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DOMINO'S PIZZA GROUP PLC

FULL YEAR RESULTS FOR THE 52 WEEKS ENDED 29 DECEMBER 2019

SOLID UK & IRELAND PERFORMANCE; INTERNATIONAL TRANSACTIONS PROGRESSING

	52 wks ending 29 Dec 2019	52 wks ending 30 Dec 2018 (re-presented ^{5,6})	Change
UK & Ireland System Sales ¹	£1,210.9m	£1,155.4m	4.8%
UK Like-for-Like ² System Sales ¹ growth exc. splits ⁷	3.7%	4.6%	(0.9%)
Underlying EBIT ³	£105.3m	£103.5m	1.7%
Underlying ³ Profit before tax	£98.8m	£100.0m	(1.2%)
Underlying ³ Basic EPS	17.6p	17.4p	1.1%
Dividend per share	9.76p	9.50p	2.7%
Net debt ⁸	£232.6m	£203.3m	14.4%
STATUTORY REPORTING			
Statutory Profit Before Tax from continuing operations	£75.1m	£87.1m	(13.8%)
Loss from discontinued operations	(£56.5m)	(£27.8m)	(103.2%)
Statutory profit, continuing and discontinued operations	£2.8m	£43.9m	(93.6%)
Statutory Basic EPS, continuing and discontinued operations	2.8p	10.3p	(72.8%)

All commentary below is on an underlying basis unless otherwise stated

Financial headlines

- Solid UK & Ireland performance:
 - o UK like-for-like sales excluding splits up 3.7% (1.9% including splits)
 - o Ireland like-for-like sales excluding splits up 3.0% (1.5% including splits)
- Underlying UK & Ireland EBIT of £102.4m, up 1.4%
- Underlying PBT excludes net non-underlying charges of £23.7m, largely relating to previously announced corporate store impairment of £18.7m and contribution to eCommerce fund of £7.1m
- Net Debt £232.6m, 1.99x Net Debt/EBITDA on a continuing basis and 2.28x including discontinued operations EBITDA
- Full year dividend +2.7% to 9.76p, reflecting the solid performance of the core UK & Ireland business

Strategic headlines

- 32 stores opened in UK & Ireland, of which 29 were franchised, by 23 different franchisees.
- Digital continues to be a driver of growth, with online accounting for 91.1% of UK delivery sales
- International disposal process progressing, transaction for Norway agreed subject to shareholder approval
- Michael Von Geldern joined as Strategy and Insights Director, previously Director of Data Science at Virgin Loyalty
- The search for the new Chair is progressing, and the recruitment process for the interim CFO is continuing

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

"Our core UK & Ireland business continues to deliver a solid trading result, with UK like-for-like sales up 3.7%. Our digital capabilities continue to fuel this growth, with online sales up 8.8%. Collection also saw a good performance, up 5.3%, and this remains a significant opportunity for us going forward. I would like to thank my colleagues across all our markets, together with our franchisee partners, for their continued hard work and passion for the Domino's brand.

"In February we were pleased to announce a disposal of our Norwegian business which is subject to shareholder approval, and we expect this to complete by the end of May. We continue to prioritise transactions for our remaining International businesses, although expect that these may take some time as we ensure that we find the best owners for these businesses."

Ian Bull, Interim Chairman said:

"The Board is encouraged by the performance in the UK and Ireland, in an uncertain environment. We have four key priorities: recruiting a new Chair, CEO and CFO, reinforcing our core business, rebuilding our franchisee relationship and finding the right owners for our International businesses. We are giving these priorities considerable time and focus and are confident in the long-term prospects for the Group."

- 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 52 week period in the prior year for stores that have not donated addresses to new stores within the previous 24 months
- ³ Underlying is defined as statutory performance excluding discontinued operations, and items classified as non-underlying which consists of non-underlying items which includes significant non-recurring items or items directly related to merger and acquisition activity and related instruments.
- 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
- ⁵ 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 1 to the accounts
- ⁶ Results for the year ended 30 December 2018 have been re-presented to exclude International operations which are treated as 'discontinued operations'
- ⁷ Excluding splits excludes the impact of split stores, by removing donor stores from the like-for-like calculation
- ⁸ Net debt is defined as the bank revolving facilities, cash and cash equivalents, finance leases and other loans, including balances held in disposal groups held for sale.

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A presentation for investors and analysts will be held at 9.00am on 5 March 2020 at the offices of Goldman Sachs, Plumtree Court, 2 Stonecutter Court, London EC4A 4AH.

The live webcast can be viewed at:

https://www.investis-live.com/dominos/5e3309210a12d41100761e7d/asaw

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, Iceland and Liechtenstein. In addition, we have a controlling stake in the holders of the Domino's master franchise agreements in Norway and Sweden, as well as associate investments in Germany and Luxembourg. As at 29 December 2019, we had 1,298 stores across six markets, including 1,130 stores in the UK.

For photography, please visit the media centre at <u>corporate.dominos.co.uk</u>, contact the Domino's Press Office on +44 (0)1908 580757, or call Brunswick on 020 7404 5959

Interim Chairman's statement

I was delighted to have been asked to join the Board of Domino's in April, a company with a strong brand and the potential for significant growth. Equally, this year has been a somewhat challenging one for the business, with an ongoing dispute with our UK & Ireland franchisees and a disappointing performance in our International division. We therefore find ourselves in a position where there are a number of areas which require urgent focus and attention in order to realise this substantial value creation opportunity:

- Recruit a Chair, CEO and CFO and oversee a managed board succession
- Reinforcing our UK and Ireland core business with ambitious plans to be the best master franchisor in the system
- Rebuild relationships with our franchisee partners
- Find the right owners for the brand in our International territories

Our stakeholders

I have had the pleasure of meeting many talented people across the business with a shared passion for our customers and for pizza. Our recent recognition event and town hall events bear testimony to this. Equally, our colleagues in our International territories have continued to do their best for customers despite uncertainty created by the announcement that we would seek new owners for these businesses. It hasn't been an easy year so I'd particularly like to thank all stakeholders for their passion, commitment and patience as we go through the changes needed.

Successfully running pizza restaurants with an exceptional level of product quality, service consistency and delivery standards is hard and committed work and I would like to recognise all our franchisees for their continued dedication to growing the Domino's brand. I am confident that, in time, the current disagreements we have with our franchisees will be resolved for the mutual benefit of all parties.

We benefit from being part of a global network, sharing best practice and a joint responsibility for the brand. Our common aim and interest continues to be around sustaining and improving the customer experience.

Finally, I would like to thank our customers, who continue to love our pizzas despite the increasing choice in the market.

Board changes in 2019

There have been a number of significant Board changes over the past year. I joined the Board as an Independent Non-Executive Director and Chair of the Audit Committee in April 2019. In August, at our half year results, we announced that our CEO, David Wild, had informed the Board of his intention to retire.

In order to provide continuity across the planned Board changes, we announced in September that I was replacing Helen Keays as Senior Independent Director. Helen remains a Non-Executive Director and I would like to thank her for her contribution to the business in the role as Senior Independent Director, a position she held for three and a half years.

In October the Board was pleased to announce the appointment of Elias Diaz Sese as a new Independent Non-Executive Director with effect from 17 October. Elias has over 20 years' experience in developing global consumer food brands and teams all over the world.

In November Usman Nabi joined as Non-Executive Director. Usman is the Founder, Managing Partner and Chief Investment Officer of Browning West, a Los Angeles-based investment partnership.

At the same time as Usman's appointment, we announced that, rather than running a dual track process to find both a new Chairman and CEO, we would instead prioritise the appointment of a new Chairman.

In early December we announced that the Chairman, Stephen Hemsley, had decided to step down from the Board from 29 December, in order to focus on other interests. The Board asked me to step into the role of Interim Chairman until a permanent replacement is appointed, which I was honoured to do. I would like to thank Stephen for his exceptional contribution to the development of Domino's during his 21 years with the business.

Ebbe Jacobsen stepped down from the Board in January 2020 at the end of his second three-year term, and we would like to record our thanks to him for his services over the years.

The final Board change brings great sadness, on 26th December we sadly lost our CFO David Bauernfeind, who tragically died in an accident whilst on holiday with his wife and daughter. David was hugely liked and deeply respected for his dedication and sharp intellect. He was a force for good within the business and has been, and will continue to be, greatly missed.

The search for our new Chair is progressing, and we will update the market as appropriate. The new Chair will oversee the search for the new CEO. The recruitment process for the interim CFO is continuing.

Capital allocation and returns to shareholders

The core Domino's business model generates high returns on capital and strong cash flows. The Board now has a clear framework for capital allocation, making sure that we invest in the business to maintain and grow competitive advantage, appraise new growth opportunities and return cash to shareholders, all within an appropriate capital structure. Our capital investment this year totalled £23.4m. There were no acquisitions in the year, although there was a £2.7m cash outflow following the minority shareholders in Iceland exercising their put options over their 4.7% shareholding.

We returned £60.3m to shareholders, of which £16.0m was through share buybacks and £44.3m was through the regular dividend. The total dividend for the year will be 9.76p, up 2.7% year-on-year. The proposed final dividend for the year of 5.56p per share will, subject to shareholder approval at the Annual General Meeting on 23 April 2020, be paid on 27 April 2020 to shareholders on the register at the close of business on 20 March 2020. In assessing the dividend for the year, the Board considered the cash generation of the core UK & Ireland business and the confidence in the future of this business, as well as the current cash flow impacts of our discontinued International businesses.

Our net debt at the year end stood at £232.6m, compared to £203.3m at the start of the year. The increase was driven by Brexit related stockbuilding, together with a £21m payment timing change which reversed in early 2020. The Group's leverage at year end was 1.99x on a continuing basis, within the target range of 1.75-2.5 times net debt to EBITDA.

Prospects

The external environment hasn't been easy and, whilst parts of the UK and Ireland may become less cautious having formally left the EU, much remains uncertain as we go through the transition year.

The potential impact from COVID-19 is difficult to determine, with the situation continuing to evolve.. We are monitoring this closely, and have established contingency plans.

This year ahead is a crucial one for us, across our four priorities around a stable UK and Ireland core business with ambitious plans to be the best franchisor in the system, recruiting a Chair, CEO and CFO and managing Board succession, rebuilding relationships with our very important franchisee partners, and finding the right owners for our International territories.

Against this backdrop and despite the challenges ahead, the LFL growth achieved in the UK in 2019, the growth opportunities ahead, the strength of the brand and the exceptional capabilities of our franchisee partners give me confidence that our future will be a bright one.

Chief Executive Officer's review

Performance overview

UK system sales were up 4.8% and Ireland up 4.9%. UK and Ireland underlying EBIT before joint ventures and associates was £100.4m, up 1.1%, representing an 8.3% margin as a percentage of system sales (2018: 8.6%). We generated profit from our joint ventures in the UK of £2.0m (2018: £1.7m), resulting in an overall underlying UK and Ireland EBIT of £102.4m, up 1.4%.

Following the decision in October to dispose of our directly operated International businesses, being Norway, Sweden, Switzerland and Iceland, the trading results of these businesses, together with International central costs, have been classified as discontinued operations and excluded from underlying results. Combined, our discontinued International businesses generated £100.7m system sales (2018: £104.1m) and a trading loss of £20.8m (2018: loss of £6.6m). Overall impairment and restructuring charges of £35.4m (2018: £18.6m) were also recorded in discontinued operations. In February we announced that we had agreed a transaction to dispose of our Norwegian business, subject to shareholder approval.

We reported a profit of £2.9m from our minority stake in the German associate (2018: £2.5m), which remains presented in our underlying results.

Group underlying profit before tax was £98.8m, a decrease of 1.2% year-on-year as a result of higher interest charges. Statutory profit before tax, including non-underlying charges of £23.7m, was £75.1m, compared to £87.1m on the same basis in 2018. Including taxation and the loss from the International discontinued operations, profit for year was £2.8m, compared to £43.9m in 2018. Underlying basic EPS increased to 17.6p from 17.4p as a result of the underlying EBIT increase, offset with increases in finance costs. Statutory EPS from continuing and discontinued operations declined to 2.8p from 10.3p, primarily driven by the International performance and impairments recorded. The Board has declared a final dividend per share of 5.56p, an increase of 2.0%, taking the full year dividend to 9.76p (2018: 9.50p).

