

## **DP Poland plc**

("DP Poland" or the "Group")

### **Interim results for the half year to 30 June 2019**

**System sales up 10%, like-for-likes returning positive from March and more sub-franchisees in place**

#### **Appointment of General Manager in Poland**

##### **Financial highlights:**

- 10% increase in System Sales<sup>1</sup> to 41m PLN H1 2019 (37m PLN H1 2018)
  - including the three highest monthly levels of System Sales for the Group to date
- -1% like-for-like<sup>2</sup> growth in System Sales H1 2019 on H1 2018, reflecting the strong comparatives driven by TV advertising in January and February 2018
  - Latest like-for-like System Sales: July +1% and August +8%
  - System Sales growth continuing in September to date
- Pre-IFRS 16 Group EBITDA<sup>5</sup> losses increased, impacted as expected by investment in operations and weaker commissary performance
- Net cash of £5.1m as at 30 June 2019 (£2.0m as at 31 December 2018)
- Group performance in line with management expectations for 2019

##### **Operational highlights:**

- 80% of delivery sales ordered online H1 2019 (77% H1 2018)
- 4 new stores opened in H1 2019, 2 further opened since the period end
- 69 stores open to-date, across 29 towns and cities
- 2 further leases signed
- 3 corporate stores acquired by 2 new sub-franchisees across Poland
- 3 corporate stores taken under management contract by 1 existing sub-franchisee
- Appointment of Iwona Olbrys as General Manager in Poland joining from Telepizza Poland; an experienced Food & Beverage executive
- Positive interaction with aggregator Pyzszne

##### **Nick Donaldson, non-executive Chairman, said:**

"DP Poland delivered continued expansion and growth in System Sales across both corporate stores and commissary during the first half of the year, notwithstanding the strong comparatives driven by TV advertising in January and February 2018. March to June 2019 saw positive growth in both like-for-like System Sales and like-for-like order count. Pleasingly, System Sales growth has continued in July, August and September.

We have expanded the store estate to 69 stores. We intend to continue to increase the number of stores through corporate and sub-franchise openings.

We are delighted to announce the appointment of Iwona Olbrys as our new General Manager in Poland, succeeding Peter Shaw. Iwona, who is based in Warsaw, has significant experience in the Food & Beverage sector in Poland, having been the general director of Telepizza Poland – a business with 93 stores, both company

owned and sub-franchised - since 2011. This appointment is in line with our strategy, announced in February, to focus our resources in Poland.

The recent headwinds affecting the Polish food delivery sector, including food and labour costs, and the impact of the aggregators on the sector, continue. However we remain confident that, underpinned by our well-invested infrastructure and world-renowned service and products, Domino's Pizza in Poland will continue to grow in this environment. The strong fundamentals in the Polish economy and continued expansion of the delivery market support the growing opportunity for the Domino's proposition in Poland."

<sup>1</sup> System Sales - total retail sales including sales from corporate and sub-franchised stores, unaudited.

<sup>2</sup> Like-for-like growth in PLN, matching trading periods for the same stores between 1 January and 30 June 2018 and 1 January and 30 June 2019.

<sup>3</sup> When a store's delivery area is split, by opening a second store in its original delivery area, a significant portion of the original store's customer database is allocated to the new store, resulting in the original store losing sales.

<sup>4</sup> Sales minus variable costs

<sup>5</sup> Excluding non-cash items, non-recurring items and store pre-opening expenses

<sup>6</sup> Source: PizzaPortal

<sup>7</sup> Non-like-for-like stores that are less than 12 months old, with no matching trading periods year on year.

<sup>8</sup> Exchange rate average for H1 2019 £1: 4.9158

<sup>9</sup> Exchange rate average for H1 2018 £1: 4.7988

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Nick Donaldson, non-executive Chairman

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#### **Notes to editors:**

DP Poland, through its wholly owned subsidiary DP Polska S.A., has the exclusive right to develop, operate and sub-franchise Domino's Pizza stores in Poland. There are currently 69 Domino's Pizza stores, 42 corporately managed (4 of which are under management contract) and 27 sub-franchised.

