profit on disposal of joint venture	(k)	-	-	8.2
Included in profit before interest and taxation		(11.4)	(4.0)	(32.7)
Included within net finance cost				
Put option revaluations	(c)	(0.7)	-	0.3
Market access fee	(h)	0.3	-	0.9
Included in profit before taxation		(11.8)	(4.0)	(31.5)
Taxation	(l)	1.3	0.6	1.7
Total non-underlying items		(10.5)	(3.4)	(29.8)

a) Contribution to eCommerce fund

In 2018, the Group announced a significant investment in upgrading its mobile and web platforms. These costs are ordinarily charged into the eCommerce fund and borne by franchisees. As a result of the planned upgrade, the amortisation of the legacy platform was accelerated. In 2018, the Group decided to not charge this accelerated amortisation to the fund and this was included as a non-underlying item as the cost was borne by the Group (26 weeks 1 July 2018: £0.7m, 52 weeks ended 30 December 2018: £2.9m).

In April 2019, the Group announced to franchisees that they would be making a further immediate contribution of £7.1m into the e-commerce 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. This, together with the £2.9m contribution in 2018, completes the Group's overall investment in the e-commerce fund of £10.0m.

All costs of the development of the eCommerce platform are ordinarily borne by the franchisees, and as such we consider our material and non-contractual support to the franchisees should be highlighted as a non-underlying item.

b) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £0.5m (26 weeks ended 1 July 2018: £0.4m, 52 weeks ended 30 December 2018: £1.0m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores in 2017 and Have More Fun (London) Limited in 2018. 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.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

5. Items excluded from non-GAAP measures (continued)

c) *Put option revaluations*

A net income of £0.2m (26 weeks ended 1 July 2018: £nil, 52 weeks ended 30 December 2018: cost of £3.4m) has been recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden. This represents £0.9m income (26 weeks ended 1 July 2018: £nil, 52 weeks ended 30 December 2018: cost of £3.7m) of valuation movement recorded in other expenses and £0.7m cost (26 weeks ended 1 July 2018: £nil, 52 weeks ended 30 December 2018: income of £0.3m) presented in net finance costs representing the unwind of the discounting of the options. The decrease in the value of the options in the period is due to the decreased forecast performance of the businesses to which the options relate. The revaluations are treated as non-underlying because they are non-trading in nature and consistent with the other equity related revaluations, disposals and impairments in the business as above.

d) *UK supply chain transformation*

In April 2018 the Group opened a new supply chain centre in Warrington as part of a transformation of production and distribution in the UK & Ireland. In the 52 weeks ended 30 December 2018, the costs of £9.5m (26 weeks ended 1 July 2018: £1.9m) included £6.4m of impairment charges for former manufacturing facilities, £1.9m of ramp up costs associated with the new facility and £1.2m of restructuring and exit costs. No additional costs have been incurred in the 26 weeks ended 30 June 2019. The impairment and restructuring costs of the facilities and associated people costs are considered non-underlying because they have been driven solely as a consequence of the establishment of the new Warrington facility, making the Kingston and Penrith facilities redundant. The costs have been incurred over a short time frame and are directly related to the Warrington investment. The ramp up costs have been calculated based on an assessment of normal efficiency levels for the business. If we didn't separately identify these costs then we would be distorting the operational performance of the supply chain, which is the key driver of profit for the business. The separate treatment of ramp up costs has only been adopted during the commissioning period and rather than during the whole of the period to achieving full capacity.

e) *Dolly Dimple's integration costs*

In the 52 weeks ended 30 December 2018, costs of £4.5m (26 weeks ended 1 July 2018: £2.1m) were recognised in relation to the Dolly Dimple's stores in Norway, which are being converted to Domino's. A number of stores have already rebranded to Domino's stores and the amount represents costs incurred with both the conversion of the stores into Domino's, dilapidations and onerous leases on remaining stores which will not be converted, together with integration costs associated with the acquisition.

f) *Acquisition costs*

Acquisition costs in the 52 weeks ended 30 December 2018 of £0.6m represent costs associated with the acquisition of Shorecal Limited and the acquisition of Have More Fun (London) Limited. The group's accounting policy is to treat M&A costs as non-underlying, so as not to distort annual operational performance with unevenly incurred transactional fees.

