It's what we do...

Domino's

Domino's Pizza Group plc
Annual Report & Accounts 2012

Financial highlights

System sales

£598.6m[1]

2011: £530.6m

UK like-for-like sales growth

5.0%[2]

2011: 3.7%

Adjusted profit before tax

£49.7m[3]

2011: £43.6m

Adjusted diluted earnings per share

21.95p[4]

2011: 19.24p

- Earnings per share (pre-exceptional items)
  - Diluted earnings per share up 14.1% to 21.95p (2011: 19.24p)
  - Basic earnings per share up 13.8% to 22.17p (2011: 19.48p)
- Statutory basic earnings per share up 14.4% to 19.04p (2011: 16.65p)
- Final dividend increased by 16.2% to 7.90p per share (2011: 6.80p)
- Record of 69 new stores opened in the year (2011: 62 stores) and two closures (2011: three) resulting in a total of 805 stores in four countries as at 30 December 2012 (2011: 726)
- Online system sales increased by 46.7% to £268.6m (2011: £183.1m) with online sales accounting for 55.7% of UK delivered sales (2011: 44.3%). Of this, 19.7% of online sales were taken through a mobile device (2011: 10.1%)
- Adjusted net debt[5] to EBITDA of 0.5:1 (2011: 0.4:1), highlighting our low financial leverage.

1 Sales made from all stores in the UK, Republic of Ireland, Germany and Switzerland to the public.
2 Total sales of all UK stores opened on or before 26 December 2010 compared to the corresponding 53 week period in the prior year that were open in both periods being compared.
3 Pre-exceptional items and excluding Germany and Switzerland.
4 Pre-exceptional items.
5 Excludes Domino's Leasing Limited's non-recourse loans and the non-controlling shareholder loan in Germany.

Domino's®

New logo

In October 2012, Domino's Pizza International launched a new logo, which we are beginning to implement into our system as of February 2013. The Domino's diamond will be replaced by a single red and blue domino, still with the three dots. Consumers easily recognise the brand, so this amendment to our logo is just part of the Company's natural progression.

From the relationships with our suppliers to the loyalty of our customers we are valued every step of the way. It's what we do!

Contents

Group at a glance

Our mission is to be the best pizza delivery company in the UK, the Republic of Ireland, Germany and Switzerland. Last year we opened 69 new stores and sold 61 million pizzas – an average of nearly 1.2 million per week.

We are valued every step of the way from supplier relationships to our customers

Suppliers

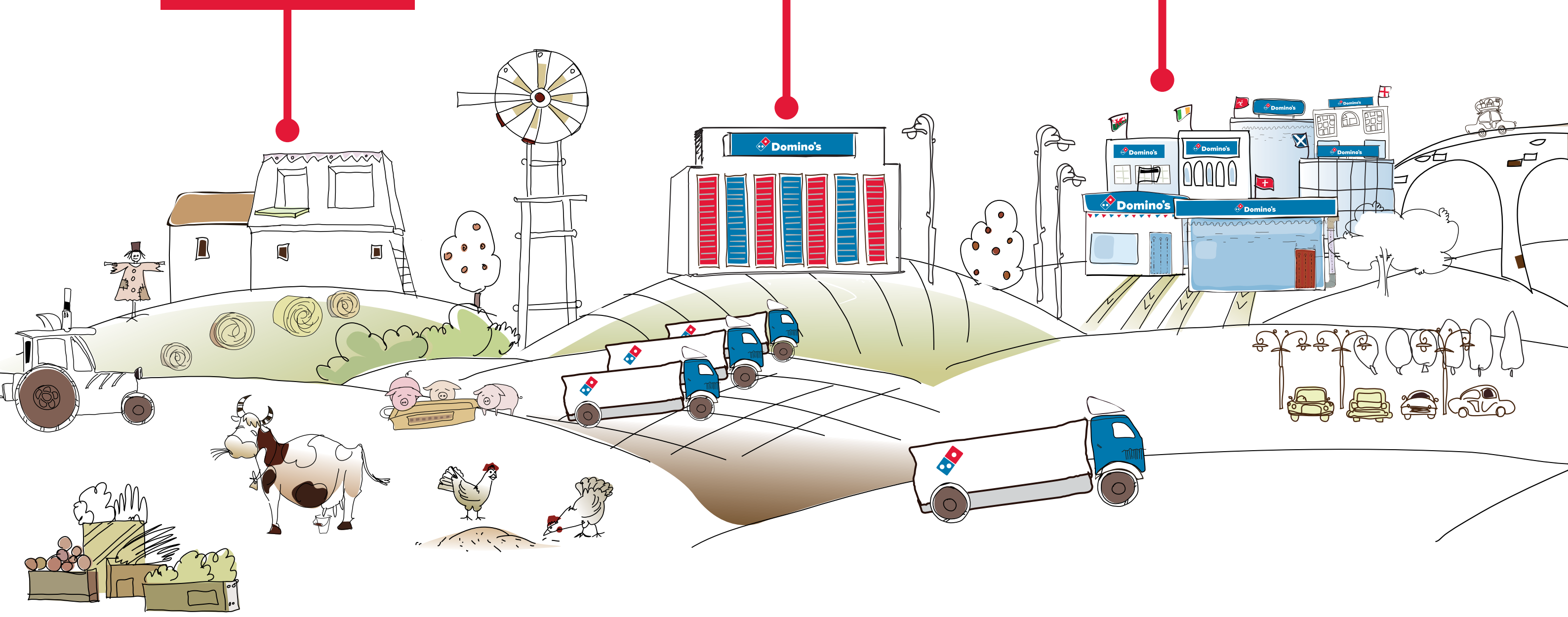
We are passionate about using only the finest quality ingredients and have built long term, reliable relationships with our suppliers which ensures high standards are maintained and great commercial terms

Commissary

Three of our commissaries have been rated five-stars, the top mark by Domino's Pizza International Franchising Inc.

Franchisees

We currently have 124 franchisees and this committed and entrepreneurial group is the driving force behind our success



Domino's in numbers

Number of franchisees	Number of employees	Number of stores
124	1,002	805
Average number of stores per franchisee	**Number of team members**	**Number of new stores**
6.31	23,000+	69

Number of stores

England	Wales	Isle of Man	Republic of Ireland	Switzerland
621	32	1	48	12
Scotland	**Northern Ireland**	**Mobile Unit**	**Germany**	
51	20	2	18	

This year we acquired 12 stores in Switzerland and there are plans to open more.

Delivery

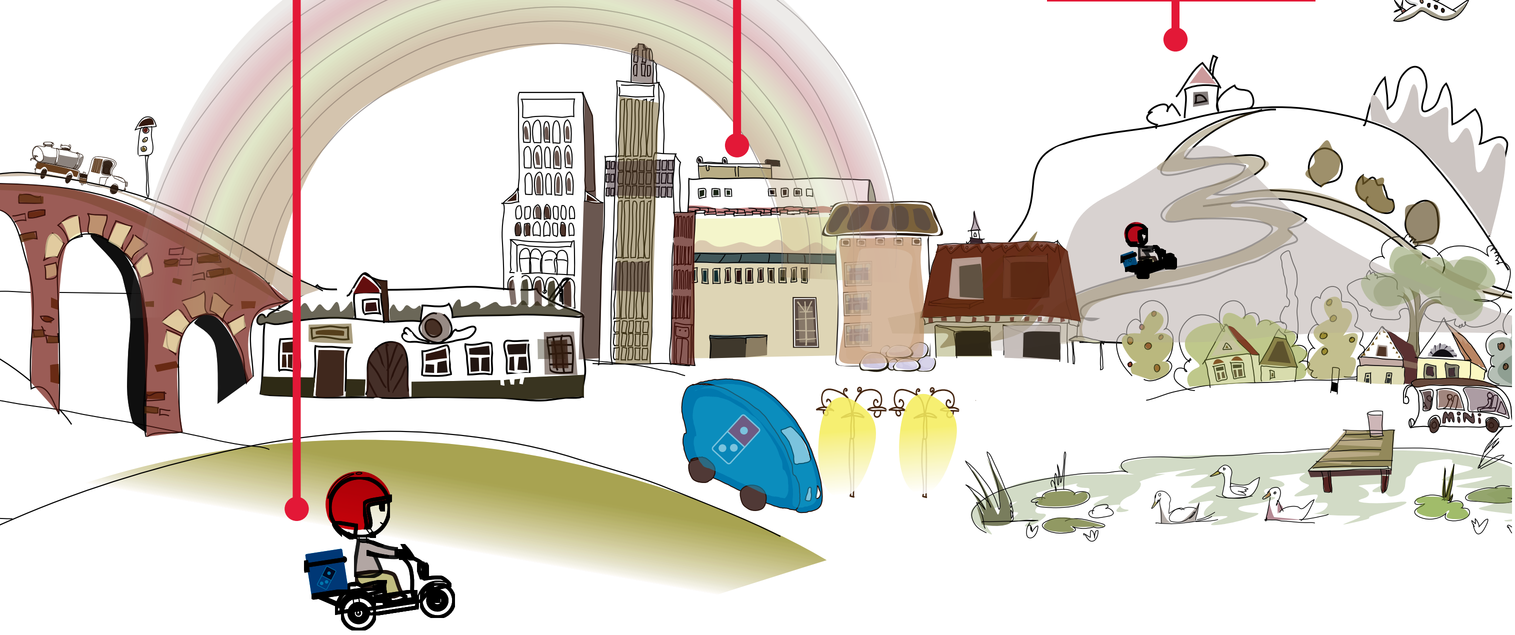
From order to door we deliver more – our drivers are equipped to face most weathers to ensure that fresh, piping-hot pizza gets to the customer in the quickest possible time

Communities

We play an active part in our local communities with our franchisees, store team members and head office staff regularly interacting with local charities and clubs

Customer

Our customers are our number one priority and we actively seek to continue widening our product offering and expanding the ways a customer can place an order



Chairman's statement

Key highlights

+12.8%
System sales
(2011: +9.3%)

+14.2%
Adjusted profit before tax
(2011: +10.9%)

+17.9%
Dividend per share
(2011: +20.6%)

"The strong like-for-like sales growth of 5.0% (2011: 3.7%) in our core UK system sales was driven by a constant focus on the three pillars of Domino's success: product, service and image."

I am very pleased to report another strong set of results. In 2012 Domino's delivered a record profit before tax and exceptional items of £46.7m, up 10.8%, even after the expected start up losses of £3.0m in our relatively new markets of Germany and Switzerland. This was driven by strong like-for-like sales growth in our core UK market and a record number of new store openings across all our territories. The resilience of the Domino's Pizza model in these more challenging economic times is a credit to the entrepreneurial spirit of our franchisees who continue to find new ways of retaining the loyalty of and growing our customer base.

The strong like-for-like sales growth of 5.0% (2011: 3.7%) in our core UK system sales was driven by a constant focus on the three pillars of Domino's success: product, service and image. The continued focus on product quality, with a refusal to compromise in the face of ever more rapidly rising commodity prices, is a major reason why customers return. Another is the continuous flow of exciting new products. Service continues to be one of the most important factors as to why customers return to Domino's for their home delivery pizza and in 2012 we maintained our delivery times and the reliability of our customer service.

While focus on product, service and image drive the top line, our operational gearing continues to drive the bottom line still faster. Of particular note is the success of our recent investment in new commissary capacity, which now produces more dough than its predecessor did and still has significant spare capacity to meet increased demand in the future. We are also seeing economies of scale in procurement, marketing, and in our headquarters and distribution functions. The combined effect has driven this critical ratio of system sales to adjusted net profit, in the core UK and Republic of Ireland markets, up by a further 0.2% to 8.4% in 2012.

The Group never forgets that the franchisee relationship is at the heart of all we do. I am pleased to see so many of our long standing franchisees thriving and still opening new stores as they reach five, 10 or even 20 years in the Domino's system. They are sometimes challenging, often thought provoking and always fantastic business partners and I salute them.

I am pleased with the progress we are making in Germany. It is still early days of course, but sales growth in the current stores is strong, new stores are opening at encouraging sales levels, franchisees are joining us, and the store opening programme is progressing well. Whilst the cost of putting in place the people and infrastructure needed to develop a new market results in start-up losses, I believe we are on track to achieve profit in Germany by the end of 2015. Switzerland is also a new and exciting market. Prior to our acquisition it had been poorly run for a number of years and this will take time to correct, but it has good potential. We have started the process of refurbishing and relocating the stores to realise that potential and expect to be generating a positive return in 2014.

"The Group never forgets that the franchisee relationship is at the heart of all we do. I am pleased to see so many of our long standing franchisees thriving and still opening new stores as they reach five, 10 or even 20 years in the Domino's system."

Your company, DPG, is one of the world's largest Domino's master franchisees on many measures: store level sales and profit, total system sales and profit, number of employees within the system, quantity of pizzas sold every year and many operational effectiveness measures. Our UK and Irish commissaries continue to rank among the world's best, scoring the maximum possible five star ratings. By sales, seven of the world's top ten Domino's Pizza stores are DPG stores. This is a wonderful foundation to build on.

Of course underpinning all DPG's results are our people. 2012 was Lance's first full year as our CEO and he has settled in well. His deep understanding and experience of mobile web technologies and international business is exactly what we needed as e-commerce platforms become an even more important route to market and our international reach grows. He is also developing a really strong team around him and in particular I welcome onboard Kory Spiroff as our Managing Director for Germany, Jan Hertzberg as our Marketing Director for Germany, and Brian Trier as our Country Manager for Switzerland.

2012 was a year of real progress and achievement. I know Lance and his team are keen to build on this in 2013 and beyond. I would like to thank them and, of course, our franchisees, for another excellent year and look forward to further progress in 2013.

Stephen Hemsley
Chairman
22 February 2013

Chief Executive Officer's review

Introduction

As I arrive at the end of my first year as your CEO, we have another set of strong results to share. Domino's profit before tax and exceptional items in 2012 reached a new record level of £46.7m (2011: £42.2m). This was an increase of 10.8% (2011: 10.9%), even after accounting for the planned £3.0m of total start up losses in our new German and Swiss businesses. The core UK and Republic of Ireland market saw adjusted diluted EPS rise by a remarkable 17.2% (2011: 18.6%).

With a record 69 (2011: 62) new store openings across the group, plus the acquisition of 12 Swiss stores, DPG now operates 805 stores in four countries. That's a big estate, with the largest sales and profits of any Domino's master franchise in the world. But I am clear that most of our growth still lies ahead. The UK market still has plenty of scope for store growth, and Germany and Switzerland are virtually virgin territories.

DPG is of course evolving over time, as the business grows. We now operate in four international markets, with about 23,000 Domino's people working daily across the HQs, franchisee offices, commissaries, the corporate and franchised stores, and our transport fleet. That's a big business that requires mature processes, disciplines and structures. We also retain an entrepreneurial streak a mile wide, always looking for growth opportunities and new ways to improve the customer experience. One area of personal focus is to ensure we remain hungry for growth, even though we are a market leader.

Let's take a look at each of our key markets:

UK

The core UK business grew very strongly in 2012 with like-for-like sales up 5.0% year on year (2011: 3.7%) and adjusted PBT (for the UK and Republic of Ireland) up by 14.2% to £49.7m (2011: £43.6m). It is worth noting that if you remove stores that have split their delivery areas and opened a second store in the territory, this like-for-like growth was even higher, at 6.6% (2011: 5.1%).

I am particularly pleased with the good performance of the core UK business. Despite a challenging retail environment, low consumer confidence and an economy that shrank overall across 2012, we continue to trade well. We sold a remarkable 61 million freshly made pizzas last year in the system. One of my favourite metrics is that around our stores we currently only serve on average 19% of households with delivered Domino's pizza. That leaves about three quarters of all UK households still to come into the brand, which is a huge growth opportunity. Several of our top franchisees are now serving up to 40% of households.

The UK business is now fundamentally a digital (i.e. web and mobile) business, with 55.7% (2011: 44.3%) of delivered sales ordered online. By Q4, this figure had reached 60%, and it shows little sign of slowing down. In one recent week we had a dozen stores receiving over 80% of their delivered sales online – this seems quite extraordinary, but is becoming a regular feature.

Going digital is a real advantage for Domino's. Customers who order online have a higher net promoter score, i.e. they recommend us more often. They themselves order more often, and spend more. Importantly a web transaction generates higher margins for our franchisees, because they do not need to incur labour costs to answer the phones. This has saved franchisees many millions of pounds which can be invested into new store openings, for example. Finally a digital customer is a customer with whom we have a one-to-one relationship. This often allows us to market directly to them, and indeed by year end we had over three million customers who had agreed to allow us to communicate with them via email etc. We believe Domino's is far ahead of any of our UK competitors in this field; and we intend to continue exploiting this strategic advantage. How far can it go? About three quarters of our sales are delivery, and in theory all of these could eventually migrate. Currently many customers still use the phone to order, but the world is changing: some of our franchisees are now actually reducing the number of phone lines into their stores, as they see ever more web orders. One store has even removed the phone number from its menus and seen no decline in sales.

An important and dynamic subset of our digital channel is mobile, which grew in 2012 by an extraordinary 195% to reach 19.7% (2011: 10.1%) of all digital sales. Coming from a mobile industry background myself, I can say that this is no accident, but a direct result of our time and energy in this area. We now have sales channels for all the major mobile operating systems (iPhone, iPad, Android and Windows 7) as well as recently refreshed apps which have scored significantly higher on customer ratings than our competitors. Our iPhone, Android and iPad mobile ordering apps won the Best Food & Cooking award in the Carphone Warehouse Appys 2012, which celebrate development and innovation in app technology. Mobile is set to grow rapidly as a proportion of sales; and we will stay ahead of the curve. It is a real competitive advantage for Domino's that we are fully accessible wherever and whenever our customers want to order a pizza.

I am a passionate believer in new product development. This has formed an important part of our 2012 story in the UK, with 14% (2011: 11.4%) of all sales coming from items we had not sold a year earlier. We innovated heavily on our Domino's Stuffed Crust base, launching BBQ, Mexican and other variants through the year. We also launched several new cookie variants, such as triple choc and toffee apple, a pork bites side dish, as well as twisted dough balls – using our own dough as the main ingredient – and new chicken wings in conjunction with Franks' Hot Sauce. We also saw the return of garlic mozzarella sticks in response to demand from our customers through social media. Excellent new products such as these create news and interest among the current Domino's customer base. They give customers a reason to visit us more often and allow new users to try us. They also give lapsed users a reason to come back and they keep our competitors guessing.

Key highlights

+5.0%
UK like-for-like sales
(2011: +3.7%)

+69
New stores opened
(2011: +62)

+46.7%
E-commerce sales
(2011: + 43.0%)

"In one recent week we had a dozen stores receiving over 80% of their delivery sales online – this seems quite extraordinary, but is becoming a regular feature."

For more go to page 14

great ideas

Feed 4 for £5 each

Domino's is all about sharing, so it was time to create the perfect deal for families and those groups spending a great night in, in front of the TV.

You can still order by phone but 56% ordered online in 2012.

Domino's Pizza Box Office

What's perfect with pizza? A movie. In 2012, we partnered with Lionsgate UK to give our customers the ability to download the latest film releases by ordering a movie direct with their pizza.