## Non-executive Chairman's Review

### Group performance

System Sales increased by 10% in H1 2019. This was driven by improved like-for-like growth during March-June 2019, following the strong comparatives driven by our trial TV advertising in January 2018 (+24%) and February 2018 (+18%). Other positive factors included the incremental growth from stores that are less than 12 months old and the contributions from 4 new corporate stores opened during the course of H1 2019.

In the first half of 2019 we had the three highest monthly levels of System Sales to date. These results were achieved despite the increased cost of ingredients and higher labour rates. We continue to focus upon controlling and, where possible, reducing our costs.

Overall, Pre-IFRS 16 Group EBITDA losses increased in the period by 20% year on year at constant exchange rates<sup>8</sup>. At actual exchange rates<sup>8,9</sup>, Pre-IFRS 16 Group EBITDA losses increased by 18% year on year.

Group performance remains in line with management expectations for 2019.

### Store performance

System Sales in the period increased 10% year on year on the back of -1% like-for-like sales growth, growth from non-like-for-like<sup>7</sup> stores and four new store openings. Compound like-for-like sales performance H1 2018-19 was 12%. Pre-IFRS 16 corporate store EBITDA decreased 11% year on year.

Sustained robust growth in the Polish economy continues to add inflationary pressure to labour rates, particularly in Warsaw and the other major cities. Although staff recruitment and retention pressures continue, we believe that the fact that we are perceived to be an attractive employer continues to be helpful to us.

### Store roll-out

We currently have 69 stores in 29 towns and cities, having expanded the store estate by 6 stores since the beginning of the year.

Stores	1 Jan 2019	Opened	30 June 2019	24 Sept 2019
Corporate	39	4	43	42*
Sub-franchised	24	0	24	27
Total	63	4	67	69

\* 4 corporate stores are run by sub-franchisees under management contract, with the option to acquire and sub-franchise in the future.

We have two further store leases signed and a pipeline of more sites under negotiation.

We have satisfied the minimum store opening target under the Master Franchise Agreement we have with Domino's Pizza, Inc.

### Commissary performance

Our two commissaries are both performing efficiently in the production of dough and the supply of all ingredients and non-food items to pizza stores. The growing commissary revenue line is an increasingly important component of the Group's total revenue and directly reflects growth in System Sales. However, pre-IFRS 16 commissary gross profit<sup>4</sup> in the period decreased 7%, H1 2019 on H1 2018, principally on account of sales incentives and other support for sub-franchisees.

Cost pressures on ingredients impacted gross profit margins in the first half, driven particularly by price inflation in respect of flour in Q1 2019 and in respect of cheese and meat in Q2 2019. Assisted by our increasing volume requirements we seek to buy ingredients and non-food items at the best prices for our business, sharing these cost reductions with our sub-franchisees.

We expect to see continued inflationary pressures on ingredients in the second half. I am confident that our buying team will continue to perform strongly.

### **Sub-franchising**

Two new sub-franchisees acquired three existing corporate stores. In addition, three corporate stores were taken under management contract by one existing sub-franchisee. We currently have 10 sub-franchisees across Poland. As at 30 June, 24 of our 67 stores were sub-franchised and a four further stores were managed by sub-franchisees under management contract, with the option for them to sub-franchise those stores in the future.

With 39% of the store estate operated today by sub-franchisees we are seeing the establishment of successful sub-franchise businesses. The emerging success stories should attract more potential sub-franchisees to the brand. We are actively marketing our sub-franchise proposition and strengthening our resources to address this increasing interest.

We are in discussions with a number of third parties about sub-franchising Domino's stores, which we expect complete later this year and early 2020.

### **Marketing and product**

We continue to invest in improving our digital presence, including the effectiveness of our existing interfaces and the creation of new ones. We are currently testing dynamic pricing on our digital channels.

80% of all delivery orders were ordered online in H1 2019, up from 77% in H1 2018. We are seeing a growing proportion of online orders made on small screens (smart phones in particular), presently accounting for 63% of online orders.

We introduced 2 new pizzas in H1 2019, SzparagoweLove and Lesne Smaki, both created by Damian Kordas, the Polish MasterChef winner. These new recipes have been well received by our customers.