g) *Legal costs and previously disposed operations*

Legal costs of £0.2m recorded in 52 weeks ended 30 December 2018 represent costs associated with the liquidation of former operations in Germany and the legal advice on the reversatory share plan.

h) *Market Access Fee*

During the period, no changes in fair valuation of the Market Access Fee ("MAF") relating to the German associate have been recorded (52 weeks ended 30 December 2018: loss of £1.2m, 26 weeks ended 1 July 2018: gain of £2.5m). The amount recorded in net finance costs of £0.3m (26 weeks ended 1 July 2018: £nil, 52 weeks ended 30 December 2018: £0.9m) represents the unwind of the discount of the fair value. The impact of revaluations of the MAF are not considered to be ordinary trading for the Group. In the event that we receive any material capital sum for a MAF on any business it would equally be treated as non-underlying.

i) *International impairments*

A review of indicators of impairment was performed by management for the 26 weeks ended 30 June 2019. An overall impairment of £2.2m (26 weeks ended 1 July 2018: £nil, 52 weeks ended 30 December 2018: £14.1m) was recorded during the period over the operations in Norway and Switzerland. For the operations in Iceland, Sweden and UK corporate stores, no indicators of impairment were identified compared to the assumptions taken at the 2018 year end.

For Norway and Switzerland, the operations were valued on a fair value less cost to sell basis in the FY 18 Annual Report. During the period, a review has been performed on the same basis, using the Average Weekly Unit Sales ("AWUS") and a multiple of 24x.

As a result of this review, an impairment of £1.2m has been recorded for the operations in Norway and an impairment of £1.0m has been recorded over the operations in Switzerland, as a result of the performance of both of these businesses and the increase in asset base during the period.

For Norway, the impairment has been recorded against intangible assets (£0.6m) and tangible assets (£0.6m). For Switzerland, the impairment has been recorded over intangible assets (£0.2m) and tangible assets (£0.8m).

If the AWUS multiple used in the calculation were to decrease by 1x this would lead to an additional impairment of £0.6m in Norway and £0.4m in Switzerland.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

5. Items excluded from non-GAAP measures (continued)

j) 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 £2.5m (52 weeks ended 30 December 2018: £3.2m, 26 weeks ended 1 July 2018: £1.4m) which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the German associate in January 2018. The costs incurred by our German associate on converting Hallo Pizza stores have been reported to us as non-underlying. We consider the treatment to be consistent with the treatment we have adopted for Dolly Dimple's stores in Norway.

k) DP Shayban Limited disposal

On 18 December 2018, the Group disposed of its 50% holding in DP Shayban Limited for consideration of £11.4m, resulting in a gain on disposal of joint ventures and associates recognised in the 52 weeks ended 30 December 2018 of £8.2m which has been presented in other income. The profit on disposal of the investment in DP Shayban Limited has been treated as non-underlying as the gain is material and the trading of stores is not considered to be part of our ordinary course of business. This contrasts with 'Change of Hands' fees, which we consider to be ordinary income receivable to us as an intermediary when franchisees buy and sell stores.

l) Taxation

The tax credit of £1.3m (26 weeks ended 1 July 2018: £0.6m, 52 weeks ended 30 December 2018: £1.7m) relates to the non-underlying items before taxation of £11.8m and the effective tax rate of 11.0% is less than the statutory rate of 19% as not all of these costs will qualify for tax relief. Taxation on the items considered to be non-underlying is treated as non-underlying where it can be identified in order to ensure consistency of treatment with the item to which it relates. The creation and revaluation of deferred tax assets are treated consistently with the treatment adopted when the asset was created.

6. Finance income and expense

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Finance income			
Other interest receivable	0.1	0.4	0.3
Interest on loans to associates and joint ventures	0.3	0.2	0.4
Foreign exchange	-	-	0.5
Unwinding of discount	0.4	0.4	0.9
Total finance income	0.8	1.0	2.1
Finance expense			
Bank revolving credit facility interest payable	(3.1)	(1.6)	(4.2)
Other interest payable	(0.1)	-	-
Foreign exchange	(0.2)	(0.1)	(0.2)
Unwinding of discount	(0.7)	-	-
Total finance expense	(4.1)	(1.7)	(4.4)
Net finance expense	(3.3)	(0.7)	(2.3)