Twisted Dough Balls

Each year we continue to launch new products to keep our menu fresh and exciting and 2012 was no different. One addition to the menu was the launch of Twisted Dough Balls, the perfect accompaniment to our pizzas. These delicious mouthfuls of dough filled with cheese and twisted with the choice of pepperoni, ham or cheese and herb sauce went down a treat with our customers.

7:55pm

Our passionate staff are on hand to help

Passionate People

We have over 23,000 team members, with an average of 30 staff per store. Some of our franchisees began their careers as in-store team members.

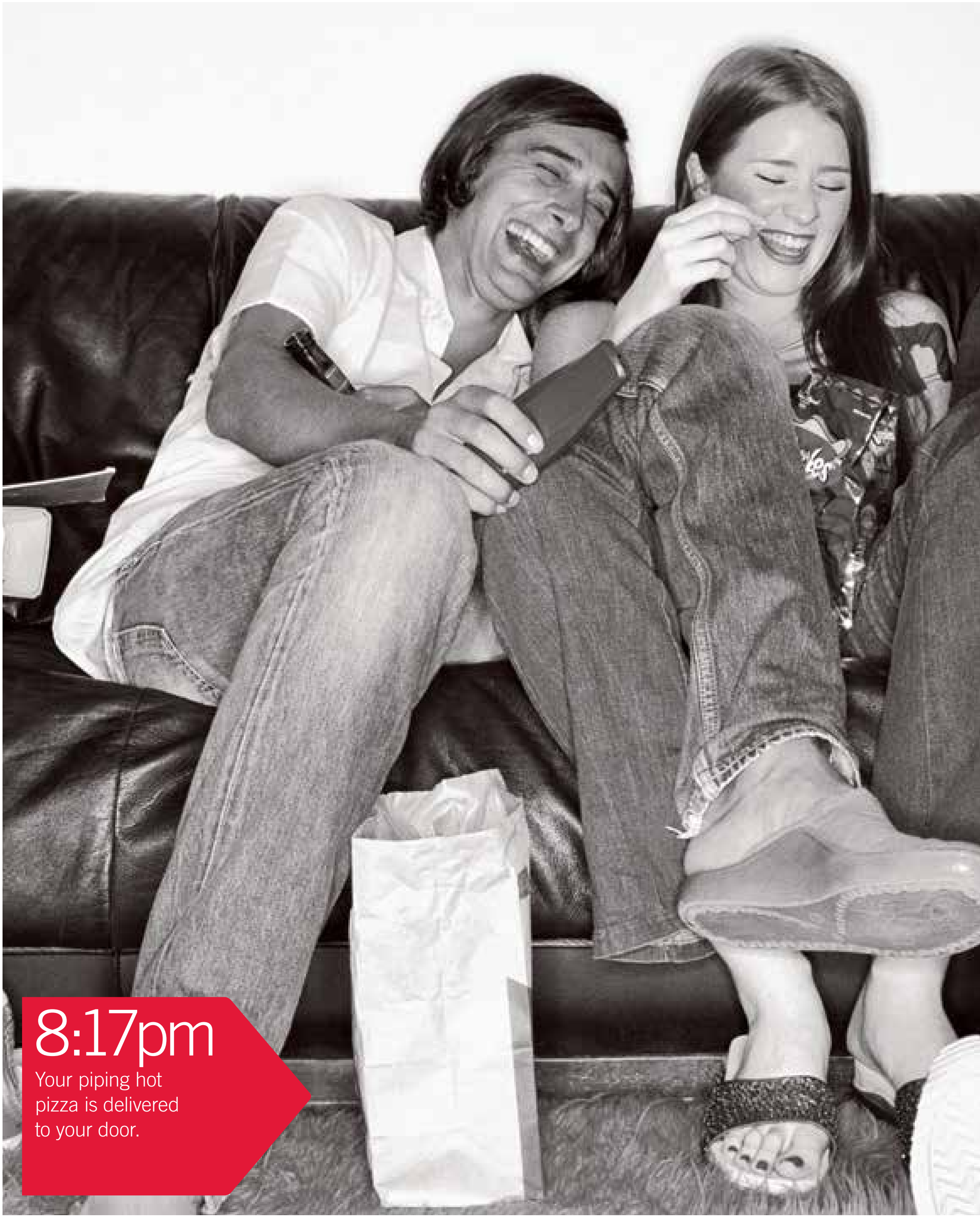
passionate people

Trusted Suppliers

We have built strong relationships with our suppliers to ensure only the finest ingredients are produced.

Supporting our communities

Our stores are proactive in their local communities, with many of them sponsoring local sports teams and clubs.



Delivery in 23.8 minutes

During 2012, we averaged a delivery time of 23.8 minutes throughout all our stores. Our team members are fanatical about quick, safe delivery times and we are always looking to reduce this by saving seconds in store.

Late night, early morning pizza

Some of our stores are now open until 5am, so fresh, hot pizza, may arrive at the same time as fresh, cold milk.

satisfied customers

Smart price promotions are also an important part of what we do. While protecting our position as the quality leader in the category, we also look for ways to tempt new consumers to try us, and give our current customers an additional purchase opportunity. During 2012 we continued our Two for Tuesday offer and ran a number of short term, online only deals, helping us to further increase our online sales. More and more of our promotions are targeted to individual customers or small segments via email and web, which makes them more efficient and measurable. Our "Meal Deal Wizard" was launched in 2012 allowing customers using the online channels to ensure they get the very best deal possible.

One thing I have really understood since joining the Domino's board in 2010 is that our obsession with customer service is at the heart of what we do. In 2012 we kick started what we call the "service revolution". We know that fast delivery of great tasting pizza is the key to happy customers who order more often, so we will never give up challenging ourselves on reducing the delivery time across the system from the very impressive 23.8 minutes on average that we achieved during 2012. But it is not just about speed: it is also about how we talk to our customers; at the doorstep, in our stores or over the phone. Our training teams conducted 20 in store workshops lasting a week each, showing our franchisees what true best practice service looks like.

In 2012 we continued evolving our marketing to reflect the ever changing world, and the move of our customers towards digital ordering. Our scale allows us to continue with a full suite of traditional marketing tools, including TV, sponsorships, outdoor and leafleting, while simultaneously adding to our investment in newer tools like email, associate sites, search engine optimisation, digital display and many others. By year end we had reached 747,000 (2011: 330,000) Facebook Fans in the UK and 68,000 followers on Twitter (2011: 18,000).

case study

Facebook fun

Our Facebook fans have increased considerably during the year and to ensure we look after them we regularly give them the opportunity to be the first to try our new products.

On the launch of our Mexicano Range, we decided to give them a little something extra in the form of a spoof soap opera called Los Passiones de la Familia Verduras. This soap told the tale of the Vegetable Family – but there was one thing missing – an ending. Our customers were asked to devise their own endings and upload them onto Facebook to win prizes. This game was well received by our Facebook fans with 185,677 views of the video and 16,892 new Facebook fans added during this promotion.

case study

Workshops

Leading up to the Olympics in 2012, we needed to ensure that our stores located in the affected area were prepared for this event.

We devised an Olympics committee and held a workshop on the subject, explaining to all team members the operational changes that were needed during the Games. Preparing our stores for any change in their environment is vitally important to us.

Domino's receives a lot of attention from students, so it goes without saying that our stores located in university towns are very busy serving those students. Creating and maintaining this relationship is very important to us, so we hold University Challenge workshops to train our staff on how best to relate to the student market.

In the UK, we opened 57 (2011: 58) new stores in 2012, ending the year with 727. We remain confident that 1,200 stores is viable, and the property and franchise development teams are working hard at identifying optimal sites with our franchisees, finding stores and gaining planning permission (which can be a slow and cumbersome process). Our franchisees demonstrate a real appetite for more stores and we intend to carry on opening at a similar rate.

Our UK commissaries produce our fresh dough and distribute the food materials needed to our franchisees. As the volume builds we need only minimal extra headcount in a world class efficient commissary such as Milton Keynes. In addition our procurement team can use our scale to buy better, and to protect against commodity price risks.

Our 124 UK franchisees are at the very heart of this business. We work with them every day, hand in hand. They now have an average of about 6.3 (2011: 5.7) stores each. Stores are showing improving sales, operating efficiencies and in turn improving profitability faster than the rate of sales growth. Having such strong franchisees gives DPG and the Domino's brand real financial stability, financial strength to grow even in a recession and, of course, passionate and committed focus. It is a huge privilege and pleasure to work with them.

Of special note is UK Franchisee Pali Grewal, who in 2012 repeated his 2010 feat of being crowned "World's Fastest Pizza maker" at the global franchisee event held in Las Vegas.

Republic of Ireland

Despite the tough economic environment, like-for-like sales, in Euros, stabilised at -0.2%. This improved result was on the back of very hard work by our Irish franchisees, backed by DPG. Irish sales are 31% down from the peak in 2007 but despite this, only one of our 49 Irish Domino's stores has ever closed.

Our e-commerce business continues to grow at a strong rate and is now at 30.4% of all delivered sales, up 20.2% year on year. Mobile incidence is particularly strong at 19.6% of all e-commerce sales.

Brand tracking continues to demonstrate that the Domino's brand is clearly held in high regard in the market. it continues to out-perform the competition on all key attributes of product, service and value. This is testament to the continued commitment to advertising, a continuous pipeline of product innovation, communication of popular bundle meals like The Mega deal and The Double deal and never cutting corners in terms of product quality and our franchisees' relentless drive to service their customers quickly and reliably. We have been particularly encouraged by the growth seen from extended trading hours, with sales post midnight up 60.4%, in part benefitting from the communication of late night opening on TV.

Ireland however continues to be a very tough trading environment. We have worked closely with our Irish franchisees during the last year and I have been really impressed with their tenacity. After almost four years of an Irish downturn, only one of the 49 Irish Domino's stores has closed. Our competitors have suffered much more.

No one can confidently predict the turn of the economic tide in Ireland, but when it comes, Domino's Pizza will be ready and waiting. In the meantime the stores there continue to generate some of the best operational metrics anywhere in the world, and to delight our customers with great pizza.

Germany

Having inherited just two stores back in April 2011 and reaching six a year ago, we now have 18 open. There is a full pipeline of planned openings in 2013. This is a rapid pace of growth which has been challenging but hugely exciting. In the past year we have seen our first franchisee run stores and we have several more coming aboard in the next few months.

case study

Stuffed Crust

Following the successful launch of our Domino's Stuffed Crust pizza in 2011, we decided to introduce some new flavours to this product and in 2012 we launched a Saucy BBQ Stuffed Crust and the Ring of Fire Stuffed Crust, which is lined with a fiery hot sauce to really liven up those taste buds.

Future development will continue on this product with more ideas currently in the pipeline.

Our confidence in and enthusiasm for the German opportunity has grown steadily with more on the ground experience. Our earliest Berlin stores saw their like-for-likes grow by 19.3% and 24.1% respectively in 2012 as we learned ever more about menu and marketing preferences in Germany. Other key indicators look good too – our first three franchise stores in the West have achieved average weekly unit sales (AWUS) of over €12.2k in Q4 with one store now regularly achieving an AWUS of €18K and our new flagship corporate store in Düsseldorf opened in November and achieved sales of over €18k in its first week. It is still early days, we still have much to learn, but we are seeing some really encouraging numbers.

We expect to add 18 more stores in 2013, doubling the German footprint to 36 stores. This is an acceleration in the store opening programme compared to the 14 stores in the master franchise agreement. In parallel we will continue to drive weekly sales upwards in our current stores. We are investing for growth, building the required commissary and staffing capacity for the future business. As a result of the accelerated store opening programme and further investment in the central resources to support this growth we are expecting marginally higher losses in 2013 and 2014. We are still on track to reach profitability by the end of 2015.

Our Berlin commissary was relocated and substantially upgraded in 2012 and now has capacity to supply at least 50 stores. We will be building a commissary in the west of the country in the coming year, which will add capacity for 100 more stores. All this reflects the momentum and our confidence in the German opportunity.

Switzerland

In the second half of 2012 we acquired the master franchise agreement for Domino's Switzerland, and took over operation of the 12 stores there. This business has suffered from systemic under-investment and lack of scale. We strongly believe Switzerland can eventually host at least 50 stores and make solid profits. We expect it to be operating profitably by the end of 2014 and we have already begun the process of updating the stores, systems and menus, with an immediate rise in sales.

Other international opportunities

With the Swiss deal we also obtained the rights to operate and franchise Domino's Pizza stores in Luxembourg and Liechtenstein. We also hold an option to acquire the master franchise agreement for Austria before the end of 2014. We will keep all those opportunities under review. Along with the four markets we already operate in, this represents even more international opportunity ahead.

Current trading

We have had a solid start to the first seven weeks of 2013, with like-for-like sales in the UK mature stores up by 1.6% (2012: 3.8%). Clearly the recent spell of poor weather and widespread snow in week three and week four has had an adverse impact on trading. During these two weeks, we had a total of 498 stores closed at some point – almost two-thirds of our UK store network was impacted. Excluding the days these stores were closed, the underlying like-for-like sales run rate was 2.6% which is an encouraging early trend.

Stores in the Republic of Ireland were not affected by the snow and are in positive territory, with like-for-like sales in the mature stores up 3.9% over the first seven week reporting period.

case study

Stores opened in Switzerland

In 2012, Domino's acquired the master franchise for Switzerland, which also came with the rights to open and operate stores in Luxembourg and Liechtenstein.

The Swiss market currently has 12 stores and we have plans to open an additional 25 stores within the next five years. In the longer term, we believe this new market has the capacity for around 65 stores. We have also secured an option to acquire the master franchise rights for Austria before the end of 2014.

This further expansion into Europe is an exciting time for us. To continue to build the brand and create a successful arm to our already existing business is a challenge we look forward to.

Going forward

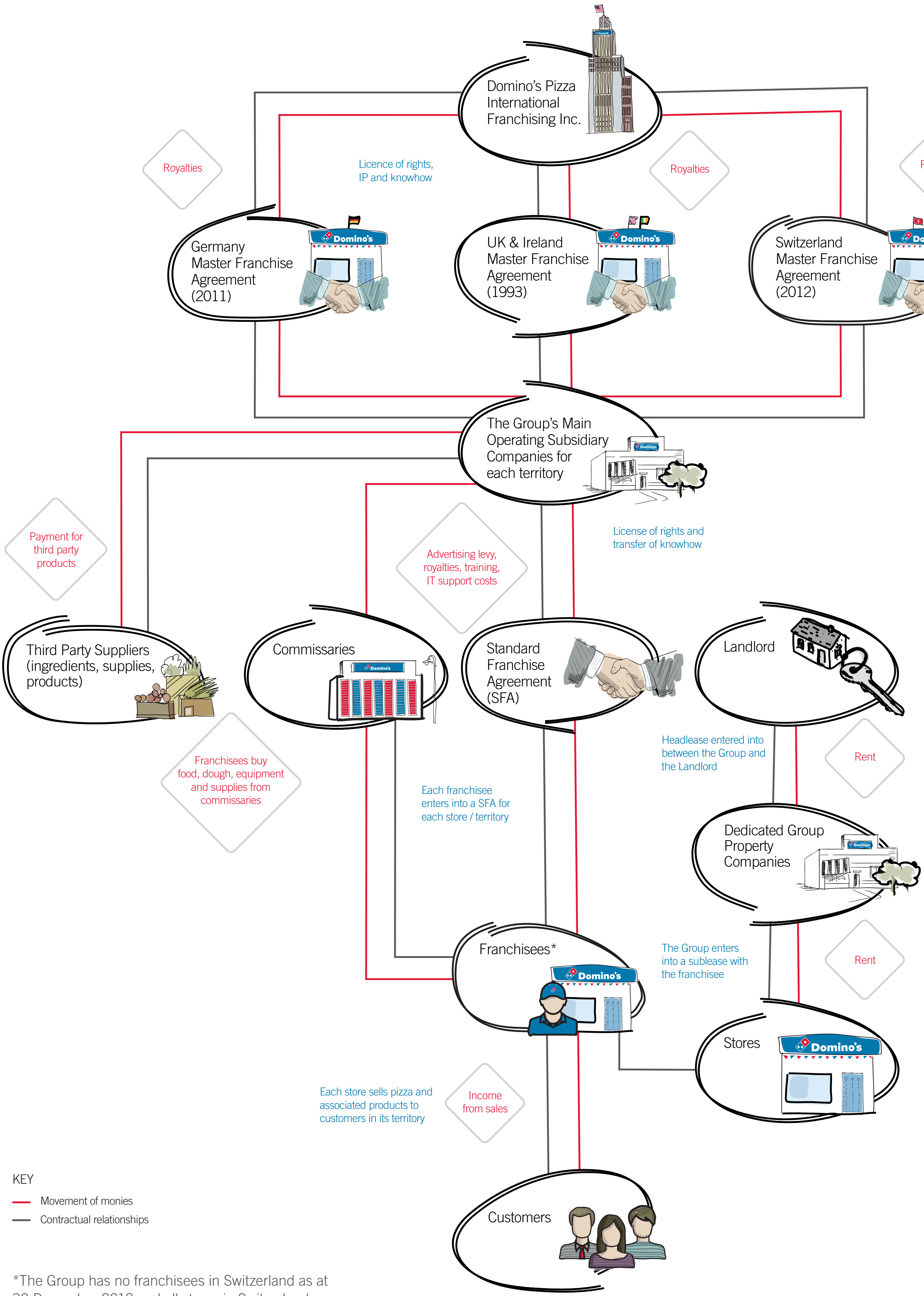
Despite a very challenging economic environment, our people and our franchisees have delivered another impressive set of results. This performance further demonstrates the resilience of the Domino's Pizza home delivery market.

We are making encouraging progress in Germany. This market has good demographics for our business and we are seeing improving trading performances from these stores. I look forward to reporting further progress in due course.

I am optimistic about the future and, with the support of our franchisees, we will continue to grow this outstanding business by focusing on opening new stores, testing new store formats and developing new products while always ensuring the customer is at the heart of everything we do.

Lance Batchelor
Chief Executive Officer
22 February 2013

Our business model



*The Group has no franchisees in Switzerland as at 30 December 2012 and all stores in Switzerland are corporately run. Similarly, Germany comprises a mix of franchised and corporate stores. Full details can be found in the Director's report on pages 32 to 36

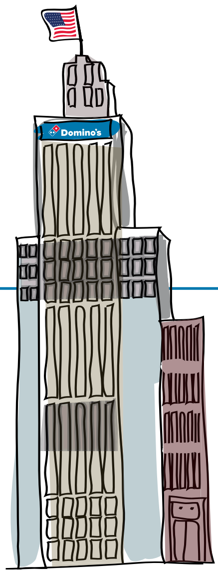
Our business model continued

Domino's Pizza International Franchising Inc. (DPIF) licences to us the right to own, operate and franchise Domino's Pizza stores and commissaries in the UK (this includes the Channel Islands and the Isle of Man), Ireland, Germany, Switzerland, Luxembourg and Liechtenstein.

We then (via the main operating subsidiary company in each territory) franchise or corporately run Domino's Pizza stores in each country. All stores operate in accordance with our standard franchise agreement.