### **Appointment of General Manager in Poland**

DP Poland is a very different business from the start-up which opened its first store in Warsaw in February 2011. DP Poland is now a business of substance, requiring greater management resource in Poland, with strong local knowledge.

We are therefore delighted to announce the appointment of Iwona Olbrys as our new General Manager in Poland, succeeding Peter Shaw. Iwona, who is based in Warsaw, has significant experience in the Food & Beverage sector in Poland, having been the general director of Telepizza Poland – a business with 93 stores, both company owned and sub-franchised - since 2011. This appointment is in line with our strategy, announced in February, to focus our resources in Poland.

We are confident that Iwona, working closely with Maciej Jania, will comprise a strong, experienced management team, focused on taking DP Poland to its next stage of growth.

### **Current trading and outlook**

We have expanded the store estate by 10% so far this year to 69 stores to date. We intend to continue to increase the number of stores through corporate and sub-franchise openings.

As our business matures and the DP Poland sub-franchisee proposition become more attractive, we expect to interest an increasing number of sub-franchise candidates. We are in discussions with both existing and potential sub-franchisees to open stores and expect to see the sub-franchised estate expand in H2 2019 and thereafter.

Our business has been affected by the rapid growth of new food and beverage offers and by the growing presence of the aggregators in Poland, particularly in Warsaw, notably Pyzszne, Pizza Portal and UberEats. We believe that the aggregators now represent a continuing feature of the Polish food service market, which can be particularly helpful to DP Poland in regions where we are less well known. We remain confident that Domino's will continue to grow well, underpinned by the strength of our consumer proposition – food quality, customer service, competitive pricing and the investments we have made in our expansion.

Poland is arguably the last large high growth market opportunity in Europe, a substantial and stable country of 38 million people that is maturing into a sophisticated consumer economy. The food delivery sector is growing<sup>6</sup> and we remain confident of the long-term sales and growth prospects for Domino's Pizza in Poland.

**Nick Donaldson**

**Non-executive Chairman**

**24 September 2019**

## Finance Director's Review

In accordance with new accounting requirements, these half year results are presented in accordance with IFRS 16, the new lease accounting standard. On 1 January 2019 the Group adopted a new accounting standard, IFRS 16 'Leases'. The Group has used the modified retrospective transition approach as permitted by the standard, which means that comparative figures in the financial statements have not been restated. The adoption of IFRS 16 has had a significant impact on the Group's financial statements, including the important measure of Group EBITDA, which under IFRS 16 excludes the rental cost of the Group's stores, commissaries and offices. The Directors believe that a clearer picture of trading performance compared to prior periods is given by looking at Group EBITDA excluding the effect of IFRS 16 and therefore the figures for Group EBITDA shown in the Non-executive Chairman's Statement and the Finance Director's Review are shown excluding the effect of IFRS 16 ('Pre-IFRS 16').

	<i>Unaudited</i> 6 months to 30.06.19	<i>Unaudited</i> 6 months to 30.06.19 Pro-forma Pre-IFRS 16	<i>Unaudited</i> 6 months to 30.06.18
	£	£	£
<b>Revenue</b>	6,887,081	6,945,328	6,394,787
<b>Direct costs</b>	(5,820,311)	(6,490,479)	(5,820,464)
<b>Selling, general and administrative expenses - excluding: store pre-opening expenses, depreciation, amortisation and share based payments</b>	(1,332,591)	(1,417,293)	(1,388,409)
<b>GROUP EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses</b>	<u>(265,821)</u>	<u>(962,444)</u>	<u>(814,086)</u>
Store pre-opening expenses	(30,971)	(30,971)	(45,852)
Other non-cash and non-recurring items	(220,043)	(198,248)	335,960
Finance income	78,071	66,650	70,651
Finance costs	(106,420)	(10,178)	(10,189)
Foreign exchange gains / (losses)	(18,446)	(18,446)	(21,968)
Depreciation, amortisation and impairment	(1,214,320)	(631,985)	(530,025)
Share based payments	(72,902)	(72,902)	(95,573)
<b>Loss before taxation</b>	<u>(1,850,852)</u>	<u>(1,858,524)</u>	<u>(1,111,082)</u>

### Direct costs

We continue to experience inflation in food costs. We work hard to control these cost increases as well as possible, and we are careful to share the benefits of any reduction in food costs with our sub-franchisees.

