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11 August 2020

DOMINO'S PIZZA GROUP PLC

FIRST HALF RESULTS FOR THE 26 WEEKS ENDED 28 JUNE 2020

RESILIENT PERFORMANCE DURING UNPRECEDENTED TRADING CONDITIONS

	26 wks ending 28 June 2020 [7]	26 wks ending 30 June 2019 (re-presented[4])	Change
UK & Ireland System Sales[1]	£628.9m	£596.0m	5.5%
UK Like-for-Like[2] System Sales[1] growth exc. splits[5]	+4.8%	+3.9%	
Underlying EBIT[3, 7]	£51.4m	£52.8m	(2.7%)
Underlying[3, 7] Profit Before tax	£47.6m	£49.9m	(4.6%)
Underlying[3, 7] Basic EPS	8.7p	8.8p	(1.1%)
Net Debt[6]	£202.1m	£238.8m	(15.4%)
STATUTORY REPORTING			
Statutory Profit Before Tax from continuing operations	£45.8m	£40.3m	13.6%
Loss from discontinued International operations	£(19.3)m	£(9.9)m	95.0%
Statutory profit, continuing and discontinued operations	£19.0m	£22.4m	(15.2%)
Statutory Basic EPS, continuing and discontinued operations	4.4p	5.3p	(17.0%)

All commentary below is on an underlying basis unless otherwise stated

Financial highlights:

- Resilient UK & Ireland performance:
  - UK like-for-like sales excluding splits up 4.8% (3.7% including splits)
  - Ireland like-for-like sales excluding splits down 3.6% (-4.9% including splits), against a strong comparative
  - Switched off collection throughout Covid-19 lockdown period, resulting in Q2 collection orders down 87%. Q2 delivery orders increased by 22%
- Underlying UK & Ireland EBIT of £49.5m, down £2.1m or 4.1%, including £6.2m of Covid-19 related costs
- Statutory profit, including loss from discontinued International operations, £19.0m (H1 2019: £22.4m)
- Net Debt down to £202.1m, 1.75x Net Debt/EBITDA on a continuing basis and 2.03x including EBITDA from discontinued operations
- Deferred FY19 dividend of 5.56p per share, amounting to £26m in total, will now be paid on 18 September 2020 to all shareholders on the register as at 21 August 2020. The Board will review the appropriate total dividend in respect of FY20 along with our preliminary results in March 2021

Strategic highlights:

- New management team focused on providing leadership through the Covid-19 lockdown period, establishing relationships with franchisees, and commencing work on the creation of long-term strategic plan
- Throughout the period the management team did everything it could to ensure the safety of our people, franchisees and customers, by adapting our operating procedures and customer offering
- Pleased to play a small part in recognising the dedication of key workers throughout the country by funding a key worker pizza giveaway
- Worked closely with our suppliers and maintained 99.9% availability and accuracy in our supply chain operations
- Our actions have been well received and resulted in customer satisfaction reaching an all-time high
- Accelerated our evolution to a digital business, with UK online sales up 15% and App sales up 19%. UK online sales now account for 93% of delivery sales
- Disposal of our Norwegian business successfully completed on 22 May; an important milestone in our ongoing International disposal process

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

"I am pleased to report a resilient first half performance. Throughout these unprecedented times we have focused on doing the right thing for our customers, colleagues, franchisees and communities. We view it as a privilege to have been able to stay open throughout the period. I have been hugely impressed by the hard work, dedication and agility of our colleagues and our franchisee partners to keep Domino's delivering, and I would like to say a big thank you to the entire team.

"We have an amazing brand, an exceptional supply chain, highly experienced franchisee partners and a dynamic and responsive model. The relationship with our franchisees is challenging and this situation dates back several years. Although I expect this to take some time to resolve, our performance during the period is a great demonstration of what we can achieve when we work together. Fundamentally our interests are aligned and I am hopeful that the long-term strategic plan we are currently working on will pave the way forward for a more constructive working relationship to the benefit of all parties.

"The macroeconomic, consumer and competitive backdrop for the second half of the year contain considerable uncertainties. Our system demonstrated responsiveness and agility in meeting the challenges presented through the lockdown period, although that did come at some inevitable and, in certain areas considerable, incremental costs. While trading in the first few weeks of the second half has been encouraging, it is too early to conclude on how consumer behaviour will evolve. We look forward to the remainder of the financial year, and to the long-term future of the business, with confidence in the strength of the brand and our operations."

[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 includes significant non-recurring items or items directly related to merger and acquisition activity and related instruments
[4] Results for H1 2019 have been re-presented to exclude International operations of Norway, Sweden, Iceland and Switzerland which are treated as 'discontinued operations'
[5] Excluding splits excludes the impact of split stores, by removing donor stores from the like-for-like calculation
[6] Net Debt is defined as the bank revolving facilities, cash and cash equivalents and other loans, including balances held in disposal groups held for sale
[7] Results for H1 2020 include the impact of IFRS 16. Comparatives have not been restated

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Results webcast

Dominic Paul, CEO, and Neil Smith, Interim CFO will be presenting the results and hosting a Q&A session. This will be webcast live at 9.30am, with an on-demand playback available soon afterwards.

To join the full webcast (live and on demand) of the presentation please register at:

https://www.investis-live.com/dominos/5f1ef3ac503c070c0010fd2c/dasd

About Domino's Pizza Group

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK, the Republic of Ireland, Switzerland, Sweden, Iceland and Liechtenstein, and have associate investments in Germany and Luxembourg. As at 28 June 2020, we had 1,192 stores in the UK and Ireland.

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

CEO Dominic Paul's first impressions of the business

The strength of the system

Joining a business during such an unprecedented period is not without its challenges, however it has also given me the opportunity to quickly become fully immersed in the system. The strength of our supply chain and our franchisee operations are exceptional, and this has been demonstrated throughout the Covid-19 period. I have been impressed with how quickly our colleagues and our franchisees have adapted our new ways of working, and it has been a privilege to have remained open throughout.

Trading safely through the Covid-19 pandemic

Our overarching priority was to ensure that we did everything possible to keep our colleagues, franchisees and customers safe, and we made difficult decisions in order to achieve this, for example switching off collection orders, rationalising our menu and changing how our supply chain services stores. Internally we united behind three priorities: 1) keep serving our customers and look after our people; 2) build brand preference and help our communities; and 3) come together with our franchisees. We made investments and incurred costs to ensure that we traded safely and supported our franchisees, and whilst that impacted our first half profitability it was undoubtedly the right thing to do. Our performance during this period is a great demonstration of what we can achieve when we work together and I am delighted to report that customer satisfaction is now running at an all-time high. We are also proud that no colleagues were furloughed and no UK government loan assistance was sought.

The relationship with our franchisees

It is well-publicised that we have a challenging relationship with our franchisee partners, and this situation dates back several years. Whilst we firmly believe that providing a running commentary on the situation is not in any stakeholders' interests, we do appreciate that this is at the forefront of many investors' minds. We are working hard to build constructive relationships with our franchisees to regain trust, through being open and transparent at all times. We firmly believe that it is in all parties' best interests to find a solution to this long-running situation. Aligning our way of working together will allow us to change our focus from our internal disagreements to instead driving growth and beating our competition.

Assessing the long-term strategy to re-ignite UK and Ireland growth

At the heart of aligning our ways of working together with our franchisees is the creation of a long-term strategic plan. We have commenced work on this and are involving franchisees throughout the process. The work is wide-ranging, assessing our future growth avenues, the optimal way to gain alignment with franchisees, our internal capabilities, our digital strategy, how we use data and insights in our decision making, and the optimal capital allocation for our business.

First half summary, outlook and returns to shareholders

First half summary

UK and Ireland underlying EBIT was £49.5m, down 5.6% from the prior year. This decline was primarily due to Covid-19 related costs of £6.2m to ensure we operated safely. The result also includes £0.9m of benefit from the implementation of IFRS 16. The contribution from our joint ventures in the UK was £1.9m (H1 2019: £1.2m), with UK and Ireland underlying EBIT before joint ventures and associates of £47.6m, down 5.7%. We reported an underlying profit of £1.9m from our minority stake in the German associate (H1 2019: £1.3m).

Following the decision in October 2019 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 £37.5m system sales (H1 2019: £49.8m) and a trading loss of £7.3m (H1 2019: loss of £7.6m). This includes a trading loss of £3.3m in Norway prior to its disposal on 22 May 2020. The disposal of Norway incurred costs of £10.8m, including transaction costs, with cash costs of £6.4m.

Statutory profit after tax, including discontinued and continued activities, was £19.0m, down on £22.4m in the prior year primarily due to the loss on disposal of Norway. Underlying basic EPS decreased slightly from 8.8p to 8.7p as a result of the underlying EBIT decrease. Statutory EPS from continuing and discontinued operations declined to 4.4p from 5.3p, driven by losses from the discontinued International operations and the loss on the disposal of Norway.

Free cash flow was £46.9m (H1 2019: £20.7m), and net debt decreased by 15.4% from £238.8m to £202.1m, driven by both the reversal of the working capital outflow experienced at the end of 2019 and no dividend payments during the period.

Current trading and outlook

Trading in the first few weeks of the second half has been encouraging. This trading performance has been assisted by the vast majority of our estate now having reopened for contact-free collection, the return of Premier League football, an increase in UK staycations and more recently the VAT reduction on hot food, which has enabled our franchisees to sharpen their local deals. With lockdown restrictions easing, our incremental Covid-19 related costs are declining and we expect approximately £2m of such costs in the second half, all of which will be in the supply chain. This compares to £6.2m of Covid-19 related costs in the first half.

The macroeconomic, consumer and competitive backdrop for the second half of the year contain considerable uncertainties and it is too early to conclude on how consumer behaviour will evolve. We look forward to the remainder of the financial year, and to the long-term future of the business, with confidence in the strength of the brand and our operations.

Returns to shareholders

The Board recognises the importance of dividends to shareholders. In late March, we took the very difficult decision to suspend the proposed FY19 final dividend, given the significant uncertainty around the Covid-19 situation and its impact on our performance at that time. We have worked hard to ensure that we have remained open throughout this period, and the Board believes it is appropriate at this time to reinstate our planned payment. We will therefore pay the deferred FY19 final dividend, of 5.56p, equating to a total cost of £26m, on 18th September 2020 to all shareholders on the register as at 21st August 2020.

There remains considerable uncertainty ahead, including the risk of a second lockdown and an expected decline in consumer spending. Given this backdrop, the Board believes it is important to maintain balance sheet resilience and we are therefore not proposing an additional interim dividend payment at this time. The Board will review the appropriate total dividend in respect of FY20 along with our preliminary results in March 2021.

Operational changes necessary to trade through the Covid-19 period

Moving to contact free delivery only

At the start of the lockdown period, we moved quickly to ensure the business continued to trade safely, switching to entirely contact free delivery and stopping customer collections. These decisions were made in collaboration with franchisees in order to ensure that store colleagues could operate in a safe environment. For context, in 2019, collection accounted for 21% of sales and 31% of orders. The LFL sales figures reported have not been adjusted for stopping collection orders; the performance of our delivery business during lockdown was therefore significant, more than offsetting the lack of collection business at a sales level. At an order count level, although we saw a very significant acceleration of delivery orders, up 23% in the lockdown period, this did not fully offset the lack of collection orders, and total orders therefore declined by 11% in this period. For the first half of the year, delivery orders increased by 12% and collection orders declined by 44%, resulting in total orders declining 5%.

When lockdown restrictions began to ease, we started to reintroduce collection orders, on a contact free basis. This was driven by each individual store and franchisee. Our stores in Ireland reopened relatively quickly for collection, with all stores offering the service by the beginning of July. In the UK we saw a more gradual re-adoption of collection, with the vast majority of stores now open for contact free collection. As expected and previously guided, collection demand is currently running below prior levels as consumers and businesses have yet to return to pre-lockdown habits.

Menu rationalisation

Working together with our franchisees, we rationalised our menu, to enable store colleagues to work safely and maintain appropriate social distancing in store. Pizza customisation, stuffed crust and other products with operational complexity were removed from the menu. This rationalisation was the right thing to do but will have dampened demand and also had some negative impact on our margins. We experienced a change in customer behaviour, with a higher proportion of sides and desserts sold resulting in more items per delivered order being sold. These generated additional sales but did impact the margin achieved through our supply chain.