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

7. Taxation

Tax on profit on ordinary activities

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Tax charged in the income statement			
Current income tax:			
UK corporation tax:			
– current period	7.9	7.0	11.6
– adjustment in respect of prior periods	(0.2)	-	(0.6)
	7.7	7.0	11.0
Income tax on overseas operations	0.6	-	1.9
Total current income tax charge	8.3	7.0	12.9
Deferred tax:			
Origination and reversal of temporary differences	(0.2)	1.4	3.9
Effect of change in tax rate	-	-	0.5
Adjustment in respect of prior periods	-	-	0.7
Total deferred tax	(0.2)	1.4	5.1
Tax charge in the income statement	8.1	8.4	18.0
The tax charge in the income statement is disclosed as follows:			
Income tax charge	8.1	8.4	18.0
Tax relating to items credited/(charged) to equity			
Reduction/(Increase) in current tax liability as a result of the exercise of share options	-	(0.3)	0.4
Origination and reversal of temporary differences in relation to unexercised share options	0.5	-	(0.7)
Tax credit/(charge) in the Group statement of changes in equity	0.5	(0.3)	(0.3)

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

The total effective tax rate is 26.6% (HY 2018: 20.1%) as a result of the impact of non-underlying items. On an underlying basis, the effective tax rate is 22.2%, which is higher than the UK statutory rate due to the impact of overseas losses and prior year adjustments. Excluding these items, the UK & Ireland underlying effective tax rate is 20.7%.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

8. Earnings per share

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

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 period 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

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Profit attributable to owners of the parent	24.5	34.8	49.0
Non-underlying items:			
– Included in other operating costs	9.8	5.1	37.7
– Amounts included within share of post-tax result of associates and joint ventures	2.5	1.4	3.2
– Other income	(0.9)	(2.5)	(8.2)
– Net finance income/(costs)	0.4	-	(1.2)
– Tax	(1.3)	(0.6)	(1.7)
– Attributable to non-controlling interests	(0.3)	(0.7)	(2.4)
Underlying profit attributable to owners of the parent	34.7	37.5	76.4

Weighted average number of shares

	(unaudited) 26 weeks ended 30 June 2019	(unaudited) 26 weeks ended 1 July 2018	52 weeks ended 30 December 2018
Basic weighted average number of shares (excluding treasury shares)	461,044,839	478,904,511	474,381,014
Dilutive effect of share options and awards	4,648,883	6,870,475	4,930,504
Diluted weighted average number of shares	465,693,722	485,774,986	479,311,518

The performance conditions relating to share options granted over 1,509,342 shares (30 December 2018: 3,955,660) 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 (2018: nil).

Earnings per share

	(unaudited) 26 weeks ended 30 June 2019	(unaudited) 26 weeks ended 1 July 2018	52 weeks ended 30 December 2018
Basic earnings per share	5.3p	7.2p	10.3p
Diluted earnings per share	5.3p	7.1p	10.2p
Underlying earnings per share:			
Basic earnings per share	7.5p	7.8p	16.1p
Diluted earnings per share	7.5p	7.7p	15.9p

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

9. Dividends

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Declared and paid during the period:			
Final dividend for 2018: 5.45p (2017: 5.25p)	25.0	25.2	25.2
Interim dividend for 2018: 4.05p (2017: 3.75p)	-	-	19.1
Dividends paid	25.0	25.2	44.3

The directors have declared an interim dividend of 4.2p per share. This dividend will be paid on 7 October 2019 to those members on the register at the close of business on 6 September 2019.

10. Property, plant and equipment

During the 26 weeks ended 30 June 2019, the Group acquired assets with a cost of £9.0m (Cash outflow of £8.6m), of which £4.7m relates to UK and Ireland Limited and £4.3m related to international.

11. Investment in associates and joint ventures

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Investments in associates	26.0	26.7	26.0
Investments in joint ventures	3.9	6.4	3.7
Total investments in associates and joint ventures	29.9	33.1	29.7

During the period, the Group increased its investment by €0.8m (£0.7m) and loaned an additional €0.8m (£0.7m) to the German associate in order to maintain its 33.3% ownership and fund the continued conversion of the Hallo Pizza stores in Germany.

12. Business combinations

Pizza Pizza EHF (Iceland)

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

As discussed in note 18, on 3 July 2019 the Group received a put option exercise notice over the remaining 4.7% minority interest held in Pizza Pizza EHF.