Labour cost inflation continues in Poland's robust economy and represents a challenge, particularly for our younger stores which have fewer sales to absorb the fixed element of labour. National Minimum Wage in Poland in 2019 has been increased by 7% (year-on-year) on top of a 5% (year-on-year) increase in 2017. We expect a further National Minimum Wage increase in 2020.

## Selling, General and Administrative expenses

In H1 2019 Pre-IFRS 16 Selling, General and Administrative expenses were 17% of System Sales, representing a 1% point improvement on H1 2018 (H1 2018 18%) (measured using actual average exchange rates).

## Store count

6 stores have been opened in 2019 to-date, taking the total to 69 stores in 29 cities.

The table below sets out our current store estate.

Stores	1 Jan 2019	Opened	Sold to franchisees	Closed	30 June 2019	24 Sept 2019
Corporate	39	4	0	0	43	42*
Sub-franchised	24	0	0	0	24	27
Total	63	4	0	0	67	69

\*4 corporate stores are run by sub-franchises under the management contract; with the option to acquire and sub-franchise in the future.

## Sales Key Performance Indicators

In H1 2019 we saw 10% growth in System Sales, on the back of -1% like-for-like sales growth, growth from non-like-for-like<sup>7</sup> stores and 4 new store openings in the period.

Delivery online sales continue to grow, a more cost-efficient means of making sales, however newly opened stores need time to build online customers. Mobile orders represented 63% of online sales.

	H1 2019 000	H1 2018 000	Change %
System Sales PLN	41,029	37,159	+10%
System Sales £ *	8,346	7,559	+10%
L-F-L system sales PLN	-1%	+13%	
Delivery system sales ordered online	+80%	+77%	

\*Constant exchange rate of PLN 4.92:£1

Like-for-likes in July and August 2019 were: +1% and +8% respectively; pre-split<sup>3</sup>: +1% and +9% post-split.

## Group performance

11% growth of Pre-IFRS 16 Group Revenue in PLN is derivative of 10% growth of System Sales.

Group Revenue & EBITDA* (Pre IFRS 16)	H1 2019	H1 2018	Change %
Revenue PLN 000	34,142	30,687	+11%
Revenue £000 *	6,945	6,243	+11%
Group EBITDA £000	(962)	(800)	-20%

\*Constant exchange rate of PLN 4.92:£1

<b>Group Revenue &amp; EBITDA*</b> (Pre IFRS 16)	<b>H1 2019</b>	<b>H1 2018</b>	<b>Change %</b>
Revenue PLN 000	34,142	30,687	+11%
Revenue £000 *	6,945	6 395	+9%
Group EBITDA £000	(962)	(814)	-18%

\*Actual exchange rates for H1 2019 and H1 2018

### Group loss for the period

Pre-IFRS 16 Group EBITDA loss (at actual exchange rates) increased by 18% against the comparative period in 2018, whereas the Pre-IFRS 16 Group loss before tax (at actual exchange rates) increased by 67%. The 49% difference between the increase in Group EBITDA loss and Group loss before tax was due in part to higher depreciation and amortization charges and an increase of Other non-cash and non-recurring items. Higher depreciation and amortization was triggered by the opening of new stores. The increase of Other non-cash and non-recurring items resulted principally from redundancy payments to the Group's former CEO and the fact that, in H1 2018, DP Polska S.A. received a one-off VAT repayment relating to prior years.

<b>Group Loss for the period*</b> (Pre IFRS 16)	<b>H1 2019</b> <b>000</b>	<b>H1 2018</b> <b>000</b>	<b>Change %</b>
Group loss for the period	(1,859)	(1,111)	-67%

\* Actual exchange rates for H1 2019 and H1 2018

### Exchange rates

<b>PLN : £1</b>	<b>H1 2019</b>	<b>H1 2018</b>	<b>Change %</b>
Profit & Loss Account	4.9158	4.7988	+2.4%
Balance Sheet	4.7461	4.9443	-4.0%

Financial Statements for our Polish subsidiary DP Polska S.A. are denominated in zloties (PLN) and translated to Sterling (£). Under IFRS the Profit and Loss Account for the Group has been converted from PLN at the average half-a-year exchange rate applicable to PLN against £. The balance sheet has been converted from PLN to £ at the 30 June 2019 exchange rate applicable to PLN against £.