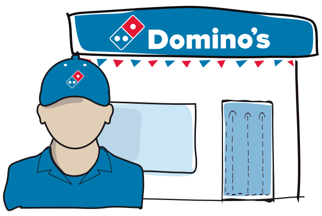
We offer support to all of our stores in a variety of ways, from local store marketing support, the provision of IT systems and services, right through to dedicated business partners that work with each franchisee to target growth opportunities.

We typically take a headlease with the landlord for a store and grant a sub-lease to the franchisee. Each Domino's Pizza store buys its supplies directly from our commissaries or, in some cases, through approved suppliers pursuant to our standard franchise agreement in place with franchisees. Our commissaries offer stores everything from dough and ingredients through to uniforms and equipment. Stores then sell directly to customers, paying us royalties and contributions to the national advertising fund based on a percentage of sales.



1. Domino's Pizza International Franchising Inc.

One of the Group's key relationships is with DPIF, the master franchisor of Domino's Pizza across the globe. We have three master franchise agreements (each a **MFA**) in place with DPIF, relating to the territories which the Group sub-franchises in. The first MFA was entered into on 29 December 1993 and relates to the UK and Republic of Ireland. The second was entered into on 26 April 2011 and relates to Germany and the third MFA was entered into on 24 September 2012 and relates to Switzerland, Liechtenstein and Luxembourg. The Company has also purchased from DPIF the option to acquire the master franchise rights in relation to Austria, which expires on 31 December 2014.



2. Franchisees

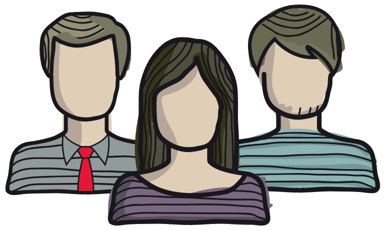
The Group has a committed and entrepreneurial group of franchisees and actively seeks to recruit new franchisees to the business. The growth of existing franchisees is critical to the continued growth of the Group. Whilst all of the stores in the UK and ROI are franchised, the Group operates some corporate stores in Germany and all of the stores in Switzerland are corporate stores.

Currently, the Group has 805 stores in total across all territories. Each store enters into a standard franchise agreement with the Group's main operating subsidiary for the territory in which the store operates. Each standard franchise agreement has an initial term of ten years with an option to renew for a further ten years. The franchisee must comply with the standard franchise agreement and any other operating and compliance policies at all times. All standard franchise agreements in each territory are identical, subject only to any changes that have been required to be made from a legal and compliance perspective in each particular country.

3. Third party suppliers and distribution

We have an extensive network of trusted third party suppliers. In the UK and Ireland we operate our own distribution but in Germany and Switzerland this is outsourced to local logistics providers. Store deliveries occur up to three times a week. Where the Group purchases from third party suppliers, it builds long-term relationships and endeavours to get the best commercial terms possible.

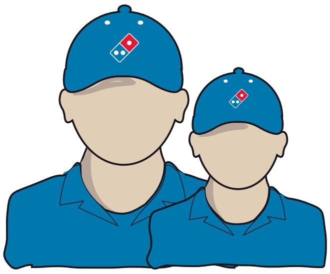
4. Customers



Our goal is to be the leading provider of freshly made home delivery pizza in each territory we operate in. Customers can order online, by phone or in store.

Stores continually endeavour to deliver piping hot, fresh pizza to customers as soon as possible and, to widen the product offering at the point of placing an order, online customers can now take advantage of not only ordering food and beverage products online but also have the opportunity to purchase and stream a movie at the point of purchase.

Customers in the UK can order online at www.dominos.co.uk, in the Republic of Ireland at www.dominos.ie, in Germany at www.dominos.de and in Switzerland at www.dominos.ch. In addition, mobile customers can order by downloading Domino's iPhone, iPad and Android apps.



5. People

Most of the employees that work for Domino's Pizza stores are employees of the franchisee that owns and operates that store. The Group employs staff at its head office and commissaries in the United Kingdom, Ireland, Germany and Switzerland.

We place significant emphasis on these people, particularly with regard to how we recruit and how we develop them. We recognise the importance of a happy workplace and believe our employees are one of the main champions of the brand. We therefore do our utmost to ensure our workforce is a happy one.

In addition, we put safeguards in place to ensure our franchisees treat their staff with respect and in accordance with brand standards. It is our franchisees' staff that interface with our customers and we recognise the importance of giving a customer great service. We have a Team Member Helpline which instore staff can telephone, should they have any concerns or issues at their local store with their employer and we continuously strive to update and train all staff on a regular basis.

6. Revenue & cash flow

We generate most of our revenues from three main streams, as follows:

(i) Royalties and sales to franchisees

This includes revenue from pizza sales in our corporate stores as well as revenue from sales of commissary food, equipment and delivery charges to our franchisees. It also includes royalties generated from store sales to customers (referred to as 'system sales') which our franchisees pay to us.

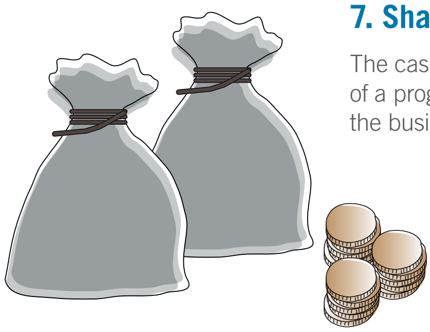
(ii) Rental income

This arises from leasehold properties that the Group holds the headlease for and sub-leases to franchisees.

(iii) Finance lease income

Interest income from financing provided to franchisees or finance leases.

These revenue streams generate cash for the Group which is collected on a regular basis from franchisees. The cash received is used to pay for the main costs to the Group which are food supplies, salary costs, rental payments to landlords and royalty payments required by DPIF in accordance with the various master franchise agreements. Other significant cash outflows arise from investing activities such as purchasing plant, property and equipment as well as other non-current assets such as investment in IT systems. The Company also offers finance to franchisees, its associates and joint ventures in the form of loans and finance leases for assets in new stores.



7. Shareholder remuneration

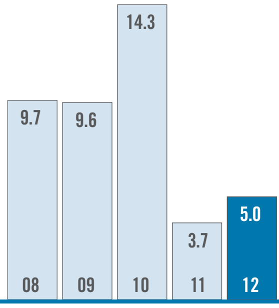
The cash generated by the Group allows us to sustain a generous shareholder return in the form of a progressive dividend policy as well as share buybacks, whilst also investing in the future of the business.

Key performance indicators

We use eight financial and non financial key performance indicators (KPIs) to implement and monitor the performance of the Group against our strategy, in addition to income statement measures of performance. Furthermore, it is a key principle of the Group to align the interests of the Directors and other employees with those of its shareholders. Executive remuneration therefore includes two measures linked to our KPIs, namely adjusted profit before tax growth (used for the Annual Performance Bonus scheme) and adjusted diluted earnings per share growth (used for the Long Term Incentive Plan), details of which can be found in the Report on Directors' remuneration. The eight KPIs and how we performed against them are set out below.

UK stores like-for-like sales growth (%)

The total sales of all UK stores opened on or before 26 December 2010 compared to the comparable 53 week period in the prior year that were open in both periods being compared. Like-for-like sales growth represents a very useful barometer of organic growth, and is an accepted measure of performance across all retailing sectors. Like-for-like sales in the 612 stores that were open in both periods being compared grew by 5.0% (2011: 3.7% growth in 557 stores). Over the last 5 years the average like-for-like growth is 8.5% (2011: 10.3%).

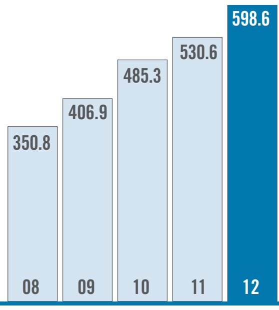


+5.0%

2011: +3.7%

System sales (£m)

The total sales of the Group's franchisee system in the UK, Republic of Ireland, Germany and Switzerland, to external customers, for the 53 week period, compared to the 52 week reporting period in 2008–2011. This represents the most useful indicator of the overall strength of the Domino's brand in the UK, Republic of Ireland, Germany and Switzerland. In 2012, system sales grew by 12.8% (2011: 9.3%) to £598.6m (2011: £530.6m).

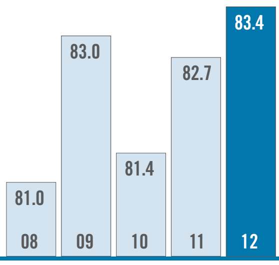


£598.6m

2011: £530.6m

Delivered on time (%)

The Group's target is to safely deliver its product to its customer within 30 minutes of an order being placed. The % of orders that are delivered within 30 minutes has improved and is at its highest in 5 years at 83.4% (2011: 82.7%)

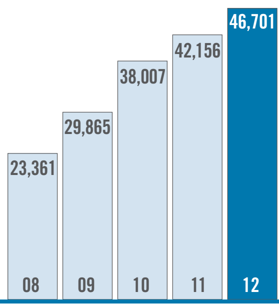


83.4%

2011: 82.7%

Adjusted profit before tax (PBT) (£000)

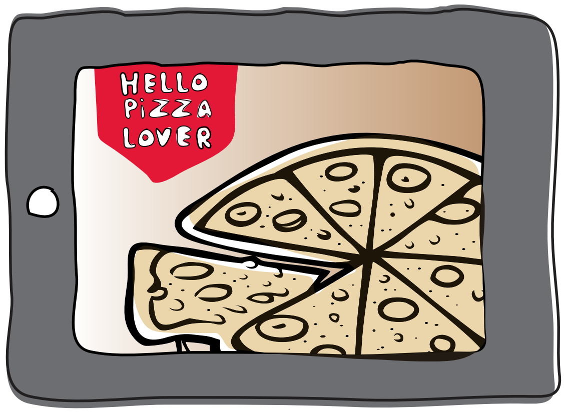
Group profit before exceptional items and before the deduction of taxation for the 53 week reporting period compared to the 52 week reporting period in 2008–2011. Adjusted PBT growth is a good indicator of the efficiency of the business model to the benefit of shareholders, and franchisees alike. Adjusted PBT for the period was up 10.8% to £46.7m (2011: £42.2m).



£46,701

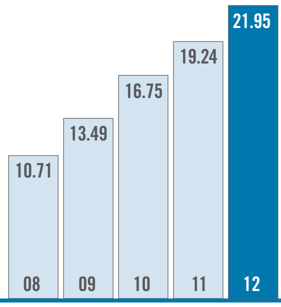
2011: £42,156

+46.7%
Growth in e-commerce sales (2011: 43.0%)



Adjusted diluted earnings per share (EPS) (pence)

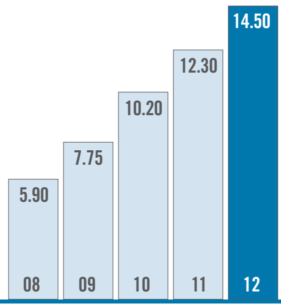
Total earnings, before operating and non-operating exceptional items, divided by the total number of dilutive outstanding shares. Adjusted diluted earnings per share for the period was up 14.1% to 21.95p (2011: 19.24p).



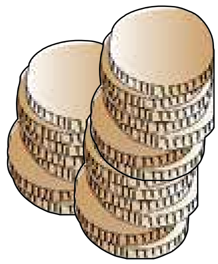
21.95p
2011: 19.24p

Dividend per share (pence)

The interim dividend paid and the final dividend proposed divided by the number of shares eligible for dividends. Dividend per share for the period was up 17.9% to 14.50p (2011: 12.30p).

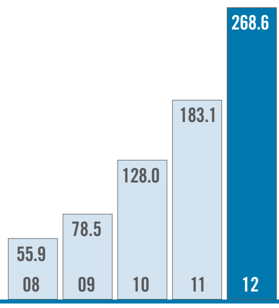


14.50p
2011: 12.30p



E-commerce sales (£m)

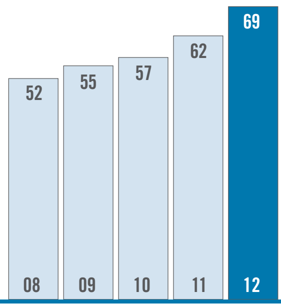
The sales of the Group's franchisee system in the UK and Republic of Ireland, to external customers, via the website (www.dominos.co.uk and www.dominos.ie). In 2012, e-commerce sales grew by 46% to £268.6m (2011: £183.1m).



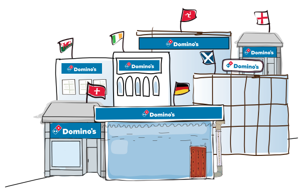
£268.6m
2011: £183.1m

New store openings (number of stores)

Number of new stores opened during the period. 69 new stores were opened during the 53 week period to 30 December 2012 (2011: 62).



69
2011: 62



Chief Financial Officer's review

Key highlights

£598.6m
System sales
(2011: £530.6m)

£46.7m
Adjusted profit before tax
(2011: £42.2m)

21.95p
Adjusted diluted
earnings per share
(2011: 19.24p)

The Group's financial statements for the 53 weeks ended 30 December 2012 ('the period') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU as were the results for the comparative period last year.

Financial highlights

2012 was another year of good progress for the Group, delivering a strong financial performance against a challenging macro-economic background and an increasingly constrained environment for consumer-facing businesses. With many households experiencing more pressure on available discretionary spend, harder choices between competing consumption options are having to be made. A change to save (or pay down debt) during these more uncertain economic times, has forced consumer-facing businesses to work harder in order to achieve consistent growth. Although trading conditions were difficult and highly variable over the year, the Group has been able to further increase sales and profits. Our continued focus on product innovation, exceptional service and the best quality products has enabled the Group to continue its profitable progress.

In addition to having to manage the business against a backdrop of pressure on household incomes the Group was also faced with some fairly sizeable commodity price increases during the period. The Group managed to minimise these input cost pressures by taking out fixed price supply contracts where possible and being proactive with our suppliers. It is these long term relationships forged with our suppliers which has proven to be beneficial in these uncertain economic times, with both us and the suppliers working together to ensure that cost pressures have not had a disproportionate impact on either the Group's or our franchisees' margins and profits nor to the detriment of our suppliers.

In addition we have increasingly harnessed digital media as an ever increasing number of our customers are ordering their favourite products through our e-commerce platforms and this has enabled the franchisees to keep part of their store based labour costs down due to the efficiency of these ordering platforms. These online and mobile orders do not require any further in-store labour intervention in capturing the order thereby keeping labour costs down in the franchisees' stores. The added benefit of these online and mobile orders is that the customers' orders are always correct!

Our business in Germany has made excellent progress over the year with 12 new store openings in 2012 and we now have 18 stores in that territory. We are encouraged by the sales performance in our Berlin stores with like-for-likes in the two mature stores increasing by 19.3% and 24.1%. Sales from our newly opened stores in the west of the country have been strong particularly those stores operated by our UK franchisees.

During 2012 the Group took advantage of further opportunities to expand into new international markets by acquiring the assets of 12 stores in Domino's Pizza Switzerland AG (Domino's Switzerland), including the master franchise agreement (the MFA), which provides the Group with the exclusive right to operate and franchise Domino's stores in Switzerland, Liechtenstein and Luxembourg. We also hold an option to acquire the MFA for Austria. The Group believes that the Swiss market represents an exciting opportunity for the expansion of the Group's business in central Europe.

Although trading conditions were tough, the Group has again delivered increases in system sales, group revenue, profit before tax and diluted earnings per share. The table opposite highlights this growth.

Unadjusted Group profit before tax increased by 9.2% to £42.4m (2011: £38.8m).

Adjusted Group EBITDA was up 13.8% to £51.9m (2011: £45.7m), again demonstrating the strong cash generative nature of the Domino's Pizza business model. As a result of this strong performance the Board is proposing to increase the final dividend by 16.2% to 7.90p (2011: 6.80p) and together with the interim dividend of 6.60p (2011: 5.50p), total dividends of 14.50p (2011: 12.30p) will increase by 17.9%.

At 30 December 2012, the Group had cash and cash equivalents of £22.0m (2011: £24.4m), total debt of £49.6m (2011: £45.8m) and consolidated adjusted net debt of £23.0m (2011: £15.3m). Adjusted net debt excludes non-recourse loans and non-controlling shareholder loans. The Group has substantial headroom against its banking covenants and is in a very strong financial position.

The ratio of adjusted profit before tax as a percentage of system sales (excluding the losses of the Germany and Switzerland operations) a key ratio which highlights the strength of the underlying operational gearing of the business, grew to 8.4% in 2012 (2011: 8.2%). This has been achieved through higher volumes flowing through our system, continuing focus on and tight control of the cost base, close management of procurement costs and operational efficiencies across the business.

Group system sales

Group system sales increased by 12.8% to £598.6m (2011: £530.6m for 52 weeks). The main drivers of this growth were:

- Like-for-like sales growth of 5.0% in 612 UK mature stores (2011: 3.7% in 557 mature stores).
- Buoyant e-commerce sales, growing by 46.7% to £268.6m (2011: £183.1m for 52 weeks), supported by the improvement of our android and iPad apps and greater investment in online marketing and the social media arena.
- A record 69 (2011: 62) new store openings, including 12 store openings in Germany (2011: four). During the year two stores closed (2011: three) both of which were in the UK and were trial concepts that didn't meet our return criteria. They have however given us invaluable insights for new store concept ideas.
- Ongoing new product innovation, including an extended range of "Domino's Stuffed Crust" pizzas.

Commodity prices

2012 saw continued pressure on certain commodity prices (in particular wheat and milk prices). Wheat prices rose by over 40% due to the droughts in America and Australia and the flooding in the UK and Northern Europe. This had a further knock on effect on the price of feed which adversely impacted the price of chicken, pork and beef. Milk prices were impacted by the aforementioned as well as the lobbying for increases in the base milk prices paid to farmers. The Group was further impacted by the removal of the quota subsidies in force in Portugal relating to our tomato growers, which substantially increased raw material prices for our pizza sauce.

The Group's continued focus on its strong long term relationships with our key suppliers and taking advantage of its buying power, enabled us to mitigate the resultant impact of these commodity price increases by securing longer term fixed price contracts and forward buying in advance of the price increases taking effect. An example of the benefits of our long term partnerships with our suppliers was their ability to project the potential increases in the wheat markets and for the Group to take advantage of weaknesses in the markets to buy forward its flour supply. This proactive policy enabled the Group to mitigate the increased pricing to franchisees significantly over the year, protecting not only their margins and ours but also the suppliers. Overall in 2012 the entire food basket only saw an aggregate increase of 2% over 2011 which was a satisfactory outcome given the upward pressure on commodities.

Net interest charge

The net interest charge for the year, including the non-cash impact of £0.3m (2011: £0.4m) arising on the unwinding of the discount on the deferred consideration from the acquisition of Domino's Leasing Limited was £0.8m, an increase of 39.9% on the prior year (2011: £0.6m).