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

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

Deferred consideration remains payable relating to the transaction. The acquisition balance sheet remains unchanged from the year ended 30 December 2018 and will be updated in the year ended 29 December 2019 once the working capital adjustment is finalised.

13. Financial liabilities

Banking facilities

At 30 June 2019 the Group had a total of £359.5m (30 December 2018: £359.5m) of banking facilities, of which £109.6m (30 December 2018: £131.7m) was undrawn.

Bank revolving facility

The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 13 December 2022 which following a one-year extension arranged in November 2018 has been extended to 12 December 2023. Fees of £0.5m were paid for this extension. Arrangement fees of £2.7m (2018: £3.0m) 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.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

13. Financial liabilities (continued)

Bank revolving facility (continued)

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

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

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

Other loans

DP Norway AS has a five year amortising loan facility provided by Nordea Bank AB for NOK50m maturing in November 2022 with a final bullet repayment of NOK10.4m (£1.0m) and quarterly repayments of NOK2.1m (£0.2m). Interest is charged at 0.6% above NIBOR plus a yearly commission of 0.9%. At 30 June 2019 NOK30.3m (£2.8m) was drawn down (2018: NOK35.4m (£3.2m)). Interest is charged at 1.35% above NIBOR with quarterly commission of 0.15%. DP Norway AS also has access to a NOK4.0m (£0.4m) overdraft. Both the overdraft and loan facility are guaranteed by the Company.

Share buyback obligation

On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2018. The remaining share buybacks outstanding at 30 December 2018 was recognised as a financial liability of £15.8m. The full obligation had been met by 27 February 2019. The Group has not entered into any further irrevocable non-discretionary programmes to purchase shares.

Put option liabilities

The Group has granted put options held by non-controlling interests over their remaining shareholdings of PPS Foods AB, DP Norway AS, Pizza Pizza EHF and Sell More Pizza Limited. The gross amount attributed to the put options held by the non-controlling interests over the remaining shareholdings at 30 June 2019 was £11.6m (30 December 2018: £11.8m).

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

During the period, the value of the options decreased based on the performance of the underlying businesses to which the options relate.

14. Financial instruments

Set out below are the carrying values and fair values of the Group's financial instruments:

	Carrying value 30 June 2019 £m	Fair value 30 June 2019 £m	Carrying value 1 July 2018 £m	Fair value 1 July 2018 £m	Carrying value 30 December 2018 £m	Fair value 30 December 2018 £m
Financial assets						
Other financial assets	9.3	9.3	11.8	11.8	8.9	8.9
Investments	11.0	11.0	-	-	11.1	11.1
Net investment in finance leases	0.9	0.9	1.0	1.0	1.2	1.2
Deferred consideration	6.6	6.6	-	-	6.6	6.6
Financial liabilities						
Gross put option liabilities	11.6	11.6	14.0	14.0	11.8	11.8
Bank revolving credit facilities	247.2	247.2	197.0	197.0	224.5	224.5
Other loans	2.8	2.8	3.5	3.5	3.2	3.2
Share buyback obligations	-	-	0.7	0.7	15.8	15.8
Finance lease liabilities	0.3	0.3	0.1	0.1	0.4	0.4

IFRS 13 requires the classification of financial instruments measured at fair value to be determined by reference to the source of inputs used to derive fair value.

The fair value of the net investment in finance leases has been calculated by discounting the expected future cash flows at the market interest rate.

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

14. Financial instruments (continued)

The contingent consideration of €25.0m (£22.2m) payable by Domino's Pizza Enterprises Limited (referred to as the "Market Access Fee") in respect of Domino's Pizza Group plc divesting its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market, held through its shareholding in DP Cyco Limited and which became payable from 2017, is carried at a fair value of €10.3m (£9.3m) within other financial assets. The contingent consideration is payable by instalments from 2017, the payment of each instalment being determined by reference to the German business achieving defined levels of EBITDA. As at 30 June 2019, no payments were due.

During the period the fair value of the MAF increase of €0.4m (£0.4m) relates to unwinding of the discount applied, with the income recognised in finance income.

The inputs used to calculate the fair value of the MAF fall within Level 3 of the IFRS 13 hierarchy. Level 3 fair value measurements use unobservable inputs for the asset (or liability).