With lockdown easing we have been gradually reintroducing menu items, and are pleased to now have stuffed crust, the cheeseburger pizza and chicken wings back on our menus.

Adapting our supply chain operations

Our supply chain is the backbone of the Domino's system in the UK and Ireland, delivering fresh dough and ingredients to every store three or four times a week. We were very pleased with the performance of our supply chain operations throughout the Covid-19 period, and through the first half we achieved 99.9% availability and accuracy. We worked very closely with our supplier base to maintain service levels and rapidly sourced new items from new suppliers such as masks, perspex screens, store signage and contact free delivery boxes.

We made significant changes across our supply chain operations, in order to keep our colleagues safe and maintain our service levels to stores. These changes include re-routing all store deliveries to stop two-person deliveries, changing our supply chain shift patterns to ensure all stores were closed during restocking and social distancing could be maintained at our supply chain centres, and paying salary premiums. Combined, the cost of the changes to our supply chain operations in the first half was £2.1m, the vast majority of which was incurred in Q2.

The monthly run rate of Covid-19 related costs have declined since we entered the second half, however we still expect to incur some incremental costs through the remainder of the year; this assumes no further national lockdowns. We are working hard to drive efficiencies in our processes to mitigate these costs but our internal planning assumption is that we may incur up to £2.0m in additional Covid-19 costs in our supply chain operations in the second half.

Supporting our franchisees

Throughout the Covid-19 period we worked closely with our franchisees, demonstrating the inherent strength of our system when we all work together. We significantly increased communication with franchisees, running a number of working groups to enable us to quickly make decisions, and hosting a weekly webinar with all franchisees in order to share best practice and information.

As the master franchisor we chose to incur the costs for some items needed to ensure safe operations, including initial orders of face masks and contactless boxes. The cost to our business from these actions was £3.4m in the first half. We expect to incur minimal incremental Covid-19 related costs in this area in the second half. We also reduced the National Advertising Fund ("NAF") fee from 4% to 2%, for a ten-week period, to further support franchisees.

Our franchisees also benefited from cash flow timing changes, as we took quick action to accelerate payment dates and defer some property rents. Outside of the system, franchisees benefited from the national business rate freeze and the deferral of VAT payments.

Community support

Throughout the lockdown period we have viewed remaining open as a privilege and not a right and it has been an important priority for us to support our colleagues and our communities through this difficult time. We launched a Partners Foundation, which will provide grants to any colleague, either working directly for us or for our franchisees, in times of hardship. We made a direct contribution to this fund, and all Board members also donated 20% of their salaries for a three-month period into the fund.

To support our communities we ran a pizza giveaway for key workers across the country, in addition to many franchisees' individual activities. The cost to us, together with the launch of our Partners Foundation, totalled £0.7m. We expect to incur minimal incremental Covid-19 related costs in this area in the second half.

Sales performance

As we entered the Covid-19 lockdown period, at the end of Q1, we saw our sales performance from delivery grow rapidly with an increase in delivery order count and a growth in items per order and therefore average ticket. This increase in sales from delivery, of 30% in Q2, more than offset the impact of switching off collection, with total LFL sales growing by 4.2% in Q2, an acceleration from 2.2% in Q1. At an order count level however we saw an overall decline in Q2, of 11.3%, with the 22.4% increase in delivery orders more than offset by the lack of collection orders. Items per order grew strongly in Q2, by 18.6%, due to both a 7.6% increase in delivery items per order and the lack of collection orders, which on average have fewer items per order than delivery. These dynamics are clear to see in the table shown below, which has been included to help understanding of the pattern of trading during the period.

UK & Ireland	**LFL inc splits year-on-year growth**					**Total (All stores)**	
	Sales	**Orders**	**Items per order**	**Product mix**	**Price**	**Orders (m)**	**YOY order growth**
Total							
Q1	2.2%	(0.6%)	1.4%	0.5%	0.9%	17.5	1.8%
Q2	4.2%	(13.3%)	18.6%	(2.2%)	1.0%	15.1	(11.3%)
H1	3.2%	(6.9%)	9.3%	(0.3%)	1.0%	32.6	(4.7%)
Delivery only							
Q1	3.9%	0.4%	1.3%	0.9%	1.3%	12.4	2.5%
Q2	30.1%	19.6%	7.6%	4.6%	(1.7%)	14.4	22.4%
H1	16.9%	9.9%	4.4%	2.6%	0.0%	26.9	12.3%

Our UK business, which accounts for 95% of system sales, performed strongly driven by delivery order count and ticket growth, particularly in Q2, as described above. Our business in Ireland is a much smaller part of the Group, accounting for 5% of system sales, and the relatively small size of our Irish business means that sales are inherently more volatile. We saw a weaker performance in Ireland, against a strong comparative. Ireland entered lockdown earlier than the UK and we saw a more pronounced impact on consumer spending. Ireland was also disproportionately impacted by stopping cash payments and, outside of Dublin, by the switch off of collection. When lockdown restrictions eased, we quickly reintroduced collection, including car-side collection, and we have seen an improvement in trading as a result.

The LFL performance of both our UK and Ireland businesses are shown in the table below.

	Q1 31 Dec 2019 to 29 March 2020	**Q2** 30 March to 28 June 2020	**H1** 31 Dec 2019 to 28 June 2020
UK			
LFL inc. splits	2.8%	4.7%	3.7%
LFL exc. Splits	4.0%	5.6%	4.8%
Ireland			
LFL inc. splits	(3.3)%	(6.6)%	(4.9)%
LFL exc. Splits	(1.7)%	(5.4)%	(3.6)%
UK & Ireland combined			
LFL inc. splits	2.2%	4.2%	3.2%
LFL exc. Splits	3.5%	5.2%	4.3%

Digital performance

The Covid-19 lockdown period has accelerated our evolution to a truly digital business, in our ways of working, our decision making and our customer engagement. Online sales in the UK grew 15% in H1 to represent 89% of system sales, or 93% of total delivery sales. Our App continues to be the driving force of our digital efforts. During the half, sales generated through the App grew 19% year-on-year, and the App now represents 39% of system sales, or 44% of all online sales. Our online performance was particularly strong during Q2, which effectively represented the Covid-19 lockdown period. In Q2, online sales were up 22% and App sales growth was 26%.

Online traffic to our sites doubled at the start of the lockdown period. This increase in traffic, combined with significant changes in our operations, meant that we needed to quickly mobilise our technology teams to ensure updates could be developed and implemented, and customer demand serviced. As an example, our teams completed over 40 system releases in just ten days.

In addition to supporting and improving our online experience, we have continued to develop the next iteration of our App and remain on track to trial this in the Autumn. This will make it even easier for customers to find deals, further simplify the navigation and enhance the look and feel.

Brand

The strength of the Domino’s brand is a key differentiator for us. We increased the frequency in which we measure customer regard for the brand through market and customer surveys during the Covid-19 period. We saw customer satisfaction increase to all-time highs and are pleased this performance has continued since restrictions have eased. We also saw that brand reputation has been further enhanced through the half because of the actions we have taken.

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

As lockdown restrictions have begun to lift we have focused marketing activity on the re-opening of contact free collection and the reinstatement of key menu items. We have also positioned the brand around the return of the Premier League and have launched a new TV campaign targeted at the increased number of people expected to stay at home this summer enjoying a Staycation.

In June we launched a trial of two Vegan-friendly pizzas, Vegan Vegi Supreme and Vegan Margherita, across 46 stores. This followed a year of development work on a new vegan dough and our own vegan cheese alternative. Initial customer response has been very encouraging, and we therefore plan to launch these two new products in the Autumn.

New store openings

In the first half there were eight new store openings, all in the UK. All of these stores were franchised, by seven different franchisees. One store opened during the lockdown period itself. In total the store estate at the end of the first half stood at 1,192 (UK: 1,138; Ireland: 54).

Corporate stores

We directly operate 36 stores in the London area, with no new stores opening in the first half, in line with our plans at the start of the year. London, where our corporate store estate is located, was disproportionately affected by the Covid-19 lockdown, with a significant reduction in footfall and greater bias towards collection orders. This resulted in corporate store revenue in the first half of £15.4m, down 0.1%, with LFL sales excluding splits down 6.5%. LFL sales excluding splits were up 0.6% in Q1 and down 12.7% in Q2. The EBITDA of corporate stores was £0.3m, compared to £0.4m in H1 2019. EBITDA has been impacted significantly by lost sales during the Covid-19 period along with additional labour costs incurred as we made the decision to pay our store teams a salary supplement whilst working during the height of the lockdown period. Outside of this Covid-19 impact, costs have been well controlled and in line with our expectations.

We benefited from running our own stores both during the lockdown period and as restrictions eased, as it allowed us the chance to trial operational changes in our own stores first, before sharing our learnings with our franchisees. Trials included optimal ways to ensure social distancing for store colleagues and the launch of both contact free delivery and collection.

Franchisee profitability

Based on the unaudited data submitted to us by franchisees, average store EBITDA for all UK stores in the first half was approximately £85k, equivalent to a 16% EBITDA margin. This compares to £69k or 13% in the first half of 2019. At the franchisee level, taking into account a franchisees' total store estate together with their central costs, average EBITDA margin was c.12%, compared to c.10% in the first half of last year. There continues to be a wide range of EBITDA margins achieved both at a store and franchisee level.

Franchisees have worked exceptionally hard to keep serving customers through the period and have also benefitted from a ten-week reduction in NAF contributions from 4% to 2%, as we tactically chose to reduce marketing spend over the short-term. NAF contributions have now reverted to their previous level, which allows us to invest in the brand in order to compete and drive growth in the second half of the year.

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

Our share of post-tax underlying profits from our German associate was £1.9m (H1 2019: £1.3m). Performance has improved versus last year driven by profit from the commissary and lower head-office costs, which more than offset lower profit from franchising.

International – Discontinued operations

In October 2019, the Board announced that we would exit these markets in an orderly manner and seek different 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 Covid-19 pandemic has impacted the performance of our international businesses, and is also likely to result in the disposal processes taking more time than previously anticipated. Our focus is to minimise and, wherever possible, prevent the drain on cash flow from our international businesses.

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

Total non-underlying charges arising from international operations were as follows.

£m	H1 2020		H1 2019	
	System sales	EBIT	System sales	EBIT
Iceland	15.1	0.5	18.1	1.1
Norway	9.3	(3.3)	19.5	(4.1)
Switzerland	9.7	(1.4)	10.0	(1.7)
Sweden	3.4	(2.4)	2.2	(1.8)
Central costs	-	(0.7)	-	(1.1)
Trading result from discontinued operations	**37.5**	**(7.3)**	**49.8**	**(7.6)**
Finance costs and taxation		(1.2)		-
Loss on disposal of Norway		(10.8)		-
International impairments		-		(2.2)
Total charge from discontinued operations		**(19.3)**		**(9.8)**

Total system sales from consolidated discontinued International operations were £37.5m, compared to £49.8m in the first half last year. On a constant currency basis system sales were down 10%. We made a trading loss of £7.3m, compared to £7.6m in H1 2019. This includes a trading loss from Norway prior to its disposal of £3.3m.

The Norway transaction resulted in a loss on disposal of £10.8m, including £1.6m of other costs associated with the Norway disposal. These costs, together with the trading losses of all international operations, resulted in a total loss from discontinued operations of £19.3m (H1 2019: £9.8m loss).

In Iceland we currently have 24 stores (25 at the end of H1 2019), however only 22 have been open since the outbreak of the pandemic. Iceland's performance was significantly impacted by Covid-19, which reduced local demand and affected the Icelandic economy given that it is highly dependent on tourism.

In Switzerland we currently have 20 stores (21 at the end of H1 2019). Covid-19 led to a significant reduction in average weekly orders, which was partially offset by an increase in average ticket as carry out and dine-in were temporarily stopped. Seven stores were closed during the lockdown and two have since been permanently closed.

In Sweden we currently have 14 stores (9 at the end of H1 2019). Following completion of the Norwegian transaction we now own 100% of this business. Performance in Sweden has also been affected by Covid-19 although our mature stores recorded year-on-year sales growth throughout the first half.