Free cash flow was £33.7m, and net debt increased by £29.3m to £232.6m as a result of the International losses, £17.4m of share purchases in H1 2019, capex of £23.4m and the 2018 final and 2019 interim dividend of £44.3m.

UK and Republic of Ireland

UK system sales were up 4.8% year-on-year, with LFL of 3.7% excluding splits, or 1.9% including splits. LFL sales, excluding splits, were solid throughout the year, consistently trending above 3%. This sales result was driven by our digital capabilities, together with the effectiveness of local campaigns and the entrepreneurship of our franchisees.

Ireland local currency system sales increased by 5.4%, and by 4.9% on a sterling basis to £66.9m. LFL sales increased by 3.0% excluding splits or 1.5% including splits. Ireland saw a strong first half followed by a weaker second half. The relatively small size of our Irish business means that sales are inherently more volatile, and we also saw ongoing macroeconomic uncertainty, which impacted consumer spending.

On a combined basis, UK and Ireland LFL was 3.7% excluding splits, or 1.9% including splits.

Components of system sales growth

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

This year, in order to deepen external understanding of the drivers of UK LFL sales growth, we have expanded and refined our disclosure of the sales components. On an 'including splits' basis, LFL orders were down 1.8%, items per order were down 1.6%, product mix impact was up 2.7% and price up 2.6%. LFL orders improved through the year, with Q1 down 4.6%, Q2 down 2.1%, Q3 down 0.5% and Q4 up 0.3%. Total UK orders were 65.3m, up 1.2% year on year, with H1 up 0.2% and H2 up 2.3%.

We continue to see a broadly stable average discount on menu prices across the system, of 39.2%, although there is a wide range across franchisees, driven by different strategies. The proportion of orders sold on discount stood at 90%, compared to 88% in 2018.

Collection remains an important growth area for our business 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 5.3% during the year, with H1 up 4.0% and H2 up 6.6%. Collection now accounts for 21.2% of system sales, or 31.0% of orders. This remains significantly below some other Domino's markets globally, and therefore is a significant opportunity looking forward.

In 2019 there were 32 new store openings, made up of 28 stores in the UK and four in Ireland, and one planned UK store closure. Three of the new UK stores were corporate and 29 were franchised, by 23 different franchisees. In total the store estate at the end of the year stood at 1,184 (UK: 1,130; Ireland: 54).

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 36% of UK and Ireland stores, with the third largest accounting for a further 6%.

Resolving our franchisee dispute is crucial for the long-term growth of the system, and this is a key priority of the Board. We are confident that we will ultimately agree long-term, sustainable, win-win solutions. This is a complex situation, and we need to allow time for new leadership to be in place, new relationships to be built and issues to be resolved. 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 8.6% year-on-year and now represent 81.8% of system sales, or 91.1% of total delivery sales.

Last year we announced we would contribute £10.0m to invest in new platforms for eCommerce and app development. The aim of this development is to further improve the customer experience, whilst enabling us to introduce enhancements more quickly and flexibly. We expect our new app to be trialled in the autumn.

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 2019 was 88%.

"The Official Food of Everything" platform continued to form the bedrock of our marketing activity. In the second half we built on this platform with the launch of our 'Joy Of Missing Out', or JOMO campaign, which celebrates staying in at home with friends or family, reassuring people that they are good where they are, and proclaiming that Domino's is "The Official Food of JOMO".

Another key focus was new product development, with successful launches for the New York Hotdog and Ultimate Bacon Cheeseburger Pizzas, which sold over a million pizzas in the five months they were on sale, building on the success of the Cheeseburger Pizza launch in 2018. We also added variety to our sides with a limited time offer of Mango Habanero Wings.

From a media standpoint, we continued with our dominance in Catch-up TV viewing utilising our sponsorship of All4 and ITV Hub, along with a year on year increase in linear TV spots.

Corporate stores

We now directly operate 36 stores in the London area, having opened two in the first half of the year, in Mill Hill and Brentford, and a third in the second half, in Carshalton. London is an important part of our strategy for UK growth, as we are currently underpenetrated there compared to the rest of the UK. Operating stores ourselves gives us scope to develop operational expertise and test innovations, as well as grow the estate and help facilitate franchisee store estate management.

Corporate store revenue was £32.1m in 2019, up 18.5%, with LFL sales up 1.3%. We saw a solid first half, with LFL sales up 4.4%, followed by a weaker second half, with LFL sales down 0.6%. The EBITDA of corporate stores was £1.3m, compared to £1.9m in 2018. We faced some challenges during the year, including significant competition for delivery drivers, high turnover of labour, and the impact on donor stores from a relatively large number of store splits, with no virgin territory added. The acquisition of the six Have More Fun stores in 2018 also required significant investment and attention, given the poor state of these stores.

Our priorities for the year ahead are to drive sales through increased collection, better utilisation of digital marketing and a refined deal strategy, together with implementing a number of efficiency processes, benefiting from our greater oversight and understanding of profitability drivers.

The weaker performance of corporate stores in the second half, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate, resulted in an £18.7m impairment charge recorded in non-underlying results. This is against the backdrop of very limited headroom in the prior year calculation. The five-year forecast period used in calculating the impairment is also shorter than our expected payback for store splits.

We are confident in the plans we have for corporate stores. Operating stores ourselves has compelling strategic rationale, and we are making the right decisions for the long-term performance of our corporate store business.

Supply chain and infrastructure

Our supply chain is the backbone of the Domino's system in the UK & Ireland, delivering fresh dough and ingredients to every store three or four times a week, and operating with 99.98% availability and 99.86% accuracy. During the second half we upgraded our driving routing technology, which will enhance our service to franchisees, and give us improved efficiency and monitoring capability.

Our Supply Chain Centre in Warrington is now serving 457 stores and we are pleased with its performance and service levels. We continue to work on the cages and dollies trials with franchisees, which will improve the speed of our deliveries into stores and improve the working conditions of our drivers. Our new Scottish facility has gained planning consent, with opening scheduled for the autumn. Finally, the project to extend and upgrade our Supply Chain Centre in Naas in Ireland is progressing, with work planned to commence in the second half of 2020.

Franchisee profitability

Throughout the year we have worked more closely with franchisees to gain more consistent financial data, at the level of both store and franchisee profitability. Average store EBITDA for all stores in 2019 was approximately £145k, equivalent to a 14.1% EBITDA margin. At the franchisee level, taking into account a franchisees' total store estate together with their central costs, average EBITDA margin was 10.6%. There is a wide range of EBITDA margins achieved both at a store and franchisee level.

The biggest challenge for franchisees remains the cost and availability of labour, particularly delivery drivers, with the increase in National Living Wage in April 2020 a significant headwind. Food cost inflation for franchisees was 2.8% in 2019, and we expect c.3% in 2020, with the biggest driver being pork inflation as a result of swine flu. Some franchisees are also experiencing longer profit recovery periods for donor stores from recent store splits than has previously been the case. Against this backdrop, we are focused on working with franchisees to optimise store and franchisee level profitability.

International

German associate (within underlying results)

Our share of post tax underlying profits from our German associate was £2.9m (2018: £2.5m). Profits are higher than last year as increased profits from commissary and lower head-office costs outweighed higher losses from corporate stores and higher depreciation costs.

Directly operated International markets (classified as discontinued)

The performance of our directly controlled operations has been challenging throughout the year. In October the Board announced that we would exit these markets in an orderly manner and seek better owners for these businesses. Following this decision, the trading results of these businesses, being Norway, Sweden, Switzerland and Iceland, together with International central costs, have been classified as discontinued operations and excluded from underlying results.

The performance by market during the year was as follows.

£m	2019	9	2018	8	
	System Sales	EBIT	System Sales	EBIT	
Iceland	36.6	1.7	40.3	4.1	
Norway	38.3	(11.3)	40.1	(6.6)	
Switzerland	20.6	(5.4)	19.7	(2.5)	
Sweden	5.2	(4.0)	4.0	(1.6)	
Central costs	-	(1.8)	-	-	
Trading result from discontinued operations	100.7	(20.8)	104.1	(6.6)	
Impairments and restructuring costs	-	(35.4)		(18.6)	
Taxation	-	(0.3)		(2.6)	
Total loss from discontinued operations	-	(56.5)		(27.8)	

Total system sales from consolidated discontinued International operations were £100.7m, down 3.3% year-on-year. On a constant currency basis system sales were up 0.3%. We made a trading loss of £20.8m, compared to £6.6m in 2018. We incurred £35.2m of impairments and restructuring costs (2018: £18.6m), together with £0.2m loss from our previously discontinued operation in Germany and £0.3m of tax charges (2018: £2.6m). These charges, together with the trading losses, resulted in a total loss from discontinued operations of £56.5m (2018: £27.8m loss).

The weakest performance during the year was seen in Norway, however we also saw increasing losses in Sweden and Switzerland. Iceland profitability was impacted by the weak macro-economic backdrop.

The treatment of International central costs differed year on year. At the start of 2019, 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 24 stores (25 at the end of 2018). We now have 100% ownership of Iceland, following the minority interests exercising their 4.7% put option in August. Total system sales in Iceland were down 1.4% in Iceland currency and down 9.2% on a reported basis. We generated an EBIT of £1.7m, compared to £4.1m in 2018. The biggest drivers of this decline were the macro-economic background, together with higher labour costs and operating expenses driven by a national wage settlement in the first half of the year. During the period we relaunched the website, with positive impact on sales through higher conversion.

In Norway we had 47 Domino's branded stores (42 at the end of 2018) and 9 Dolly Dimple's stores (12 at the end of 2018), taking the total store estate in Norway to 56 (2018: 54). Local currency system sales growth in Domino's branded stores was up 8.0%, driven by the 3 store openings and 2 conversions year on year. Total system sales in Norway were down 1.7% in local currency, and down 4.4% on a reported basis. Norway recorded an EBIT loss of £11.3m, compared to a loss of £6.6m in 2018. The 2019 EBIT loss recorded includes £2.7m of onerous leases and other related costs. In February we announced that we had agreed to dispose of our entire 71% stake in the Norwegian business to the existing minority shareholders, subject to shareholder approval. The transaction provides a complete exit from Norway for a maximum cash outlay of £7.0m, together with funding the trading losses to completion, which is targeted for late May 2020.

In Switzerland we currently have 21 stores (20 at the end of 2018) and we own 100% of the business. Local currency system sales were up 0.8%, with like-for-like sales including splits down 6.6%. Second half like-for-like sales including splits were down 7.5%. On a reported basis, system sales were up 4.5%. Switzerland recorded an EBIT loss of £5.4m, compared to a £2.5m loss in 2018. The main factor affecting performance in 2019 was increased competition, together with the local labour cost dynamics, which continue to impact on the profitability of the business. The 2019 EBIT loss recorded includes £1.4m of onerous leases and other related costs.

In Sweden we currently have 13 stores (9 at the end of 2018) and our ownership currently stands at 71%. The Norwegian transaction includes the transfer to us of the remaining 29% stake in Sweden, which will facilitate an orderly exit from this market in due course. Local currency system sales in 2019 were up 37.0%, with like-for-like sales down 6.6%. Second half like-for-like sales were up 3.0%. On a reported basis, system sales were up 31.0% in 2019. Sweden recorded an EBIT loss of £4.0m, compared to a £1.6m loss in 2018, largely as a result of store opening costs and new store marketing programmes. Free delivery in Malmo in the second half drove like-for-like sales growth by increasing average ticket.