The fair value of the financial asset recognised is calculated by discounting all future cash flows by the appropriate discount rate for the German associated Company. The payments are calculated applying an income approach valuation methodology, considering different scenarios of projected EBITDA, weighted by the probability of each scenario.

Description of significant unobservable inputs to valuation:

Significant unobservable inputs	Range	Sensitivity of the input to the fair value
WACC	8.5% to 9.5%	1.0% increase (or decrease) in the WACC would result in a decrease (or increase) in fair value of €0.3m.

Investments

In November 2018 the Group made a 15% investment in Shorecal Limited (the 'Shorecal Investment'), a private company registered in the Republic of Ireland that operates 27 Domino's franchise stores in Ireland with a cost of investment of £11.1m. The equity investment has been designated as fair value through profit and loss. The inputs used to calculate the fair value of the Shorecal Investment fall within Level 3 of the IFRS 13 hierarchy. The fair value of the Shorecal Investment at 30 June 2019 is deemed to be the cost of investment given the timing since acquisition.

15. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 26 weeks ended 30 June 2019 was £0.1m (1 July 2018: £1.1m). This all arises on equity-settled share-based payment transactions.

16. Share buybacks

	(unaudited) 26 weeks ended 30 June 2019		(unaudited) 26 weeks ended 1 July 2018		52 weeks ended 30 December 2018	
	Shares No.	Consideration including fees £m	Shares No.	Consideration including fees £m	Shares No.	Consideration including fees £m
Shares bought back into treasury and cancelled	6,294,657	16.0	10,350,000	36.7	18,327,800	59.2
Shares bought back into treasury by the Employee Benefit Trust	600,000	1.4	600,000	2.2	1,350,000	4.4
	6,894,657	17.4	10,950,000	38.9	19,677,800	63.6

During the period the Group impaired treasury shares by £0.1m (1 July 2018: £1.3m) on issue of shares at a price lower than historic cost.

17. Related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding with related parties, are as follows:

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Associates and Joint ventures			
Sales to related parties	14.3	20.8	41.1
Amounts owed by related parties	0.6	1.8	1.1
Loans owed by related parties	19.8	18.3	19.3

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

18. Post balance sheet events

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 (Iceland). The expected consideration for the shares under the option is £2.5m, consistent with the liability held for the put option on the consolidated balance sheet. We expect to complete this purchase of the remaining shares in August 2019.

Upon completion, the subsidiary will become wholly owned by the Group. The overall impact on the Group financial statements will be:

- Net debt will increase by the consideration amount;
- An additional 4.7% of the share capital will be owned, and the Group will recognise attributable to equity holders of the parent an additional 4.7% of earnings from the date of transaction; and
- The gross value of the put option liability and the minority interest will be reclassified to retained earnings within equity.

19. Analysis of net debt

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Cash and cash equivalents	11.5	18.5	24.8
Bank revolving facility	(247.2)	(197.0)	(224.5)
Finance leases	(0.3)	(0.1)	(0.4)
Other loans	(2.8)	(3.5)	(3.2)
Net debt	(238.8)	(182.1)	(203.3)

20. Additional cash flow information

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Cash flows from investing activities			
Dividends received from associates and joint ventures	0.5	0.9	1.6
Decrease/(increase) in loans to associates and joint ventures	(0.7)	(5.4)	(5.8)
(Increase)/decrease in loans to franchisees	(0.2)	(0.9)	(0.3)
Receipts from repayments of franchisee leases	0.4	0.3	1.2
Other	-	(5.1)	(3.3)

Reconciliation of cash inflow from operations to free cash flow

	(unaudited) 26 weeks ended 30 June 2019 £m	(unaudited) 26 weeks ended 1 July 2018 £m	52 weeks ended 30 December 2018 £m
Cash generated from operations	27.0	38.4	100.3
Capital expenditure	(11.8)	(18.3)	(28.9)
Dividend received	0.5	0.9	1.6
Net interest	(2.9)	(0.8)	(3.1)
Corporation tax	(4.1)	(7.5)	(14.5)
Other	0.2	(0.5)	1.0
Free cash flow	8.9	12.2	56.4

Notes to the Group interim report (continued)