FY20 Guidance

For the year as a whole, we expect:

- Underlying Depreciation & Amortisation of £15m to £16m, including a c.£5m increase as a result of IFRS 16
- Underlying Interest (excluding foreign exchange movements) of £6m to £7m
- Underlying Effective Tax rate of c.19% for the full year
- UK and Ireland capital expenditure of £20m to £25m. This is lower than the initial level guided at the start of the year, as the Covid-19 lockdown resulted in needing to pause our major capex projects. We have since recommenced the building of our Scottish supply chain facility and our extension to our facility in Naas in Ireland

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 H1 2019 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 4 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 H1 2019 has not been reclassified.

IFRS 16

During the period, the Group has adopted IFRS 16 Leases for the first time. The Group has adopted a modified retrospective approach to application, and therefore comparatives have not been restated.

IFRS 16 impacts the treatment of our property and equipment leases, and our lease receivables with franchisees. The impact of the change in accounting standard on the income statement for H1 2020 for our continuing operations in UK and Ireland is set out below:

	Pre-IFRS 16 £m	IFRS 16 impact £m	Post-IFRS 16 £m
Revenue	259.4	(12.5)	246.9
Cost of Sales	(142.5)	10.8	(131.7)
Distribution costs	(16.3)	1.0	(15.3)
Admin costs	(53.9)	1.6	(52.3)
Share of JVs and associates	3.8	-	3.8
EBIT	**50.5**	**0.9**	**51.4**
Finance income	0.8	6.4	7.2
Finance expense	(3.9)	(7.1)	(11.0)
Net finance costs	**(3.1)**	**(0.7)**	**(3.8)**
Profit before tax	**47.4**	**0.2**	**47.6**
EBIT	**50.5**	**0.9**	**51.4**
Depreciation and amortisation	5.4	2.7	8.1
EBITDA	**55.9**	**3.6**	**59.5**

Overall EBIT has increased by £0.9m as a result of the implementation, with a benefit to profit before tax of £0.2m. Across the income statement, the movements are more significant. Statutory revenue has decreased as income on property lease agreements has been de-recognised, and the increases in cost of sales and other cost categories represent the removal of lease charges and replacement with depreciation.

Within finance costs, whilst the net impact is an increase of £0.7m, there is a significant gross increase to both finance income and expense. The finance income represents the interest unwind of our lease receivables with franchisees, and the expense represents the interest unwind of the liability under our lease contracts.

At an EBITDA level, the increase of £3.6m is as a result of the treatment of directly leased assets being depreciated through EBIT rather than recognised as rental costs.

Given the small size of the impact at an EBIT level, movements are discussed including the impact of IFRS 16 in the H1 2020 figures, compared to excluding the impact of IFRS 16 in the H1 2019/FY 2020 numbers. Where impacts are considered significant these have been explained.

IFRS 16 has also been adopted in our discontinued operations, and the impact on profit before tax is an increase of £0.2m.

Group revenue

Group revenue, consisting of UK and Ireland revenues following the reclassification of the International business, decreased by 1.1% to £246.9m, including a £12.5m reduction due to the impact of IFRS 16. If the impact of IFRS 16 is excluded, revenue increased by 4%. The drivers of revenue growth continued to be sales growth within the franchisee system, which drives increased food and royalty revenues.

Profit before interest and taxation

UK and Ireland underlying EBIT was £49.5m, down 4.1% from the prior year, driven by Covid-19 related costs. The contribution from our joint ventures in the UK was £1.9m (H1 2019: £1.2m), with UK and Ireland underlying EBIT before joint ventures and associates of £47.6m, down 5.6%. As a percentage of system sales, total underlying UK and Ireland EBIT margin as a percentage of system sales was 7.9% (H1 2019: 8.7%).

Statutory profit before interest and tax from continuing operations was £49.7m, up from £43.6m in the first half of 2019. Underlying profit before interest and tax was £51.4m (H1 2019: £52.8m), with net non-underlying items totalling a loss before interest and tax of £1.7m, compared to a loss in H1 2019 of £9.2m. These costs are itemised in full in note 5 and are summarised below:

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m
Other international disposal costs	(0.6)	-
UK & Ireland strategic review	(0.2)	-
Contribution to NAF and eCommerce funds	-	(7.1)
German associate store conversion costs	(0.3)	(2.5)
Amortisation of London corporate stores	(0.6)	(0.5)
Put option revaluations	-	0.9
Total non-underlying items before interest and taxation	(1.7)	(9.2)

Net non-underlying items for the period before interest and tax excluding discontinued operations totalled £1.7m. These costs are itemised in full in note 4 and summarised below:

- **International disposal costs***:* In the 26 weeks ended 28 June 2020, costs of £0.6m were incurred in relation to the disposal of other international operations, consisting mainly of professional fees paid to advisors in ongoing marketing of the operations. The costs related to the disposal have been treated as non-underlying as the purchase and sale of subsidiaries is not considered to be part of our ordinary course of business.
- **UK & Ireland strategic review:** Costs of £0.2m have been incurred in relation to professional fees in relation to our long-term strategy to re-ignite UK and Ireland growth. We expect these fees to continue in the second half of the year.
- **German associate store conversion costs:** Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £0.3m (H1 2019: £2.5m, FY 2019: £2.8m) which relate to the conversion of the Hallo Pizza stores 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 previously adopted for Dolly Dimple's stores in Norway.
- **Amortisation of London corporate stores:** During the period amortisation of acquired intangibles of £0.6m (H1 2019: £0.5m, FY 2019: £1.0m) was incurred in relation to the Standard Franchise Agreement ("SFA") recognised on the acquisition of the London corporate stores in 2017 and Have More Fun (London) Limited in 2018. 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.

Interest

Net underlying interest expense in the period was £3.8m, a £0.9m increase year-on-year. This primarily relates to £0.7m interest costs due to implementation of IFRS 16. There were also additional interest costs on the revolving credit facility, due to an additional draw down of the facility at the start of the Covid-19 period, to provide us with additional flexibility should this be required. This additional draw down was partially repaid at 28 June 2020, and has now been fully repaid. Statutory interest expense was £3.9m (H1 2019: £3.3m) after non-underlying interest and foreign exchange movements relating to income on the Market Access Fee of £0.1m (H1 2019: £0.4m) and charges relating to the put options in H1 2019 of £0.7m.

Taxation
The underlying effective tax rate for the first half was 16.2%, which is lower than the UK statutory rate due to the impact of prior year adjustments. Excluding these items, the UK and Ireland underlying effective tax rate is 18.4% (H1 2019: 18.7%). The statutory effective tax rate excluding discontinued operations is 16.4% (H1 2019: 20.0%). 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 £38.3m, an increase from £32.2m in H1 2019. After inclusion of the loss from discontinued operations of £19.3m (H1 2019: £9.8m), the overall profit for the period was £19.0m (H1 2019: £22.4m).

Earnings per share
Underlying basic EPS decreased to 8.7p from 8.8p as a result of the underlying profit decrease, partially offset by a reduction in corporation tax and increased finance costs. Statutory EPS declined to 4.4p from 5.3p, with an increase in profit after tax more than offset by losses from discontinued operations, including £10.8m related to the loss on disposal of Norway.

Free cash flow and net debt

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 (restated) £m
Underlying EBITDA	59.5	57.6
Discontinued operations EBITDA	(4.3)	(5.2)
Add back non-cash items		
- Share of profits/losses of associates and JV’s	(3.8)	(2.4)
- Other non-cash items	(0.4)	(0.3)
Working capital	17.2	(22.2)
IFRS 16 – net lease payments	(8.4)	-
Dividends received	1.5	0.5
Net interest	(1.2)	(2.9)
Corporation tax	(11.3)	(4.1)
Other	0.2	0.2
Free cash flow before non-underlying cash items	**49.0**	**21.2**
Non-underlying cash	(2.1)	(0.5)
Free cash flow	**46.9**	**20.7**
Capex	(7.1)	(11.8)
Funding to/from German associate	1.6	(1.4)
Disposals	(6.4)	-
Dividends	-	(25.0)
Share purchases	0.4	(17.4)
Movement in net debt	**35.4**	**(34.9)**
Opening net debt	(232.6)	(203.2)
Forex on RCF	(4.9)	(0.7)
Closing net debt	**(202.1)**	**(238.8)**
Last 12 months net debt/EBITDA ratio from continuing operations	**1.75x**	**2.06x**
Last 12 months net debt/EBITDA ratio from continuing and discontinued operations	**2.03x**	**2.20x**

The above table represents the cash flows and the net debt of the Group and includes both continued and discontinued operations. The net debt of continued operations is £(206.5)m and discontinued operations is £4.4m.

Free cash flow in the table above has been restated for the 26-week period ended 30 June 2019 from £8.9m to £20.7m due to the removal of capex from the free cash flow definition. Capex is now shown as a utilisation of free cash flow.

Overall Group net debt decreased from £232.6m at 30 December 2019 to £202.1m, primarily due to the suspension of the FY 2019 dividend, together with favourable working capital movements of £17.2m due to timing changes, as previously guided, partially offset by higher tax payments of £11.3m and payment on disposal of Norway of £6.4m.

Underlying EBITDA was £59.5m (H1 2019: £57.6m) with discontinued operations EBITDA of a loss of £4.3m (H1 2019: £5.2m).

Free cash flow was an inflow of £46.9m (H1 2019 £20.7m), which consists of an inflow of £51.8m in our UK business and an outflow of £4.9m in our International business.

The Group experienced a working capital inflow of £17.2m (H1 2019: £22.2m outflow) in the period which primarily consisted of an inflow of £21m due to a change in a payment timing at the end of 2019, a £1.2m reduction in inventory levels and improved international working capital of £1.8m. This was partially offset by a £7.0m reduction in creditors as a result of seasonal fluctuations, in line with the usual pattern at the half year. These seasonal fluctuations and timing of rent payments are expected to largely reverse in the second half of the year.

Dividends received relates to amounts received from our UK joint venture and associates. The net interest cash outflow of £1.2m (H1 2019: £2.9m) has decreased year-on-year due to the timing of drawdowns and related interest payments.

Non-underlying cash paid of £2.1m relates mainly to international business disposal costs.

Capital expenditure in the period was £7.1m, lower than both previous guidance and the prior year as the Covid-19 lockdown meant that we needed to pause some of our major capex projects. Work and spending on these projects have now largely resumed.

Funding from our German associate of £1.6m (H1 2019: payment of £1.4m) represents the return of funding in 2020; we do not expect any further funding requests in the second half.

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

Capital employed and balance sheet

	At 28 June 2020 £m	At 29 December 2019 £m
Intangible assets	35.3	34.5
Property, plant and equipment	85.2	84.8
Right-of-use assets	19.7	-
Lease receivables	205.9	-
Investments, associates and joint ventures	44.6	42.9
Market Access Fee	7.9	7.1
Deferred consideration	5.5	5.7
Lease liabilities	(227.7)	-
Provisions	(14.0)	(15.5)
Working capital	(2.2)	16.5
Net debt (continuing operations)	(206.5)	(237.3)
Put options	-	(0.9)
Tax	(2.2)	(6.9)
Within assets and liabilities held for sale	30.6	27.8
Net (liabilities) / assets	**(17.9)**	**(41.3)**

Intangible assets have increased from £34.5m to £35.3m as a result of additions of £3.7m partially offset by amortisation of £3.0m. There have been no further impairments since the 2019 year end.

Property, plant and equipment has increased from £84.8m to £85.2m, largely as additions of £2.3m offset by depreciation of £3.0m.

Right of use assets of £19.7m represents the lease assets for our corporate stores, warehouses and equipment leases recognised under IFRS 16 in the current period. Lease receivables of £205.9m represents a financial receivable for the leases we hold with franchisees, where we are the lessor.

Investments, associates and joint ventures represents our investment in the German associate and our investment in Full House and West Country in the UK, which are treated as associates and joint ventures respectively, as well as our investment in Shorecal. 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 increased from £7.1m to £7.9m as a result of the net of 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 H2 2018 and deferred consideration recognised on the Have More Fun investment in H2 2018.