Due to the performance of our International business during the year and as a result of the decision to exit the markets, the carrying values of the businesses have been written down to fair value, incurring an impairment of £35.2m. The components of this by market are:

- Iceland: impairment of £2.5m has been recorded over the goodwill held, to reduce the overall asset carrying
 value to £33.8m. The assessment of fair value was based on a forecast cashflow projections, in light of the
 ongoing macro-economic environment experienced during the year
- Norway: impairment of the full carrying value of £13.4m has been recorded in relation to the intangible assets and fixed assets of the operation, as a result of the announced transaction
- Switzerland: impairment of the full carrying value of £10.9m has been recognised. Whilst we consider value
 may be realised through sale, the recent performance of the business, in particular during the second half of
 the year, and the uncertainty around future cashflows means that we have taken a cautious approach to
 assessing fair value
- Sweden: impairment of £8.4m, to a carrying value of £6.0m. This reduces the asset base to a potential value to be realised through any disposal transaction based on initial marketing

FY20 Guidance

We are today providing the following guidance for FY 2020:

- Underlying Depreciation & Amortisation £12m-£14m
- Underlying Interest (excluding foreign exchange movements) c.£6m
- Underlying Effective Tax rate c.18%
- Capital expenditure £25m-£30m
- Net debt slightly lower than FY19, excluding any cash implications of International transactions
- Non-underlying charges: The Norway transaction will result in minority interests being recycled through the P&L, which, together with the cash outflow, will be recorded as a non-cash loss on disposal. The current minority interest stands at £10m
- IFRS 16: An initial assessment for property has been completed, with no significant P&L impact expected.
 An assessment of equipment is now being carried out, with an update provided in due course. For more
 information please refer to note 1 below

Financial review

Classification of International businesses as discontinued

In October 2019 the Group announced a programme to dispose of the International operations in Norway, Sweden, Switzerland and Iceland. Accordingly, the operations have been classified as assets held for sale and discontinued operations.

The results of these operations have therefore been removed from underlying results and are presented as a single 'discontinued operations' line net of tax in the income statement. The income statement for 2018 has been re-presented accordingly, together with underlying earnings per share and earnings per share from continuing operations. The impact of the re-presentation has been outlined in note 1 to the financial information.

Our share of profit or loss of our German associate remain presented in underlying results.

The balance sheet items relating to these operations have also been reclassified into two lines on the balance sheet, assets held for sale and liabilities held for sale. In line with the requirements of IFRS 5: Non-Current assets held for sale and discontinued operations, the balance sheet for 2018 has not been reclassified.

Restatement of revenue, cost of sales and administrative costs in relation to NAF and eCommerce revenues

As communicated in the interim results for the 26 weeks ended 30 June 2019, the 2018 results have been restated to include revenues and related costs of the National Advertising Fund ('NAF') and eCommerce funds. IFRS 15 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 NAF and eCommerce funds. 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 in our income statement.

Total NAF and eCommerce revenues recognised in the 52 weeks ended 29 December 2019 were £54.8m (52 weeks ended 30 December 2018: £53.9m), and therefore revenue in the comparative periods has been increased by these amounts. Cost of sales has been decreased by £1.4m (52 weeks ended 30 December 2018: £1.1m) and administrative costs has increased by £56.2m (52 weeks ended 30 December 2018: £55.0m).

There is no impact on profit before interest and taxation or on cash flows, and the restatement 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.

Group revenue

Group revenue, consisting of UK and Ireland revenues following the reclassification of the International business, grew by 3.0% to £508.3m. The drivers of revenue growth continued to be sales growth within the franchisee system, which drives increased food and royalty revenues. 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 1 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.

Profit before interest and taxation

UK and Ireland underlying EBIT before joint ventures and associates was £100.4m, up 1.1%. The contribution from our joint ventures in the UK was £2.0m (2018: £1.7m), resulting in an overall underlying UK&I EBIT of £102.4m, up 1.4%. As a percentage of system sales, overall underlying UK and Ireland EBIT margin was 8.5% (2018: 8.7%), in line with our long-term target. Underlying EBIT was driven by an increase in Supply Chain Centre profitability and net royalties, partially offset by an increase in overheads, depreciation and the decline in corporate stores profitability. Within UK and Ireland EBIT we have also incurred a charge of £2.1m, related to refunding the eCommerce fund for historical chargebacks.

Statutory profit before interest and tax from continuing operations was £81.4m, down from £89.4m in the prior year. Underlying profit as outlined above was £105.3m (2018: £103.5m), which was offset with net non-underlying items for the year which totalled a loss of £23.9m, an increase from the loss in 2018 of £14.1m. These costs are itemised in full in note 4 and are summarised below:

	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Corporate stores impairment	(18.7)	
Contribution to NAF and eCommerce funds	(7.1)	(2.9)
Market Access Fee	(2.1)	(1.2)
German associate store conversion costs	(2.8)	(3.2)
Amortisation of London corporate stores	(1.0)	(1.0)
Legal, advisory and International transaction costs	(1.4)	(0.2)
Acquisition costs	-	(0.6)
UK supply chain transformation	0.2	(9.5)
Put option revaluations	9.0	(3.7)
Profit on disposal of joint venture	-	8.2
Total non-underlying items before interest and taxation	(23.9)	(14.1)

Net non-underlying items for the period before interest and tax excluding discontinued operations totalled £23.9m. These costs are itemised in full in note 4 and summarised below:

- £18.7m of impairments have been recorded over the corporate stores operations in the UK. This impairment was the result of the weaker performance of corporate stores in the second half, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate. This is against the backdrop of very limited headroom in the prior year calculation. The five-year forecast period used in calculating the impairment is also shorter than our expected payback for store splits.
- £7.1m of costs (2018: £2.9m) have been recorded associated with our contribution into the eCommerce fund. This cost represents the finalisation of our £10.0m commitment made to franchisees to contribute towards the development of the platform.
- A loss of £2.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2018: loss of £1.2m). The decrease is as a result of the phasing of costs associated with the Hallo Pizza conversion costs and the forward projections of the German associate, together with changes in the discount rate used in the calculation.
- £2.8m of costs (2018: £3.2m) have been recorded in relation to our share of the store conversion costs for the German associate.
- Amortisation of £1.0m (2018: £1.0m) relates to the amortisation of the SFA ('Standard Franchise Agreement') intangible asset recognised on the corporate store acquisitions of Sell More Pizza and Have More Fun.
- £1.4m of costs were incurred in relation to one-off advisory fees in relation to corporate structuring, and in
 relation to the disposal of International operations, consisting mainly of professional fees paid to advisors
 directly relating to the disposal. Legal costs of £0.2m recorded in 2018 represent primarily costs associated
 with legal advice on the reversionary share plan.
- A gain of £9.0m (2018: cost of £3.7m) has been recorded in EBIT relating to revaluation of the put options
 over our investments in Norway and Sweden as a result of the poor performance of the underlying
 businesses and our updated expectations of the valuation.

Interest

Net underlying interest expense in the period was £6.5m, a £3.0m increase year-on-year. This primarily relates to £6.4m interest costs on the revolving credit facility, due to the higher debt position. Statutory interest expense was £6.3m (2018: £2.3m) after non-underlying interest and foreign exchange movements relating to income on the Market Access Fee of £1.0m (2018: £0.9m) and charges relating to the put options of £0.8m (2018: income of £0.3m).

Taxation

The underlying effective tax rate for 2019 was 17.9%, higher than 17.4% in the prior year. Excluding the contribution of the German associate, the UK&I underlying effective tax rate was 18.5%, an increase to the effective tax rate of 17.8% in the prior year. The statutory effective tax rate excluding discontinued operations is 21.0% (2018: 17.7%), reflecting the inclusion of certain non-underlying items including the corporate stores impairment for which no tax relief is available. The effective tax rate figures have been re-presented to exclude the International operations classified as discontinued.

Profit after tax

As a result of the above, profit after tax from continuing operations was £59.3m, a decrease from £71.7m in 2018. After inclusion of the loss from discontinued operations of £56.5m (2018: £27.8m), the overall profit for the period was £2.8m (2018: £43.9m).

Earnings per share

Underlying basic EPS increased to 17.6p from 17.4p as a result of the underlying profit increase and reduction in corporation tax, offset with increases in finance costs. Statutory EPS declined to 2.8p from 10.3p, primarily driven from the International performance and impairments recorded.

Free cash flow and net debt

	52 Weeks Ended 29 December 2019 £m	52 Weeks Ended 30 December 2018 £m
Underlying EBITDA	117.0	112.7
Discontinued operations EBITDA	(15.2)	(2.9)
Add back non-cash items	,	,
- Share of profits/losses of associates and JV's	(4.9)	(4.2)
- Other non-cash items	`1.Ź	`0.9́
Working capital	(23.3)	0.7
Capex	(23.4)	(28.9)
Dividends received	` 1.Ó	` 1.6́
Net interest	(5.7)	(3.1)
Corporation tax	(14.1)	(14.5 [°])
Other	` '	` 1.Ó
Free cash flow before non-underlying cash items	32.6	63.3
Non-underlying cash	1.1	(2.0)
Free cash flow	33.7	61.3
Funding to German associate	(2.9)	(11.6)
Acquisitions	(2.7)	(54.3)
Dividends	(44.3)	(44.3)
Share purchases	(17.4)	(63.6)
Movement in net debt	(33.6)	(112.5)
Opening net debt	(203.3)	(89.2)
Forex on RCF	4.3	(1.6)
Closing net debt	(232.6)	(203.3)
Last 12 months net debt/EBITDA ratio from continuing operations	1.99x	1.80x
Last 12 months net debt/EBITDA ratio from continuing and discontinued operations	2.28x	1.85x

Overall Group net debt increased from £203.3m at 30 December 2018 to £232.6m, with dividends and share buybacks greater than the free cash flow generated in the period.

Underlying EBITDA was £117.0m (2018: £112.7m) with discontinued operations EBITDA of a loss of £15.2m (2018: £2.9m).

Free cash flow was an inflow of £33.7m (2018 £61.3m), which consists of an inflow of £53.2m in our UK business and an outflow of £19.5m in our International business.

The Group experienced a working capital outflow of £23.3m (2018: £0.7m inflow) in the period which primarily consisted of £7m increase in inventory levels for Brexit planning and a one-off payment timing change of £21.0m, which reversed in early 2020. We expect the increased inventory level related to Brexit to be maintained into 2020.

Capital expenditure in the period was £23.4m (2018: £28.9m), with the year-on-year decrease primarily due to spend on the Warrington Supply Chain Centre in 2018 of £7.8m. Overall capital expenditure in the UK & Ireland was £15.0m of which £1.7m was considered strategic capital expenditure on new corporate stores and SCC growth, £5.3m is considered maintenance capital expenditure and £8.0m is related to eCommerce (customer funded) of which £4.1m was on the new eCommerce platform and app, along with £2.1m capital expenditure on the existing platform and CRM,

with £1.8m investment in IT equipment for the store estate. International capital expenditure was £8.4m, 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 £5.7m (2018: £3.1m) has increased year-on-year due to the increased borrowings and an increased interest margin on the revolving credit facility.

Non-underlying cash income of £1.1m relates to the income on disposal of the Penrith facility, offset with non-underlying cash spent on current year legal and advisory costs and cash cost of restructuring provisions recognised in the prior year.

Funding to our German associate of £2.9m (2018: £11.6m) represents our continued contribution following the Hallo Pizza acquisition in 2017. The funding requirements for the associate have decreased and are expected to decrease further during 2020.

Acquisitions in 2019 of £2.7m related to the cash paid on the acquisition of the further shareholding in Iceland, of which we now own 100%. Acquisitions in 2018 of £54.3m include £26.8m increasing our ownership interest in Iceland to 95.3%, £16.4m on corporate stores, including deferred consideration of £9.2m and £7.2m for the Have More Fun acquisition, and £10.8m on the investment in Shorecal in Ireland.

Share purchases of £17.4m (2018: £63.6m) represents £1.4m of share purchases for the Employee Benefit Trust (2018: £4.4m) and £16.0m (2018: £59.2m) for the completion of the share buyback scheme.

Capital employed and balance sheet

		At 29 De	cember 2019 £m	At 30 December 2018 £m
	As presented	Within Assets and Liabilities held for sale	Total	Total
Intangible assets	34.5	31.9	66.4	106.7
Property, plant and equipment	84.8	8.0	92.8	107.6
Investments, associates and joint ventures	42.9	-	42.9	40.8
Market Access Fee	7.1	-	7.1	8.9
Deferred consideration	5.7	-	5.7	6.6
Provisions	(15.5)	(5.0)	(20.5)	(16.8)
Working capital	16.5	(5.8)	10.7	(8.6)
Net debt	(237.3)	4.7	(232.6)	(203.3)
Put options	(0.9)	-	(0.9)	(11.8)
Tax	(6.9)	(6.0)	(12.9)	(11.8)
Share buyback obligations	· -	· -	· -	(15.8)
Net (liabilities) / assets	(69.1)	27.8	(41.3)	2.5

Due to the classification of the International operations of Norway, Sweden, Switzerland and Iceland as disposal groups held for sale, the balance sheet of the entities has been collapsed into assets and liabilities held for sale. For the purpose of the above table these have been re-presented into the relevant categories to provide year on year movements.