### Cash position

On 28 February 2019 the Group completed a placing of 96,666,666 new ordinary shares at the price of 6 pence per share, raising a net total (after expenses) of c. £5.5m.

Cash of £2.7m was deployed in H1 2019 to cover Group losses, store CAPEX, working capital and fundraising expenses.

	<b>1 January 2019</b> <b>£000</b>	<b>Cash movement</b> <b>£000</b>	<b>30 June 2019</b> <b>£000</b>
Cash in bank*	1,958	3,100	5,058

\*Actual exchange rates as at 31 Dec 2018 and 30 June 2019



### **A note on like-for-like metrics**

For this and future sets of results we will present like-for-like sales growth pre-split, as we account for an increasing number of splits across our store estate. When a store's delivery area is split - by opening a second store in its original delivery area - a significant portion of the original store's customer database is allocated to the new store. It is expected that the original store will recover its sales after 2-3 years, but in the meantime its sales will have been reduced. The rationale for splitting is that the combined sales of the two stores will in time typically outstrip the original store's sales, as customers are better served by faster delivery times. Pre-split like-for like measure the sales growth by like-for-like delivery areas, up until the first anniversary of the split, when we can revert to like-for-like store measures. This is a standard approach adopted by many Domino's Pizza master franchisees.

**Maciej Jania**

**Finance Director**

**24 September 2019**

**Group Income Statement**  
for the six months ended 30 June 2019

	Notes	Unaudited 6 months to 30.06.19 £	Unaudited 6 months to 30.06.18 £	Audited Year to 31.12.18 £
<b>Revenue</b>	2	6,887,081	6,394,787	12,369,815
<b>Direct costs</b>		(5,820,311)	(5,820,464)	(11,426,271)
<b>Selling, general and administrative expenses</b> - excluding: store pre-opening expenses, depreciation, amortisation and share based payments		(1,332,591)	(1,388,409)	(2,863,992)
<b>GROUP EBITDA</b> - excluding non-cash items, non-recurring items and store pre-opening expenses*		(265,821)	(814,086)	(1,920,448)
Store pre-opening expenses		(30,971)	(45,852)	(72,900)
Other non-cash and non-recurring items		(220,043)	335,960	131,054
Finance income		78,071	70,651	129,315
Finance costs		(106,420)	(10,189)	(21,254)
Foreign exchange gains / (losses)		(18,446)	(21,968)	(6,513)
Depreciation, amortisation and impairment		(1,214,320)	(530,025)	(1,793,258)
Share based payments		(72,902)	(95,573)	(239,268)
<b>Loss before taxation</b>		(1,850,852)	(1,111,082)	(3,793,272)
Taxation	3	-	-	-
<b>Loss for the period</b>		(1,850,852)	(1,111,082)	(3,793,272)
<b>Loss per share</b>				
Basic	4	(0.86 p)	(0.74 p)	(2.53 p)
Diluted	4	(0.86 p)	(0.74 p)	(2.53 p)

\* The Group has adopted IFRS 16 'Leases' on 1 January 2019 and applied the modified retrospective method on adoption. Comparatives for 2018 have not been restated and therefore Group EBITDA for the comparative periods includes the cash cost of rent on stores, commissaries and head office, whereas under IFRS 16 the current period does not. The Group EBITDA loss for the six months to 30 June 2019, excluding the effect of IFRS 16, was £962,444.