The lease liability of £227.7m represents the amounts payable under leases, either for our own leases or for franchisee leases where we lease the property from the landlord, and then sub lease to a franchisee.

Working capital has increased from an asset of £16.5m to a liability of £2.2m as a result of the factors outlined in the cashflow section above.

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

Tax liabilities have decreased from £6.9m to £2.2m this is mainly as a result of the change in legislation over timing of corporation tax payments.

Total equity has improved by £23.4m from a net liability position of £41.3m to £17.9m largely due to the profits for the period not being offset by any dividend payment. There are sufficient distributable reserves in the standalone accounts of Domino's Pizza Group plc for the proposed dividend payment.

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

We ended the half year with net debt of £202.1m, giving us a leverage ratio of 1.75x from continuing operations, and 2.03x 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

26 weeks ended 28 June 2020

	Notes	**26 weeks ended 28 June 2020 £m**			26 weeks ended 30 June 2019 (restated) £m			52 weeks ended 29 December 2019 £m		
		Underlying	**Non-underlying**	**Total**	Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
Revenue	3	246.9	-	246.9	249.6	-	249.6	508.3	-	508.3
Cost of sales		(131.7)	-	(131.7)	(133.2)	-	(133.2)	(273.5)	-	(273.5)
Gross profit		**115.2**	**-**	**115.2**	**116.4**	**-**	**116.4**	**234.8**	**-**	**234.8**
Distribution costs		(15.3)	-	(15.3)	(15.5)	-	(15.5)	(30.9)	-	(30.9)
Administrative costs		(52.3)	(1.4)	(53.7)	(50.5)	(7.6)	(58.1)	(103.5)	(9.5)	(113.0)
Other expenses		-	-	-	-	-	-	-	(20.8)	(20.8)
Share of post-tax profits of associates and joint ventures		3.8	(0.3)	3.5	2.4	(2.5)	(0.1)	4.9	(2.8)	2.1
Other income		-	-	-	-	0.9	0.9	-	9.2	9.2
Profit/(loss) before interest and taxation		**51.4**	**(1.7)**	**49.7**	**52.8**	**(9.2)**	**43.6**	**105.3**	**(23.9)**	**81.4**
Finance income		7.2	-	7.2	0.7	-	0.7	0.8	0.8	1.6
Finance costs		(11.0)	(0.1)	(11.1)	(3.6)	(0.4)	(4.0)	(7.3)	(0.6)	(7.9)
Profit/(loss) before taxation		**47.6**	**(1.8)**	**45.8**	**49.9**	**(9.6)**	**40.3**	**98.8**	**(23.7)**	**75.1**
Taxation	6	(7.7)	0.2	(7.5)	(9.4)	1.3	(8.1)	(17.7)	1.9	(15.8)
Profit/(loss) for the period from continuing operations		**39.9**	**(1.6)**	**38.3**	**40.5**	**(8.3)**	**32.2**	**81.1**	**(21.8)**	**59.3**
Loss from discontinued operations	4	-	(19.3)	(19.3)	-	(9.8)	(9.8)	-	(56.5)	(56.5)
Profit/(loss) for the period		**39.9**	**(20.9)**	**19.0**	**40.5**	**(18.1)**	**22.4**	**81.1**	**(78.3)**	**2.8**
Profit/(loss) attributable to:										
- Equity holders of the parent		39.9	(19.5)	20.4	40.5	(16.0)	24.5	81.1	(68.0)	13.1
- Non-controlling interests		-	(1.4)	(1.4)	-	(2.1)	(2.1)	-	(10.3)	(10.3)
Profit/(loss) for the period		**39.9**	**(20.9)**	**19.0**	**40.5**	**(18.1)**	**22.4**	**81.1**	**(78.3)**	**2.8**
Earnings per share										
From continuing operations										
– Basic (pence)	7	8.7		8.3	8.8		7.0	17.6		12.9
– Diluted (pence)	7	8.6		8.2	8.7		6.9	17.5		12.8
From continuing and discontinued operations (statutory)										
– Basic (pence)	7			4.4			5.3			2.8
– Diluted (pence)	7			4.4			5.3			2.8

* Results for the 26 weeks ended 30 June 2019 have been restated to reflect the re-presentation of International operations as discontinued as set out in note 4.

Group statement of comprehensive income

26 weeks ended 28 June 2020

	Notes	**26 weeks ended 28 June 2020 £m**	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Profit for the period		**19.0**	**22.4**	**2.8**
Other comprehensive income/(expense):				
Items that may be subsequently reclassified to profit or loss:				
– Exchange loss on retranslation of foreign operations		(3.9)	(2.9)	(1.5)
– Transferred to income statement	12	(1.9)	-	-
Other comprehensive expense for the period, net of tax		(5.8)	(2.9)	(1.5)
Total comprehensive income for the period		**13.2**	**19.5**	**1.3**
Total comprehensive income attributable to				
– Equity holders of the parent		14.2	21.8	11.7
– Non-controlling interests		(1.0)	(2.3)	(10.4)

Group balance sheet

At 28 June 2020

	Notes	**28 June 2020 £m**	30 June 2019 £m	29 December 2019 £m
Non-current assets				
Intangible assets		35.3	102.7	34.5
Property, plant and equipment	9	85.2	110.1	84.8
Right-of-use assets	10	19.7	-	-
Lease receivables	10	192.6	-	-
Trade and other receivables		21.4	37.9	37.1
Other financial asset	14	7.9	9.3	7.1
Investments	14	11.1	11.0	10.5
Investments in associates and joint ventures	11	33.5	29.9	32.4
Deferred consideration		5.7	5.7	5.7
Deferred tax asset		-	0.9	-
		412.4	307.5	212.1
Current assets				
Lease receivables	10	13.3	-	-
Inventories		11.8	15.0	13.0
Trade and other receivables		44.5	51.9	62.0
Assets held for sale		58.3	-	55.7
Deferred consideration		-	0.9	-
Cash and cash equivalents	18	77.9	11.5	11.1
		205.8	79.3	141.8
Total assets		**618.2**	**386.8**	**353.9**
Current liabilities				
Lease liabilities		(17.6)	-	-
Trade and other payables		(79.8)	(85.4)	(85.4)
Liabilities held for sale		(27.7)	-	(27.9)
Financial liabilities	13	-	(5.8)	(0.9)
Deferred and contingent consideration		(0.2)	-	(0.2)
Current tax liabilities		(1.0)	(9.9)	(5.8)
Provisions		(2.5)	(4.3)	(2.7)
		(128.8)	(105.4)	(122.9)
Non-current liabilities				
Lease liabilities		(210.1)	-	-
Trade and other payables		(0.1)	(10.5)	(10.1)
Financial liabilities	13	(284.4)	(256.1)	(248.3)
Deferred tax liabilities		(1.2)	(5.9)	(1.1)
Provisions		(11.5)	(12.9)	(12.8)
		(507.3)	(285.4)	(272.3)
Total liabilities		**(636.1)**	**(390.8)**	**(395.2)**
Net (liabilities)/assets		**(17.9)**	**(4.0)**	**(41.3)**
Shareholders' equity				
Called up share capital		2.4	2.4	2.4
Share premium account		36.7	36.7	36.7
Capital redemption reserve		0.5	0.5	0.5
Capital reserve – own shares		(3.6)	(7.7)	(4.5)
Currency translation reserve		(10.3)	(5.4)	(4.1)
Other reserves		-	(25.1)	(5.5)
Retained earnings		(43.6)	(2.8)	(55.1)
Total equity shareholders' funds		**(17.9)**	**(1.4)**	**(29.6)**
Non-controlling interests		-	(2.6)	(11.7)
Total equity		**(17.9)**	**(4.0)**	**(41.3)**

Group statement of changes in equity

26 weeks ended 28 June 2020

	Notes	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 30 December 2018		**2.4**	**36.7**	**0.5**	**(6.4)**	**(2.7)**	**(25.1)**	**(2.6)**	**2.8**	**(0.3)**	**2.5**
Profit for the period		-	-	-	-	-	-	24.5	24.5	(2.1)	22.4
Other comprehensive income – exchange differences		-	-	-	-	(2.7)	-	-	(2.7)	(0.2)	(2.9)
Total comprehensive income for the period		-	-	-	-	(2.7)	-	24.5	21.8	(2.3)	19.5
Share buybacks		-	-	-	(1.4)	-	-	(16.0)	(17.4)	-	(17.4)
Share buyback obligation satisfied		-	-	-	-	-	-	15.8	15.8	-	15.8
Impairment of share issues		-	-	-	0.1	-	-	(0.1)	-	-	-
Share options and LTIP charge		-	-	-	-	-	-	0.1	0.1	-	0.1
Tax on employee share options		-	-	-	-	-	-	0.5	0.5	-	0.5
Equity dividends paid		-	-	-	-	-	-	(25.0)	(25.0)	-	(25.0)
At 30 June 2019		**2.4**	**36.7**	**0.5**	**(7.7)**	**(5.4)**	**(25.1)**	**(2.8)**	**(1.4)**	**(2.6)**	**(4.0)**
Loss for the period		-	-	-	-	-	-	(11.4)	(11.4)	(8.2)	(19.6)
Other comprehensive income – exchange differences		-	-	-	-	1.3	-	-	1.3	0.1	1.4
Total comprehensive income for the period		-	-	-	-	1.3	-	(11.4)	(10.1)	(8.1)	(18.2)
Impairment of share issues		-	-	-	3.2	-	-	(3.2)	-	-	-
Share options and LTIP charge		-	-	-	-	-	-	0.5	0.5	-	0.5
Tax on employee share options		-	-	-	-	-	-	0.2	0.2	-	0.2
Repurchase of equity from dividend equivalent employee share awards		-	-	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Increase in interest in a subsidiary	12	-	-	-	-	-	19.6	(18.6)	1.0	(1.0)	-
Equity dividends paid		-	-	-	-	-	-	(19.3)	(19.3)	-	(19.3)
At 29 December 2019		**2.4**	**36.7**	**0.5**	**(4.5)**	**(4.1)**	**(5.5)**	**(55.1)**	**(29.6)**	**(11.7)**	**(41.3)**
Change in accounting policy	2	-	-	-	-	-	-	(2.5)	(2.5)	-	(2.5)
Restated at 30 December 2019		**2.4**	**36.7**	**0.5**	**(4.5)**	**(4.1)**	**(5.5)**	**(57.6)**	**(32.1)**	**(11.7)**	**(43.8)**
Profit for the period		-	-	-	-	-	-	20.4	20.4	(1.4)	19.0
Other comprehensive income – exchange differences		-	-	-	-	(6.2)	-	-	(6.2)	0.4	(5.8)
Total comprehensive income for the period		-	-	-	-	(6.2)	-	20.4	14.2	(1.0)	13.2
Proceeds from share issues		-	-	-	0.4	-	-	-	0.4	-	0.4
Impairment of share issues		-	-	-	0.5	-	-	(0.5)	-	-	-
Share options and LTIP charge		-	-	-	-	-	-	0.5	0.5	-	0.5
Tax on employee share options		-	-	-	-	-	-	0.5	0.5	-	0.5
Increase in interest in a subsidiary	12	-	-	-	-	-	2.4	(4.6)	(2.2)	2.2	-
Disposal of interest in a subsidiary	12	-	-	-	-	-	3.1	(2.3)	0.8	10.5	11.3
Equity dividends paid		-	-	-	-	-	-	-	-	-	-
At 28 June 2020		**2.4**	**36.7**	**0.5**	**(3.6)**	**(10.3)**	**-**	**(43.6)**	**(17.9)**	**-**	**(17.9)**