Intangible assets have decreased from £106.7m to £66.4m during 2019 as a result of foreign exchange movements, amortisation of the eCommerce platform of £5.8m, £18.7m impairment of goodwill relating to corporate stores, and £18.9m of impairments of intangibles in Iceland, Sweden, Norway and Switzerland, offset by additions during the year.

Property, plant and equipment has decreased during 2019 from £107.6m to £92.8m largely as a result of impairments recorded of £16.3m over International operations, depreciation of £10.8m offset by capital additions of £14.8m.

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 2018. There have been no significant movements in the investment balances in the year, with the largest movement being foreign exchange and an increase in the share of profits of our UK joint venture and associate in excess of dividends received.

The Market Access Fee asset, representing the fee receivable following our disposal of the German MFA ('Master Franchise Agreement'), has decreased in 2019 from £8.9m to £7.1m as a result of the downwards revaluation of £2.1m, partially offset by the unwind of the discount for the future amounts receivable and foreign exchange movements.

Deferred consideration largely represents the amounts owed to the Group following our disposal of the Shayban joint venture in 2018 and deferred consideration recognised on the Have More Fun investment in 2018, which has decreased in the year as result of the completion accounts adjustments.

Working capital has decreased during 2019 from a liability of £8.6m to an asset of £10.7m as a result of the factors outlined in the cashflow section above.

The put option liability of £0.9m has decreased from £11.8m largely as a result of the settlement of the Iceland put option of £2.6m during 2019 and revaluation decreases of £9.0m as described above in the non-underlying section.

Tax liabilities have increased from £11.8m to £12.9m largely as a result of timing of cash payments and releases of deferred tax liabilities.

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

Total equity has reduced by £43.8m from £2.5m to £(41.3)m largely due to the recognition of total comprehensive income for the period of £1.3m offset by net share buyback impact of £1.6m and dividends paid of £44.3m. There are sufficient distributable reserves in the standalone accounts of Domino's Pizza Group plc for the final dividend.

Treasury management

The Group holds an unsecured multi-currency revolving credit facility of £350m to December 2023 with a syndicate of seven lenders. An option to the extend the facility by a further 12 months to December 2024 has been deferred by nine months with all lender consent. The facility's lower range remains at a margin of 75bps above LIBOR rising to 185bps with increased leverage, plus a utilisation fee of between 0 bps and 30 bps of the aggregate amount of the outstanding loans. A commitment fee in the base currency computed at 35% of the margin is payable for the undrawn loan amount. The Group monitors its overall level of financial gearing on a regular basis to ensure that it remains well within its targets and banking covenants. The Group monitors its cash resources centrally through short, medium and long-term cash forecasting. Surplus cash in the UK is swept into interest bearing accounts or placed on short-term money market deposits.

We ended the year with net debt of £232.6m, giving us a leverage ratio of 1.99x from continuing operations, and 2.28x including the trading EBITDA of our International operations classified as discontinued. Both of these ratios are within our target leverage ratio of 1.75x - 2.5x net debt/EBITDA. Underpinning treasury management is a robust Treasury Policy and Strategy that aims to minimise financial risk. Foreign exchange movement arising from transactional activity is reduced by either agreeing fixed currency rates with suppliers or pre-purchasing the currency spend.

Group income statement 52 weeks ended 29 December 2019

52 weeks ended 29 December 2019

52 weeks ended 30 December 2018 (restated)* £m

		Underlying	Non- underlying	Total	Underlying	Non- underlying	Total
Revenue	2	508.3	-	508.3	493.4	-	493.4
Cost of sales		(273.5)	-	(273.5)	(266.3)	-	(266.3)
Gross profit		234.8	-	234.8	227.1	-	227.1
Distribution costs		(30.9)	-	(30.9)	(30.3)	-	(30.3)
Administrative costs		(103.5)	(9.5)	(113.0)	(97.5)	(14.2)	(111.7)
Other expenses		-	(20.8)	(20.8)	-	(4.9)	(4.9)
Share of post-tax profits of associates and joint ventures		4.9	(2.8)	2.1	4.2	(3.2)	1.0
Other income		-	9.2	9.2	-	8.2	8.2
Profit/(loss) before interest and taxation		105.3	(23.9)	81.4	103.5	(14.1)	89.4
Finance income		8.0	8.0	1.6	0.9	1.2	2.1
Finance costs		(7.3)	(0.6)	(7.9)	(4.4)	-	(4.4)
Profit/(loss) before taxation		98.8	(23.7)	75.1	100.0	(12.9)	87.1
Taxation	6	(17.7)	1.9	(15.8)	(17.4)	2.0	(15.4)
Profit/(loss) for the period from continuing operations		81.1	(21.8)	59.3	82.6	(10.9)	71.7
Loss from discontinued operations	3	-	(56.5)	(56.5)	-	(27.8)	(27.8)
Profit/(loss) for the period		81.1	(78.3)	2.8	82.6	(38.7)	43.9
Profit/(loss) attributable to:							
- Equity holders of the parent		81.1	(68.0)	13.1	82.6	(33.6)	49.0
- Non-controlling interests		-	(10.3)	(10.3)	-	(5.1)	(5.1)
Profit/(loss) for the period		81.1	(78.3)	2.8	82.6	(38.7)	43.9
Earnings per share From continuing operations							
5 .	7	17.6		12.9	17.4		15.1
- Diluted (pence)	7	17.5		12.8	17.2		15.0
From continuing and discontinued operations (statutory)							
- Basic (pence)	7			2.8			10.3
- Diluted (pence)	7			2.8			10.2

^{*} Results for the 52 weeks ended 30 December 2018 have been restated to reflect revenues recognised in relation to the NAF and eCommerce funds and the re-presentation of International operations as discontinued as set out in note ${\bf 3}.$

Group statement of comprehensive income 52 weeks ended 29 December 2019

	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Profit for the period	2.8	43.9
Other comprehensive expense:		_
Items that may be subsequently reclassified to profit or loss:		
- Exchange loss on retranslation of foreign operations	(1.5)	(1.6)
Items that will not be subsequently reclassified to profit or loss:		
- Exchange differences recycled on deemed disposal of foreign operations	-	-
Other comprehensive expense for the period, net of tax	(1.5)	(1.6)
Total comprehensive income for the period	1.3	42.3
- attributable to equity holders of the parent	11.7	47.4
- attributable to the non-controlling interests	(10.4)	(5.1)

Group balance sheet

As at 20 Passarbar 2010		At	At
As at 29 December 2019	Notes	29 December 2019 £m	30 December 2018 £m
Non-current assets			
Intangible assets	5	34.5	106.7
Property, plant and equipment		84.8	107.6
Trade and other receivables		37.1	39.4
Other financial asset		7.1	8.9
Investments		10.5	11.1
Investments in associates and joint ventures		32.4	29.7
Deferred consideration		5.7	5.7
Deferred tax asset		-	0.6
		212.1	309.7
Current assets			
Inventories		13.0	8.4
Trade and other receivables		62.0	54.7
Assets held for sale	3	55.7	_
Deferred consideration		-	0.9
Cash and cash equivalents		11.1	24.8
<u> </u>	-	141.8	88.8
Total assets		353.9	398.5
Current liabilities			
Trade and other payables		(85.4)	(100.4)
Liabilities held for sale	3	(27.9)	-
Financial liabilities	9	(0.9)	(2.5)
Financial liabilities – share buyback obligation	9	(0.0)	(15.8)
Deferred and contingent consideration	· ·	(0.2)	()
Current tax liabilities		(5.8)	(5.9)
Provisions		(2.7)	(3.6)
		(122.9)	(128.2)
Non-current liabilities		(- /	(- /
Trade and other payables		(10.1)	(10.7)
Financial liabilities	9	(248.3)	(237.4)
Deferred tax liabilities	· ·	(1.1)	(6.5)
Provisions		(12.8)	(13.2)
Trovisione		(272.3)	(267.8)
Total liabilities		(395.2)	(396.0)
Net (liabilities)/assets		(41.3)	2.5
Shareholders' equity		(11.0)	2.0
Called up share capital		2.4	2.4
Share premium account		36.7	36.7
		0.5	0.5
Capital redemption reserve Capital reserve – own shares		(4.5)	(6.4)
Currency translation reserve		(4.5)	(2.7)
Other reserves			
		(5.5)	(25.1)
Retained earnings		(55.1)	(2.6)
Total shareholders' equity		(29.6)	2.8
Non-controlling interests		(11.7)	(0.3)
Total equity		(41.3)	2.5

David Wild Director 4 March 2020

Group statement of changes in equity 52 weeks ended 29 December 2019

	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/(loss) for the period	-	-	-	-	-	-	49.0	49.0	(5.1)	43.9
Other comprehensive income – exchange differences	-	-	-	-	(1.6)	-	-	(1.6)	-	(1.6)
Total comprehensive income for the period	-	-	-	-	(1.6)	-	49.0	47.4	(5.1)	42.3
Proceeds from share issues	-	-	-	1.2	-	-	-	1.2	-	1.2
Impairment of share issues*	-	-	-	3.3	-	-	(3.3)	-	-	-
Share buybacks	(0.1)	-	-	(4.4)	-	-	(59.1)	(63.6)	-	(63.6)
Share buybacks obligation satisfied	-	-	-	-	-	-	18.3	18.3	-	18.3
Share buybacks obligation outstanding	-	-	-	-	-	-	(15.8)	(15.8)	-	(15.8)
Share options and LTIP charge	-	-	-	-	-	-	0.9	0.9	-	0.9
Tax on employee share options	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Increase in ownership interest in subsidiary	-	-	-	-	-	15.2	-	15.2	(15.7)	(0.5)
Transactions with non- controlling interest	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Equity dividends paid	-	-	-	-	-	-	(44.3)	(44.3)	-	(44.3)
At 30 December 2018	2.4	36.7	0.5	(6.4)	(2.7)	(25.1)	(2.6)	2.8	(0.3)	2.5
Profit/(loss) for the period	-	-	-	-	-	-	13.1	13.1	(10.3)	2.8
Other comprehensive income – exchange differences	-	-	-	-	(1.4)	-	-	(1.4)	(0.1)	(1.5)
Total comprehensive income for the period	-	-	-	-	(1.4)	-	13.1	11.7	(10.4)	1.3
Impairment of share issues*	-	-	-	3.3	-	-	(3.3)	-	-	-
Share buybacks	-	-	-	(1.4)	-	-	(16.0)	(17.4)	-	(17.4)
Share buybacks obligation satisfied	-	-	-	-	-	-	15.8	15.8	-	15.8
Share options and LTIP charge	-	-	-	-	-	-	0.6	0.6	-	0.6
Tax on employee share options	-	-	-	-	-	-	0.7	0.7	-	0.7
Repurchase of equity from dividend equivalent employee share awards	-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Increase in ownership interest in subsidiary	-	-	-	-	-	19.6	(18.6)	1.0	(1.0)	-
Equity dividends paid	-	-	-	-	-	-	(44.3)	(44.3)	-	(44.3)
At 29 December 2019	2.4	36.7	0.5	(4.5)	(4.1)	(5.5)	(55.1)	(29.6)	(11.7)	(41.3)

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

Group cash flow statement 52 weeks ended 29 December 2019

	Notes	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Cash flows from operating activities			
Profit before interest and taxation			
- from continuing operations	2	81.4	89.4
- from discontinued operations	2	(56.2)	(25.2)
Amortisation and depreciation		18.8	16.8
Impairment		54.6	20.7
Profit on disposal of non-current assets		(0.5)	-
Share of post-tax (profits) of associates and joint ventures		(2.1)	(1.0)
Profit on disposal of joint venture		-	(8.2)
Net loss on financial instruments at fair value through profit or loss		2.1	1.0
Increase/(decrease) in provisions		3.9	(1.0)
Share option and LTIP charge		0.6	0.9
Revaluation of put option liability		(9.0)	3.7
(Increase) in inventories		(7.3)	-
(Increase) in receivables		(14.3)	(9.5)
Increase in payables		2.3	12.7
Cash generated from operations		74.3	100.3
UK corporation tax paid		(13.1)	(13.0)
Overseas corporation tax paid		(1.0)	(1.5)
Net cash generated by operating activities		60.2	85.8
Cash flows from investing activities		_	
Purchase of property, plant and equipment		(14.1)	(21.4)
Purchase of intangible assets		(9.3)	(7.5)
Proceeds from sale of property, plant and equipment		1.6	· ,
Acquisition of subsidiaries, net of cash received		_	(10.8)
Proceeds on disposal of joint ventures		_	5.3
Investment in joint ventures and associates		(1.5)	(5.8)
Investments		. ,	(10.8)
Interest received		0.6	0.5
Other	11	0.2	(3.3)
Net cash used by investing activities		(22.5)	(53.8)
Cash inflow before financing		37.7	32.0
Cash flows from financing activities		_	
Interest paid		(6.3)	(3.6)
Issue of Ordinary share capital		-	1.2
Purchase of own shares	11	(17.4)	(63.6)
Repurchase of equity from dividend equivalent employee share awards		(0.5)	· · · · · · -
New bank loans and facilities draw down		186.0	239.1
Repayment of borrowings		(160.9)	(132.4)
Increase in ownership interest in a subsidiary		(2.7)	(32.7)
Equity dividends paid	8	(44.3)	(44.3)
Net cash used by financing activities		(46.1)	(36.3)
Net increase/(decrease) in cash and cash equivalents		(8.4)	(4.3)
Cash and cash equivalents at beginning of period		24.8	29.0
Foreign exchange (loss)/gain on cash and cash equivalents		(0.4)	0.1
Cash and cash equivalents at end of period		16.0	24.8

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

Notes to the Group financial statements

52 weeks ended 29 December 2019

1. Accounting policies

Basis of preparation

The financial information set out in this document does not constitute statutory accounts for Dominos Pizza Group plc for the period ended 29 December 2019, but is extracted from the 2019 Annual Report.