International

The Group trades in the following four territories, the results of which are disclosed in the segmental reporting note in the Group Report and Accounts (note 4):

- United Kingdom
- Republic of Ireland
- Germany
- Switzerland

	53 weeks ended 30 December 2012	52 weeks ended 25 December 2011	Variance	Variance
Group results				
System sales	**£598.6m**	£530.6m	£68.0m	12.8%
Group revenue	**£240.5m**	£209.9m	£30.6m	14.6%
Adjusted operating profit	**£47.2m**	£42.4m	£4.8m	11.4%
Adjusted PBT	**£46.7m**	£42.2m	£4.5m	10.8%
Adjusted diluted EPS	**21.95p**	19.24p	2.71p	14.1%
Adjusted operating profit % of Group revenue	**19.7%**	20.2%		
Adjusted PBT % of system sales	**7.8%**	7.9%		
Group results excluding Germany & Switzerland				
System sales	**£592.9m**	£530.0m	£62.9m	11.9%
Group revenue	**£233.6m**	£209.3m	£27.8m	13.3%
Adjusted operating profit	**£50.0m**	£43.7m	£6.3m	14.5%
Adjusted PBT	**£49.7m**	£43.6m	£6.1m	14.2%
Adjusted diluted EPS	**23.28p**	19.86p	3.42p	17.2%
Adjusted operating profit % of Group revenue	**21.4%**	20.9%		
Adjusted PBT % of system sales	**8.4%**	8.2%		

Note: Adjusted measures refer to pre-operating and non-operating exceptional items

The core UK market has seen further robust growth of 15.7% in operating profits over the year. This has been achieved through a 5% like-for-like sales growth in the mature stores, the opening of 57 new stores and the resultant benefits from the operational gearing that is manifest in our operating model – tight control over operating costs and the further margin progression in our commissaries from the productivities that flow from the automation of the dough making processes.

Although trading in the Republic of Ireland remains tough due to the continuing weak economic conditions, overall the Group was satisfied with the results from this segment. Stronger trading than expected, especially in the City areas, resulted in the segment delivering positive results compared to our forecasts and the territory still boasts stores with some of the highest average weekly sales for the International Division of Domino's Pizza stores worldwide.

During the year we opened 12 stores in Germany and the initial trading performances have been encouraging and in line with our forecasts. We have also strengthened the management team in the region during the year.

Trading in Switzerland was marginally better than our expectations, during the initial period of transition.

Exceptional items

Results for the year include total net exceptional costs of £5.1m (2011: £4.5m). The total amount has been excluded from the adjusted profits and earnings to show the underlying performance of the business. The exceptional costs in 2012 comprise the following:

- Operating exceptional items
  - Acquisition and restructuring costs of £2.4m relating to the acquisition of Domino's Pizza Switzerland during the year.
  - Acquisition and one off costs of £0.6m relating to new UK joint ventures established during the year.
  - An onerous lease charge of £0.5m (2011: £0.9m) relating to three Irish sub-leases offset by release of prior year provisions where the Group has been able to mitigate the liability.
  - During the year the Group undertook a review of all of its head office central overhead departments in order to create efficiencies and streamline processes. This resulted in restructuring and reorganisation costs of £0.8m.
  - As a result of the Group reviewing the carrying value compared to the recoverable amount of assets held, the Group has incurred an impairment charge of £0.2m (2011: £0.8m) for the year. This was due to the closure of a trial store concept during the year.
- Non-operating exceptional items
  - During the year, the Group sold its subsidiary, DP Milton Keynes Limited and recognised a profit of £0.5m on the sale.
  - Included within finance costs is a charge of £0.3m (2011 : £0.4m) relating to the unwinding of the discount on the deferred consideration in relation to the acquisition of Domino's Leasing Limited.

Taxation

Excluding the taxation effect of the exceptional items, the effective tax rate is 24.2% (2011: 26.4%). This is lower than the statutory tax rate in 2011 due to the reduction in the corporation tax rates in the year and marginally lower than the underlying corporation tax rate of 24.5%. The marginally lower effective tax rate compared to the underlying corporation rate is due to the level of expenses not deductible for tax purposes, offset by the impact of the German segment losses, adjustments relating to prior years and the impact of the lower tax rate applicable in the Group's Republic of Ireland subsidiary.

Including the effect of exceptional items, the effective tax rate in 2012 was 28.5% (2011: 31.8%). The effective tax rate includes the following exceptional items:

- Effective 1 April 2012, the corporation tax rate reduced from 26% to 24%, and will further reduce to 23% on 1 April 2013. The impact of this change is to reduce the deferred tax asset by £1.1m (2011 : £1.3m). This charge has been recorded in the taxation exceptional items in the Group income statement.
- The taxation impact of the operating and non-operating exceptional items is a reduction of £0.3m (2011: £0.1m) in the overall corporation tax for the year (see note 12 earnings per share).

Group earnings per Share

Adjusted basic earnings per share for the period of 22.17p was up 13.8% on the prior year (2011: 19.48p). Adjusted diluted earnings per share for the period of 21.95p, was up 14.1% on the prior year (2011: 19.24p).

Unadjusted basic earnings per share for the period of 19.04p, was up 14.4% on the prior year (2011: 16.65p). Unadjusted diluted earnings per share for the period of 18.85p, was up 14.6% on the prior year (2011: 16.45p).

Dividends

Following the results achieved for the year, the Board is recommending a final dividend for 2012 of 7.90p (2011: 6.80p) per share. This is a 16.2% increase on the final dividend for the prior year. Together with the interim dividend of 6.60p per share paid on 6 September 2012, the total dividend for the year will be 14.50p per share, an increase of 17.9% on the dividend paid for the prior year (2011: 12.30p). The full year dividend is 1.51 times covered by adjusted profits after tax (2011: 1.56 times).

Subject to shareholders' approval at the Annual General Meeting on 26 March 2013 the final dividend will be payable on 12 April 2013 to shareholders on the register as at 15 March 2013.

Cash flow and net debt

The Group has a consistent record of delivering strong cash flows and in 2012 this was again the case. Adjusted Group EBITDA increased by 13.8% to £51.9m (2011: £45.7m). Net cash generated from operations was £47.5m (2011: £31.5m), an increase of £16.0m on the prior year.

Segment	53 weeks ended 30 December 2012	52 weeks ended 25 December 2011	Variance	Variance
UK	**£45.2m**	£39.1m	£6.1m	15.7%
ROI	**£4.4m**	£4.3m	£0.1m	2.4%
Germany*	**(£2.6)m**	(£1.3)m	(£1.3)m	(90.8)%
Switzerland**	**(£0.3)m**	–	(£0.3)m	–
Group	**£46.7m**	£42.1m	£4.6m	11.3%

*Acquired in April 2011 **Acquired in September 2012

During the year, outflows of £6.6m (2011: £4.0m) of corporation taxes and £30.3m (2011: £16.9m) of capital expenditure and financial investment were incurred. Included in the capital expenditure and financial investment was £2.2m (2011: £4.4m) relating to payments to Commerzbank under the arrangements of the acquisition of Domino's Leasing Limited as well as £4.7m investment in UK joint ventures during the year. £5.5m (2011: £1.4m) was loaned to franchisees for the roll out of the new store ePOS system and £4.8m for new store openings. These loans by Domino's Pizza to franchisees for new store openings were provided as one-off short-term bridging loans at a time when one of the major lenders to franchisees temporarily suspended lending activity during 2012. We have now agreed with two major banks that these new store loans will be refinanced by the banks directly to the franchisees during the first half of 2013 thereby unwinding these loans from Domino's Pizza during the new financial year.

Overall net cash flow before financing was £17.2m (2011: £14.5m). During the year we have distributed a further £25.0m (2011: £20.2m) to shareholders through share buybacks of £3.3m (2011: £2.2m) and £21.7m (2011: £18.0m) in dividends.

In the period, options over 1.4m (2011: 0.3m) shares were exercised generating an inflow of £2.6m (2011: £0.6m).

DP Capital Ltd continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £1.8m (2011: £1.3m). After repayments, the balance outstanding at the year end on these leases was £3.0m (2011: £3.3m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.9m (2011: £2.7m).

The Group's adjusted net debt increased by £7.7m to £23.0m (2012: £15.3m).

The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) on a quarterly basis as this is one of the financial covenants for the £30m five-year facility. The Group includes within net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes non-recourse loans and the Domino's Pizza Germany non-controlling interest loans. The ratio of adjusted net debt to EBITDA remains exceptionally low at 0.5 (2011: 0.4) against a covenant of 2.5:1.

Banking facilities

During the year the Group successfully re-financed its £25m five year facility at very competitive interest rates. During this process the facility was increased from £25m to £30m. This enabled the Group to have the additional flexibility to take advantage of further international growth opportunities and acquire Domino's Switzerland.

At 30 December 2012 the Group had a total of £53.0m of banking facilities of which £8.0m was undrawn. The main facilities are a £30m five year facility and a £13m seven year term facility which attract an interest rate of LIBOR plus 135bps and 50 bps respectively.

The Directors are comfortable that the Group will continue to have sufficient liquidity and headroom going forward.

Capital employed

Non-current assets increased in the year from £99.1m to £112.5m due to the acquisition of Domino's Switzerland and the increase in the new point of sale and new store bridging loans to franchisees.

Current assets increased from £54.3m to £69.3m. This was predominantly due to an increase in trade and other receivables of £11.8m offset by a decrease in cash and cash equivalents of £2.4m.

Current liabilities decreased from £62.6m to £52.4m, due to the movement of the Group's £25m long term facility to non-current liabilities, following the successful refinancing of the facility during the year, offset by an increase of £12.3m in trade and other payables.

Non-current liabilities increased from £31.1m to £59.0m, due to the movement of the £25m five year facility from current to non-current liabilities following the refinancing of the facility and due to the increase of the facility from £25m to £30m.

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and monitored by the Board.

The Group monitors its cash resources through short, medium and long-term cash forecasting. Surplus cash is pooled into an interest bearing account. The Group monitors its overall level of financial gearing monthly, with our short, and medium-term forecasts showing underlying levels of gearing well within our targets and banking covenants, as discussed earlier under cash flow, net debt and bank facilities.

In addition the Group has invested in operations outside the United Kingdom and also buys and sells goods and services in currencies other than sterling. As a result the Group is affected by movements in exchange rates, the Euro in particular. It is the Group's policy to mitigate these effects by agreeing fixed Euro rates with its franchisees and suppliers wherever possible.

Conclusion

Although trading conditions were difficult, and the economic backdrop weak, the Group has been able to further grow its sales, its estate and generate significant cash flows. As always, our people and franchisees successfully took on the challenge and delivered an excellent set of results. This performance again demonstrates the resilience of the pizza home delivery market and Domino's business model in particular.

The Group's international operations are performing in line with our expectations and we are starting to see encouraging results from our investment in the Germany and Switzerland markets.

We are well positioned to continue our expansion and implement our plans for the future growth of the Group, backed by our strong balance sheet and low financial gearing. During 2013 we will continue to:

- Focus on our customers by providing excellent value, choice through continued new product innovation and service
- Maintain high standards of operational efficiency and execution
- Carefully control our costs and seek to mitigate and minimise the impact of inflationary input costs thereby driving operational gearing benefits further
- Grow our store portfolio in line with our long term plans
- Focus on cash flow, returns and growing shareholder value.

We will continue our relentless efforts to build a business capable of delivering long-term, sustainable growth in cash flows to drive shareholder value, which will be returned to shareholders through share buybacks and dividends.

Lee Ginsberg
Chief Financial Officer
22 February 2013

Board of Directors

1 Lance Batchelor (49)
Chief Executive Officer
Lance became Chief Executive Officer on 26 December 2011, having previously been the Deputy Chief Executive Officer of the Company since June 2011. He originally joined the Board as a Non-Executive Director in July 2010 whilst the Chief Executive Officer of Tesco Mobile, part of Tesco plc. Lance previously held senior roles at Vodafone Group plc, Amazon.com and Procter & Gamble. He began his career in The Royal Navy where he served as an officer in the submarines. Lance holds an MBA from Harvard Business School. He is a trustee of The National Gallery.

2 Stephen Hemsley (55)
Non-Executive Chairman
Stephen joined the Company as Finance Director in 1998. In 2001 he was appointed Chief Executive. Stephen was appointed Executive Chairman of the Group at the beginning of 2008 and became Non-Executive Chairman with effect from the close of the 2010 AGM. Stephen is also Chairman of Franchise Brands Worldwide Limited and its subsidiary companies. Stephen is a chartered accountant by profession.

3 Lee Ginsberg (55)
Chief Financial Officer
Lee joined the Company in 2004 as Finance Director and Company Secretary. He previously held the post of Group Finance Director for Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive. Lee is a non-executive director of Mothercare plc and Oriole Restaurants Limited. Lee is a chartered accountant by profession.

4 Michael Shallow (58)
Non-Executive Director
Michael was appointed to the Board in 2006. He is Chair of the Audit Committee and Senior Independent Director of the Company. Michael is also a member of the Company's Remuneration Committee and Nomination Committee. Michael is a non-executive director of Britvic plc and has worked in the food and drinks sector for the past 21 years. He was previously the Finance Director for Greene King plc.

5 Syl Saller (55)
Non-Executive Director
Syl was appointed to the Board in September 2011, she is a committee member of the Company's Remuneration Committee and Chair of the Nomination Committee. Syl is currently the Global Innovation Director for Diageo plc. Prior to this she held senior marketing and general management roles within Allied Domecq, the Holson Burnes Group and Gillette and has an MBA from Harvard Business School.

6 Colin Halpern (76) ○
Non-Executive Vice Chairman
Colin acquired the Domino's Pizza Master Franchise Agreement for the UK and Republic of Ireland in 1993 through International Franchise Systems Inc. In November 1999, with Colin as Chairman, the Company was taken public and listed on AIM. Colin is the Managing Director of HS Real Company LLC, Chairman of Calumet Holdings LLC and Dayenn Limited and non-executive director of several other companies. Colin is a member of the Company's Nomination Committee.

7 Helen Keays (48) ●
Non-Executive Director
Helen was appointed to the Board in September 2011, she is a committee member of the Audit Committee. Helen is also a non-executive director of Majestic Wine plc and Mattioli Woods plc and a trustee of The Shakespeare Birthplace Trust. Helen has previously been a Director of Chrysalis plc and The Britannia Building Society and held senior roles within Vodafone Group plc and GE Capital.

8 John Hodson (66) ● ○ ○
Non-Executive Director
John joined the Board in 2005 having previously been Chairman and Chief Executive Officer of Singer and Friedlander Group. He is currently Chairman of Strategic Equity Capital plc and a director of Prestbury Residual Limited. John is a member of the Company's Audit Committee and Nomination Committee and Chair of the Remuneration Committee.

9 Nigel Wray (64)
Non-Executive Director
Nigel was appointed to the Board in 1999. He is Chairman of Saracens Rugby Club and non-executive director of several public and private companies.

10 Adam Batty (40)[1]
General Counsel & Company Secretary
Adam joined the Company in 2008 from leading pub company Mitchells & Butlers plc where he was the Director of Legal Affairs. He is a qualified solicitor and has previously held the position of Corporate Lawyer at Six Continents plc and Norton Rose LLP. Adam is a trustee of the charity Born Free.

Key to Committees
● Member of the Audit Committee
○ Member of the Nomination Committee
○ Member of the Remuneration Committee
– Indicates Chair of Committee

* Ages of Directors are as at 22 February 2013

1 Adam Batty leaves the Company with effect from 17 February 2013. Mark Millar (43) has been appointed as General Counsel and Company Secretary with effect from 18 February 2013 when he takes over from Adam. Mark is a qualified solicitor and joins from Future plc where he was General Counsel and Company Secretary for over ten years. Mark brings with him a wealth of commercial and legal expertise including more than a decade as a City solicitor, having joined Future plc from Allen & Overy.

Corporate social responsibility report

This section describes our responsibilities and provides an insight into our Corporate Social Responsibility (CSR) activity. Our commitment to CSR means that we consider our impact on the environment, our employees, the communities in which we operate and all other stakeholders in everything we do. We operate our business responsibly, from the way we run our head office and commissaries and how we stipulate our franchisees run their stores, to how we support our local communities and the products we source.

Community matters

In 2012, Domino's franchisees continued to be at the heart of their communities. It was a significant year, full of landmark events such as the Queen's Diamond Jubilee and the London Olympics. Our stores in and around London enjoyed supporting the Games and were on hand to feed the athletes and spectators, and many stores elsewhere participated in the party atmosphere that prevailed in the communities throughout the United Kingdom during this time.

Our main charity partners remained Special Olympics Great Britain (SOGB) in the UK and Barretstown in the Republic of Ireland, as well as our continued partnership with Pennies, the electronic charity box. In 2012, the Northern Ireland's Children's Hospice (NICH) was added to our list of benefactors, receiving 75% of all donations made in Northern Ireland via the Pennies scheme, which during the year equated to £5,000. SOGB received a £25,000 corporate donation and over £130,000 from our customers via the Pennies scheme, with Barretstown receiving €15,000 donation from Domino's and our franchisees in the Republic of Ireland.

In December 2012, we joined forces with ITV to support the Text Santa Appeal, which raises funds over the festive period for six worthy charities, namely, Age UK, Whizz Kids, The Anthony Nolan Trust, Carers UK, Marie Curie Cancer Care and Together for Short Lives. Our customers showed their support for this appeal and through Pennies donated over £39,000 in just under six weeks.

At our head office in Milton Keynes, our staff continued to be pro-active in the local community and donated their time to work with local charities. Ride High (a charity supporting disadvantaged children), HULA (Home for Unwanted and Lost Animals) and the Milton Keynes Foodbank all benefitted from our support in 2012. Volunteering activities ranged from the transformation of a suite of rooms for HULA to participation in the Milton Keynes Sleepout, an initiative aimed at raising money for local vulnerable and elderly in the area.

On a local store level, our franchisees have given to many local charities by donating pizza, money or their time to a wealth of different projects. Our franchisees continue to amaze us by showing how passionate they are about their local communities and charities therein and we have reported on many of their achievements during the year via our internal magazine, *Slice*.

In England, one franchisee in Essex abseiled down the water tower in Harlow to raise money for vulnerable and elderly people in his region. He successfully completed the task and raised over £3,000. In Cornwall, a team member cycled all the way from Penzance to Domino's head office in Milton Keynes, to raise £1,500 for Help for Heroes.

In Wales, Domino's celebrated 15 years in the region and a community party was held with Miss Wales joining in the fun at the first Welsh Domino's store based in Cardiff, alongside a local Brownie group and representatives from the Welsh Guards. Our franchisees in Wales decided to support the Welsh Guards Afghanistan Appeal and raised £1,500 for the Appeal, by donating a percentage of sales from Texas BBQ pizzas – statistically the most popular pizza in Wales!

In Scotland, our stores again took part in raising money for the STV Appeal in support of six major Scottish charities (Aberlour, Action for Children, Barnardo's Scotland, Children 1st, Save the Children Scotland and One Parent Families Scotland) and a total of £6,000 was raised. Stores in the region also raised money for Alzheimer's Scotland. One group of 19 employees climbed Ben Nevis and one employee cycled from Domino's in Aberdeen to Domino's in Edinburgh. Collectively they raised almost £3,000 for this worthy cause.

In Ireland, our franchisee in Coleraine supported the Coleraine High School World Challenge and during the year raised over £2,500 by running pizza for a £1 days, with all the money going to the school. His support has helped to fund the students' expedition to Malawi, to participate in a rural community project.

case study

Donate-a-days

Our staff continue to be pro-active in the local community and donate their time to work with local charities. HULA (Home for Unwanted and Lost Animals) and the Milton Keynes Foodbank both benefitted from our support in 2012.