Group cash flow statement

26 weeks ended 28 June 2020

	Notes	**26 weeks ended 28 June 2020 £m**	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Cash flows from operating activities				
Profit before interest and taxation				
- from continuing operations		49.7	43.7	81.4
- from discontinued operations		(18.1)	(9.9)	(56.2)
Amortisation and depreciation		9.7	8.8	18.8
Impairment		1.8	2.2	54.6
Profit on disposal of non-current assets		-	-	(0.5)
Loss on disposal of subsidiary		9.2	-	-
Share of post-tax (profits)/losses of associates and joint ventures		(3.4)	0.1	(2.1)
Net (gain)/loss on financial instruments at fair value through profit or loss		-	-	2.1
Increase/(decrease) in provisions		(1.0)	0.5	3.9
Share option and LTIP charge		0.5	0.1	0.6
Revaluation of put option liability		-	(0.9)	(9.0)
(Increase)/decrease in inventories		1.2	(6.6)	(7.3)
Decrease/(increase) in receivables		26.6	4.9	(14.3)
(Decrease)/increase in payables		(9.9)	(15.9)	2.3
Cash generated from operations		**66.3**	**27.0**	**74.3**
UK corporation tax paid		(11.1)	(3.8)	(13.1)
Overseas corporation tax paid		(0.2)	(0.3)	(1.0)
Net cash generated by operating activities		**55.0**	**22.9**	**60.2**
Cash flows from investing activities				
Purchase of property, plant and equipment		(3.3)	(8.6)	(14.1)
Purchase of intangible assets		(3.8)	(3.2)	(9.3)
Proceeds from sale of property, plant and equipment		-	-	1.6
Consideration paid on disposal of subsidiary		(6.4)	-	-
Investment in joint ventures and associates		0.8	(0.7)	(1.5)
Interest received		0.4	0.3	0.6
Other	18	2.4	-	0.2
Net cash used by investing activities		**(9.9)**	**(12.2)**	**(22.5)**
Cash (outflow)/inflow before financing		**45.1**	**10.7**	**37.7**
Cash flows from financing activities				
Interest paid		(1.7)	(3.2)	(6.3)
Issue of Ordinary share capital		-	-	-
Consideration received/(paid) on sale/(purchase) of own shares		0.4	(17.4)	(17.4)
Repurchase of equity from dividend equivalent employee share awards		-	-	(0.5)
New bank loans and facilities drawn down		105.3	74.7	186.0
Repayment of borrowings		(74.1)	(53.1)	(160.9)
Receipts on lease receivables		8.7	-	-
Repayment of lease liabilities		(17.1)	-	-
Increase in ownership interest in a subsidiary		-	-	(2.7)
Equity dividends paid		-	(25.0)	(44.3)
Net cash generated/(used) by financing activities		**21.5**	**(24.0)**	**(46.1)**
Net increase/(decrease) in cash and cash equivalents		**66.6**	**(13.3)**	**(8.4)**
Cash and cash equivalents at beginning of period		16.0	24.8	24.8
Foreign exchange gain on cash and cash equivalents		0.1	-	(0.4)
Cash and cash equivalents at end of period	18	**82.7**	**11.5**	**16.0**

Notes to the Group interim report

26 weeks ended 28 June 2020

1. General information

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

2. Basis of preparation

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

The interim results for the 26 weeks ended 28 June 2020 and the comparatives to 30 June 2019 are unaudited but have been reviewed by the auditors. A copy of their review report has been included at the end of this report.

The financial information for the 52 weeks ended 29 December 2019 has been extracted from the Group financial statements for that period. These published financial statements were reported on by the auditors without qualification or an emphasis of matter reference and did not include a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

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

Going concern

The interim financial information has been prepared on the going concern basis. This is considered appropriate, given the financial resources of the Group including the current position of banking facilities, together with long-term contracts with its master franchisor, its franchisees and its key suppliers.

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

The Directors of the Group have considered the future position based on current trading and a number of potential downside scenarios which may occur, either through further Covid-19 related impacts, general economic uncertainty or other risks. This assessment has considered the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks. The Group has a £350.0m multicurrency syndicated revolving credit facility which matures in October 2023, of which £63.7m was undrawn at 28 June 2020. The Group had cash funds of £82.7m as at 28 June 2020.

The scenarios modelled are based on our current forecast projections out to the end of 2021. The first scenario considers the downside impact of economic uncertainty over the forecast period, reflected in sales performance, with a c.5% reduction in LFL sales compared to forecast for a sustained period through the remainder of 2020 and into 2021, and base 2021 system sales being flat to our 2020 budget without Covid-19 related sales increases. This scenario also includes the impacts of Brexit related tariffs without any pass through in pricing. The second scenario, considered severe but plausible, includes these economic impacts and also includes further Covid-19 related risks, including two potential local outbreaks within our SCC centres impacting our ability to supply stores for a period of three weeks each, further restrictions in the UK and Ireland leading to similar levels of costs experienced in the first half of 2020 and disruption to one of our key suppliers impacting our supply chain over a period of five weeks whilst alternate sourcing is secured. Mitigating actions are included in the form of delayed capital expenditure and future dividends, together with cost reductions. Under all scenarios there remains significant cash headroom on the revolving credit facility, with more restricted headroom under the covenant requirements of the facility.

Based on this assessment, the Directors have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

Accounting policies and new standards

The consolidated accounts for the 52 weeks ended 29 December 2019 were prepared in accordance with IFRS as adopted by the EU. The accounting policies applied by the Group are consistent with those disclosed in the Group's Annual Report and Accounts for the 52 weeks ended 29 December 2019, except for new standards and interpretations effective for the first time for the reporting period.

New standards and interpretations - IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 30 December 2019, the first day of the 52 week financial period ending 27 December 2020. IFRS 16 replaces IAS 17, and provides a single lease accounting model. For leases where the Group is a lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases. Right-of-use assets and lease liabilities are recognised, with the depreciation of right-of-use assets presented separately from the unwinding of discount on lease liabilities. For leases where the Group is lessor and the freehold is also held within the Group, rental income continues to be recognised as before.

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

The Group performed an impact assessment of adopting IFRS 16, which involved collating information on lease obligations and contractual arrangements across the Group. This data was then used to compare the impact of the new standard under its different transitional options. The Group decided to select the modified retrospective approach to transition. The Group has elected to apply the transition exemptions proposed by IFRS 16 for leases of low value assets. For certain right-of-use asset categories, primarily our equipment leases, the Group has also elected to apply the transition exemptions for leases with terms ending within 12 months of the date of initial application. Under the modified retrospective approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 30 December 2019. There are two options for measuring right-of-use assets under the modified retrospective approach: by measuring the asset as if IFRS 16 had been applied since lease commencement; or by measuring the asset at an amount equal to the lease liability on the date of transition, adjusted by the amount of any prepaid or accrued lease payments. The Group has elected to measure the asset at an amount equal to the lease liability on the date of transition.

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

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

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

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

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

	26 weeks ended 28 June 2020 £m
Depreciation expense as reported under IFRS 16	(2.7)
Net operating lease expense as reported under IAS 17	3.6
Net impact on profit before interest and tax	**0.9**
Finance income	6.4
Finance costs	(7.1)
Income tax expense	0.1
Impact on profit after tax	**0.3**

Under IFRS 16, the Group's profit before interest and tax has increased, while its interest expense has also increased, leading to a net increase in profit after tax. Under the transition approach selected, comparative information in the income statement has not been restated. We estimate the impact on the 2019 results to be broadly consistent with the impact in 2020.

Earnings per share includes the impact of IFRS 16 in the current period. This has increased underlying EPS measures for continuing operations, both basic and diluted, by 0.1p. On a statutory basis from continuing operations, basic EPS has increased by 0.1p, with no impact on diluted EPS. Including both continuing and discontinued operations, basic EPS has not been impacted however diluted EPS has increased by 0.1p.

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

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

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

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

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

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

3. 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 remains separately reported.

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

	At 28 June 2020 £m	At 30 June 2019 £m	At 29 December 2019 £m
Deferred tax asset	-	0.9	-
Cash and cash equivalents	77.9	11.5	11.1
Unallocated assets	**77.9**	**12.4**	**11.1**
Current tax liabilities	1.0	9.9	5.8
Deferred tax liabilities	1.2	5.9	1.1
Bank revolving facility	284.4	247.2	248.1
Unallocated liabilities	**286.6**	**263.0**	**255.0**

Segment assets and liabilities

	26 weeks ended 28 June 2020				26 weeks ended 30 June 2019				52 weeks ended 29 December 2019			
	UK & Ireland £m	International-continuing £m	International -discontinued £m	**Total £m**	UK & Ireland £m	International -continuing £m	International -discontinued £m	Total £m	UK & Ireland £m	International -continuing £m	International - discontinued £m	Total £m
Segment assets												
Segment current assets	69.6	-	58.3	127.9	54.6	-	13.2	67.8	75.0	-	55.7	130.7
Segment non-current assets	367.8	-	-	367.8	191.1	-	74.6	265.7	169.2	-	-	169.2
Investment in associates and joint ventures	12.0	21.5	-	33.5	11.2	18.7	-	29.9	11.5	20.9	-	32.4
Investments	11.1	-	-	11.1	11.0	-	-	11.0	10.5	-	-	10.5
Unallocated assets				77.9				12.4				11.1
Total assets				**618.2**				**386.8**				**353.9**
Segment liabilities												
Liabilities	321.8	-	27.7	349.5	103.7	-	24.1	127.8	112.3	-	27.9	140.2
Unallocated liabilities				286.6				263.0				255.0
Total liabilities				**636.1**				**390.8**				**395.2**

Non-current assets, current assets and liabilities in the International segment in 2020 include the assets and liabilities of the disposal groups held for sale.

Segmental performance for the 26 weeks 28 June 2020

	UK & Ireland £m	International - continuing £m	**Total underlying £m**	Non-underlying £m	**Total reported £m**	International - discontinued £m	**Total including discontinued operations £m**
Revenue							
Sales to external customers	246.9	-	**246.9**	-	**246.9**	38.0	**284.9**
Segment revenue	**246.9**	**-**	**246.9**	**-**	**246.9**	**38.0**	**284.9**
Results							
Underlying segment result before associates and joint ventures	47.6	-	**47.6**	(1.4)	**46.2**	(18.1)	**28.1**
Share of profit of associates and joint ventures	1.9	1.9	**3.8**	(0.3)	**3.5**	-	**3.5**
Segment result	**49.5**	**1.9**	**51.4**	**(1.7)**	**49.7**	**(18.1)**	**31.6**
Other non-underlying items							
Other income	-	-	**-**	-	**-**	-	**-**
Profit/(loss) before interest and taxation	**49.5**	**1.9**	**51.4**	**(1.7)**	**49.7**	**(18.1)**	**31.6**
Net finance costs	(3.8)	-	**(3.8)**	(0.1)	**(3.9)**	(0.4)	**(4.3)**
Profit before taxation	**45.7**	**1.9**	**47.6**	**(1.8)**	**45.8**	**(18.5)**	**27.3**
Taxation	(7.7)	-	**(7.7)**	0.2	**(7.5)**	(0.8)	**(8.3)**
Profit/(loss) for the year	**38.0**	**1.9**	**39.9**	**(1.6)**	**38.3**	**(19.3)**	**19.0**
Effective tax rate	16.9%	-	**16.2%**	11.1%	**16.4%**	4.3%	**30.4%**
Other segment information							
Depreciation	5.6	-	**5.6**	-	**5.6**	1.2	**6.8**
Amortisation	2.5	-	**2.5**	0.5	**3.0**	-	**3.0**
Impairment	-	-	**-**	-	**-**	1.8	**1.8**
Total depreciation and amortisation	**8.1**	**-**	**8.1**	**0.5**	**8.6**	**3.0**	**11.6**
EBITDA	57.6	1.9	**59.5**	(1.2)	**58.3**	(15.1)	**43.2**
Underlying EBITDA	57.6	1.9	**59.5**	-	**59.5**	(4.3)	**55.2**
Capital expenditure	6.1	-	**6.1**	-	**6.1**	1.0	**7.1**
Share-based payment charge	0.5	-	**0.5**	-	**0.5**	-	**0.5**
Revenue disclosures							
Royalties, franchise fees and change of hands fees	32.8	-	**32.8**	-	**32.8**	0.3	**33.1**
Sales to franchisees	170.8	-	**170.8**	-	**170.8**	1.2	**172.0**
Corporate store income	15.4	-	**15.4**	-	**15.4**	36.4	**51.8**
Rental income on leasehold and freehold property	0.4	-	**0.4**	-	**0.4**	-	**0.4**
National Advertising and eCommerce income	27.5	-	**27.5**	-	**27.5**	0.1	**27.6**
Total segment revenue	**246.9**	**-**	**246.9**	**-**	**246.9**	**38.0**	**284.9**