The Annual Report for 2019 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either Section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the International Accounting Standards Board, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

In their consideration of going concern, the Directors have assessed the Group's future profit and cash flow projections, balance sheet position, agreed financing and financial modelling of risks to the Group's business and plans. Following their assessment, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue to operate and meet liabilities as they fall due for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

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

Restatement of full year 2018 results

NAF and eCommerce income

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 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 Funds were 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 Standard Franchise Agreement ('SFA') 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 Funds 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.

Total NAF and eCommerce revenues recognised in the 52 weeks ended 30 December 2018 was £53.9m, and therefore revenue in the comparative periods has been increased by these amounts. Cost of sales has been decreased by £1.1m and administrative costs has increased by £55.0m. There is no impact on earnings before interest and tax, profit before interest and taxation or on cash flows.

The revenues, cost of sales and administrative expenses are recognised in underlying results.

Discontinued operations

The International operations have been classified as discontinued operations, which has also led to a re-presentation of the 2018 income statement.

Restatement of income statement

The impact of the restatements on the Group income statement in the 52 weeks ended 30 December 2018 has been set out below:

52 weeks	ended	30	December	2018
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	£m					
		Restatement				
	As	of NAF and	Removal of			
	previously	eCommerce	discontinued			
	reported	revenues	operations	As restated		
Revenue	534.3	53.9	(94.8)	493.4		
Cost of sales	(311.1)	1.1	43.7	(266.3)		
Gross profit	223.2	55.0	(51.1)	227.1		
Distribution costs	(31.6)	_	1.3	(30.3)		
Administration costs	(117.6)	(55.0)	60.9	(111.7)		
Other expenses	(19.0)	· -	14.1	(4.9)		
Share of post-tax profits of associates and joint	1.0	-	-	1.0		
ventures						
Other income	8.2	-	-	8.2		
Profit before interest and taxation	64.2	-	25.2	89.4		
Net finance costs	(2.3)	-	-	(2.3)		
Profit before taxation	61.9	-	25.2	87.1		
Taxation	(18.0)	-	2.6	(15.4)		
Profit for the period	43.9	-	27.8	71.7		

Segmental reporting

The NAF and eCommerce 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 £454.9m. The restatement of segmental results for the 52 weeks ended 30 December 2018 is set out below:

52 weeks ended 30 December 2018

	As previo	viously reported Restatement impact		et .	As restated				
	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m
Revenue									
Sales to external customers	94.8	439.5	534.3	_	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

There are no changes to segmental result as a result of the NAF and eCommerce restatement.

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.

Non-GAAP performance measures

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

The principal non-GAAP measures the Group uses are underlying profit before interest and tax, underlying profit before tax, underlying profit, underlying earnings per share and system sales. Underlying measures remove the impact of non-underlying items from earnings and are reconciled to statutory measures; system sales measure the performance of the overall business.

These measures are used internally in setting performance-related remuneration and used by the board in assessing performance and strategic direction using a comparable basis.

While the disclosure of non-underlying items and system sales is not required by IFRS, these items are separately disclosed either as memorandum information on the face of the income statement and in the segmental analysis, or in the notes to the financial statements as appropriate. Non-underlying items include significant non-recurring items or items directly related to merger and acquisition activity and related instruments. These items are not considered to be underlying by management due to quantum and nature. Factors considered include items that are non-recurring, not part of the ordinary course of business or reduce understandability of business performance. For a detailed description of items see note 4.

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

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

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

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

The standard has an effective date of 1 January 2019. With the current financial period starting on 31 December 2018, the first period in which the standard will be effective will be the 52 weeks ending 27 December 2020.

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

The Group has decided to select the modified retrospective approach to transition. The Group has also elected to apply the transition exemptions proposed by IFRS 16 for leases with terms ending within 12 months of the date of initial application and for leases of low value assets.

Under the modified retrospective approach, comparative information is not restated and the impact of adopting IFRS 16 will be presented as an opening retained earnings adjustment as at 29 December 2019. There are two options for measuring right-of-use assets under the modified retrospective approach: by measuring the asset as if IFRS 16 had been applied since lease commencement; or by measuring the asset at an amount equal to the lease liability on the

date of transition, adjusted by the amount of any prepaid or accrued lease payments. The Group has elected to measure the asset at an amount equal to the lease liability on the date of transition.

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

The Group's initial impact assessment has thus far been limited to assessing the impact in the UK & Ireland property portfolio, which is the most material area of leasing for the Group for our continuing results, given the classification of the International operations as discontinued.

The disclosures below relate solely to UK & Ireland property. The property portfolio in UK & Ireland consists of five main categories:

- Franchisee leased stores, where the Group holds the head-lease and the sub-lease to the franchisee. These agreements are treated as "back to back" where appropriate. A lease receivable and lease payable is recognised on the balance sheet, which are primarily equal and opposite but differ in some instances due to timing of payments. In certain instances the contractual term remaining on the lease is less than 12 months in which case both the head-lease and sub-lease are treated as short term leases and no asset or liability is recognised. The interest income and expense from unwind of the obligations will be recognised in finance costs.
- Franchisee freehold stores, where the Group holds the freehold interest in the property and franchisees lease them from the Group. These will be treated the same as current accounting standards, with the gross rental income recognised in the income statement.
- Corporate stores, where the Group holds the head-lease with the landlord. These will be recognised as a right-of-use asset and liability and depreciated on the income statement on a straight-line basis over the term of the lease, and interest expense recognised in net finance costs.
- Warehouses and other leases, which will follow the same treatment as corporate stores.
- Onerous leases, where the Group holds a head-lease with an unoccupied store.

Previous balance sheet assets and liabilities held in relation to straight-lining adjustments of leases, incentives, onerous lease provisions and lease premiums will be released on transition.

The estimated impact on the balance sheet (increase/(decrease)) as at 29 December 2019 for these categories is as follows:

	Franchisee leased stores	Corporate stores	Warehouses and other leased property	Onerous leases	Total
	£m	£m	£m	£m	£m
Assets		•	•		
Lease receivables	207.4	_	_	_	207.4
Right-of-use assets	_	9.0	1.7	_	10.7
Liabilities					
Lease liabilities	(207.8)	(9.0)	(2.0)	(8.0)	(219.6)
Net assets / (liabilities) recognised	(0.4)	_	(0.3)	(8.0)	(1.5)
Previously held balance sheet items released to equity on transition	(1.7)	_	_	0.5	(1.2)
Net increase / (decrease) in equity	(2.1)	_	(0.3)	(0.3)	(2.7)

We do not expect a material impact on profit before tax for the 2020 financial period from the above UK & Ireland leases.

The Group will provide further detail on the impact of equipment leases and the leases in our discontinued operations at a later date, however these are not expected to have a significant impact on the overall profit before tax of the Group.

2. Segmental information

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before interest and tax.

Following the presentation of the International operations in Norway, Sweden, Switzerland and Iceland as discontinued under IFRS 5: Non-current assets held for sale and discontinued operations, the presentation of the segments has been modified accordingly and prior periods re-presented. During the year, the Board continued to monitor the trading performance of the businesses and therefore are still considered an operating segment. The results of the German associate remain in continuing results and therefore have been separated.

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

	At 29 December 2019 £m	At 30 December 2018 £m
Deferred tax asset	-	0.6
Cash and cash equivalents	11.1	24.8
Unallocated assets	11.1	25.4
Current tax liabilities	5.8	5.9
Deferred tax liabilities	1.1	6.5
Bank revolving facility	248.1	224.5
Share buyback obligation	_ _	15.8
Unallocated liabilities	255.0	252.7

Segmental performance 2019

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

Segmental performance 2018

Revenue	UK & Ireland £m	International - continuing £m	Total underlying £m	Non- underlying £m	Total reported £m	International - discontinued £m	Total including discontinued operations
Sales to external customers	493.4	-	493.4	_	493.4	94.8	588.2
Segment revenue	493.4	_	493.4	-	493.4	94.8	588.2
Results							
Underlying segment result before associates and joint ventures	99.3	-	99.3	-	99.3	(6.6)	92.7
Share of profit of associates and joint ventures	1.7	2.5	4.2	-	4.2	-	4.2
Segment result	101.0	2.5	103.5	_	103.5	(6.6)	96.9
Other non-underlying items	-	-	-	(22.3)	(22.3)	(18.6)	(40.9)
Other income	-	-	-	8.2	8.2	-	8.2
Profit before interest and taxation	101.0	2.5	103.5	(14.1)	89.4	(25.2)	64.2
Net finance costs	(3.5)	-	(3.5)	1.2	(2.3)	-	(2.3)
Profit before taxation	97.5	2.5	100.0	(12.9)	87.1	(25.2)	61.9
Taxation	(17.4)	_	(17.4)	2.0	(15.4)	(2.6)	(18.0)
Profit for the year	80.1	2.5	82.6	(10.9)	71.7	(27.8)	43.9
Effective tax rate	17.8%	-	17.4%	15.5%	17.7%	(10.3)%	29.1%
Other segment information	4.8	_	4.8	_	4.8	3.6	8.4
Depreciation Amortisation	4.0		4.0	3.9	8.3	0.1	8.4
	4.4		4.4	6.4	6.4	14.3	20.7
Impairment Total depresention and amortisation	- 0.0	_	- 0.0			_	
Total depreciation and amortisation EBITDA*	9.2	-	9.2	10.3	19.5	18.0	37.5
Capital expenditure	110.2	2.5	18.2	(3.8)	108.9	(7.2)	101.7
Share-based payment charge	0.8		0.8	<u>-</u>	0.8	0.1	0.9
. ,	0.0		0.0		0.6	0.1	0.9
Revenue disclosures Royalties, franchise fees and change of hands fees	62.1	_	62.1	-	62.1	0.6	62.7
Sales to franchisees	325.7	-	325.7	_	325.7	1.4	327.1
Corporate store income	27.1	_	27.1	-	27.1	92.8	119.9
Rental income on leasehold and freehold property	24.6	-	24.6	-	24.6	-	24.6
National Advertising and eCommerce income	53.9	-	53.9	-	53.9	-	53.9
Total segment revenue	493.4	-	493.4	-	493.4	94.8	588.2

^{*} Included in Discontinued operations EBITDA for IFRS 8 segmental reporting are costs associated with the legacy German business of £0.2m (2018: £nil) and non-underlying Dolly Dimple integration costs of £nil (2018: £4.3m), which are excluded from Discontinued operations EBITDA for non-GAAP free cash flow purposes.