26 weeks ended 30 June 2019

20. Additional cash flow information (continued)

Working capital reconciliation

	(unaudited) 52 weeks ended 30 December 2018 £m	Cash movement recorded in underlying free cash flow* £m	Non-underlying working capital movements £m	Loans to associates and Joint Ventures £m	Capital expenditure in trade and other payables £m	Other £m	(unaudited) 26 weeks ended 30 June 2019 £m
Inventories	8.4	6.6	-	-	-	-	15.0
Trade and other receivables	94.1	(0.3)	(4.6)	0.7	-	(0.1)	89.8
Trade and other payables	(111.1)	15.9	-	-	(0.3)	(0.4)	(95.9)
	(8.6)	22.2	(4.6)	0.7	(0.3)	(0.5)	8.9

*The working capital movement recorded in the statutory cash flow consists of both the cash movement recorded in underlying free cash flow and the non-underlying working capital movements, which relates to the contribution into the eCommerce platform.

	53 weeks ended 31 December 2017 £m	Cash movement £m	Loans to associates and Joint Ventures £m	Capital expenditure in trade and other payables £m	Other £m	(unaudited) 26 weeks ended 1 July 2018 £m
Inventories	8.4	2.1	-	-	0.1	10.6
Trade and other receivables	78.8	7.3	5.3	-	0.5	91.9
Trade and other payables	(102.2)	(0.6)	-	4.9	1.0	(96.9)
	(15.0)	8.8	5.3	4.9	1.6	5.6

	53 weeks ended 31 December 2017 £m	Cash movement £m	Loans to associates and Joint Ventures £m	Capital expenditure in trade and other payables £m	Other £m	52 weeks ended 30 December 2018 £m
Inventories	8.4	-	-	-	-	8.4
Trade and other receivables	78.8	9.5	5.8	-	-	94.1
Trade and other payables	(102.2)	(12.7)	-	4.6	(0.8)	(111.1)
	(15.0)	(3.2)	5.8	4.6	(0.8)	(8.6)

21. Principal risks and uncertainties

The principal risks and uncertainties facing the Group in terms of preventing or restricting execution of our strategy during the period under review and for the remainder of the financial period have not materially changed from those set out on pages 34 to 38 of the Domino's Pizza Group plc Annual Report and Accounts 2018, other than the probability of the risk relating to 'interruption of raw material supplies' increasing from Low to Medium during the period. A potential 'no deal' Brexit carries the increased risk of disruption to raw material supplies into the UK and foreign exchange volatility which could increase food costs. As the probability of this risk has increased, the Group has implemented a series of measures to minimize the impact of supply chain disruption.

In summary, the Group is exposed to the following main risks:

Strategic risks

- People-related risks
- Failure to respond to and overcome competitive pressures
- Inability to react to changes in the health debate and public desire for healthier food
- Failure to achieve UK growth through new store openings
- Commercial leverage of large franchisees

Operational risks

- Food safety
- Interruption of raw material supplies
- Supply Chain Centres unable to supply the stores
- Failure of online ordering systems for a prolonged or critical period
- Loss of personal data relating to customers, employees or others; loss of corporate data

A copy of the Annual Report and Accounts 2018 is available at investors.dominos.co.uk

Alternative Performance Measures and Glossary

The performance of the Group is assessed using a number of Alternative Performance Measures (APMs).

The Group's results are presented both before and after non-underlying items. Underlying profitability measures are presented excluding non-underlying items as we believe this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. Underlying profitability measures are reconciled to unadjusted IFRS results on the face of the income statement with details of non-underlying items provided in note 5.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be APMs. These measures are used by management to monitor on-going business performance against both shorter term budgets and forecast but also against the Group's longer term strategic plans. The definition of each APM presented in this report and, also, where a reconciliation to the nearest measure prepared in accordance with IFRS can be found is shown below.