At HULA, our employees helped to create an animal hospital and handover area by spending time cleaning, painting and tidying – the result was a completely refurbished area, fit for purpose and a very happy charity.
At the Foodbank, our team members spent the day making up food parcels and serving visitors to the centre. They were given an educational tour of the site and shown just how the Foodbank works.

In Germany, our store count continues to increase and currently sits at 18. These stores have fully immersed themselves into the Domino's way of life and into their communities. In December, a new head office and store was opened in Düsseldorf – a large celebration party took place to ensure the local residents knew that Domino's was in town. The opening event was a success with people turning up in large numbers to visit the new store and pupils from a local school were given a lesson in how to make a pizza.

As well as the stories mentioned, there are many more examples of charitable activities or local community support taking place in our stores each week. Dozens of school visits took place in 2012, with pupils visiting their local store for a lesson in pizza making. On more than one occasion stores were invited to visit their local school to carry out a pizza demonstration to children and teachers.

We continue to run a 'Delivering More' programme that recognises the efforts of our team members who have gone above and beyond in their duties. These random acts of kindness or gestures of goodwill are recognised with a cheque for £500, a certificate and a badge. In 2012, the winners included a store manager who jumped into a river to save someone from drowning and two groups who gave their time to Keep Britain Tidy initiatives, helping to restore parks in their local communities.

As a Company we are passionate about people and about developing those all important relationships with our customers, our staff, our suppliers, our charities and our stakeholders.

Developing Relationships

In 2012, Domino's partnered with the Staffordshire Fire and Rescue Service, in a programme to help encourage customers to think more about fire safety in the home. The project involved Domino's providing a free pizza voucher to every customer who agreed to have a home fire safety check. Carrying out these checks, especially in high risk areas, is vitally important to the Fire Service. These checks help to educate local residents who are then provided with fully fitted smoke alarms and carbon monoxide monitors. Such initiatives can help to reduce the incidence of fires and ultimately saves lives.

Domino's store in Llanelli joined forces with The Wales Air Ambulance to act as a collection point for the donation of unwanted books. The Wales Air Ambulance charity shop located in the town benefitted from the donation of these books, with all funds raised from the sale of them going to the charity.

The over 70s are not generally Domino's customers, but this does not mean that they are a section of the community that we forget about. In 2012, several projects undertaken in Buckinghamshire and Essex proved that the elderly actually do love pizza and want to taste and learn more about it.

Environment – Going the extra mile

In 2012, several of our franchisees introduced electric cars into their fleet of delivery vehicles. The Renault Twizy is becoming an increasingly popular choice for Domino's franchisees. It's compact, economical and environmentally friendly, so makes a perfect pizza delivery vehicle. In Germany, the team's flagship store in Düsseldorf opened with a fleet of branded Twizys – which caught the eye of local people and helped to spread the Domino's message.

case study

Pennies

Since our partnership with Pennies began in 2010, it has gone from strength to strength, with over a million customers donating their spare change online in its first year. In 2012, Special Olympics Great Britain (SOGB) received over £130,000 in donations, with the Northern Ireland's Children's Hospice (NICH) receiving £5,000 from just 20 stores in the region.

We added the Pennies facility to our iPhone app this year and saw an incredible 18% rise in donation figures. We are very grateful to our customers for their generosity and engagement with this scheme.

In December 2012, Domino's joined forces with ITV to support the Text Santa Appeal, which raises funds for six worthy charities, namely Age UK, Whizz Kids, The Anthony Nolan Trust, Carers UK, Marie Curie Cancer Care and Together for Short Lives. Our customers showed their passion for this appeal as in just six weeks they raised over £39,000.

In 2013, we will be selecting a new charity partner to benefit from Pennies. We will retain our partnerships with SOGB and NICH, who will continue to receive a percentage of the funds, but we plan to choose a new charity partner to work with too. This is an exciting opportunity for us to help spread the pennies even further.

Corporate social responsibility report continued

Both ourselves and our franchisees recognise that reducing energy consumption makes sound business sense, because it saves us money and enables us to help in our own small way to tackle the effects of climate change. We therefore continue to look at ways to improve energy efficiency in our stores, head office and commissaries by reducing energy consumption and energy costs. We put this to the test in our store in Alton when we worked with Eco Adapt to undertake an electricity optimisation trial. We monitored the electrical consumption within the store for 12 months then installed an Eco Adapt solution system, which was then monitored for a further 12-month period. The results were favourable, ensuring an annual saving of approximately £1,500 for the store, together with fewer equipment failures and a clear reduction in CO_2 emissions. This system has now been made available to all our franchisees.

We continue to look at our supply chain for ways to reduce our carbon footprint and we are working with WRAP (Waste and Resources Action Programme), the Government-funded initiative, to further reduce food waste and packaging within our business.

We aim to keep our food waste to a minimum and our three deliveries per week allow our franchisees to quickly adapt to changes in customer demand. We constantly review our packaging to see where potential improvements can be made. Our boxes are already made from 80% recycled cardboard and are 100% recyclable and we continue to look for new ways to improve in this area.

Our stores in Essex and Hertfordshire took part in the *Spring Clean for the Queen* campaign and helped remove litter, tidy the streets and clean-up parks in their local areas. At Christmas, our stores in Hemel Hempstead and Glasgow also participated in clean-up campaigns, helping to restore local parks and gardens.

Workplace – Caring for our employees

The welfare of our team members is important to us and we have continued to invest in the wellbeing of our staff by introducing the Vitality Programme, as well as offering our employees the chance to take part in a corporate health review. The programme enables employees to complete their own health review and be provided with a report containing tips and advice on how to improve their lifestyle. In addition, the programme offers our team members the opportunity to attain discounts from a wide variety of high street retailers by gaining points. Points are achieved by taking steps to improve their lifestyle – by reducing their alcohol intake, stopping smoking, visiting the gym more often or just taking a daily walk in their lunch hour. We also provide company bicycles on site at head office for our team members to use during lunch hours or after work.

With our move into Germany and now Switzerland we have realised the need for some of our employees to speak German, so German lessons are being provided to key team members.

We also renewed our contact with PERKZ – the online discount scheme that ensures our employees are able to receive money off theatre tickets, holidays, clothes and a whole range of benefits.

case study

Shenley Village

In 2012, Domino's established a relationship with the ExtraCare Trust, which owns 13 retirement villages across the country.

Two of its villages are located in Milton Keynes and the local stores regularly donate pizza to their race nights. Members of the operations team visited one of the villages to teach residents about Domino's Pizza. The visit included a talk on the history of the business, a pizza making demonstration and an opportunity for some of the residents to have a go at making their own pizzas.

case study

Extraordinary Deliveries

Domino's delivers to any number of places.

This year some of our extraordinary deliveries have included happy couples who have just got married, a family on board a narrowboat, a businessman on a train, hospital staff dealing with passengers from a crash scene and even delivery via dinghy to a customer stranded in the summer floods.

Our biggest internal investment in 2012 was the roll-out of a brand new Company intranet. This new system, Domino's Base, provides our employees with the latest news and company information and has been designed to help promote staff engagement and increase transparency.

Slice magazine continues to be produced on a quarterly basis and is sent out to all employees, franchisees and stores. The magazine provides an insight into the business and shares best practice, competitions and corporate news and information. This colourful magazine is now also available online via Domino's Base, ensuring that our team members are always able to view the latest copy.

We are immensely proud of those who work in our system, from franchisees and head office employees to commissary staff and store team members. Their wellbeing and happiness at work is a high priority for the business. Without their drive, commitment and passion for the business the Company would not achieve the results it does.

Marketplace – Quality remains our priority

We are proud of the food that our stores produce for our customers and this pride starts with the supply chain. As a company, we choose our suppliers carefully and we continuously monitor the quality of our ingredients and regularly meet with our suppliers.

In 2012, we signed up to implement six pledges from the Department of Health's Responsibility Deal. The six pledges are Out of Home Calorie Labelling, Health and Wellbeing Report, Active Travel, Physical Activity in the Workplace, Salt Catering and the non-use of Artificial Trans Fats in our food. Accepting these standards evidences our commitment to providing only the best quality food and to improving the nutritional value of our menu.

A notable addition to our menu in 2012 was the Gluten Free pizza base, a long awaited product that has been well received by coeliacs and the Coeliac Society, who have approved it. We took great care and time over the launch of this product to ensure it was safe for coeliacs to eat.

During 2012, we continued to challenge our suppliers to further reduce salt, fat and calories from the products we use and sell in the business. We know that customers continue to show keen interest in the quality of products on our menu and we are proud to have no added hydrogenated fats, no GM foods and no artificial colours or flavours on our menu.

Our Take a Fresh Look website (www.takeafreshlook.co.uk) provides our consumers with a wealth of information regarding our products, including their origin and their calorific content. We realise the importance of this information and continually review and update this site to provide our consumers with as much relevant information as possible. This site received 550,900 unique views in 2012, averaging just short of 46,000 visitors per month. Also, as members of the Anaphylaxis Campaign, we do our best to provide clear information to those with allergies.

Responsibility Deal

In 2012, we agreed to implement six pledges from the Department of Health's Responsibility Deal. The six pledges are Out of Home Calorie Labelling, Health and Wellbeing Report, Active Travel, Physical Activity in the Workplace, Salt Catering and the Non use of Artificial Trans Fats in our food.

Accepting these pledges confirms our commitment to providing only the best quality food to our customers. The welfare of our staff is also vitally important to us, so we will continue to encourage our staff to be active by providing them with access to discounts on gym membership, via the Vitality Programme.

We have already started to make progress on the reduction of salt in our products and plan to continue this work in 2013.

We were delighted during the year to see all of our food and packaging suppliers sign up to Sedex (Supplier Ethical Data Exchange), helping us to manage ethical and responsible practices in our supply chain. In addition, we ensure that our meat and dairy suppliers work closely with their chosen farmers to ensure animal welfare is to the required EU or international equivalent standard. This is an area we continue to monitor closely.

During the year we also trialled the use of pole and line caught tuna (the most sustainable fishing method for skipjack tuna) and we will be moving to this permanently during the first quarter of 2013.

Going forward

In 2013, we will continue to provide SOGB and NICH with financial support, via the Pennies scheme, but we will also select a new charity partner to work with and benefit from the funds raised. We have decided to allocate our corporate donation fund to matched funding, so that we can support our employees and encourage them to get involved in charitable events relating to causes that have particular relevance to their lives.

In the coming year, we will work hard to meet the requirements of the pledges we agreed to as part of the Department of Health's Responsibility Deal and we will continue to look at ways in which to keep our menu fresh and exciting. We plan to open many more stores and develop our European markets further. Most of all, we will continue to serve our customers with what we believe is the best quality pizza in town.

Directors' report

The Directors have pleasure in presenting their report for the 53 weeks ended 30 December 2012.

Principal Activity

Domino's Pizza Group plc (the Company) and its subsidiary companies (together the Group) hold three master franchise agreements in relation to Domino's Pizza, one of the world's leading home delivery pizza brands. Pursuant to these three master franchise agreements, the Group has the exclusive right to operate and franchise the Domino's Pizza brand in the UK (this includes the Channel Islands and the Isle of Man), Republic of Ireland, Germany, Switzerland, Luxembourg and Liechtenstein (each a Territory and together the Territories). The Company is proud to report that it operates the leading home delivery pizza brand in the UK and the Republic of Ireland and its goal is to operate the leading home delivery pizza brand in Germany, Switzerland, Luxembourg and Liechtenstein. The Company believes its entry into the Swiss and German markets offer exceptional opportunities to grow the Domino's brand in Europe.

As at 30 December 2012, the Group had the following franchised and corporate owned stores in the Territories:

	Franchised (as at 30 Dec 2012)	Franchised (as at 25 Dec 2011)	Corporate Owned (as at 30 Dec 2012)	Corporate Owned (as at 25 Dec 2011)
UK & Ireland	**775**	720	**0**	5
Germany	**7**	1	**11**	0
Switzerland	**0**	0	**12**	0

As at 30 December 2012, the Group did not have any stores in the Channel Islands, Luxembourg and/or Liechtenstein.

Business review

The Companies Act 2006 (the 2006 Act) requires the Company to set out in this Annual Report a fair review of the business of the Group during the financial year ended 30 December 2012, including an analysis of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group, which is known as a business review.

The information that fulfils the business review requirements can be found in the following sections:

- Chairman's statement on pages 4 to 5
- Chief Executive Officer's report on pages 6 to 16
- Chief Financial Officer's report on pages 22 to 25
- Corporate Governance report on pages 37 to 51
- Principal risks and uncertainties on pages 46 to 51
- OFR on pages 6 to 31

Together, this information is intended to provide a balanced and comprehensive analysis of the development and performance of the Group's business, its performance during the year, likely developments and any principal risks and uncertainties associated with the Group's business.

Details of the Group's policy on addressing financial risks is given in the OFR and details about financial instruments are shown in note 30 to the financial statements at page 105.

Pages 32 to 36 inclusive (together with sections of the Annual Report incorporated by reference) consist of a Directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Results and Dividends

Group results

The Group profit for the period after taxation was £30,307,000 (2011: £26,466,000). This is after a taxation charge of £12,062,000 (2011: £12,323,000) representing an effective tax rate of 28.5% (2011: 31.8%). The financial statements setting out the results of the Group for the period ended 30 December 2012 are shown on pages 68 to 112.

Dividends

The Directors recommend the payment of a final dividend of 7.9p per ordinary share, to be paid on 12 April 2013 to members on the Register at the close of business on 15 March 2013, subject to shareholder approval. Together with the interim dividend of 6.6p per ordinary share paid on 6 September 2012, the total dividend for the year will be 14.5p compared with 12.3p for the previous year, an increase of 17.9%. Dividends are recognised in the accounts in the year in which they are paid, or, in the case of the final dividend, when approved by shareholders, such that the amount recognised in the 2012 accounts, as described in note 13, comprises last year's final dividend and this year's interim dividend.

Share capital

Share capital

As at 30 December 2012, the Company's authorised share capital was £4,000,000 divided into a single class of 256,000,000 ordinary shares of 1.5625 pence each and there were 163,672,741 ordinary shares in issue. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives are entitled to attend general meetings and to exercise voting rights. All issued ordinary shares are fully paid up.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations 2009 which have amended the 2006 Act. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of annual general meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the annual general meeting. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may be imposed from time to time by laws and regulations and pursuant to the Listing Rules of the Financial Services Authority whereby certain Directors, officers and employees of the Group require the approval of the Group to deal in ordinary shares of the Group. The Group is not aware of any agreements between holders of securities that may result in restrictions on the transfer of ordinary shares.

Shares held by Employee Share Trusts

The Group has an employee benefit trust (EBT), the trustee of which is Ogier Employee Benefit Trust Limited. As at 30 December 2012, the EBT held 505,370 shares, which are used to satisfy awards made under the Company's share plans. The voting rights in relation to these shares are exercisable by the trustee, however in accordance with investor protection guidelines, the trustee abstains from voting.

Acquisition – Switzerland

On 24 September 2012, the Company acquired certain of the business and assets of Domino's Pizza Switzerland AG (Domino's Switzerland). These assets included the master franchise agreement for the territory which provides the Company with the exclusive right to operate and franchise Domino's Pizza stores in Switzerland, Liechtenstein and Luxembourg.

Under the terms of the acquisition, the Company purchased the business of Domino's Switzerland for a maximum consideration of CHF 7 million (£4.7 million) in cash plus an amount for the stock, cash in tills and rent deposits for CHF 0.4 million (£0.2 million). This consideration is being paid in two tranches. The first tranche of CHF 5 million (£3.3 million) was payable on completion and the second tranche of up to CHF 2 million (£1.3 million) is payable two years from the date of completion and will be dependent upon the sales performance of the twelve Domino's Pizza stores in Switzerland which were originally acquired. For futher details please refer to note 19 on page 95.

Option to acquire Austria

The Company has obtained from Domino's Pizza International Franchising Inc. an option to acquire the master franchise rights for Domino's Pizza in Austria. The option expires on 31 December 2014 and provides a further opportunity for the Group to grow in central Europe.

Post acquisition update – Germany

Following the acquisition on 26 April 2011 of a 75 per cent. shareholding interest in the master franchise for Domino's Pizza in Germany, the Group has continued to build and strengthen its team in Germany whilst focusing on increasing store sales and continuing to increase brand awareness by opening 12 new stores during the financial year ended 30 December 2012. The Group, as at 30 December 2012, now has a total of 18 stores in Germany (2011: 6 stores). During the year the German business relocated its Head Office from Berlin to Düsseldorf to focus its continued growth in the west of Germany.

Purchase of own shares

At the 2012 annual general meeting (2012 AGM), a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its ordinary shares. 750,000 ordinary shares with a nominal value of 1.5625 pence each had been bought back and cancelled under this authority at a total cost of £3,260,000, representing 0.5% of the Company's called up share capital as at 30 December 2012. The Company engages in share buybacks to create value for shareholders when cash flows permit and there is no immediate alternative investment use for the funds. Taking into account all of the buybacks since 2004, 16.6% of the Company's issued ordinary share capital has been purchased. Shareholders will be requested to renew this authority at the forthcoming annual general meeting of shareholders, to be held on 26 March 2013 (2013 AGM). It is the Company's present policy to cancel any ordinary shares it buys back, rather than hold them in treasury.

Substantial shareholdings

As at 30 December 2012, the Company has been notified of the following interests in 3% or more of the issued share capital of the Company:

	% of share capital*
MFS Investment Management	9.54**
Oppenheimer Funds	6.82
Vontobel Asset Management	6.50
Standard Life Investments	4.67
Montanaro Investment Managers	4.26
Old Mutual Asset Managers	3.09

* Using the total voting rights figure announced to the London Stock Exchange on 31 December 2012 of 163,672,741.

** The percentage of share capital in relation to MFS Investment Management is correct as at 6 February 2013

Nigel Wray, a Non-Executive Director of the Company, has an interest of 3% or more in the issued share capital of the Company. Please see the Directors' remuneration report on page 64 for the full details of all of the Directors' shareholdings.

Except for the above, the Group is not aware of any ordinary shareholders with interests of 3% or more in the issued share capital of the Company. The Company has not been notified of any other changes to the notifiable voting rights in its shares up to 22 February 2013.

Directors and their interests

The Directors who served during the year were: Stephen Hemsley, Lance Batchelor, Lee Ginsberg, Colin Halpern, Nigel Wray, Michael Shallow, John Hodson, Syl Saller and Helen Keays. The biographical details of the present Directors are set out on pages 26 and 27 of this Annual Report.

The appointment and replacement of directors is governed by the Company's articles of association, the UK Corporate Governance Code, the 2006 Act and related legislation. Subject to the articles of association, the 2006 Act and any directions given by special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Directors' report continued

The interests of Directors and their immediate families in the shares of the Company, along with details of the long term incentives awarded to Executive Directors are contained in the Directors' remuneration report set out on pages 52 to 64.