Segment assets and liabilities

	52 weeks ended 29 December 2019			52 weeks ended 30 December 20			ber 2018	
	UK & Ireland £m	International - continuing £m	International - discontinued £m	Total £m	UK & Ireland £m	International - continuing £m	International - discontinued £m	Total £m
Segment assets								
Segment current assets	75.0	-	55.7	130.7	52.0	-	12.0	64.0
Segment non-current assets	169.2	-	-	169.2	189.5	-	78.8	268.3
Equity accounted investments - investment in associates and joint ventures	11.5	20.9	-	32.4	10.5	-	19.2	29.7
Investments	10.5	-	-	10.5	11.1	-	-	11.1
Unallocated assets				11.1				25.4
Total assets	266.2	20.9	55.7	353.9	263.1	-	110.0	398.5
Segment liabilities								
Liabilities	112.3	-	27.9	140.2	118.6	-	24.7	143.3
Unallocated liabilities				255.0				252.7
Total liabilities	112.3	-	27.9	395.2	118.6	-	24.7	396.0

Non-current assets, current assets and liabilities in the International segment in 2019 include the assets and liabilities of the disposal groups held for sale.

Major customers and revenue by destination

Revenue from two franchisees individually totalled £99.5m (2018: £81.0m) and £91.2m (2018: £74.1m), within sales reported in the UK and Ireland segment.

Analysed by origin, revenue from the UK was £480.6m (2018: £414.8m), with other significant countries being Ireland with revenue of £27.7m (2018: £26.2m), Norway with revenue of £30.1m (2018: £31.4m), Iceland with revenue of £36.6m (2018: £40.3m), Sweden with revenue of £5.2m (2018: £3.3m) and Switzerland with revenue of £20.6m (2018: £19.8m).

3. Discontinued Operations

Discontinued operations consist of the International business disposal groups, consisting of the operations in Norway, Sweden, Switzerland and Iceland. The operations have been classified based on the current status of the disposals. The operations meet the criteria for discontinued operations under IFRS 5: Non-current assets held for sale and discontinued operations as they are classified as held-for-sale and represent a separate major line of business and part of a single coordinated plan to dispose.

All operations were previously treated within underlying results for the 52 weeks ended 30 December 2018 and have been re-presented accordingly. Items related to these businesses which were previously treated as non-underlying have reclassified to discontinued operations, except for the movements in equity put options of Norway and Sweden which are considered to be a Group liability and intercompany finance costs which offset against UK intercompany finance income.

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

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

	52 weeks er	nded 29 Dec	ember 2019	52 weeks ended 30 December 2018		
	Total trading result	Non- underlying costs	Total result from discontinued operations	Total trading result	Non- underlying costs	Total result from discontinued operations
	£m	£m	£m	£m	£m	£m
Revenue	92.5	-	92.5	94.8	-	94.8
Cost of sales	(71.7)	-	(71.7)	(43.7)	_	(43.7)
Gross profit	20.8	-	20.8	51.1	-	51.1
Distribution costs	(8.0)	_	(8.0)	(1.3)	-	(1.3)
Administrative costs	(40.8)	-	(40.8)	(56.4)	(4.5)	(60.9)
Other expenses	-	(35.4)	(35.4)	-	(14.1)	(14.1)
Operating loss before		-				
taxation	(20.8)	(35.4)	(56.2)	(6.6)	(18.6)	(25.2)
Taxation	(0.3)	-	(0.3)	(2.6)	-	(2.6)
Loss for the period	(21.1)	(35.4)	(56.5)	(9.2)	(18.6)	(27.8)

Segmental result by country

Segmental result	Iceland	Switzerland	Norway	Sweden	International central costs	Total trading result
	£m	£m	£m	£m	£m	£m
52 weeks ended 29 December 2019	1.7	(5.4)	(11.3)	(4.0)	(1.8)	(20.8)
52 weeks ended 30 December 2018	4.1	(2.5)	(6.6)	(1.6)	-	(6.6)

Non-underlying costs presented in discontinued operations

Non-underlying costs presented in discontinued operations relate to impairments of International operations recorded in other expenses of £35.2m in 2019 and £14.1m in 2018, Dolly Dimples integration costs in 2018 of £4.5m and £0.2m of costs associated with disposal of the legacy Germany operations in 2019. These costs are explained as follows:

Impairments - 2019: £35.2m, 2018: £14.1m

In 2019, a total impairment of £35.2m has been recorded over the Group's International operations, on a fair value less cost to dispose basis following classification as disposal groups held for sale. This consists of an impairment of the Norway operations of £13.4m, Iceland of £2.5m, Sweden of £8.4m and Switzerland of £10.9m.

In Norway, the impairment of £13.4m reduces the asset base of the operations to £nil as a result of the announced transaction, and has been recorded over intangible assets of £7.9m and tangible assets of £5.5m. In Iceland, the impairment of £2.5m has been recorded over the goodwill held, and the impairment review has been performed based on forecast cashflow projections from the entity, taking account of current macro-economic conditions and our expectations of fair value. In Sweden, an impairment of £8.4m has been recorded to reduce the asset base to the likely value to be realised through any disposal transaction, and has been recorded against goodwill £0.7m, intangible assets £5.1m and tangible assets £2.6m. In Switzerland, the impairment recorded of £10.9m reduces the asset base to £nil. Whilst we consider value may be realised through sale, the recent performance of the business, in particular during the second half of the year, and the uncertainty around future cashflows means that we have taken a cautious approach to the impairment calculation. The impairment has been recorded against intangible assets £2.7m and tangible fixed assets £8.2m.

In 2018, a total impairment of £14.1m was recorded over the Group's operations in Norway £10.2m, Switzerland £1.2m and Sweden £2.7m. For Norway, this consisted of an impairment of goodwill of £5.3m, intangible assets of £2.7m and tangible assets of £2.2m. For Switzerland, a net impairment was recorded of £1.2m over the tangible assets and goodwill held. For Sweden, this represented an impairment of goodwill of £2.7m.

Dolly Dimple's integration costs - 2019: £nil, 2018: £4.5m

In 2018, costs of £4.5m 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. No further costs have been incurred in 2019.

Earnings per share

The discontinued operations contributed a basic loss per share of 10.1p (2018: 4.8p) and a diluted loss per share of 10.0p (2018: 4.8p).

Cashflows from (used in) discontinued operations

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

	52 weeks ended 29 December 2019	52 weeks ended 30 December 2018
	£m	£m
Net cash from operating activities	(10.7)	(11.1)
Net cash from investing activities	(8.3)	(10.4)
Net cash from financing activities	19.4	19.1
Net cash flows for the year	0.4	(2.4)

Disposal groups held for sale

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

	52 weeks ended 29 December 2019
	£m
Goodwill and Intangible assets	31.9
Property, plant and equipment	8.0
Trade and other receivables	8.4
Inventories	2.5
Cash and cash equivalents	4.9
Assets held for sale	55.7
Trade and other payables	16.7
Financial liabilities	0.2
Current tax liabilities	0.9
Deferred tax liabilities	5.1
Provisions	5.0
Liabilities held for sale	27.9

Tax on discontinued operations

	52 weeks ended 29 December 2019	52 weeks ended 30 December 2018
	£m	£m
Current income tax:		
UK corporation tax:		
- Current period	-	0.3
- Adjustment in respect of prior periods	-	(0.1)
	-	0.2
Income tax on overseas operations	1.5	0.8
Total current income tax charge/(credit)	1.5	1.0
Deferred tax:		
Origination and reversal of temporary differences	(1.7)	0.2
Effect of change in tax rate	-	0.5
Adjustment in respect of prior periods	0.5	0.9
Total deferred tax	(1.2)	1.6
Tax charge in relation to discontinued operations	0.3	2.6
The tax charge in relation to discontinued operations is disclosed as		_
follows:	0.0	0.0
Income tax charge	0.3	2.6

The tax charge in relation to discontinued operations for the 52 weeks ended 29 December 2019 is lower (2018: lower) than the statutory corporation tax rate of 19.0% (2018: 19.0%). The differences are reconciled below:

	52 weeks ended 29 December 2019	52 weeks ended 30 December 2018
	£m	£m
Profit before taxation on discontinued operations	(56.2)	(25.2)
Accounting profit multiplied by the UK statutory rate of corporation tax of		
19.0% (2018: 19.0%)	(10.7)	(4.8)
Expenses not deductible for tax purposes	5.1	3.1
Adjustments relating to prior periods	0.7	0.8
Overseas losses carried forward not recognised	5.3	2.8
Other	(0.1)	0.2
Tax rate differences	-	0.5
Total tax charge reported in the income statement	0.3	2.6
Effective tax rate (%)	(0.5%)	(10.3%)

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

	Note	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Included in administrative costs:	Note	2.111	Σ,111
Contribution to eCommerce fund	(a)	(7.1)	(2.9)
Amortisation of London corporate stores	(b)	(1.0)	(1.0)
International business transaction costs	(c)	(0.5)	-
Legal and advisory costs	(d)	(0.9)	(0.2)
UK supply chain transformation	(e)		(9.5)
Acquisition costs	(f)	-	(0.6)
·		(9.5)	(14.2)
Included in other expenses:	••••••	<u> </u>	
Market Access Fee	(g)	(2.1)	(1.2)
Corporate stores impairment	(h)	(18.7)	-
Put option revaluations	(i)	-	(3.7)
		(20.8)	(4.9)
Included in share of post-tax profits of associates and joint ventures			
German associate store conversion costs	(j)	(2.8)	(3.2)
Included in operating profit		(33.1)	(22.3)
Included in other income	•		
Put option revaluations	(i)	9.0	-
UK supply chain transformation	(e)	0.2	-
Profit on disposal of joint venture	(k)	-	8.2
Included in profit before interest and taxation		(23.9)	(14.1)
Included within net finance cost	•		
Market Access Fee	(g)	1.0	0.9
Put option revaluation	(i)	(0.8)	0.3
Included in profit before taxation		(23.7)	(12.9)
Taxation	(I)	1.9	2.0
Included in profit for the period from continuing operations		(21.8)	(10.9)
• • • • • • • • • • • • • • • • • • • •			
Loss for the year from discontinued operations	(m)	(56.5)	(27.8)

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 (2018: £2.9m).

In April 2019, the Group announced to franchisees that the Group would be making a further immediate contribution of $\pounds 7.1m$ into the eCommerce fund. This contribution represents further accelerated amortisation on the legacy platform of $\pounds 1.1m$ and an additional one-off contribution of $\pounds 6.0m$ to forgive part of the Fund deficit, in recognition of the increased cost of the new platform. This, together with the $\pounds 2.9m$ contribution in 2018, completes the Group's overall investment in the eCommerce fund of $\pounds 10.0m$.

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 £1.0m (2018: £1.0m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores and Have More Fun (London) Limited. This is considered to be non-underlying as the Group has a policy of franchise agreements having an indefinite life, however the SFA is deemed to be a re-acquired right under IFRS 3 which requires such rights to be amortised.

c) International business transaction costs

Total costs of £0.5m were incurred in the year ended 29 December 2019 in relation to the disposal of International operations, consisting mainly of professional fees paid to advisors directly relating to the disposal.

d) Legal and advisory costs

During the period costs of £0.9m were incurred in relation to one-off advisory fees in relation to corporate structuring. Legal costs of £0.2m recorded in 2018 represent primarily costs associated with legal advice on the reversionary share plan.

e) 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 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.

In the 52 weeks ended 29 December 2019, income of £0.2m has been recorded in other income, being the net of additional expenses incurred in disposal of £0.3m offset by income of £0.5m following sale of the Penrith facility.

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 these costs were not separately identified, these operational costs would be distorting the financial 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 rather than during the whole of the period to achieving full capacity.

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 acquisition costs as non-underlying, so as not to distort annual operational performance with unevenly incurred transactional fees.

g) Market Access Fee

During 2019, a loss of £2.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2018: loss of £1.2m). The decrease is as a result of the phasing of costs associated with the Hallo Pizza conversion and the forward projections of the German associate, together with changes in the discount rate used in the calculation. The amount recorded in net finance costs of £1.0m (2018: £0.9m) represents the unwind of the discount of the fair value. The impact of revaluations of the Market Access Fee are not considered to be ordinary trading for the Group. In the event that we receive any material capital sum for a Market Access Fee on any business it would equally be treated as non-underlying.

h) Corporate stores impairment

In the year an impairment of £18.7m has been recorded over the goodwill acquired from the acquisition of Sell More Pizza Limited in 2017 and Have More Fun (London) Limited in 2018. The operations have been valued based on a Value in Use model, using forecast cashflow projections. Due to the poor performance of the operations in the second half of 2019, management have reassessed the future profitability of the operations.