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

Segmental performance for the 26 weeks ended 30 June 2019 (restated)

	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	249.6	-	249.6	-	249.6	46.0	295.6
Segment revenue	249.6	-	249.6	-	249.6	46.0	295.6
Results							
Underlying segment result before associates and joint ventures	50.4	-	50.4	(7.6)	42.8	(9.8)	33.0
Share of profit of associates and joint ventures	1.2	1.2	2.4	(2.5)	(0.1)	-	(0.1)
Segment result	51.6	1.2	52.8	(10.1)	42.7	(9.8)	32.9
Other non-underlying items							
Other income	-	-	-	0.9	0.9	-	0.9
Profit/(loss) before interest and taxation	51.6	1.2	52.8	(9.2)	43.6	(9.8)	33.8
Net finance costs	(2.9)	-	(2.9)	(0.4)	(3.3)	-	(3.3)
Profit before taxation	48.7	1.2	49.9	(9.6)	40.3	(9.8)	30.5
Taxation	(9.4)	-	(9.4)	1.3	(8.1)	-	(8.1)
Profit/(loss) for the year	39.3	1.2	40.5	(8.3)	32.2	(9.8)	22.4
Effective tax rate	19.3%	-	18.8%	13.5%	20.0%	-	26.6%
Other segment information							
Depreciation	2.4	-	2.4	-	2.4	2.4	4.8
Amortisation	2.4	-	2.4	1.6	4.0	-	4.0
Impairment	-	-	-	-	-	2.2	2.2
Total depreciation and amortisation	4.8	-	4.8	1.6	6.4	4.6	11.0
EBITDA	56.4	1.2	57.6	(7.6)	50.0	(5.2)	46.8
Underlying EBITDA	56.4	1.2	57.6	-	57.6	(5.2)	52.4
Capital expenditure	7.5	-	7.5	-	7.5	4.3	11.8
Share-based payment charge	0.1	-	0.1	-	0.1	-	0.1
Revenue disclosures							
Royalties, franchise fees and change of hands fees	31.7	-	31.7	-	31.7	0.5	32.2
Sales to franchisees	162.0	-	162.0	-	162.0	0.6	162.6
Corporate store income	15.5	-	15.5	-	15.5	44.9	60.4
Rental income on leasehold and freehold property	12.5	-	12.5	-	12.5	-	12.5
National Advertising and eCommerce income	27.9	-	27.9	-	27.9	-	27.9
Total segment revenue	249.6	-	249.6	-	249.6	46.0	295.6

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

Segmental performance for the 52 weeks ended 29 December 2019

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

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

4. 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 co-ordinated plan to dispose.

All operations were previously treated within underlying results for the 26 weeks ended 30 June 2019 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 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:

	26 weeks ended 28 June 2020			26 weeks ended 30 June 2019			52 weeks ended 29 December 2019		
	Total trading result	**Non-underlying costs**	**Total result from discontinued operations**	Total trading result	Non-underlying costs	Total result from discontinued operations	Total trading result	Non-underlying costs	Total result from discontinued operations
				£m	**£m**	**£m**	£m	£m	£m
Revenue	38.0	-	38.0	46.0	-	46.0	92.5	-	92.5
Cost of sales	(30.3)	-	(30.3)	(34.7)	-	(34.7)	(71.7)	-	(71.7)
Gross profit	**7.7**	**-**	**7.7**	**11.3**	**-**	**11.3**	**20.8**	**-**	**20.8**
Distribution costs	(0.4)	-	(0.4)	(0.4)	-	(0.4)	(0.8)	-	(0.8)
Administrative costs	(14.6)	(1.6)	(16.2)	(18.5)	-	(18.5)	(40.8)	-	(40.8)
Other expenses	-	(9.2)	(9.2)	-	(2.2)	(2.2)	-	(35.4)	(35.4)
Loss before interest and taxation	**(7.3)**	**(10.8)**	**(18.1)**	**(7.6)**	**(2.2)**	**(9.8)**	**(20.8)**	**(35.4)**	**(56.2)**
Net Finance Expense	(0.4)	-	(0.4)	-	-	-	-	-	-
Loss before taxation	**(7.7)**	**(10.8)**	**(18.5)**	**(7.6)**	**(2.2)**	**(9.8)**	**(20.8)**	**(35.4)**	**(56.2)**
Taxation	(0.8)	-	(0.8)	-	-	-	(0.3)	-	(0.3)
Loss for the period	**(8.5)**	**(10.8)**	**(19.3)**	**(7.6)**	**(2.2)**	**(9.8)**	**(21.1)**	**(35.4)**	**(56.5)**

Segmental result by country

Loss before interest and tax	Iceland	Switzerland	Norway	Sweden	International central costs	Total trading result
	£m	£m	£m	£m	£m	£m
26 weeks ended 28 June 2020	**0.5**	**(1.4)**	**(3.3)**	**(2.4)**	**(0.7)**	**(7.3)**
26 weeks ended 30 June 2019	1.1	(1.7)	(4.1)	(1.8)	(1.1)	(7.6)
52 weeks ended 29 December 2019	1.7	(5.4)	(11.3)	(4.0)	(1.8)	(20.8)

Non-underlying costs presented in discontinued operations

In the 26 weeks ended 28 June 2020, non-underlying costs presented in discontinued operations relate to the disposal of Norway. This consisted of £9.2m loss on disposal, after accounting for the net assets disposed, minority interest and foreign exchange recycled and consideration paid, as set out in Note 12. Non-underlying costs also includes £1.6m of professional fees associated with the disposal of Norway.

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

In the 26 weeks ended 30 June 2019 non-underlying costs presented in discontinued operations relate to impairments of International operations recorded in other expenses of £2.2m.

In the 52 weeks ended 29 December 2019, non-underlying costs presented in discontinued operations relate to impairments of International operations recorded in other expenses of £35.2m in 2019 and, £0.2m of costs associated with disposal of the legacy Germany operations in 2019. These costs are explained as follows:

Impairments

No impairments have been recorded against the international operations in the 26 weeks ended 28 June 2020.

In 2019, a total impairment of £35.2m was recorded over the Group's International operations, on a fair value less cost to dispose basis following classification as disposal groups held for sale. This consisted of an impairment of the Norway operations of £13.4m, Iceland of £2.5m, Sweden of £8.4m and Switzerland of £10.9m. In Norway, the impairment of £13.4m reduced the asset base of the operations to £nil as a result of the announced transaction, and was recorded over intangible assets of £7.9m and tangible assets of £5.5m. In Iceland, the impairment of £2.5m was recorded over the goodwill held, and the impairment review was performed based on forecast cash flow projections from the entity, taking account of current macro-economic conditions and our expectations of fair value. In Sweden, an impairment of £8.4m was recorded to reduce the asset base to the likely value to be realised through any disposal transaction, and was recorded against goodwill £0.7m, intangible assets £5.1m and tangible assets £2.6m. In Switzerland, the impairment recorded of £10.9m reduced the asset base to £nil. Whilst we consider value may be realised through sale, the performance of the business, in particular during the second half of 2019, and the uncertainty around future cash flows means that we took a cautious approach to the impairment calculation. The impairment was recorded against intangible assets £2.7m and tangible fixed assets £8.2m. Our view continues to be that value may be realised through sale, but the same cautious approach has been applied in the 26 weeks ended 28 June 2020.

In the 26 weeks ended 30 June 2019, a total impairment of £2.2m was recorded over the Group's operations in Norway £1.2m and Switzerland £1.0m. For Norway, the impairment was recorded against intangible assets (£0.6m) and tangible assets (£0.6m). For Switzerland, the impairment was recorded over intangible assets (£0.2m) and tangible assets (£0.8m).

Restatement of income statement

Classification of the International operations as discontinued operations has led to a re-presentation of the income statement for the 26 weeks ended 30 June 2019. The impact of the restatement has been set out below:

	26 weeks ended 30 June 2019 £m		
	As previously reported	Removal of discontinued operations	**As restated**
Revenue	295.6	(46.0)	249.6
Cost of sales	(167.9)	34.7	(133.2)
Gross profit	**127.7**	**(11.3)**	**116.4**
Distribution costs	(15.9)	0.4	(15.5)
Administration costs	(76.6)	18.5	(58.1)
Other expenses	(2.2)	2.2	-
Share of post-tax profits of associates and joint ventures	(0.1)	-	(0.1)
Other income	0.9	-	0.9
Profit before interest and taxation	**33.8**	**9.8**	**43.6**
Net finance costs	(3.3)	-	(3.3)
Profit before taxation	**30.5**	**9.8**	**40.3**
Taxation	(8.1)	-	(8.1)
Profit for the period	**22.4**	**9.8**	**32.2**

Earnings per share

The discontinued operations contributed a basic loss per share of 3.9p (FY 2019: 10.1p) and a diluted loss per share of 3.8p (FY 2019: 10.0p).

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

Cash flows from (used in) discontinued operations

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

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Net cash from operating activities	(3.3)	(5.9)	(10.7)
Net cash from investing activities	(1.1)	(4.3)	(8.3)
Net cash from financing activities	7.6	8.8	19.4
Net cash flows for the year	**3.2**	**(1.4)**	**0.4**

Disposal groups held for sale

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

	26 weeks ended 28 June 2020 £m	52 weeks ended 29 December 2019 £m
Goodwill and Intangible assets	30.1	31.9
Property, plant and equipment	7.3	8.0
Right-of-use asset	11.7	-
Trade and other receivables	2.5	8.4
Inventories	1.9	2.5
Cash and cash equivalents	4.8	4.9
Assets held for sale	**58.3**	**55.7**
Lease liabilities	12.5	-
Trade and other payables	8.5	16.7
Financial liabilities	0.4	0.2
Current tax liabilities	1.4	0.9
Deferred tax liabilities	4.9	5.1
Provisions	-	5.0
Liabilities held for sale	**27.7**	**27.9**

5. Items excluded from non-GAAP measures

	Note	**26 weeks ended 28 June 2020 £m**	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Included in administrative costs:				
International business disposal costs	(a)	(0.6)	-	(0.5)
UK & Ireland strategic plan	(b)	(0.2)	-	-
Amortisation of London corporate stores	(c)	(0.6)	(0.5)	(1.0)
Contribution to eCommerce fund	(d)	-	(7.1)	(7.1)
Legal and advisory costs	(e)	-	-	(0.9)
		(1.4)	(7.6)	(9.5)
Included in other expenses:				
Market Access Fee	(f)	-	-	(2.1)
Corporate stores impairment	(g)	-	-	(18.7)
		-	**-**	**(20.8)**
Included in share of post-tax profits of associates and joint ventures				
German associate store conversion costs	(h)	(0.3)	(2.5)	(2.8)
Included in other income				
Put option revaluations	(i)	-	0.9	9.0
UK supply chain transformation	(j)	-	-	0.2
Included in profit before interest and taxation		**(1.7)**	**(9.2)**	**(23.9)**
Included within net finance cost				
Market Access Fee	(f)	(0.1)	0.3	1.0
Put option revaluation	(i)	-	(0.7)	(0.8)
Included in profit before taxation		**(1.8)**	**(9.6)**	**(23.7)**
Taxation	(k)	0.2	1.3	1.9
Included in profit for the period from continuing operations		**(1.6)**	**(8.3)**	**(21.8)**
Loss for the year from discontinued operations	(l)	(19.3)	(9.8)	(56.5)
Included in profit/(loss) for the year		**(20.9)**	**(18.1)**	**(78.3)**

a) International business disposal costs

Costs of £0.6m were incurred in the current period (FY 2019: £0.5m) in relation to the disposal of international operations (excluding Norway), consisting mainly of professional fees paid to advisors in ongoing marketing of the operations. The costs related to the disposals have been treated as non-underlying as the purchase and sale of subsidiaries is not considered to be part of our ordinary course of business.

b) UK & Ireland strategic plan

Costs of £0.2m have been incurred in relation to professional fees in relation to our long-term strategic plan to reignite UK & Ireland growth. We expect these fees to continue in the second half of the year.

c) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £0.6m (H1 2019: £0.5m, FY 2019: £1.0m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores in 2017 and Have More Fun (London) Limited in 2018. This is considered to be non-underlying as the Group has a policy of franchise agreements having an indefinite life, however the SFA is deemed to be a re-acquired right under IFRS 3 which requires such rights to be amortised.

d) *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 April 2019, the Group announced to franchisees that the Group would be making a further immediate contribution of £7.1m into the eCommerce fund. This contribution represented further accelerated amortisation on the legacy platform of £1.1m and an additional one-off contribution of £6.0m to forgive part of the Fund deficit, in recognition of the increased cost of the new platform, and was recorded in the 52 weeks ended 29 December 2019. This, together with the £2.9m contribution in 2018, completes the Group's overall investment in the eCommerce fund of £10.0m.