No Directors have a beneficial interest in the shares of any subsidiary. Should any ordinary shares be requested to satisfy awards of reversionary interests, these may be provided by the EBT. Further details relating to the rewards of reversionary interests, the EBT and the current LTIP can be found on pages 62 to 64 of this Annual Report.

At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries. There are procedures in place to deal with any Directors' conflicts of interest arising under section 175 of the 2006 Act and such procedures have operated effectively since 1 October 2008. Directors have a continuing duty to update any changes to these conflicts.

There have been no changes in the interests of the Directors, including share options and reversionary interest awards, in the share capital of the Company as at 22 February 2013.

Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the Company's articles of association. The provision, which is a qualifying third party indemnity provision (as defined by section 234 of the 2006 Act), was in force during the year ended 30 December 2012 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company.

The Group maintained a directors' and officers' liability insurance policy throughout the financial year, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly. No indemnity is provided for the Group's auditors.

Employees

United Kingdom and Republic of Ireland

In the United Kingdom and the Republic of Ireland, the Group employed an average of 495 people in 2012 (up to and including 30 December 2012) (2011: 425).

Head Office – United Kingdom	245
Milton Keynes Commissary	164
Penrith Commissary	57
Naas Commissary	29

Germany

In Germany, the Group employed an average of 160 in 2012 (up to and including 30 December 2012) (2011: 88).

German Head Office	9
German Commissary	3
German Corporate Stores	148

Switzerland

In Switzerland, the Group employed an average of 229 people from 24 September 2012 up to and including 30 December 2012 (2011: 0 – the acquisition of Domino's Pizza Switzerland took place on 24 September 2012).

Swiss Head Office	9
Swiss Corporate Stores	220

For further details please refer to note 8 on page 85.

Employment policies

The Group is committed to the principle of equal opportunity in employment. The Group recruits and selects applicants for employment based solely on a person's qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Group's policy to recruit the most capable person available for each position. The Group recognises the need to treat all employees honestly and fairly. The Group is committed to ensuring that its employees feel respected, valued and are able to fulfill their potential and recognises that the success of the business relies on their skill and dedication.

The Group gives full and fair consideration to applications for employment from disabled persons, with regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment.

Procedures, diversity and inclusivity

Group human resource practices and procedures, including those relating to pay, benefits, promotions, terminations, training and self-development opportunities, comply with relevant legislation, without discrimination regardless of gender, race, colour, ethnic or national origin, religious belief, political opinion, or affiliation, sex, marital status, sexual orientation, gender reassignment, age or disability. The Group does not tolerate harassment of any employee.

Training

To ensure the very highest brand standards and to maximise the abilities of the Group's employees, the Group offers a comprehensive training and development programme for all its employees and franchisees. The Group's dedicated training centre provides the ideal environment for franchisees to participate in the Group's franchise development programme and numerous other training programmes for franchisees and their staff offered by the Group. Corporate staff are encouraged to participate in both internally held and externally provided training courses.

Following a successful mentoring pilot project delivered last year, the Group has developed specialist mentors for corporate staff across the business to share valuable expertise, knowledge and skills. These experts provide development opportunities to other employees in a meaningful and effective way. In addition, to continually drive performance, performance management workshops have been held to enhance the performance review process within the Group. The Group has launched key skills pilots including Team Leading, Managing People and Managing Remotely. To support the Group's international expansion, business German language courses are also provided. The Group is currently developing a Retail Management degree which is based on the Domino's franchise model and will be available to both employees and franchisees.

Performance Evaluation
Like all organisations, the Group wants to ensure strong performance from all its employees. During 2012, a competency framework was developed to communicate and reinforce the qualities and behaviours which are valued, encouraged and rewarded by the Company from its employees. Working with external specialists, the Group has identified the competencies that represent the Group's aspirations and both current and future needs. This framework will encourage and reward good performance and motivate and develop employees to meet the Group's aspired standards, whilst detailing the core competencies that all employees are expected to demonstrate to varying degrees in carrying out their job.

Whistleblowing
A "whistleblowing" policy and procedure is in place and has been notified by the Group to all employees. The policy enables employees to report any concerns on matters affecting the Group or their employment, without fear of recrimination.

Employee engagement and wellbeing
We believe that there is a close correlation between levels of employee motivation, organisational performance and the provision of a safe and healthy workplace. The Group aims to continue to provide a high quality work environment for all its employees to ensure they feel supported and valued. Most importantly, the Group seeks to make its employees feel proud to be a part of Domino's Pizza and to recognise that they contribute significantly to the Group's success.

During 2012, the Company signed up to an interactive well-being website, called Vitality, provided by Pru Health, the Company's private medical provider. Vitality provides the opportunity for employees to have access to a wealth of information, help and support, from healthy eating and exercise to help in achieving a positive work-life balance.

The Company also partnered with the iOpener Institute for People and Performance during 2012 and carried out an employee survey questionnaire on UK corporate staff (iPPQ). The iPPQ is based on the science of happiness at work which was developed to help individuals, teams and organisations analyse what adds to or subtracts from their happiness and performance at work. Following successful completion of the iPPQ, each employee received his/her own confidential personal report which revealed what helps and hinders them in the workplace. It allowed employees to identify how they can maximise how happy they are at work. The results have been extremely positive from the Company's perspective in a number of areas, for example many employees would recommend Domino's as a great place to work and take great pride in working for the Domino's brand. The results also show that significant proportions of employees enjoy their job, like their colleagues and trust in the Group's strategic vision. The Group will work to build on these strengths and will carry out the survey again at the end of 2013.

The Group remains committed to employee engagement throughout the business and internal communications are designed to ensure that employees are well informed about the business of the Group. Employees are kept well informed of the performance and strategy of the Group through monthly staff briefings hosted by the Chief Executive Officer, which all Milton Keynes based staff are invited to. At each monthly meeting there is a departmental update presented by a department within the business. The monthly staff briefing is supplemented by regular employee and franchisee meetings and publications including an internal magazine called 'Slice'.

A cross functional employee team manages and implements 'DOMcard', the Group's performance scorecard. This team work closely with the senior management and the Executive Directors to identify and communicate the key strategic priorities for the Group and the results are cascaded to all employees via the Group's intranet and the monthly staff briefing sessions.

Employees are actively encouraged to become shareholders of the Group through a variety of schemes, principally the Company Share Option Plan (CSOP) and the Share Save Scheme.

General information
Annual General Meeting
The Notice convening the 2013 AGM to be held at 1 p.m. on Tuesday 26 March 2013 at Domino's Pizza Head Office, The Commissary, 1 Thornbury, West Ashland, Milton Keynes MK6 4BB is contained in a circular sent to all shareholders with this report. Full details of all resolutions to be proposed are provided in this shareholder circular. The Directors consider that all of the resolutions set out in the notice of 2013 AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

Significant agreements and change of control provisions
The most significant agreements to the Group's business are as follows: UK and ROI Master Franchise Agreement (UK MFA); Know How Licence Agreement; German Master Franchise Agreement (German MFA); and Swiss, Luxembourg and Liechtenstein Master Franchise Agreement (Swiss MFA), pursuant to which certain of the Group's companies are granted the right to franchise stores and operate commissaries in the Territories by Domino's Pizza International Franchising Inc.

The Group's most significant agreements (listed above) do not terminate on a change of control. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Group's share schemes and plans may cause options and awards granted to employees and Directors under such schemes and plans to vest on a takeover. The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms. The Company renewed its multicurrency Revolving Credit Facility up to the total commitment value of £30,000,000 with Barclays Bank plc on 1 August 2012.

Articles of Association
The Company's Articles remain unchanged during the 2012 financial year and may only be amended by special resolution at a general meeting of the shareholders.

Branches
Domino' s Pizza Germany Limited (a subsidiary company of the Company) operated via a branch in Germany with effect from 23 January 2012.

Environmental and social responsibility
The Group acknowledges that it is part of a wider community and recognises that it has a responsibility to act in ways that respect the environment and the social well-being of others. Details of the Group's approach to these issues are set out in the Corporate Social Responsibility report at pages 28 to 31.

Political and charitable donations
Financial donations to a range of charities and good causes amounted to £38,000 (2011: £41,000). Principally this comprised a donation to Special Olympics Great Britain and a donation to Barretstown, a specially-designed camp in Ireland that provides therapeutic recreation programmes for children with serious illnesses, and their families.

The Company makes no political donations (2011: £nil).

Key Performance Indicators (KPIs)
Details of the Group's KPIs can be found in the OFR on pages 20 to 21.

Payments to suppliers
The Group understands the benefits to be derived from maintaining good relationships with its suppliers and, where possible, payment terms and conditions are agreed with suppliers in advance based on the Group's standard terms and conditions for the supply of goods and services. Where such terms have not been agreed, it is the Group's policy to pay its creditors on a pay on time basis which varies according to the type of product and service provided by the supplier but is typically between 7 and 28 days and is agreed with suppliers in advance.

The average number of days of payments outstanding for the Group at the financial period end was 26 (2011: 24). The Company has no trade creditors as these are assumed and settled by another Group company.

Change of name
At the 2012 AGM, a special resolution was passed changing the name of the Company from Domino's Pizza UK & IRL plc to Domino's Pizza Group plc with effect from 1 May 2012. Following the acquisition in April 2011 of a seventy five per cent. interest in the entity that holds the master franchise rights for Domino's Pizza in Germany, the Directors considered it appropriate to change the name of the Company to Domino's Pizza Group plc to more accurately reflect the fact that the Group now operates in a number of different territories.

As a result of the change of name of the Company, the main trading entity of the Group in the United Kingdom and Ireland, previously known as Domino's Pizza Group Limited (a subsidiary company of the Company), changed its name with effect from 1 May 2012 from Domino's Pizza Group Limited to Domino's Pizza UK & Ireland Limited, to correctly reflect that it is the Master Franchisor of the United Kingdom and Republic of Ireland only. Other subsidiary companies have been incorporated by the Group to deal with the franchising and operational activities in Germany, Switzerland, Liechtenstein and Luxembourg.

Auditors
Ernst & Young LLP have signified their willingness to continue in office as auditors to the Company and the Group is satisfied that Ernst & Young LLP is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be proposed at the 2013 AGM.

Directors' statement of disclosure of information to auditors
Having made the requisite enquiries, the Directors in office at the date of this Annual Report and Accounts have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the OFR on pages 6 to 31. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 22 to 25. In addition, notes 29 and 30 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Events after the Balance Sheet date
There have been no significant events since the balance sheet date which would have a material effect on the financial statements.

Cautionary statement
This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance, rather they are based on current views and assumptions as at the date of this Annual Report and are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward looking information. The Group undertakes no obligation to update these forward looking statements.

Corporate governance

Chairman's Overview

Dear Shareholder

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 30 December 2012.

The purpose of my report is to provide a clear and accessible explanation of what governance means to Domino's in terms of its impact on decision making in the operation of our business.

As a Board and as a Company, we believe that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe.

Effective governance supports the long term success of Domino's and this is best realised through effective leadership, collaboration and the desire to continually improve. With our refreshed and strengthened Board, we have concentrated on ensuring that our corporate governance framework actually translates into meaningful practice at all levels within the business and across all territories.

As I said in my introduction to this report last year, we recognise the real benefits of greater board diversity and it has been particularly pleasing to see this materialise in terms of the skills, experience and robust challenge which emerged during the year under review following the changes to the composition of the Board in late 2011.

This was coupled with Lance Batchelor having his first full year as our Chief Executive Officer, and I believe we now have a balanced, engaged and committed Board, who will and do challenge all aspects of your business. We continue to work hard to develop our effectiveness as a team and to provide appropriate support to the Executive team as they drive and deliver our strategy to become the largest pizza brand in each of our territories.

I am pleased to report that the Company is now in full compliance with the UK Corporate Governance Code and that the required regulatory and governance standards are reflected throughout this report. However, we will not rest on our laurels. On your behalf, as our shareholders, we will continue to work hard to improve further our governance and board performance.

Stephen Hemsley
Chairman

How did we comply with the Governance Code?

The principal corporate governance rules applying to UK companies listed on the London Stock Exchange (LSE) for the year ended 30 December 2012 are contained in the financial Reporting Council's (FRC) UK Corporate Governance Code adopted in June 2010 (the Code) and the UK Financial Services Authority (FSA) Listing Rules, which require companies listed on the Main Market of the LSE to describe in their annual report their approach to corporate governance in terms of adherence to the Code's main principles and also non-compliance with any of the Code's provisions. The FRC published a revised version of the Code in September 2012 (Revised Code) that applies to accounting periods beginning on or after 1 October 2012, so whilst the Revised Code does not apply to the Company for the year ended 30 December 2012, the Company has decided to adopt a number of the additional provisions in the Revised Code.

On the basis of reporting against these two elements of the Code, shareholders should be able to make a judgement of the Company's corporate governance positioning in relation to the Code which represents best practice. The Code (and Revised Code) is available under the heading 'Corporate Governance' at www.frc.org.uk.

The Board considers that the Company has complied in all respects with the provisions of the Code for the year ended 30 December 2012.

The information required by DTR 7.1 is set out in the Audit Committee section of this report on pages 44 and 45 and the information required by DTR 7.2 is set out in this report, other than that required under DTR 7.2.6 which is set out in the Directors' report on pages 32 to 36.

Leadership
The Board and the Committees

During the year, the Board, supported by its committees, has focused on:

- formulating and driving strategy (for example the acquisition of the Switzerland business and the development of a five year growth plan for the German marketplace);
- monitoring risk to ensure that the Group's risk profile is aligned with its strategic objectives;
- development of the current (and future) leadership team across all territories so that it can execute strategy effectively; and
- oversight of the careful but optimal management of the brand for our customers, franchisee partners and our shareholders.

The Remuneration Committee

Determines the terms and conditions of employment, remuneration and benefits of the Executive Directors, the Chairman and senior executives and to advise the Board on the Group's remuneration strategy and framework to recruit, retain and reward senior executives.

The Nomination Committee

Manages the process to advise and make recommendations to the Board on matters relating to the Board's membership and Committee appointments, including reviewing succession plans.

Audit Committee

Assists the Board in discharging its responsibilities for the integrity of the financial statements, for the effectiveness of the systems of internal control and regulatory and financial risk management and for monitoring the objectivity and effectiveness of the external auditors and to keep under review the need for an internal audit function.

Membership and attendance for the period ended 30 December 2012

	Audit Committee	Nomination Committee	Remuneration Committee	Board meetings
Number of meetings held	3	2	3	10
Executive Directors				
Lance Batchelor				10
Lee Ginsberg				10
Non-Executive Directors				
Stephen Hemsley				10
Colin Halpern		2		10
Michael Shallow	3	2	3	10
Nigel Wray				9
John Hodson	2	2	2	9
Syl Saller*		1	3	9
Helen Keays	2			9

* Syl Saller was appointed to the Nomination Committee on 23 October 2012.

Effectiveness

The Chairman and CEO

As required by the Code, there is a clear division of responsibilities set out in writing between the Board and the Executive team and between the Chairman and the Chief Executive Officer.

- The Chairman leads the Board, ensuring its effectiveness whilst taking into account the interests of other stakeholders and promoting high standards of governance.
- The Chief Executive Officer has day to day responsibility for operations and the performance of the Group, ensuring the delivery of the strategic and financial objectives once they have been agreed by the Board, and for effective communication to employees and shareholders.
- The Chairman meets with the Chief Executive Officer, off-site, at least once a month and regularly meets the Chief Financial Officer and members of senior management. The Chairman also has separate meetings with the Non-Executive Directors.

Board composition and independence

During the year under review, the Board comprised two Executive Directors and seven Non-Executive Directors, four of whom were deemed to be independent under the Code (Michael Shallow, John Hodson, Syl Saller and Helen Keays). There have been no changes to the Board in the year under review.

The success of the Domino's business has been underpinned by entrepreneurial drive and focus and we believe that the size and experience of the Board is appropriate for the current and future business model. However, we recognize that board development is a continuing process and through the Nomination Committee we will regularly review the evolving requirements for governance of the business, not least in the light of the growing international nature of the Group.

The entrepreneurial theme above is epitomized by Colin Halpern and Nigel Wray who have served with distinction on the Board of the Company for over thirteen years. Due to Nigel Wray's material shareholding in the Company and, in Colin Halpern's case, because of his previous executive role, neither Colin Halpern nor Nigel Wray are considered an independent non-executive director for Code purposes. However, we strongly believe that both Colin Halpern and Nigel Wray bring invaluable knowledge, entrepreneurial flair and business experience to the Board that continues to be hugely important to the continued success of the Group.

At Domino's, we are unmistakably proud of the diversity in our system and both we and our franchisees recognize the benefits that this brings. Both we and our franchisees try to develop talent in our respective businesses and encourage people to develop themselves and succeed regardless of gender, race or any other characteristic. As a result, in addition to the two female Non-Executive Directors on the Board, four* of the eleven UK Leadership team are female and a large percentage of store managers and assistant managers are female. We are of the view that it is in the interests of the Company and the communities in which our franchisees operate that together we recruit and develop the very best people from the widest pool of talent.

The Board recognizes the diversity challenges set by Lord Davies in his 'Women on Boards' report, but rather than set any target, the Board feels that the challenge has been directly addressed through the Board changes in 2011.

* with effect from 31 January 2012

We have a diversity of skills, backgrounds and experience within our independent Non-Executive Directors and they play a key governance role in protecting shareholders' interests and complement the skills and experience of the Executive Directors. All of the independent Non-Executive Directors are tasked with ensuring Board and Company matters are effectively challenged from a range of external perspectives.

Our Non-Executive Directors bring independent judgment to the Board's deliberations, have a mindset to do what is right for the business, and fulfil the following key roles:

- Oversight of risk management and internal control;
- Constructive challenge to the Executive Directors, and the monitoring of Executive performance;
- Support of the Executive team in the shaping and delivery of the strategic goals of the business;
- Protection of shareholder and stakeholder interests;
- Optimisation of shareholder return and protection of shareholder assets; and
- Ensure the Board is able to work together effectively and make maximum use of its time.

The structure of the Board and the integrity of the individual Directors ensure that no single individual or group dominates the decision making process. There is a common purpose of promoting the overall success of the Company with a unified vision of the definitions of success, the core strategic principles, and the understanding, alignment and mitigation of risk.

The core focus during the year under review was the settling in of the new Chief Executive Officer. Following the retirement of Chris Moore after 21 years in the business, Lance Batchelor has had a smooth transition into the role of Chief Executive Officer from the start of the 2012 financial year.

From 2011, the Board decided to implement provision B.7.1 of the Code so at the 2012 AGM each Director retired voluntarily and submitted themselves for re-election. All were successfully re-elected.

Details of the Executive Directors' service contracts are set out on page 58. The Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company.

Terms of reference for all Board committees, which are approved by the Board and reviewed annually, are available on the Company's website.

Board responsibilities

The Board held ten meetings during the last year together with a Strategy Offsite Meeting. The Board is responsible for setting and approving the strategy and key policies of the Group and for monitoring the progress in achieving these objectives through regular reporting and discussion on financial performance, material operational issues and risk.