This impairment was the result of weaker performance of corporate stores in the second half, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate. This is against the backdrop of very limited headroom in the prior year calculation. The five-year forecast period used in calculating the impairment is also shorter than our expected payback for store splits.

i) Put option revaluations

A net income of £8.2m (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 £9.0m income (2018: cost of £3.7m) of valuation movement recorded in other income and £0.8m cost (2018: income of £0.3m) presented in net finance costs representing the unwind of the discounting of the options and foreign exchange movements. The significant 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.

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 £2.8m (2018: £3.2m) 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) Profit on disposal of joint venture

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

I) Taxation

The tax credit of £1.9m (2018: £2.0m) relates to the non-underlying net loss before taxation of £23.7m (2018: 12.9m) and the effective tax rate of 8.0% is less than the statutory rate of 19.0% (2018: 19.0%) as not all of these costs will qualify for tax relief. Taxation on the items considered to be exceptional 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.

m) Loss on discontinued operations

The loss of £56.5m (2018: £27.8m) represents the post-tax result of the International operations of Norway, Switzerland, Sweden and Iceland, consisting of the trading loss of £20.8m (2018: £6.6m) and impairments and other restructuring costs of £35.4m (2018: £18.6m) and a tax charge of £0.3m (2018: £2.6m). The result and rationale for classification is set out in note 3, with further detail on the impairments included in note 5.

5. Intangible assets

g	Goodwill £m	Franchise fees £m	Software £m	Other £m	Total £m
Cost or valuation					
At 31 December 2017	49.7	49.5	30.7	2.7	132.6
Additions	-	-	7.3	0.2	7.5
Acquisitions	4.6	2.8	-	-	7.4
Disposals	-	_	-	-	-
Foreign exchange on translation	(0.3)	(0.9)	0.1	-	(1.1)
At 30 December 2018	54.0	51.4	38.1	2.9	146.4
Additions	-	0.7	8.2	-	8.9
Acquisitions	0.8	-	-	-	0.8
Disposals	-	-	-	-	-
Foreign exchange on translation	(1.3)	(1.8)	(0.1)	(0.7)	(3.9)
Transferred to assets held for sale	(21.6)	(42.0)	(1.2)	(1.4)	(66.2)
At 29 December 2019	31.9	8.3	45.0	0.8	86.0
Accumulated amortisation and impairment					
At 31 December 2017	-	1.8	16.0	0.6	18.4
Provided during the year	-	0.9	7.0	0.2	8.1
Impairment	10.0	2.4	-	0.8	13.2
Disposals	-	-	-	-	-
At 30 December 2018	10.0	5.1	23.0	1.6	39.7
Provided during the year	-	1.1	6.4	-	7.5
Impairment	21.9	15.2	1.2	-	38.3
Disposals	-	-	-	-	-
Foreign exchange on translation	-	0.3	-	-	0.3
Transferred to assets held for sale	(13.3)	(18.5)	(1.2)	(1.3)	(34.3)
At 29 December 2019	18.6	3.2	29.4	0.3	51.5
Net book value at 29 December 2019	13.3	5.1	15.6	0.5	34.5
Net book value at 30 December 2018	44.0	46.3	15.1	1.3	106.7

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

At 29 December 2019 the net book value of internally generated intangibles included within software was £6.2m (2018: £4.5m). Internally generated intangibles included within software additions during the year was £4.2m (2018: £2.9m).

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

	At 29 December 2019 £m	At 30 December 2018 £m
Goodwill		_
Switzerland	-	-
Norway	-	-
Sweden	-	0.8
Iceland*	8.3	12.1
UK corporate stores	13.3	31.1
	21.6	44.0
Indefinite life intangibles		_
Switzerland	-	2.7
Norway	-	7.8
Sweden*	3.9	9.4
Iceland*	19.6	21.1
	23.5	41.0
	45.1	85.0

^{*}Included within assets held for sale at 29 December 2019

Impairment Review

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

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

UK Corporate stores

An impairment review has been performed over the goodwill and intangible assets attributable to the Group's UK corporate store business, within the UK & Ireland operating segment. The impairment review has been based on the value in use of the overall UK corporate store group of cash generating units, which comprises the businesses acquired with Sell More Pizza in 2017 and Have More Fun in 2018. In assessing value in use, the impairment review draws on the Group's five year plan. Key assumptions in the cash flow projections of the plan are those regarding revenue growth and those regarding EBITDA margins, which include food cost inflation, labour inflation and expected productivity gains. In accordance with IAS 36, future new store openings are only included in the projections for impairment purposes if they are committed to at the point of carrying out the review.

The key assumptions in deriving value in use from cash flow projections are the sales growth, EBITDA margins, discount rate applied and the long term expected growth rates for the business. Long term growth rates are set no higher than the long term economic growth projections of the countries in which the businesses operate. Management apply pre-tax discount rates in value in use estimation that reflect current market assessments of the time value of money and the risks specific to the CGUs and businesses under review. The discount rates and long term growth rates applied in the annual impairment reviews conducted in the current and prior financial period, are as follows:

	Long-term	growth rate	Discou	Discount rate		
	At 29 December At 30 Dece		At 29 December	At 30 December		
	2019	2018	2019	2018		
UK Corporate Stores	2.0%	2.0%	9.0%	8.5%		

An impairment charge of £18.7m has been recognised against the goodwill allocated to the corporate stores (2018: £nil). The impairment reduces the carrying amount of the group of CGUs to £22.0m.

The business has not been performing as well as anticipated and the Group's latest five year plan has taken this into consideration. Investments in splits have been made to improve sales volume growth in target territories through increased capacity. These investments have a payback period that exceeds the five year plan period considered for impairment purposes.

The following reasonably possible changes in key value in use estimation assumptions would impact the impairment charge as follows:

- A 100bps decrease in the discount rate would reduce the impairment by £4.0m
- A 50bps increase in the long term growth rate would reduce the impairment by £1.3m
- A 100bps increase in the five year revenue growth rate would reduce the impairment by £2.7m
- A 100bps increase in the EBITDA margin throughout the forecast period would reduce the impairment by £5.3m, with rates of food cost inflation, labour inflation, pricing increases and productivity gains underlying factors

The like for like revenue growth rate (excluding splits) assumed in the five year period is 4% and EBITDA margin assumed in the forecast period ranges from 4.1% to 6.1%. Management have taken into consideration the weaker performance of the business in the second half of the period in setting these assumptions. Revenue growth rates and EBITDA margins assumed in previous impairment reviews were higher, and the discount rate was marginally lower.

Disposal groups held for sale

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

Iceland and Switzerland

Fair value less costs of disposal of the goodwill, intangible assets and property, plant and equipment attributable to the Iceland and Switzerland disposal groups have been estimated using discounted future expected cash flow analyses. This fair value method is at Level 3 of the fair value hierarchy, as defined under IFRS 13, because it relies on significant unobservable inputs. The future expected revenue growth, EBITDA margins and capital reinvestment requirements of the businesses are key inputs, which draws on the Group's five year plan. Discount rates and long term growth rates are also key. The discount rate used for fair value less costs of disposal purposes is set so as to reflect potential buyers' pricing of the time value of money and risk.

The discount rate applied in estimating the fair value less costs of disposal for the Iceland business was 10.1% (2018: 11.4%) and for the Switzerland business was 9.9%. The discount rate used in Iceland has decreased in the current period due to decreases in risk premium as the macro-economic risk is reflected in the cashflow forecasts used. The long term growth rate applied in valuing both businesses was 2.0%.

Management have been cautious in assessing the future cash flow potential of the Switzerland business, due to historical performance against forecasts and uncertainty of the value to be realised. An impairment charge of £10.9m has been recognised in respect of the Switzerland disposal group, £2.7m recorded against intangible assets and £8.2m recorded against property, plant and equipment. This reduces the carrying value of these assets to £nil.

An impairment charge of £2.5m has been recognised against the goodwill allocated to the Iceland disposal group, reducing its carrying value to £8.4m. This modest impairment results from a mix of lower expected revenue growth and lower expected EBITDA margins in the fair value assessment done in this period relative to the impairment assessments done in prior periods under IAS 36, as a result of the lower performance of the business in 2019, the combination of which were not reasonably possible to predict previously.

The following reasonably possible changes in key fair value estimation assumptions would impact the impairment charge for the Iceland business as follows:

- A 50bps decrease in the discount rate would eliminate the impairment charge of £2.5m entirely
- A 50bps decrease in the long term growth rate would increase the impairment charge by £1.4m
- A 50bps decrease in revenue growth during the forecast period would increase the impairment by £2.1m
- A 50bps decrease in EBITDA margin throughout the forecast period would increase the impairment charge by £2.5m, with rates of food cost inflation, labour inflation, pricing increases and productivity gains underlying factors

Norway and Sweden

Fair value less costs of disposal of the goodwill, intangible assets and property, plant and equipment attributable to the Norway and Sweden disposal groups have been estimated based on either offers received for the businesses or expectations based on initial marketing. The Norway value is based on the sale and purchase agreement announced in February 2020. This fair value measurement is categorised at Level 3 of the fair value hierarchy, as defined under IFRS 13.

An impairment charge of £13.4m has been recognised in respect of the Norway disposal group, £7.9m recorded against intangible assets and £5.5m recorded against property, plant and equipment. This reduces the carrying value of these assets to £nil.

An impairment charge of £8.4m has been recognised in respect of the Sweden disposal group, £0.7m recorded against goodwill, £5.1m recorded against intangible assets and £2.6m recorded against property, plant and equipment. This reduces the carrying value of these assets to £6.0m.

Given the advanced stage of the disposal process in Norway, a material change in fair value is not considered reasonably probable. Nor is a material change in the fair value of the Sweden disposal group considered reasonably probable.

Master franchise fees

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

Standard franchise agreements

The SFAs were recognised at fair value on acquisition of the UK corporate store portfolio in 2017 and 2018 and, as reacquired assets, are being amortised over their remaining contractual life. The net book value of SFAs at 29 December 2019 is £5.1m (2018: £6.2m). The SFAs attributable to the UK corporate stores business are tested for impairment in tandem with the goodwill and other intangible assets attributable to that business, as described above.

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

6. Taxation

Tax on profit from continuing activities

	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
- current period	15.1	11.3
- adjustment in respect of prior periods	(2.0)	(0.5)
	13.1	10.8
Income tax on overseas operations	0.8	1.1
Total current income tax charge	13.9	11.9
Deferred tax:		
Origination and reversal of temporary differences	0.3	3.7
Effect of change in tax rate	(0.6)	(0.4)
Adjustment in respect of prior periods	2.2	0.2
Total deferred tax charge/(credit)	1.9	3.5
Tax charge in the income statement	15.8	15.4
The tax charge in the income statement is disclosed as follows:		
Income tax charge	15.8	15.4
Tax relating to items (charged)/credited to equity		
Reduction in current tax liability as a result of the exercise		
of share options	0.2	0.4
Origination and reversal of temporary differences in relation to unexercised share options	0.5	(0.7)
Tax (charge)/credit in the Group statement of changes in equity	0.7	(0.7)

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

The current period income tax charge for the UK of £15.1m is net of a £1.7m credit noted above. In 2018 the UK tax charge of £11.3m is net of a £4.1m credit relating to additional tax relief from Domino's Leasing Limited reducing the Group's cash tax payments in 2018 and 2019.

The deferred tax charge of £1.9m includes the £1.7m noted above together with a further charge of £0.6m arising from the write-off of deferred tax assets previously recognised for tax losses in Sweden. The deferred tax charge in 2018 of £3.5m included a £4.1m charge arising from the write-off of a deferred tax asset previously recognised in relation to the Group's leasing subsidiary, Domino's Leasing Limited and a £3.1m charge arising from the write-off of deferred tax assets previously recognised for tax losses in Norway (£2.0m) and Switzerland (£1.1m).