**Group Statement  
of comprehensive income**  
*for the six months ended 30 June 2019*

	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Unaudited</i> 6 months to 30.06.18 £	<i>Audited</i> Year to 31.12.18 £
Loss for the period	(1,850,852)	(1,111,082)	(3,793,272)
Currency translation differences	159,294	(518,905)	(253,668)
Other comprehensive expense for the period, net of tax to be reclassified to profit or loss in subsequent periods	159,294	(518,905)	(253,668)
<b>Total comprehensive income for the period</b>	<b>(1,691,558)</b>	<b>(1,629,987)</b>	<b>(4,046,940)</b>

**Group Balance Sheet**  
at 30 June 2019

	<i>Unaudited</i> 30.06.19 £	<i>Unaudited</i> 30.06.18 £	<i>Audited</i> 31.12.18 £
<b>Non-current assets</b>			
Intangible assets	568,938	547,240	604,392
Property, plant and equipment	6,459,661	6,492,012	6,437,717
Leases - right of use assets	3,300,098	-	-
Trade and other receivables	1,853,389	1,683,556	1,730,633
	<b>12,182,086</b>	<b>8,722,808</b>	<b>8,772,742</b>
<b>Current assets</b>			
Inventories	404,860	467,158	464,102
Trade and other receivables	2,443,035	1,840,189	1,931,434
Cash and cash equivalents	5,057,831	3,807,953	1,957,916
	<b>7,905,726</b>	<b>6,115,300</b>	<b>4,353,452</b>
<b>Total assets</b>	<b>20,087,812</b>	<b>14,838,108</b>	<b>13,126,194</b>
<b>Current liabilities</b>			
Trade and other payables	(1,689,412)	(1,551,344)	(2,132,199)
Borrowings	(123,394)	(118,965)	(143,820)
Lease liabilities	(1,433,843)	-	-
Provisions	(22,666)	(31,039)	(27,296)
	<b>(3,269,315)</b>	<b>(1,701,348)</b>	<b>(2,303,315)</b>
<b>Non-current liabilities</b>			
Lease liabilities	(2,457,005)	-	-
Borrowings	(180,056)	(172,837)	(131,963)
	<b>(2,637,061)</b>	<b>(172,837)</b>	<b>(131,963)</b>
<b>Total liabilities</b>	<b>(5,906,376)</b>	<b>(1,874,185)</b>	<b>(2,435,278)</b>
<b>Net assets</b>	<b>14,181,436</b>	<b>12,963,923</b>	<b>10,690,916</b>
<b>Equity</b>			
Called up share capital	1,247,444	763,860	764,111
Share premium account	36,838,450	31,829,463	31,829,463
Capital reserve - own shares	(48,163)	(48,163)	(48,163)
Retained earnings	(24,214,926)	(19,515,337)	(22,053,832)
Currency translation reserve	358,631	(65,900)	199,337
<b>Total equity</b>	<b>14,181,436</b>	<b>12,963,923</b>	<b>10,690,916</b>

**Group Statement of Cash Flows**  
*for the six months ended 30 June*  
**2019**

	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Unaudited</i> 6 months to 30.06.18 £	<i>Audited</i> Year to 31.12.18 £
<b>Cash flows from operating activities</b>			
Loss before taxation for the period	(1,850,852)	(1,111,082)	(3,793,272)
<i>Adjustments for:</i>			
Finance income	(78,071)	(70,651)	(129,315)
Finance costs	106,420	10,189	21,254
Depreciation and amortisation and impairment	1,214,320	530,025	1,793,258
Share based payments expense	72,902	95,573	239,268
<b>Operating cash flows before movement in working capital</b>	(535,281)	(545,946)	(1,868,807)
Change in inventories	61,539	35,039	142,777
Change in trade and other receivables	(612,654)	723,051	313,459
Change in trade and other payables and provisions	(457,019)	143,041	556,875
<b>Cash (used in) / provided by operations</b>	(1,543,415)	355,185	(855,696)
Taxation paid	-	-	-
<b>Net cash from operating activities</b>	(1,543,415)	355,185	(855,696)
<b>Cash flows from investing activities</b>			
Payments to acquire software	(1,852)	(25,131)	(109,307)
Payments to acquire property, plant and equipment	(491,597)	(1,044,815)	(1,534,529)
Payments to acquire intangible fixed assets	(11,451)	(34,477)	(93,468)
Net movement in loans to sub-franchisees	53,389	139,352	239,949
Interest received	15,350	6,776	20,544
<b>Net cash used in investing activities</b>	(436,161)	(958,295)	(1,476,097)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital	5,492,320	1,106	1,357
Repayment of borrowings and lease liabilities	(323,563)	-	(126,425)
Interest paid	(124,866)	(9,981)	(18,805)
<b>Net cash from financing activities</b>	5,043,891	(8,875)	(143,873)
<b>Change in cash and cash equivalents</b>	3,064,315	(611,985)	(2,475,666)
Exchange differences on cash balances	35,600	(85,973)	(72,329)
<b>Cash and cash equivalents at beginning of period</b>	1,957,916	4,505,911	4,505,911
<b>Cash and cash equivalents at end of period</b>	5,057,831	3,807,953	1,957,916