The formal schedule of matters reserved for the Board remains unaltered and can be found in the Investor Relations section of the Group's website www.dominos.uk.com

Senior Independent Director
Michael Shallow was the Senior Independent Director throughout the year. Michael was selected in May 2008 for the role because of his extensive knowledge and experience both as an executive and non-executive director. Michael chairs the Audit Committee, and until 22 October 2012, chaired the Nomination Committee (since that date he has reverted to being a member), and is a member of the Remuneration Committee.

In his role as Senior Independent Director, Michael is responsible for the appraisal of the Chairman and is available to shareholders if they have concerns which are not resolved through the normal channels or for which such contact is inappropriate.

The independent Non-Executive Directors meet at least twice during the year, under the leadership of the Senior Independent Director.

Board effectiveness evaluation
Following on from an external evaluation in 2010, in 2011, the Board undertook an internal formal evaluation of its own performance and that of its committees and individual Directors. The evaluation was prepared and carried out by the Chairman and the Company Secretary and built on the key evaluation themes that arose from the 2010 external evaluation exercise, with questions posed to assess how the Board was progressing against the areas highlighted the previous year.

The Nomination Committee has recently recommended that the Company invest in an external evaluation during 2013 to review the performance and effectiveness of the Board, its committees and each Director during 2012 via an external facilitator, MBS Limited, the independent governance consultancy who conducted the last external evaluation in 2010 and therefore is well placed to review the Board's progress over the last two years against the outputs of the original evaluation exercise. An important part of the review will be establishing criteria against which the future performance of each member of the Board and the Board as a whole can be reviewed.

In addition to the above process, the Senior Independent Director meets with the Non-Executive Directors both formally and informally throughout the year and uses a tailored questionnaire to assess the Chairman's performance and effectiveness. This review also takes into account the views of the Executive Directors. In 2012, the conclusion of the review was that the Chairman continues to provide effective leadership and management of the Board and ensures accountability of the Executive Directors.

Towards the end of 2012, the Chairmen of the Audit and Remuneration Committees each appraised the performance of their Committee and have confirmed that each Committee continues to operate effectively (see pages 43 and 44 for further details). The Remuneration Committee also reviews Executive Directors' performance when it reviews remuneration packages each year. In summary, the Board is satisfied that the arrangements for review and appraisal of the performance of the Board, its committees and individual Directors are appropriate.

Relations with shareholders
The Chief Executive Officer and the Chief Financial Officer carry out extensive engagement with analysts, institutional shareholders and potential shareholders to ensure that there is a strong relationship and to understand their views on material issues relating to the business. Feedback on all such meetings is provided to the Board in summary form, together with independent feedback from investors sought by the Company's broker. All brokers' notes are circulated to the entire Board in order that the Board maintains an understanding of market perceptions of the Company. In addition, the Chairman and John Hodson meet with major shareholders, principally relating to remuneration and governance issues.

The Senior Independent Director and the other Non-Executive Directors are available for meetings with shareholders if so requested.

The Company's AGM offers the opportunity to all shareholders to communicate directly with the entire Board. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld are indicated. The results are announced at the meeting and published on the Company's website after the meeting, which also contains a host of up to date information on the Company for shareholders and other interested parties.

Management of the Group

Executive Committee

Members

1 Lance Batchelor, Chief Executive Officer (Chairman)
2 Lee Ginsberg, Chief Financial Officer
3 Adam Batty, Company Secretary & General Counsel
4 Ian Douglas, Procurement Director
5 Simon Wallis, Sales and Marketing Director
6 Kerri Saunders, Operations Director
7 Jane Franks, HR Director
8 Michael Botha, Commercial Director
9 Andrew Emmerson, Business Development Director
10 Colin Rees, IT Director
11 Patricia Thomas, International Development Director (retired 1 October 2012)
12 Kory Spiroff, Germany Managing Director (appointed 1 November 2012)

Changes since 30 December 2012: On 28 January 2013, Mark Millar joined the Executive Committee and UK Leadership Team, replacing Adam Batty as Company Secretary and General Counsel with effect from 18 February 2013. On 31 December 2012, Andrew Emmerson stepped down from the Executive Committee and UK Leadership Team.

Overview

The Executive Committee is responsible for the day-to-day management of the Group's operations within the limits contained in the Board's delegation of authority and for delivering the Group's strategy. The Committee effectively splits into three geographic leadership teams, namely a UK and Irish leadership team, a German leadership team and a Swiss leadership team, although there is significant commonality of membership between the territories. In addition, the Committee has a schedule of matters specifically reserved for its approval.

Senior managers on the Committee receive an executive licence setting out their specific limits of authority in terms of entering into financial and other business commitments and they in turn are responsible for ensuring the specified process of delegation is followed in their departments.

Activities

The Committee meets weekly (UK Leadership Team) and monthly (German and Swiss Leadership Teams). The Committee has delegated certain tasks to the following operational sub-committees and receives regular updates from the chairman of each of them:

- Germany Leadership Team (Kory Spiroff) – comprising eight members of Executive Committee who have direct involvement in their specialist areas in the German business, meets monthly to oversee the running of the Germany business.
- Switzerland Leadership Team (Brian Trier* – Market Director) – comprising seven members of the Executive Committee who have direct involvement in their specialist areas in the Swiss business, meets monthly to oversee the running of the Swiss business.
- Store Opening Committee (Andrew Emmerson) – ensures stores are identified, acquired and opened in accordance with the Company's store opening plan.
- Health & Safety Committee (Adam Batty) – promotes the well-being and safety of our employees, franchisee employees and customers and minimizes the risk of prosecution and financial penalties.
- Marketing Advisory Committee (Simon Wallis) – comprising ten franchisees that have been elected to stand and represent the interests of franchisees in their area, the Committee is tasked with aligning on marketing strategy, promotional planning and execution as well as deployment of the National Advertising Fund. There is also an Irish Marketing Advisory Committee.

* On 24 September 2012 Brian Trier was appointed as Market Director for Switzerland and chairs the Switzerland Leadership Team. Brian Trier is not a member of the Executive Committee.

Changes since 30 December 2012: From 31 December 2012, the UK Leadership Team also comprised the Head of Property (Julia Poulson) and Head of Franchising (Georgina Wald), who are not members of the Executive Committee and Mark Millar succeeded Adam Batty as Company Secretary & General Counsel with effect from 18 February 2013.

Governance in action

Board responsibilities and processes

- Setting and approving the overall strategy of the Group
- Making and reviewing of major business decisions
- Monitoring of current trading against previously approved plans
- Exercise of control by annual review of 'matters reserved' for the Board
- Changes to the Company's capital structure
- Acquisitions
- Significant contractual commitments
- Review of corporate governance arrangements
- Review of major risks and mitigation strategies
- Review and control of capital expenditure

Board achievements during the year

Approval of key decisions

- Acquisition of the Domino's Switzerland business, together with an option to acquire Austria as a territory
- Further financing for franchisees
- Redesign of the five-year strategic plan for Germany
- Approval of 2013 budget and operational plan
- Entry into two joint ventures with franchisees in the UK and two in Germany

Review of development targets

- Strengthening the independent challenge on the Board
- Understanding the need for and developing the next generation of senior managers within the business
- Oversight of the development of the new Chief Executive Officer

Decision making

Our governance structure aims to enable appropriate, effective decision making with clear accountabilities and sets out how the business is managed and operated at all levels and across all territories. It aims to ensure that the risk profile of the business reflects the strategic objectives of the business, with the ultimate aim of protecting the business from reputational or operational damage.

In line with the Companies Act 2006 (the 2006 Act), the Board has clear procedures for Directors to formally disclose any actual or potential conflicts to the whole Board for authorisation as necessary. All new conflicts are required to be disclosed as and when they arise. There is an annual review of conflicts disclosed and authorisations given. The register of Directors' conflicts is maintained by the Company Secretary.

Matters requiring Board and Committee approval are generally the subject of a proposal by one or more of the Executive Directors or the Company Secretary and are submitted to the Board, together with supporting documentation, as part of the Board or Committee papers. At each Board meeting, the Board pack includes an update from the Chief Executive Officer, Chief Financial Officer, financial results and functional updates. There are presentations on the Company's operations and regular discussions on strategy, marketing, franchisee profitability and relationships, employee engagement and social and governance matters.

At each Board meeting, a senior manager is invited to make a presentation to the Board and there are a number of formal and informal social occasions each year which enable the Board members to meet senior management.

All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense. The Company Secretary reports to the Chairman in respect of his core duties to the Board. The removal of the Company Secretary is a matter specifically reserved for decision by the Board. Any questions shareholders may have on corporate governance matters, policies or procedures should be addressed to the Company Secretary.

Information and professional development

- The Chairman, assisted by the Company Secretary, regularly discusses any development or training needs with individual Directors. As a result, in the year under review, a number of individual training needs were identified and action was taken to address these needs.
- Non-Executive Directors are encouraged to attend one or two major franchisee events a year to gain further insight into the business.
- During 2012, the Non-Executive Directors spent additional time within the business, visiting stores and meeting senior managers at the Company's head office.
- Newly appointed Directors receive a personalised induction program, tailored to their experience, background and particular areas of focus, which is designed to ensure that they have the necessary knowledge and understanding of the Group and its activities. The program will usually include an overview of the business model and the Board processes, meetings with the Executive Committee, senior managers and major franchisees, store visits and briefings on key governance and compliance issues.
- The Board also recognizes the importance of ongoing training and education, particularly regarding new laws and regulations which are relevant to the Group. Such training or education is typically provided and kept under review by the Company Secretary, who is responsible for Director induction and the on-going training of Directors. During the year under review, training was provided in matters including health and safety, the Bribery Act and the Group's compliance procedures, changes to the Code and competition compliance and merger control. These training programs have also been shared, as appropriate, with the UK Leadership Team to ensure that there is the necessary knowledge and support right across senior management in the Group.

The Company provides insurance cover and indemnities for its Directors and officers, although no cover exists in the event Directors or officers are found to have acted fraudulently or dishonestly.

Nomination Committee

Syl Saller (Chairman)

Members

- Syl Saller (Chairman appointed 23 October 2012)
- Colin Halpern
- Michael Shallow (Chairman until 22 October 2012)
- John Hodson

The Company Secretary attends meetings in his capacity as Secretary of the Committee.

Chairman's overview

The principal purpose of the Committee is to lead the process of assessing the skills and attributes needed by the Board to function effectively and discharge its responsibilities. It also reviews the structure, composition and size of the Board to ensure that the Board continues to develop and remains effective over time.

After an unusually busy 2011, 2012 has been a more straightforward year for the Committee, meeting to review the ongoing shape and capability of the Board and its committees. We also as a Committee helped to oversee the successful transition of Lance Batchelor from Deputy Chief Executive Officer to Chief Executive Officer.

We regularly appraise Board and senior management succession over the longer term and continue to focus on ensuring we have the optimum mix of Directors to lead and support the business across all territories for the future, informed by considerations of the diversity in terms of experience, relevant knowledge and gender.

Activities

The Committee met on two occasions during the year and the Committee considered:

- the reappointment of all Directors retiring at the 2012 AGM;
- the findings of the 2011 Board evaluation exercise that took place in February 2012;
- consideration and recommendation of an external evaluation exercise for 2012, to be carried out in February 2013;
- the strengthening of the Committee by the appointment of Syl Saller as new chair of the Committee;
- Board Committee memberships following the Board changes in 2011;
- the support of Lance Batchelor in his first full year of being Chief Executive Officer; and
- Board succession over the longer term.

Remuneration Committee

John Hodson (Chairman)

Members

- John Hodson (Chairman)
- Michael Shallow
- Syl Saller

At all times during the financial year, the Remuneration Committee comprised only independent Non-Executive Directors. The Chairman of the Board, the Vice-Chairman and the Chief Executive Officer often attend meetings, although some part of every meeting is dedicated to discussion among only the Committee members. The Company Secretary attends in his capacity as Secretary of the Committee.

Chairman's overview

The principal purpose of the Committee is to assess and recommend to the Board executive remuneration arrangements which are used to attract, retain and motivate the Group's senior managers and provide suitable alignment between individual remuneration and individual contribution to the Group's overall performance.

Significant work was carried out in late 2011 and early 2012 relating to the adoption of the new long term incentive plan that was approved at the 2012 AGM. The Committee has spent time during 2012 appraising the likely impact of the new executive remuneration disclosure proposals published by the Department for Business, Innovation and Skills (BIS), which come into force in their final form from the end of 2013, applying to reports published in 2014 and beyond. As can be seen from the Directors' remuneration report set out on pages 52 to 64, we are adopting early certain aspects of the new disclosures.

Activities

The Committee met formally three times this year but, in addition, spent considerable time outside of formal meetings discussing Committee matters. Further details about the Remuneration Committee, its activities during the year and an explanation of how it applies the Directors' remuneration principles of the Code and other applicable rules and regulations governing remuneration are set out in the Directors' remuneration report on pages 52 to 64.

The Committee received training and/or briefings this year on a range of areas, including BIS reporting requirements and Association of British Insurers (ABI) principles.

Accountability – audit committee report and actions

Michael Shallow (Chairman)

Members

- Michael Shallow (Chairman)
- John Hodson
- Helen Keays

In accordance with the Code, Michael Shallow, is identified as having recent and relevant financial experience. All other members have an appropriate understanding of financial matters. The Committee also has access to the Company's finance team and to its auditors and can seek further professional advice, at the Company's cost, as appropriate. The meetings are regularly attended by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and his team and the external auditors. The Company Secretary also attends in his capacity as Secretary of the Committee.

Chairman's overview

I am pleased to present the Company's first separate report to shareholders on the work of the Audit Committee (the Committee).

In addition to monitoring the integrity of the financial statements and announcements of the Group, the principal purpose of the Committee is to review the effectiveness of the Group's internal controls, and external audit in addition to providing assurance on the Group's risk management processes.

In line with the evolving expectations of the Financial Reporting Council, the Committee also determines that the Annual Report and Accounts contain fair, balanced and understandable information; and that there is an appropriate balance and alignment of financial and narrative reporting to enable shareholders to make their assessment of the Company.

The Committee has had a very active year. We acknowledged in our review of the Committee's effectiveness in 2011 that in 2012 we wanted to spend more time looking at internal controls and risk management, which the Committee and Board believe are fundamental for the Company to achieve its strategic objectives, and we have done that.

As set out in the Assurance section below, the Committee feels the Group has made good progress on internal controls systems during the year, resulting in better processes and greater ability to manage critical risks and to remedy control failings or weaknesses.

As a Committee, building on the work done last year, we have overseen a further detailed review of how strategic and operational risk is identified, assessed and reported. This led to further modifications being made to the reporting of major financial and operational risks. We have also helped to improve the frequency and manner in which internal controls are operated, tested and disclosed.

The Committee has regular private discussions with the auditors during the year with no management present, in order to understand the auditors' views on the control and governance environment and management's effectiveness therein.

Activities

The Committee met three times this year to:

- review all results, announcements and the 2011 Annual Report and Accounts, including half year results and interim management statements. Inherent in this review was consideration of the accounting principles, policies and procedures adopted in the Group's financial statements, including where necessary, challenging the judgments made and the accompanying narrative when appropriate;
- receive regular reports from the Chief Financial Officer, the Financial Controller, the Audit Partner and the Company Secretary (on risk and compliance matters);
- oversee the further development of the internal controls testing framework;
- approve the auditors work plan for the Group and the Group's own annual controls testing plan;
- assess the need for an internal audit function;
- review emerging risks and material risk profile;
- discuss the Company's tax strategy; and
- review and monitor the external auditors independence and objectivity, consider the effectiveness of the audit process and the re-appointment of the external auditors, approve the external auditors' remuneration.

After lengthy debate, the Committee satisfied itself that there was appropriate resource allocation, and sufficient rigour and objectiveness in the internal control review and risk assessment processes to obviate the need at this time for an internal audit function.

The Audit Committee also:

- oversees the dedicated "whistleblowing" facility for all employees, which allows employees to raise concerns about possible improprieties in financial reporting or other matters; and
- reviews fees being charged by Ernst & Young for audit and potential non-audit services.

External Auditors

The effectiveness of the audit process carried out by the Company's external auditors, Ernst & Young LLP (Ernst & Young) is an important aspect of the Committee's confidence in the Company's approach to controls and risks and in the integrity of its financial reporting. Their independence is evidenced through their robust challenge to management during the audit process. Ernst & Young's effectiveness enables the Committee to recommend their reappointment as external auditors for 2013. There was no non-audit work carried out by the external auditors in the year under review.

- There is a formal policy governing the conduct of non-audit work by the auditors in line with the Auditing Practice Board's Ethical Standards.
- Under this policy, any appointments in respect of non-audit work require the prior approval of the Audit Committee within an established budget and non-audit work cannot be undertaken where there is an identifiable risk that the work of the individual from the external audit firm could conflict or compromise the quality or independence of the audit.
- This prohibits the external auditors from providing certain additional services to the Group such as bookkeeping, internal audit, valuations and financial systems design and implementation

Details of the audit fees for 2012 are given in note 6 to the financial statements.

Accountability – assurance

Focus on risk management and internal controls

Accepting that risk is an inherent part of doing business, the Group's risk management system is designed both to encourage entrepreneurial spirit and also to provide assurance that risk is fully understood and managed.

- The Board has overall responsibility for the Group's system of risk management and internal control and for monitoring its effectiveness within the context of achieving the Group's objectives.
- Executive management is responsible for implementing and maintaining appropriate control systems and for reporting on the effectiveness of these controls to the Audit Committee.
- The Board acknowledges that such a system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and can only seek to provide reasonable and not absolute assurance against material misstatement or loss.
- The Group's brand and reputation is fundamental to its continued growth and success and therefore active management of operational and other risks is seen as being critical in ensuring that these are maintained as valuable assets.

There is an ongoing, embedded process across the business for identifying, evaluating and managing significant risks.

- Risks are prioritised according to their expected likelihood of occurring and financial impact if they were to occur, and are then categorized as either primary risks or secondary risks.
- This categorization allows senior management to really focus on those primary risks that are most pertinent/real to the Group's business, rather than risk having the key risks lost in the wider pool of other risks.
- Detailed mitigation strategies for all risks have been worked up and are reviewed regularly by senior management and received by and reported on to the Audit Committee.
- The register and the updating process for the register is managed by the Company Secretary who oversees the process at an operational level through the holding of quarterly meetings with the risk owners on the Executive Committee.
- The results are then reviewed by the Audit Committee twice during the year and at least annually by the Board, in order to assist with their annual assessments of all material internal controls.