No further costs associated with the contribution have been recorded in the current period.

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.

e) Legal and advisory costs

During the 52 weeks ended 29 December 2019, costs of £0.9m were incurred in relation to one-off advisory fees in relation to corporate structuring.

f) Market Access Fee

During the 52 weeks ended 29 December 2019, a loss of £2.1m was recorded following changes in fair valuation of the Market Access Fee relating to the German associate. No change in value has been recorded in the 26 weeks ended 28 June 2020. The decrease in 2019 was 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 £0.1m represents the unwind of the discount of the fair value and foreign exchange movements (29 December 2019: Loss of £1.0m). 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.

g) Corporate stores impairment

In the 52 weeks ended 29 December 2019, an impairment of £18.7m was recorded over the goodwill acquired from the acquisition of Sell More Pizza Limited in 2017 and Have More Fun (London) Limited in 2018. No impairment has been recorded in the 26 weeks ended 28 June 2020. In 2019 the operations were valued based on a Value in Use model, using forecast cash flow projections. Due to the poor performance of the operations in the second half of 2019, management reassessed the future profitability of the operations.

The impairment of £18.7m in 2019 was the result of weaker performance of corporate stores in the second half of 2019, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate. This was against the backdrop of very limited headroom in the prior year calculation. The five-year forecast period used in calculating the impairment was also shorter than our expected payback for store splits. The impact of the Covid-19 lockdown in the current period is considered to be temporary in nature and not indicative of impairment further to that recognised in 2019.

h) German associate store conversion costs

Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £0.3m (H1 2019: £2.5m, FY 2019: £2.8m) which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the German associate in January 2018. 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.

i) Put option revaluations

In the 52 weeks ended 29 December 2019, net income of £8.2m was recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden. This represented £9.0m income of valuation movement recorded in other income and £0.8m cost presented in net finance costs representing the unwind of the discounting of the options and foreign exchange movements.

Following the disposal of the Norway operations, the put options have been extinguished, therefore no further movements have been recorded in the 26 weeks ended 28 June 2020.

j) UK supply chain transformation

In the 52 weeks ended 29 December 2019, income of £0.2m was recorded in other income, being the net of additional expenses incurred in disposal of the Penrith facility of £0.3m offset by income of £0.5m following sale of the facility. No further costs or income have been incurred in the current period.

k) Taxation

The tax credit of £0.2m (H1 2019: credit of £1.3m, FY 2019: credit of £1.9m) relates to the non-underlying net loss before taxation of £1.8 m (H1 2019: £9.6m, FY 2019: £23.7m) and the effective tax rate of 11.1% (H1 2019: 13.5%, FY 2019: 8.0%) is less than the statutory rate of 19.0% (H1 2019: 19.0%, FY 2019: 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.

l) *Loss on discontinued operations*

The loss of £19.3m (H1 2019: £9.8m, FY 2019: £56.5m) represents the post-tax result of the International operations of Norway, Switzerland, Sweden and Iceland. The result and rationale for classification is set out in note 4.

6. Taxation

Tax on profit from continuing activities

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 (restated) £m	52 weeks ended 29 December 2019 £m
Tax charged in the income statement			
Current income tax:			
UK corporation tax:			
– current period	7.8	7.9	15.1
– adjustment in respect of prior periods	(1.4)	(0.2)	(2.0)
	6.4	7.7	13.1
Income tax on overseas operations	0.2	0.2	0.8
Total current income tax charge	6.6	7.9	13.9
Deferred tax:			
Origination and reversal of temporary differences	0.4	0.2	0.3
Effect of change in tax rate	0.2	-	(0.6)
Adjustment in respect of prior periods	0.3	-	2.2
Total deferred tax charge/(credit)	0.9	0.2	1.9
Tax charge in the income statement	**7.5**	**8.1**	**15.8**
The tax charge in the income statement is disclosed as follows:			
Income tax charge			
Tax relating to items (charged)/credited to equity			
Reduction in current tax liability as a result of the exercise of share options	-	-	0.2
Origination and reversal of temporary differences in relation to unexercised share options	0.4	0.5	0.5
Rate change differences in relation to deferred tax on unexercised share options	0.1	-	-
Tax (charge)/credit in the Group statement of changes in equity	**0.5**	**0.5**	**0.7**

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

The total effective tax rate is 16.4% (H1 2019 restated: 20.0%) as a result of the impact of non-underlying items. On an underlying basis, the effective tax rate is 16.2%, which is lower than the UK statutory rate due to the impact of prior year adjustments. Excluding these items, the UK & Ireland underlying effective tax rate is 18.4% (H1 2019: 18.7%).

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

			26 weeks ended 28 June 2020 £m			26 weeks ended 30 June 2019 (restated) £m			52 weeks ended 29 December 2019 £m
	Profit/ (loss) after tax for the period	**Adjust for non-controlling interest**	**Attributable to equity holders of the parent**	Profit/ (loss) after tax for the period	Adjust for non-controlling interest	Attributable to equity holders of the parent	Profit/ (loss) after tax for the period	Adjust for non-controlling interest	Attributable to equity holders of the parent
Continuing and discontinuing operations	19.0	1.4	20.4	22.4	2.1	24.5	2.8	10.3	13.1
Less discontinued operations	19.3	(1.4)	17.9	9.8	(2.1)	7.7	56.5	(10.3)	46.2
Continuing operations	**38.3**	**-**	**38.3**	**32.2**	**-**	**32.2**	**59.3**	**-**	**59.3**
Adjustments for underlying earnings per share									
Continuing operations	38.3	-	38.3	32.2	-	32.2	59.3	-	59.3
-Included in profit after tax – other non-underlying items	1.6	-	1.6	8.3	-	8.3	21.8	-	21.8
Underlying profit attributable to owners of the parent	**39.9**	**-**	**39.9**	**40.5**	**-**	**40.5**	**81.1**	**-**	**81.1**

Weighted average number of shares

	At 28 June 2020 Number	At 30 June 2019 Number	At 29 December 2019 Number
Basic weighted average number of shares (excluding treasury shares)	460,634,859	461,044,839	460,355,785
Dilutive effect of share options and awards	5,448,764	4,648,883	3,081,964
Diluted weighted average number of shares	**466,083,623**	**465,693,722**	**463,437,749**

The performance conditions relating to share options granted over 2,300,015 shares (29 December 2019: 5,258,208) have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2019: nil).

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

Earnings per share

	26 weeks ended 28 June 2020	26 weeks ended 30 June 2019 (restated)	52 weeks ended 29 December 2019
Continuing operations			
Basic earnings per share	8.3p	7.0p	12.9p
Diluted earnings per share	8.2p	6.9p	12.8p
Underlying earnings per share:			
Basic earnings per share	8.7p	8.8p	17.6p
Diluted earnings per share	8.6p	8.7p	17.5p
Continuing and discontinued operations			
Basic earnings per share	4.4p	5.3p	2.8p
Diluted earnings per share	4.4p	5.3p	2.8p

Restatement of EPS for the 26 weeks ended 30 June 2019

	26 weeks ended 30 June 2019 £m
Profit attributable to owners of the parent	24.5
Non-underlying pre-tax items as previously presented	11.8
Non-underlying tax charge as previously presented	(1.3)
Attributable to non-controlling interests	(0.3)
Underlying profit attributable to owners of the parent as previously presented	34.7
Discontinued operations segment result	9.8
Discontinued operations tax charge	-
Discontinued non-underlying pre-tax items	(2.2)
Attributable to non-controlling interest	(1.8)
Underlying profit attributable to owners of the parent re-presented	40.5
Impact of restatement on basic underlying earnings per share	1.3p
Impact of restatement on diluted underlying earnings per share	1.2p

Underlying earnings per share for the 26 weeks ended 30 June 2019 has been restated as a result of the classification of International businesses as disposal groups held for sale and discontinued operations. The trading loss for these businesses was £7.6m in that period, on which no tax charge was incurred. £1.8m of this net after tax loss 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 and 1.2p respectively from the amounts presented previously.

8. Dividends

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Declared and paid during the period:			
Final dividend for 2019: 0p (2018: 5.45p)	-	25.0	25.0
Interim dividend for 2019: 4.2p (2018: 4.05p)	-	-	19.3
Dividends declared and paid	**-**	**25.0**	**44.3**

The final dividend for 2019 was announced in the Annual Report for the year ended 29 December 2019, however it was subsequently suspended and not tabled at the AGM.

The directors have declared an interim dividend after the period end, of a matching amount to the suspended FY 2019 dividend, of 5.56p per share. This dividend will be paid on 18 September 2020 to those members on the register at the close of business on 21 August 2020.

9. Property, plant and equipment

During the 26 weeks ended 28 June 2020, the Group acquired assets with a cost of £7.1m (Cash outflow of £7.1m), of which £6.1m relates to UK and Ireland and £1.0m related to International. There were no material disposals in the period.

During the 26 weeks ended 30 June 2019, the Group acquired assets with a cost of £9.0m (Cash outflow of £8.6m), of which £4.7m relates to UK and Ireland and £4.3m related to International. There were no material disposals in the period.

10. Lease receivables and right-of-use assets

Following the adoption of IFRS 16 on 30 December 2019, the Group’s non-current assets include lease receivables and right-of-use assets from asset leasing arrangements. Depreciation is charged to the income statement so as to depreciate each right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

During the 26 weeks ended 28 June 2020, additions to lease receivables and right-of-use assets amounted to £2.9m and £4.3m respectively, and the depreciation of right-of-use assets amounted to £2.6m.

11. Investment in associates and joint ventures

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Investments in associates	30.0	26.0	28.5
Investments in joint ventures	3.5	3.9	3.9
Total investments in associates and joint ventures	**33.5**	**29.9**	**32.4**

During the period, the German associate contributed profits of €1.8m (£1.6m). The associate, Full House Restaurants, contributed profits of £1.8m, along with paying a dividend of £1.0m.

The joint venture, West Country, contributed profits of £0.1m, along with paying a dividend of £0.5m.

Notes to the Group interim report (continued)

26 weeks ended 28 June 2020

12. Business combinations and disposals

DP Norway AS

On 22 May 2020, the Group disposed of its 71% interest in DP Norway SA, the business in Norway, with consideration paid to the buyers of £6.4m. The loss on disposal of the Group's controlling 71% interest in Norway is analysed as follows:

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

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

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

PPS Foods AB

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

Pizza Pizza EHF

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

13. Financial liabilities

Banking facilities

At 28 June 2020 the Group had a total of £350.0m (29 December 2019: £350.0m) of banking facilities, of which £63.7m (29 December 2019: £99.6m) was undrawn. The Group has cash funds of £82.7m (29 December 2019: £11.1m).

Bank revolving facility

The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 13 December 2022 which following a one-year extension arranged in November 2018 has been extended to 12 December 2023. Fees of £0.5m were paid for this extension. Arrangement fees of £1.9m (29 December 2019: £2.3m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the extended term of the facility.

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

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

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

Share buyback obligation

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

Put option liabilities

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

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

Following the disposal of DP Norway AS, the put option liabilities have been extinguished and therefore no amounts are recognised as at 28 June 2020.

14. Financial instruments

Other financial asset

The other financial asset relates to a contingent consideration of €25.0m (£22.2m) payable by Domino's Pizza Enterprises Limited (referred to as the "Market Access Fee") in respect of Domino's Pizza Group plc divesting its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market. This Market Access Fee is payable in instalments from 2017, the payment of each instalment being contingent on the divested German business achieving defined levels of EBITDA. As at 28 June 2020, no Market Access Fee payments have been made or are due.