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

7. Earnings per share

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

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

Earnings

	52 weeks ended 29 December 2019 £m		52 weeks en	ded 30 Decen	nber 2018 £m	
	Profit/(loss) after tax for the period	controlling	Attributable to equity holders of the parent	Profit/(loss) after tax for the period	Adjust for non- controlling h interest	Attributable to equity nolders of the parent
Continuing and discontinuing operations	2.8	10.3	13.1	43.9	5.1	49.0
Less discontinued operations	56.5	(10.3)	46.2	27.8	(5.1)	22.7
Continuing operations	59.3	-	59.3	71.7	-	71.7
Adjustments for underlying earnings per share						
Continuing operations	59.3	-	59.3	71.7	-	71.7
-Included in profit after tax – other non-underlying items	21.8	-	21.8	10.9	-	10.9
Underlying profit attributable to owners of the parent	81.1	-	81.1	82.6	-	82.6

Weighted average number of shares

	At 29 December 2019 Number	At 30 December 2018 Number
Basic weighted average number of shares (excluding treasury shares)	460,355,785	474,381,014
Dilutive effect of share options and awards	3,081,964	4,930,504
Diluted weighted average number of shares	463,437,749	479,311,518

The performance conditions relating to share options granted over 5,258,208 shares (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

	52 weeks ended 29 December	52 weeks ended 30 December
Continuing operations		2018
Basic earnings per share	12.9p	15.1p
Diluted earnings per share	12.8p	15.0p
Underlying earnings per share:		
Basic earnings per share	17.6p	17.4p
Diluted earnings per share	17.5p	17.2p
Continuing and discontinued operations		
Basic earnings per share	2.8p	10.3p
Diluted earnings per share	2.8p	10.2p

Re-presentation of EPS

•	52 weeks ended 30 December 2018 £m
Profit attributable to owners of the parent	49.0
Non-underlying pre-tax items as previously presented	31.5
Non-underlying tax charge as previously presented	(1.7)
Attributable to non-controlling interests	(2.4)
Underlying profit attributable to owners of the parent as previously presented	76.4
Discontinued operations segment result	6.6
Discontinued operations tax charge	2.3
Attributable to non-controlling interest	(2.7)
Underlying profit attributable to owners of the parent re-presented	82.6
Impact of re-presentation on basic underlying earnings per share	1.3p
Impact of re-presentation on diluted underlying earnings per share	1.3p

Underlying earnings per share for the prior period has been re-presented as a result of the classification of International businesses as disposal groups held for sale and discontinued operations. The prior period trading loss for these businesses was £6.6m, on which a tax charge of £2.3m was incurred. £6.2m of this net after tax loss of £8.9m is attributable to owners of the parent and has now been excluded from underlying earnings, which increases both basic and diluted underlying earnings per share by 1.3p from the amounts presented in the prior period.

8. Dividends paid and proposed

	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2018: 5.45p (2017: 5.25p)	25.0	25.2
Interim dividend for 2019: 4.20p (2018: 4.05p)	19.3	19.1
Dividends paid	44.3	44.3
Proposed for approval by shareholders at the AGM (not recognised as a liability at 29 December 2019 or 30 December 2018)		
Final dividend for 2019: 5.56p (2018: 5.45p)	26.1	25.0

9. Financial liabilities

	At 29 December 2019 £m	At 30 December 2018 £m
Current		
Current instalments due on other loans	-	0.7
Current instalments due on finance leases	-	0.4
	-	1.1
Put option liabilities	0.9	1.4
	0.9	2.5
Share buyback obligation	-	15.8
	0.9	18.3
Non-current		
Bank revolving facility	248.1	224.5
Non-current instalments due on other loans	-	2.5
Non-current instalments due on finance leases	0.2	-
Put option liabilities	-	10.4
	248.3	237.4

The table above includes continuing and discontinued operations, within discontinued operations is a non-current finance lease liability of £0.1m and a current overdraft of £0.2m.

Banking facilities

At 29 December 2019 the Group had a total of £364.3m (2018: £359.5m) of banking facilities, of which £113.9m (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 with the option of submitting two extension notices to extend the facility twice, each by a period of twelve months. The first extension was arranged in November 2018 and extended the facility to 12 December 2023 with fees of £0.5m paid for this extension. There is an option for a second extension to extend for a further year in September 2020. Arrangement fees of £2.3m (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.

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

The facility is secured by an unlimited cross guarantee between Domino's Pizza Group plc, DPG Holdings Limited, Domino's Pizza UK & Ireland Limited, DP Group Developments Limited, DP Realty Limited, DP Pizza Limited, Pizza Pizza EHF, DP Cyco Switzerland Limited, Domino's Pizza GmbH, Sell More Pizza Limited, Sheermans Limited, Sheermans Harrow 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 & Ireland Limited, DPG Holdings Limited, and DP Pizza Limited. An ancillary overdraft is in place with Barclays Bank Plc for €5.0m (£4.3m) for Domino's Pizza UK & Ireland Limited. Interest is charged for both overdrafts at the same margin as applicable to the revolving credit facility above LIBOR (or equivalent).

Other loans

The five year amortising loan facility provided by Nordea Bank AB to DP Norway AS for NOK 50.0m maturing in November 2022 was repaid during 2019. The facility was repayable three quarterly instalments of NOK 2.1m (£0.2m) followed by a final bullet payment of NOK 21.4m (£1.8m). Interest was charged at 1.35% above three month NIBOR with quarterly commission of 0.15%. At 30 December 2018 NOK 35.4m (£3.2m) was drawn down.

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

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

Share buyback obligation

As at 29 December 2019, there is no obligation to buy back shares. 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 were recognised as a financial liability of £15.8m. The share buyback obligation was fully satisfied by 27 February 2019.

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

Put option liabilities

The Group granted put options to non-controlling interests over their remaining shareholdings in PPS Foods AB, DP Norway AS, Pizza Pizza EHF and Sell More Pizza Limited. These put option liabilities were initially recognised at the present value of the expected redemption amount and are subsequently measured based on changes to the expected redemption amount at amortised cost. The expected redemption amount of the put options are derived by reference to an estimate of the equity value of the relevant entities. As all of the entities are unquoted, the estimate of equity value is derived by estimating enterprise value, via a discounted future cashflow model, and deducting net debt. A sales multiple collar exists in the determination of enterprise value for the put options over PPS Foods AB, DP Norway AS and Pizza Pizza EHF. Changes in carrying value between reporting dates reflect changes in estimation of the equity value of the relevant entities, which are recorded as an other income or other expense, the unwinding of time value discounting of the liabilities, recorded in finance costs, and foreign exchange movements, recorded in finance costs or income.

The put options over PPS Foods AB, DP Norway AS and Pizza Pizza EHF are exercisable from 1 July 2019 to 30 June 2023. The put options over Sell More Pizza Limited were exercisable from six to 12 months after the Group's acquisition of this entity on 5 October 2017. During the prior period, put options over 44.3% of Pizza Pizza EHF lapsed as the shares were purchased by the Group. As a result of this acquisition, £26.3m of put option liabilities were derecognised during the prior period. During the prior period, put options over Sell More Pizza Limited were exercised and settled in full. The carrying value of outstanding put option liabilities at 29 December 2019 was £0.9m (2018: £11.8m).

A net income of £8.2m was recognised in the income statement in the period (2018: net cost of £3.4m), made up of £9.0m of other income (2018: £3.7m of other expense) from changes in estimation of the equity value of the relevant entities and £0.8m of net finance costs (2018: £0.3m of net finance income) from unwinding the time value discounting of the liabilities and foreign exchange movements.

10. Business combinations

Pizza Pizza EHF

On 15 January 2018, the Group acquired a further 44.3% of Pizza Pizza EHF, the business in Iceland, for consideration of ISK 3.7bn (£26.8m), increasing the proportion of voting rights and share capital to 95.3%. As a result of this acquisition, £26.3m of put option liabilities were derecognised. The non-controlling interest in Pizza Pizza EHF was adjusted by a £10.0m debit and the Other reserves relating to the initially recognised put options was adjusted by a £9.5m credit. The £0.5m variance between these amounts relates to foreign exchange movements on the initial liability previously recognised in the income statement.

On 3 July 2019, the Group received a put option exercise notice in relation to the remaining 4.7% minority interest of Pizza Pizza EHF. On 14 August 2019, the Group paid a consideration of €2.9m (£2.7m) to acquire the remaining 4.7% of Pizza Pizza EHF, at which point the subsidiary became wholly owned by the Group. The non-controlling interest in Pizza Pizza EHF was adjusted by a £0.9m debit and the Other reserve relating to the initially recognised put option was adjusted by a £19.6m credit.

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').

The Group acquired Have More Fun for a cash consideration of £7.2m and a deferred consideration, comprising a retention and working capital adjustment. A provisional working capital adjustment was estimated on acquisition, and this has since been updated in the current period. The acquisition balance sheet, shown below, was adjusted to reflect the provisional fair value adjustments. During 2019 negotiations with the seller have continued and as a result the latest position will lead to an additional payment of £0.2m, taking the total consideration to £7.4m. Discussions are continuing into 2020.

On acquisition the assets and liabilities of the business acquired were provisionally adjusted to reflect their fair values to the Group. The assets acquired included a reacquired SFA. The SFA was valued using a multi-period excess earnings approach, in which future expected revenue growth, EBITDA margin and discount rate assumptions are key factors. As a reacquired asset, the SFA is being amortised over its remaining contractual life.

The excess of total consideration over the fair value of assets and liabilities acquired is recognised as goodwill. This goodwill recognised includes certain intangible assets that cannot be separately identified and measured due to their nature, such as control over the acquired business, the skills and experience of the assembled workforce and the strategic future growth opportunities for the Group that are hoped to be achieved through the acquisition. The goodwill recognised is not deductible for tax purposes.

Have More Fun contributed £0.1m to profit before interest and tax for the 52 weeks ended 29 December 2019. A £0.1m loss was contributed to the profit before interest and tax from the acquisition date to 30 December 2018.

	Have More Fun Recognised in 2018	Have More Fun 2019 Adjustments	Have More Fun 2019 Total
	£m	£m	£m
Consideration transferred			
Cash	7.2	-	7.2
Deferred consideration	(0.9)	1.1	0.2
Total	6.3	1.1	7.4
Fair value of net assets acquired (provisional)			
Property, plant and equipment	0.7	-	0.7
Intangible assets	2.8	-	2.8
Inventories	-	-	-
Trade and other receivables	0.1	-	0.1
Total assets acquired	3.6	-	3.6
Trade and other payables	(1.0)	0.3	(0.7)
Loans	(0.3)	-	(0.3)
Provisions	-	-	-
Deferred tax liabilities	(0.6)	-	(0.6)
Total liabilities acquired	(1.9)	0.3	(1.6)
Net identifiable assets acquired at fair value	1.7	0.3	2.0
Goodwill arising on acquisition			
Consideration transferred	6.3	1.1	7.4
Fair value of net assets acquired (provisional)	(1.7)	(0.3)	(2.0)
Goodwill	4.6	0.8	5.4

11. Additional cash flow information

	52 weeks ended 29 December 2019 £m	52 weeks ended 30 December 2018 £m
Cash flows from investing activities		
Dividends received from associates and joint ventures	1.0	1.6
(Increase) in loans to associates and joint ventures	(1.5)	(5.8)
(Increase) in loans to franchisees	(0.2)	(0.3)
Receipts from repayments of franchisee leases	0.9	1.2
Other	0.2	(3.3)

Reconciliation of financing activities

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

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

Included within other loans are gross put option liabilities of £0.9m (2018: £11.8m) and share buyback liabilities of £nil (2018: £15.8m).

Purchase of own shares

	52 weeks ended	52 weeks ended 30 December 2018 £m
	29 December 2019 £m	
Purchase of own shares - share buyback	16.0	59.2
Purchase of own shares into employee benefit trust	1.4	4.4
	17.4	63.6

12. Post balance sheet events

On 13 February 2020, the Group announced, conditional on shareholder approval, it has agreed to sell its entire shareholding in DP Norway AS ("Domino's Norway" or "DPN") to Pizza Holding AS and EYJA Fjarfestingafelag III EHF, the existing minority shareholders ("Minority Shareholders") in Domino's Norway. The transaction provides a complete exit for the Group from Norway for a cash outlay of up to £7.0 million, in addition to funding DPN's losses to completion. This also facilitates an orderly exit from PPS Foods AB ("Domino's Sweden" or "DPS") in due course through the transfer of minority shareholdings in DPS to the Group as part of the transaction.