**Group Statement of Changes in Equity**  
*for the six months ended 30 June*  
**2019**

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2017	762,754	31,829,463	(18,499,828)	453,005	(48,163)	14,497,231
Shares issued	1,106	-	-	-	-	1,106
Share based payments	-	-	95,573	-	-	95,573
Translation difference	-	-	-	(518,905)	-	(518,905)
Loss for the period	-	-	(1,111,082)	-	-	(1,111,082)
At 30 June 2018	763,860	31,829,463	(19,515,337)	(65,900)	(48,163)	12,963,923
Shares issued	251	-	-	-	-	251
Share based payments	-	-	143,695	-	-	143,695
Translation difference	-	-	-	265,237	-	265,237
Loss for the period	-	-	(2,682,190)	-	-	(2,682,190)
At 31 December 2018	764,111	31,829,463	(22,053,832)	199,337	(48,163)	10,690,916
Adjustment to reserves on adoption of IFRS 16			(383,144)			(383,144)
Shares issued	483,333	5,316,667	-	-	-	5,800,000
Expenses of share issue	-	(307,680)	-	-	-	(307,680)
Share based payments	-	-	72,902	-	-	72,902
Translation difference	-	-	-	159,294	-	159,294
Loss for the period	-	-	(1,850,852)	-	-	(1,850,852)
<b>At 30 June 2019</b>	<b>1,247,444</b>	<b>36,838,450</b>	<b>(24,214,926)</b>	<b>358,631</b>	<b>(48,163)</b>	<b>14,181,436</b>

## Notes to the Interim Financial Statements for the six months ended 30 June 2019

### 1 (a) Basis of preparation

These condensed interim financial statements are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 2006. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and were approved on behalf of the Board by the Non-executive Chairman Nicholas Donaldson.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those applied in the Group's most recent annual financial statements for the year ended 31 December 2018 apart from the new accounting standard; IFRS 16 'Leases', which was adopted by the Group on 1 January 2019. Further information on the impact of IFRS 16 'Leases' is set out in note 1(b) below.

The financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those financial statements was unqualified and did not contain a statement made under s498(2) or (3) of the Companies Act 2006.

Copies of these condensed interim financial statements and the Group's most recent annual financial statements are available on request by writing to the Company Secretary at our registered office DP Poland plc, Elder House, St Georges Business Park, 207 Brooklands Road, Weybridge, Surrey KT13 0TS, or from our website [www.dppoland.com](http://www.dppoland.com).

### 1 (b) Change of accounting policy - IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' at 1 January 2019 and applied the modified retrospective approach. Comparatives for 2018 have not been restated and the cumulative impact of adoption has been recognised as a decrease to net assets with a corresponding decrease in retained earnings at 1 January 2019 as follows:

	01 January 2019
<b>Non-current assets</b>	
Property, plant and equipment (right-of-use assets)	2,526,723
Trade and other receivables (sub-lease receivables)	963,334
<b>Current assets</b>	
Trade and other receivables (sub-lease receivables)	286,332
<b>Non-current liabilities</b>	
Financial liabilities – lease liabilities	(2,768,254)
<b>Current liabilities</b>	
Financial liabilities – lease liabilities	(1,391,279)
<b>Total decrease in retained earnings at 1 January 2019</b>	<b>(383,144)</b>