The fair value of the Market Access Fee is calculated by estimating future EBITDA levels of the divested German business, deriving from this a schedule of expected instalments receivable by the Group and discounting these expected cash flows using a discount rate that reflects the time value of money and the risks specific to the German business for which future EBITDA estimates have not been risk adjusted.

The Market Access Fee is at Level 3 of the fair value hierarchy because determining its fair value requires an estimate of future EBITDA levels of the divested German business, which is an unobservable fair value input.

Changes in fair value between reporting dates reflect changes in estimation of future instalments receivable, which are recorded as other income or expense. The unwinding of time value discounting is recorded in finance costs, and foreign exchange movements are recorded in finance costs or income.

Investments

In November 2018, the Group acquired 15% of the issued share capital of Shorecal Limited, a private company registered in the Republic of Ireland that operates 27 Domino's franchise stores in Ireland. The Group's shareholding in Shorecal Limited is in preference shares, acquired for an original cost of investment of €12.2m (£11.1m) (30 June 2019: €12.2m (£11.0m), 29 December 2019: €12.2m (£10.5m)). As a preference shareholder, the Group has enhanced rights to dividend distributions and enhanced rights over Shorecal Limited's equity value in the event of a liquidation or onward share sale. The Group also has 'drag and tag' rights to participate in an onward share sale arranged by Shorecal Limited's other shareholders.

The investment in Shorecal Limited has been designated as a fair value through profit and loss equity instrument, whereby dividends received by the Group are recognised in profit and loss together with any fair value gains or losses. The fair value of the investment is calculated by discounting the future shareholder returns the Group expects to receive from the investment, being proceeds from a liquidation or onward share sale and dividends received up to that point. A probability weighted expected return method has been applied in performing this fair value calculation, whereby multiple future outcomes for Shorecal Limited are simulated with a probability assigned to each scenario.

The investment in Shorecal Limited is at Level 3 of the fair value hierarchy because determining its fair value requires a probability weighted estimate of future shareholder returns, which is an unobservable fair value input.

There has been no change in the fair value of the investment in Shorecal Limited in either the current or prior period.

15. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 26 weeks ended 28 June 2020 was £0.5m (26 weeks ended 30 June 2019: £0.1m; 52 weeks ended 29 December 2019: £0.6m). This all arises on equity-settled share-based payment transactions.

16. Related party transactions

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

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Associates and Joint ventures			
Sales to related parties	22.7	14.3	43.6
Amounts owed by related parties	0.2	0.6	1.2
Loans owed by related parties	20.2	19.8	19.5

17. Analysis of net debt

	At 28 June 2020 £m	At 30 June 2019 £m	As at 29 December 2019 £m
Cash and cash equivalents	82.7	11.5	11.1
Bank revolving facility	(284.4)	(247.2)	(248.1)
Finance leases	-	(0.3)	(0.3)
Other loans	(0.4)	(2.8)	(1.1)
Net debt	**(202.1)**	**(238.8)**	**(238.4)**

The above table represents the net debt of the Group and includes net debt of continued operations of £(206.5)m and discontinued operations of £4.4m.

The Group’s lease liabilities are not included in the Group’s definition of net debt. Lease liabilities are measured at the present value of future lease payments, including variable lease payments and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable, or alternatively the Group’s incremental borrowing rate as a lessee.

18. Additional cash flow information

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Cash flows from investing activities			
Dividends received from associates and joint ventures	1.5	0.5	1.0
Decrease/(increase) in loans to associates and joint ventures	0.9	(0.7)	(1.5)
(Increase)/decrease in loans to franchisees	-	(0.2)	(0.2)
Receipts from repayments of franchisee leases	-	0.4	0.9
Other	**2.4**	**-**	**0.2**

Cash and cash equivalents

	26 weeks ended 28 June 2020 £m	26 weeks ended 30 June 2019 £m	52 weeks ended 29 December 2019 £m
Cash at bank and in hand	77.9	11.5	11.1
Cash at bank and in hand included in disposal groups held for sale	4.8	-	4.9
Total cash at bank and in hand	**82.7**	**11.5**	**16.0**

Reconciliation of financing activities

	At 29 December 2019 £m	**Adoption of IFRS 16 £m**	**Cash flow £m**	**New leases £m**	**Exchange differences £m**	**Non-cash movements £m**	**At 28 June 2020 £m**
Bank revolving facility	(248.1)	-	(31.0)	-	(5.0)	(0.3)	(284.4)
Bank loans	(0.2)	-	(0.2)	-	-	-	(0.4)
Lease liabilities	(0.3)	(228.7)	15.4	(7.0)	-	(7.1)	(227.7)
Other	(0.9)	-	1.3	-	-	(0.4)	-
	(249.5)	**(228.7)**	**(14.5)**	**(7.0)**	**(5.0)**	**(7.8)**	**(512.5)**

	At 30 December 2018 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 30 June 2019 £m
Bank revolving facility	(224.5)	(21.6)	(0.8)	(0.3)	(247.2)
Bank loans	(3.2)	0.1	0.1	-	(3.0)
Finance leases	(0.4)	0.1	-	-	(0.3)
Other	(27.6)	45.6	-	(29.6)	(11.6)
	(255.7)	**24.2**	**(0.7)**	**(29.9)**	**(262.1)**

	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)**

19. Principal risks and uncertainties

Details of the principal risks and uncertainties facing the Group in terms of preventing or restricting execution of our strategy were set out on pages 24 to 28 of the Domino's Pizza Group plc Annual Report and Accounts 2019.

We continue to operate an effective risk monitoring process, and we have further increased our focus on risk management and assessment during the period as a result of the Covid-19 pandemic. A Risk Committee has been established, which reports to the Audit Committee and ultimately to the Board. During the first half we conducted an assessment of the potential impacts of Covid-19 on the principal risks from a Strategic and Operational perspective. Covid-19 was highlighted as an emerging risk in the 2019 Annual Report due to the timing of publication, and we have considered the impact on our current principal risks as follows:

People-related risks
As highlighted earlier in the release, the safety of our colleagues remains a top priority through the current situation. We have changed both store and supply chain operations and practices to ensure that our colleagues continue to work safely and effectively. We are pleased that no colleague was furloughed through the period. The principal risk highlighted in the Annual Report focused on dependency on key individuals and ability to attract and recruit talent, and at that time we had a number of key Board vacancies. Following the appointment of the Chairman, CEO and Interim CFO, we consider that the overall probability of this risk has decreased from 'High' to 'Medium'.

Failure to achieve growth
The ongoing Covid-19 situation and future economic repercussions may impact our ability to achieve growth, either through organic growth or future store openings. During the period, led by the new management team, we commenced work to develop our long-term strategic plan to re-ignite UK & Ireland growth, including how we adapt to a changing consumer environment. The level of risk remains consistent with the FY 2019 Annual Report.

Food safety
As we have continued to trade through the crisis, we have worked closely with local regulators and food standards agencies to ensure that we continued to maintain our high food and hygiene standards and adherence to government guidelines. As highlighted earlier in the release we made a number of changes to our ways of working, including rationalising our menu and working closely with franchisees to ensure stores were operating safely. We continue to remain vigilant to ongoing developments and are working hard to ensure that our plans continue to develop for any changes in regulations or government guidelines.

Interruption of raw material supplies and supply chain continuity
Our supply chain and provision of raw materials has been largely unaffected through the crisis, due to both our focus on planning and dual sourcing, and the exceptional effort put in by our colleagues across the supply chain operation. The probability of the risk has however heightened naturally as a result of the pandemic and therefore we now classify the interruption of raw material supplies as a 'medium' probability as opposed to a 'low' probability. As highlighted in the FY 2019 Annual Report, Brexit increases the potential risk around disruption to raw material supplies and potential financial impacts as a result of tariffs. We continue to focus our efforts both on diversification of our supply chain to avoid single-sourced supply, in business continuity planning for our SCC operations and in mitigating any Brexit related risk.

eCommerce platform and cyber security
The cessation of collection across our UK and Ireland estate and an increase in customer demand led to an unprecedented level of traffic to our eCommerce platform. We were able to continue to serve customers without any significant impact on the stability of our online ordering platforms. In addition, our head office operations were moved successfully to remote working and we were able to adapt by modifying our IT infrastructure and deploying effective collaboration tools. The increase in remote working and focus on eCommerce operations has increased the risk of cyber-security incidents, either through the eCommerce platform or malware and phishing attacks on end users. We have significantly increased our monitoring of potential attacks to identify any potential weaknesses and have increased our training and awareness programmes relating to secure working.

Other than outlined above, there have been no further changes to our principal risks disclosed in the FY 2019 Annual Report. Through the establishment of the Risk Committee, and the ongoing work to create our long term strategic plan, we will conduct a comprehensive bottom up analysis to ensure that our principal risks in the FY 2020 Annual Report reflect any changes in our strategy and the effects of the current situation.

Alternative Performance Measures and Glossary (continued)

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

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

Item	Definition	Location of reconciliation to GAAP measure
Overall terminology		
Non-underlying items	Items that are material in size, unusual or infrequent in nature or discontinued operations and are disclosed separately as non-underlying items in the notes to the accounts.	Group income statement, note 5
Constant currency basis	Restating prior year results to the current year's average exchange rates to remove volatility of foreign exchange from the reported results	Not applicable
Profit measures		
Group operating profit before tax excluding non-underlying items	Group operating profit before tax excluding non-underlying items	Group income statement, note 5
Net interest before non-underlying items	Group finance costs excluding non-underlying items	Group income statement, note 5
Underlying profit before taxation	Group profit before tax excluding non-underlying items	Group income statement, note 5
Underlying profit for the period	Group profit after taxation excluding non-underlying items	Group income statement
Earnings before Interest and Tax (EBIT)	EBIT is directly comparable to underlying operating profit	Not applicable
Non-underlying items	Items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts.	Group income statement, note 5
Underlying basic EPS	Group EPS excluding non-underlying items	Note 7
Last 12 months (LTM) EBITDA	LTM EBITDA for the period from 1 July 2019 to 28 June 2020 based on underlying activities including share of profits from associates and joint ventures.	Not applicable
Revenue measures		
System sales	System sales represent the sum of all sales made by both franchised and corporate stores to consumers.	Not applicable
Like-for-like (LFL) sales growth excluding splits	LFL sales performance is calculated against a comparable 26 week period in the prior year for mature stores opened which were not in territories split in the year or comparable period. Mature stores are defined as those open prior to 30th December 2018.	Not applicable
Like-for-like (LFL) sales growth including splits	LFL sales including splits performance is calculated based on mature store growth and includes the impact in like for like results of those stores which have been impacted by donating territory to a new store.	Not applicable
Cash flow measures		
Net debt	Group cash less bank revolving credit facility, other loans and finance lease obligations	Note 17
Free cash flow	Free cash flow comprises cash generated from operations less dividends received, net interest cash flows and corporation tax. Free cash flow before non-underlying cash items represents the free cash flow before the inclusion of the cash impact of items recognised as non-underlying.	Not applicable

Alternative Performance Measures and Glossary (continued)

Other non-financial definitions

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

Responsibility statement

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

- DTR 4.2.7 (R): an indication of important events that have occurred during the 26 week period ended 28 June 2020 and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and

- DTR 4.2.8 (R): any related party transactions in the 26 week period ended 28 June 2020 that have materially affected, and any changes in the related party transactions described in the Annual Report and Accounts 2019 that could materially affect the financial position or performance of the enterprise during that period.

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

Matthew Shattock*, Chairman
Ian Bull*, Senior Independent Director
Colin Halpern*, Vice-Chairman
Dominic Paul, Chief Executive Officer
Usman Nabi*
Kevin Higgins*
Elias Dias Sese*

*Non-executive Directors

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

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

This responsibility statement was approved by the Board of Directors on 10 August 2020 and is signed on its behalf by Dominic Paul, Chief Executive Officer.

By order of the Board

Dominic Paul
Chief Executive Officer

10 August 2020

Report on the condensed interim financial statements

Our conclusion

We have reviewed Domino's Pizza Group plc's condensed interim financial statements (the "interim financial statements") in the interim report of Domino's Pizza Group plc for the 26 week period ended 28 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Group balance sheet as at 28 June 2020;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
10 August 2020