APMs used to explain and monitor Group performance:

Item	Definition	Location of reconciliation to GAAP measure
Overall terminology		
Non-underlying items	Items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts.	Group income statement, note 5
Constant currency basis	Restating prior year results to the current year's average exchange rates to remove volatility of foreign exchange from the reported results	Not applicable
Profit measures		
Group operating profit before tax excluding non-underlying items	Group operating profit before tax excluding non-underlying items	Group income statement, note 5
Net interest before non-underlying items	Group finance costs excluding non-underlying items	Group income statement, note 5
Underlying profit before taxation	Group profit before tax excluding non-underlying items	Group income statement, note 5
Underlying profit for the period	Group profit after taxation excluding non-underlying items	Group income statement
Earnings before Interest and Tax (EBIT)	EBIT is directly comparable to underlying operating profit	Not applicable
Non-underlying items	Items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts.	Group income statement, note 5
Underlying basic EPS	Group EPS excluding non-underlying items	Note 8
Last 12 months (LTM) EBITDA	LTM EBITDA for the period from 2 July 2018 to 30 June 2019 based on underlying activities including share of profits from associates and joint ventures.	Not applicable
Revenue measures		
System sales	System sales represent the sum of all sales made by both franchised and corporate stores to consumers.	Not applicable
Like-for-like (LFL) sales growth excluding splits	LFL sales performance is calculated against a comparable 26 week period in the prior year for mature stores opened before 31 December 2017 and which were not in territories split in the year. Mature stores are defined as those open both in the current and comparative period.	Not applicable
Like-for-like (LFL) sales growth including splits	LFL sales growth including splits includes the impact in like-for-like results of those stores which have been impacted by donating territory to a new store.	Not applicable
Cash flow measures		
Net debt	Group cash less bank revolving credit facility, other loans and finance lease obligations	Note 19
Free cash flow	Free cash flow comprises cash generated from operations less capital expenditure, dividends received, net interest cashflows and corporation tax. Free cash flow before non-underlying cash items represents the free cash flow before the inclusion of the cash impact of items recognised as non-underlying.	Note 20

Alternative Performance Measures and Glossary (continued)

Other non-financial definitions

Item	Definition
AWUS	Average Weekly Unit Sales
ASPA	Average Sales Per Address
German associate	Represents our 33% associate investment in the trading operations of Domino's Pizza Germany (also referred to as Daytona JV)
HMF	Relates to Have More Fun (London) Limited, which operates 6 corporate stores in London and was acquired from a franchisee in August 2018
International	Represents our businesses in Norway, Sweden, Switzerland, Iceland and our share of the German associate.
London Corporate Stores	Relates to the corporate stores held following the acquisition of SMP and HMF and subsequent corporate store openings and closures
eCommerce fund	The fund used to recharge costs for the development and maintenance of our eCommerce platform with franchisees
MAC	Marketing Advisory Committee, which is a committee attended by both the Group and franchisee representatives to monitor and discuss the use of the NAF and eCommerce funds
Maintenance capex	Represents routine replacement or significant enhancement capital expenditure on our capital investments, which is not considered growth or strategic investment capital expenditure
NAF	National Advertising Fund
SMP	Relates to Sell More Pizza Limited, which operated 25 stores in London and was acquired from a franchisee in October 2017

Responsibility statement

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge that the condensed interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as issued by the IASB and adopted by the European Union and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR"), namely:

- DTR 4.2.7 (R): an indication of important events that have occurred during the 26 week period ended 30 June 2019 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- DTR 4.2.8 (R): any related party transactions in the 26 week period ended 30 June 2019 that have materially affected, and any changes in the related party transactions described in the Annual Report and Accounts 2018 that could materially affect the financial position or performance of the enterprise during that period.

The Directors of Domino's Pizza Group plc as at the date of this announcement are as set out below:

Stephen Hemsley*, Non-executive Chairman
Colin Halpern*, Non-executive Vice-Chairman
David Wild, Chief Executive Officer
David Bauernfeind, Chief Financial Officer
Kevin Higgins*
Ebbe Jacobsen*
Helen Keays*
Ian Bull*

*Non-executive Directors

A list of the current Directors is maintained on the Domino's Pizza Group plc website at: corporate.dominos.co.uk.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from the legislation in other jurisdictions.

This responsibility statement was approved by the Board of Directors on 5 August 2019 and is signed on its behalf by David Wild, Chief Executive Officer.

By order of the Board

David Wild
Chief Executive Officer

5 August 2019

Independent review report to Domino's Pizza Group plc

Our conclusion

We have reviewed Domino's Pizza Group plc's condensed set of financial statements (the "interim financial statements") in the interim report of Domino's Pizza Group plc for the 26 week period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Group balance sheet as at 30 June 2019;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

What a review of interim financial statements involves

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

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans
5 August 2019