The Group's lease portfolio consists of approximately 70 property leases together with a number of vehicle and equipment leases. The lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition. The right-of-use asset has been measured at the carrying amount as if the standard had been applied since the commencement of the lease, discounted using the incremental borrowing rate at transition. Where data was not available to enable this measurement to be made, the right-of-use asset has been measured at an amount equal to the lease liability. On transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group applied the available practical expedients as follows:

- Relied on its assessment of whether leases are onerous immediately prior to the date of initial application.
- Applied the short-term leases exemptions to leases with a lease term ending within 12 months at the date of the initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group operates as an intermediate lessor for a proportion of its leases, resulting in subleases to sub-franchisees. The Group has evaluated and classified these subleases as either operating leases or finance leases as required under IFRS 16. Where the sublease transfers substantially all of the risks and rewards arising from right-of-use asset from the head lease, the right-of-use asset from head lease has been derecognised and a lease receivable equal to the net investment in the sublease has been recognised. Where the sublease does not transfer substantially all of the risks and rewards arising from right-of-use asset from the head lease, these are classified as operating leases as required under IFRS 16 and the accounting treatment has not changed.

Adoption of the new standard has a material impact on the Group. The lease liability brought onto the balance sheet at transition was £4,159,533 with the corresponding right-of-use asset valued at £3,776,389. The net impact on the balance sheet is a reduction of net assets of £383,144.

There is no overall impact on the Group's cash and cash equivalents although there is a change to the classification of cash flows in the cash flow statement with lease payments and finance lease receipts previously categorised as net cash used in operations now being split between the principal element (categorised in financing activities for payments and investing activities for receipts) and the interest element (categorised as interest paid in operating activities or interest received in investing activities).

From 1 January 2019, the Group's lease policy is summarised as follows:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Where the Group acts as an intermediate lessor, the Group evaluates and classifies these subleases as either operating leases or finance leases. Where the sublease transfers substantially all of the risks and rewards arising from right-of-use asset from the head lease, the right-of-use asset from head lease is derecognised and a lease receivable equal to the net investment in the sublease is recognised. Where the sublease does not transfer substantially all of the risks and rewards arising from right-of-use asset from the head lease, the sublease is classified as an operating lease and rent received is recognised in the income statement on a straight line basis over the lease term.

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## 2 Revenue

	<i>Unaudited</i> <i>6 months to</i> <i>30.06.19</i>	<i>Unaudited</i> <i>6 months to</i> <i>30.06.18</i>	<i>Audited</i> <i>Year to</i> <i>31.12.18</i>
	£	£	£
Core revenue	6,887,081	6,349,950	12,325,147
Other revenue	-	44,837	44,668
	<b>6,887,081</b>	<b>6,394,787</b>	<b>12,369,815</b>

Core revenues are ongoing revenues including sales to the public from corporate stores, sales of materials and services to sub-franchisees, royalties received from sub-franchisees and rents received from sub-franchisees. Other revenues are non-recurring transactions such as the sale of stores, fittings and equipment to sub-franchisees.



### 3 Taxation

	<i>Unaudited</i> 6 months to 30.06.19 £	<i>Unaudited</i> 6 months to 30.06.18 £	<i>Audited</i> Year to 31.12.18 £
Current tax	-	-	-
Deferred tax charge relating to the origination and reversal of temporary differences	-	-	-
Total tax charge in income statement	-	-	-

### 4 Earnings per ordinary share

The loss per ordinary share has been calculated as follows:

	<i>Unaudited</i> 6 months to 30.06.19	<i>Unaudited</i> 6 months to 30.06.18	<i>Audited</i> Year to 31.12.18
Profit / (loss) after tax (£)	(1,850,852)	(1,111,082)	(3,793,272)
Weighted average number of shares in issue	215,867,842	150,106,962	150,185,274
Basic and diluted earnings per share (pence)	(0.86 p)	(0.74 p)	(2.53 p)

The weighted average number of shares for the period excludes those shares in the Company held by the employee benefit trust. At 30 June 2019 the basic and diluted loss per share is the same, because the vesting of share awards would reduce the loss per share and is, therefore, anti-dilutive.

### 5 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are disclosed in the Group's financial statements for the year ended 31 December 2018, available from [www.dppoland.com](http://www.dppoland.com) and remain unchanged.