All key business activities including franchising, marketing, procurement, production, distribution and information technology are controlled by the Executive Directors, with all activity being organised within a defined structure built around responsibility and authority levels and a structured reporting framework. The key features of the Group's internal controls (financial and non-financial) and risk management systems are:

- the latest iteration of the prioritised risk register which is regularly reviewed by the Executive Committee, Audit Committee and Board;
- an internal controls testing framework approved by the Committee at the start of the year and reported on at each Committee meeting;
- defined authorisation levels over all departments in all territories as part of a comprehensive contracts authorisation and execution policy (the Authority Policy);
- a monthly reporting pack that is circulated in advance of each Board meeting which includes consolidated management accounts for each territory. Each period, annual budgets and forecasts are compared against actual performance;
- daily statements of system sales and royalty income. Rolling cashflow forecasts and forecast banking covenant compliance is regularly tested;
- a system whereby all invoices presented for payment are reviewed by the Accounts Payable team in Finance to ensure that they have been authorised in accordance with the Authority Policy. All on-line banking payments are authorised by two finance managers and the weekly invoice payment run is reviewed and approved by the Chief Financial Officer;
- the financial reporting process includes control and reconciliation processes which ensure there is an audit trail between the Group's operations in each territory and the consolidated financial statements and describes the system and controls that are to be applied. A review of the consolidation and financial statements is completed by management to ensure that the financial performance and position of the Group are appropriately recorded, together with the review of results, announcements and annual reports by the Audit Committee;
- annual business reviews with each franchisee to review operational standards, management and audited accounts, cashflow forecasts and general financial health, in addition to monthly monitoring of franchisee management accounts and regular unannounced operational standards audits;
- a comprehensive system of health and safety training and compliance monitoring was re-launched during the year. Best practice management tools are in place and regularly audited to ensure compliance and the elected health and safety committee representatives meet regularly at each production facility; and
- the Group has in place an experienced insurance broker to advise on and co-ordinate all insurance matters across the Group (both corporate insurance and the franchisee insurance program). The Group regularly reviews both the type and amount of external insurance that it buys, with guidance from its broker, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Accountability – risk recognition and mitigation
Principal risks and uncertainties

Our approach to risk management

Risk is an inherent part of doing business and the Board is fully committed to identifying, evaluating and monitoring significant risks facing the business.

It is important that risks are identified, assessed and prioritised in a timely manner and that the controls designed to manage such risks operate effectively and are tested regularly. Our approach to risk management includes developing key business plans and policies relating to areas which are likely to have a severe impact on our business. Each identified risk has a business owner who manages and reports on that particular risk to the Executive Committee. The Executive Committee assists the Board in the review of risk management processes and takes responsibility for designing the appropriate departmental specific internal control systems and policies with each business owner. The Board is therefore able to feed emerging risks into the formulation and management of its strategic objectives.

As with any business, we face risks and uncertainties on a daily basis. Below are the risks the Board considers to be of most significant risk to the Group in terms of preventing or restricting execution of our strategy, alongside details of our perception of the movement of each risk since the financial year ended 25 December 2011 and the impact each risk could have and the mitigating activities that we have put in place. When reviewing and determining the Group's risks and uncertainties, particularly in terms of categorising each risk and uncertainty, the Directors consider, amongst other things, the business strategy and the current business environment alongside reviewing the general economical climate. We recognise that other risks are still present and confirm they are managed accordingly but in this Annual Report we have made the decision to disclose only those risks of most concern to the business at the current time and those which have been the subject of most debate at recent Executive Committee, Audit Committee and Board meetings.

Arrows show movement of risk since 25 December 2011.

Risk is new or has been re-classified during 2012 by the Board from a secondary risk to a primary (principal) risk

Level of risk remains unchanged

External risks

Detrimental economic environment/ Consumer spending

Risk description: Changes in the general economic climate, recession, increased levels of unemployment, price inflation, Government austerity measures and general pessimism about the economic outlook for the future can have a detrimental effect on consumer confidence and therefore revenues.

Impact: Reduced disposable income alongside all of the factors listed above could lead to a reduction in consumers' willingness to spend disposable income on buying fast food. This could adversely affect our business and results of operations and trading conditions could become challenging.

Mitigation activities: On a regular basis we review, in conjunction with our franchisees, our offering and promotional strategy, including competitor activity, to flex the offering so as to ensure that the Domino's proposition for customers is the most compelling in the home delivery pizza market in terms of quality and value.

We believe that a number of prevailing trends actually benefit our business, including a population with increasingly greater disposable incomes who are cash rich and time poor and an increased trend of busier and more hectic lifestyles leaving less time for home cooking. In terms of marketing power and therefore brand awareness, each store contributes a percentage of net sales to a national advertising fund which gives significant marketing spending power (over £26 million in 2012) as well as investing heavily in local store marketing, so promotions can be adopted to suit each local customer base.

In recent years, the Group has moved away from having sole reliance on the economies of the UK and Republic of Ireland and now has exposure to a broader range of economies and markets.

Competitor activity	Risk description: Existing or new competitors growing and operating their businesses more aggressively so that the stores suffer reduced sales and/or margin erosion due to the commencement of a 'price war' in the home delivery pizza market. Impact: The impact of increased competitor activity could have a material adverse effect on our revenues and profitability and also the profitability of our franchisees, which could result in a reduced willingness of franchisees to grow their businesses and which in turn could have an adverse impact on our future growth plans.	Mitigation activities: Considerable time and financial investment is put into clearly differentiating the Domino's brand, i.e. using consumer insight to give customers clear reasons to choose Domino's instead of competitors whilst continuing to monitor competitor activity and adapting our offering where necessary.
Commercial leverage of a large franchisee	Risk description: A few of our franchisees have reached considerable scale, so therefore there is a risk that should these franchisees be allowed to expand further they could try and leverage off their size to try and gain preferential treatment and terms from senior management. Given our policy of treating all franchisees equally, there could be a risk that should the larger franchisees not be satisfied with our unwillingness to give them preferential treatment, such franchisees could stop growing their Domino's businesses. Impact: Should one of the largest franchisees become dissatisfied with our refusal to give them preferential terms, they may seek to invest in alternative business ventures and therefore there is the risk that their existing Domino's Pizza stores will suffer, as a result of less focus and lack of investment for growth. In addition, the franchisee may stop opening new Domino's stores which could have an adverse impact on our growth plans.	Mitigation activities: The Executive Directors and senior management maintain a strong and close working relationship with each franchisee. This allows for early identification of issues and enables resolutions to be found as quickly as possible. We also ensure that each and every franchisee has an individual growth plan that sets out the agreed position on store openings for the next three years and we maintain a strong pipeline of sites for new stores.
Failure of a critical supplier and cost of goods increases	Risk description: We are reliant on the continued operation of various supply contracts with third party suppliers who provide raw materials. A major supplier could, particularly in the current difficult economic or geo-political conditions, cease trading with little or no advance warning. Sustained food cost price inflation on our key food items could have a detrimental effect on franchisee profit margins and/or our margins. Impact: The failure of a key supplier could mean we are unable to supply stores with products or are forced to procure supply from a more expensive or inferior quality source, which could have a material adverse impact on our financial performance. If franchisee food costs escalate, their profitability could be adversely impacted and this could limit willingness to expand, which could have an adverse impact on our growth plans.	Mitigation activities: All core suppliers are routinely put through a financial risk assessment to monitor their ongoing financial health. Those suppliers found to be at risk are followed up with individually and monitored closely. All have documented contingency plans that are reviewed annually. There is a dual supply approach for products which are deemed critical. Either the supplier has two distinct production plants or we have two distinct suppliers. We also maintain a close relationship with suppliers and work with them to take costs out of their supply base where possible. The size and continued growth of the business also helps us to secure the most competitive pricing available in the market, and, where appropriate, we forward buy certain products to lock-in prices and mitigate the risk of continued price inflation on certain products.

Major food safety scares

Risk description: We purchase and supply to stores a large range of different food products from countries around the world. Food is under increasing scrutiny from government-led monitoring programmes, as well as from non government organisations and consumer groups. It is possible that a food type that is a component of our core product, pizza, (e.g. dough, tomato sauce or cheese) may become subject to a national or international food safety scare which could mean that we would have to withdraw that food type or product from stores. Alternatively, there could be a food scare based around suppliers of a particularly type of product (not necessarily a supplier used by the Group), failing to comply with legal or regulatory standards which is subsequently highlighted through testing or inspections. Even if the food type we use is not itself at the centre of the food scare, by association there may be a consumer boycott of all types of that food product.

Impact: Consumers may refrain from purchasing Domino's Pizza products if there is a food safety scare relating to a product strongly related with pizza, which is based either on scientific findings or media speculation. If this consumer behaviour was to continue for an extended period of time and no acceptable substitute food products were available, there could be a material adverse impact on the Group's operating results for the period(s) affected.

Mitigation activities: All food products that we purchase go through a vigorous product risk assessment. This risk assessment highlights what makes the product safe and flags if there are any potential hazards with the product. Any potential hazards are noted and the appropriate prevention, elimination and monitoring of such hazards takes place. Ongoing testing and audits are then carried out by us or the supplier and this forms part of our stringent supplier assurance programme. We are also a member of Leatherhead Food Research, who provide us with independent advice and food testing facilities. Suppliers are required to have contingency plans in place should their usual methods of production or raw materials become threatened. All suppliers are communicated with regularly to ensure we are kept up to date and aware of any emerging food safety scares. We have an efficient communications network through which it we can inform franchisees about food safety so that customers can be re-assured, as appropriate. We pride ourselves on maintaining good relationships with suppliers and therefore subscribe to multiple information sources and organisations that deal with food safety, this allows us to identify current and potential emerging risks as early as possible and as a result prepare accordingly. We also have in place crisis and continuity plans which are tested and refreshed regularly.

Planning restrictions

Risk description: New, more onerous, planning restrictions could be imposed by central or local government relating to the type of locations we seek for new stores.

Impact: Should central or local governments put more onerous planning restrictions in place, opening new stores could become much more difficult and could restrict our ability to expand in desirable areas and achieve target openings in future years. This could have a materially adverse impact on our future revenue and profit growth.

Mitigation activities: There are legal routes of redress available should more onerous planning restrictions be enforced. We also have the ability to consider purchasing freeholds with existing, appropriate planning. Both ourselves and our planning consultants actively build relationships with and work closely with local authorities to ensure that there is an understanding of the responsible way in which the stores are operated and our willingness to accept appropriate planning conditions.

Operational risks

Consumer relevance

Risk description: Food service businesses are affected by various changes in the following scenarios, consumer tastes, the local, national and international economic conditions, local and national competition and demographic trends. Any material change in market perception of the home delivery and convenience food industry, or the Domino's brand in particular, could adversely affect our business. In addition, increasing government and media initiatives to create greater awareness of healthy eating could impact on the public's perception of the convenience food industry.

Impact: If we fail to anticipate and respond to a change in consumer demand for home delivery pizza, this could have a material adverse affect on our future results of operations and financial performance.

Mitigation activities: We recognise the link between a balanced diet, a happy lifestyle and good health and therefore provide nutritional information on our websites to allow customers to make an informed choice. We offer a reduced fat mozzarella cheese offering as a pizza topping and in 2012 introduced a new Gluten free pizza, due to demand from Coeliacs. We work relentlessly to reflect changes in consumer tastes and improve our offering by investing in price, quality and service in order to deliver the optimum home delivery pizza service to our customers. We have a strong focus on new product development to ensure the menu has broad appeal and reflects consumer trends. In the UK we have committed to the Department of Health's Responsibility Deal, which includes providing calorie information at the point of purchase and for our products to contain no artificial trans fat. We are also working to reduce salt levels in our products and all our products are GM free.

We also ensure that our menus and product offerings are updated regularly and reflect the territory in which a store is operating. For example, the German and Swiss markets' taste differ substantially to the market in the UK and the Republic of Ireland and as a result the Swiss and German menus are each independent of those in the UK and the Republic of Ireland.

Inappropriate financial or corporate structure

Risk description: This risk covers a plethora of related sub-risks but essentially comprises our corporate structure being sub optimal from a tax, accounting, legal, commercial or leverage perspective given the size of the Group and the type of business we engage in. As we acquired the master franchise rights for Germany on 26 April 2011 and in relation to Switzerland, Liechtenstein and Luxembourg we acquired the master franchise rights on 24 September 2012, as with all international expansion, we must ensure that we have the approrpriate corporate and financial structure to ensure success in these new international markets.

Impact: An inappropriate structure could lead to investors or potential investors viewing the Company's shares as undesirable to hold. The wrong structure could also lead to high overheads, high interest charges, lack of financial strength, fall in profitability, decrease in multiples/share price, loss of faith in management and the inability to flex the business model to take advantage of business opportunities or alternatively protect against damage to the brand. Poor performance and/or an inapprorpriate structure in the German/Swiss markets could ultimately lead to failure to attract new franchisees and therefore to grow the brand, which could have a detrimental effect and potentially lead to a failure to meet opening targets and potentially the termination of the German MFA and/or the Swiss MFA.

Mitigation activities: The Board is updated regularly with regards the corporate and financial structure of the Group and this includes taking external advice and seeking feedback, alongside having open dialogue with analysts and major investors and shareholders. Our strong track record of financial performance combined with effective and a robust business model means we are seen as a strong covenant by the banks and investors. We also have in place in both Germany and Switzerland an experienced management and operational team to drive our growth plans in each market and these teams are focused on building robust systems and processes that align with the German and Swiss strategy.

Risk	Risk description and impact	Mitigation activities
Reputational damage to the brand	Risk description: We depend, in large part, on the Domino's brand. Over the last few years, Domino's has become a very high profile business in the UK and Republic of Ireland. Therefore, any significant act, omission or harmful allegation that is made public in respect of one or more stores could lead to significant media interest and bad publicity. The Domino's brand is still relatively new to the German market and as a result any significant act, bad publicity or failure of the brand in Germany could have severe consequences for the future of the brand in that territory. With regards Switzerland, the brand has been in the Swiss market since 1999 it still remains relatively undeveloped and any damage to the brand's reputation could materially affect our growth plans in Switzerland. Impact: A franchisee (or corporate store in the case of Germany and Switzerland) could fail to operate to the required standard and as a result attract adverse local and national publicity which, if the failings were of a sufficiently material nature, could lead to lasting damage to the brand with customers of the stores choosing not to buy from Domino's again. A material loss in sales caused by brand damage could adversely affect our future results of operation and financial condition.	Mitigation activities: Our franchisees must adhere to quality, safety and image regulations that we strictly enforce through the implementation of training and careful monitoring, funded by both the franchisees and the Group. This mentoring comprises store visits, inspections and frequent business review meetings. In addition, we take a very pro-active approach to following media coverage of the brand and respond suitably to any customer complaints or material that is potentially damaging to the brand. With regards Germany and Switzerland, all of our current stores in Switzerland and a number of stores in Germany are corporate stores and we therefore have ultimate control over these stores and how they are run.
Material deterioration in relationships with franchisees	Risk description: The relationship we have with our franchisees is key to our success. Any deterioration in the relationship with the franchisee community as a whole could have a detrimental effect on the success and/or standards of the stores. Impact: Should the relationship with the franchisees materially deteriorate we could lose certain of our franchisees who may elect to go to a competitor, operational standards within stores could drop and we may have difficulty requiring franchisees to support changes to policies, standards and brand guidelines and to continue opening stores. This could have an adverse impact on our ability to continue with our strategic growth plans.	Mitigation activities: Relationships are carefully nurtured by the Directors, senior management and franchisee facing employees in all departments. Regular one-to -one business review meetings are held with each franchisee at least annually. We also host regional franchisee dinners and national franchisee events which allow franchisees to discuss anything of concern or interest and for our detailed market strategies to be outlined to the franchisees. At all times, we aim to provide great service to our franchisees that adds value to their businesses. In the event that a franchisee leaves the Domino's system, the standard franchise agreement in place with each franchisee provides for a non-compete clause post termination of the franchise agreement which prevents against the franchisees opening or operating another pizza outlet for a period of one year post termination.

Commissary production issues	Risk description: One of the key functions of our business is the manufacture of dough and the distribution of food and other items used in the stores by our commissaries based in Milton Keynes (UK), Penrith (UK), Naas (Republic of Ireland) and Berlin (Germany). It is possible that one or more of the commissaries could suffer an interruption to production or distribution caused by factors such as mechanical failure, power failure, staff related problems, fire, failure of a key supplier, adverse weather preventing production or deliveries, or staff unavailability on a large scale. Impact: We could suffer a material decrease in the volume of sales of the Group if there were a sinlge major failure or repeated failures in our dough production, distribution of food or other store materials which prevented stores from trading regularly or for prolonged periods. If this were to happen in the UK this could have a material adverse impact on our financial performance.	Mitigation activities: We work in partnership with our suppliers and other Domino's Pizza master franchisors in neighbouring territories to manage the risk of any delays or interruptions in the supply chain, which may affect trade. In the UK, we have the ability to increase production at one of our other facilities should one of our commissaries have to reduce or stop production for any reason. Our Milton Keynes facility is the largest commissary in the Group and has sufficient capacity to handle any cessation in production at the other two commissaries in the UK and the Republic of Ireland. A comprehensive Site Down Recovery Plan is also in place across each production facility in the UK and Republic of Ireland, which forms part of our Business Continuity Plan. In Germany, we are in the process of putting in place contingency plans with certain of the other Domino's Pizza Master Franchisors in Europe so they can assist should there be a failure at any of our German commissaries. We currently have no commissary Switzerland and rely instead on third party suppliers and distributors.
IT infrastructure	Risk description: The success of the Group's sales through channels of e-commerce is highly dependent on our ability to maintain operational and efficient IT systems in order to facilitate online sales and orders made via smart phones and other internet enabled devices. Furthermore, the stores utilise IT systems which allow franchisees to electronically place delivery orders directly with our commissary sites. We also use that same IT system to calculate the royalties payable by each of the stores. Impact: If any of our online ordering websites were to fail for an extended period of time, there could be a material loss of resultant orders and this would in turn adversely affect sales for the day(s) in question, which if this occurred on a regular basis may adversely affect our business and results of operation. A failure of the IT system could lead to an inability to accurately calculate royalty payments and for franchisees to place food orders which could, if prolonged or repeated on a regular basis, particularly in the UK, adversely affect the Group's financial performance.	Mitigation activities: We have extensive controls and reviews to maintain the integrity and efficient of our IT infrastructure and data. We control the IT function from our Head Office at Milton Keynes, which ensures consistency of delivery across all of our territories and in the UK, where necessary, we outsource certain of our server/hosting requirements. We continue to heavily invest in our IT systems and innovations in order to improve business efficiency and the customer experience. For example, we and our franchisees have invested in a new and advanced electronic point of sale system which provides higher levels of resilience and better supportability than our previous electronic point of sales system. We have put in place an IT disaster recovery plan which will enable us to continue to operate the IT systems identified as being critical in the event of a site failure.

The risks listed do not comprise all those associated with the Group and are not set out in any order of priority. Additional risks and uncertainties not presently known to the Board or to management, or currently deemed to be less material, may also have an adverse effect on the business.

The Board's review of the system of internal control

Through the monitoring processes described above, during the year the Audit Committee on behalf of the Board reviewed the effectiveness and structure of the system of internal controls.

The Audit Committee satisfied itself that there is a continual process for identifying, evaluating and managing the Group's significant risks. This has been in place for the financial year being reported and up to the publication date of this Annual Report and financial statements.

No material financial problems have been identified that would affect the results reported in these financial statements and the Board confirms that if significant weaknesses had been identified during this review, the Board would have taken the necessary steps to remedy them.

By order of the Board

Lee Ginsberg
Chief Financial Officer
22 February 2013

Directors' remuneration report
for the year ended 30 December 2012

Chairman's Summary Statement

Dear Shareholder

I am pleased to present our Directors' remuneration report for the year ended 30 December 2012. We have made some changes to the structure and layout of our Directors' remuneration report this year to improve transparency, particularly around the annual earnings of the Executive Directors and how this links to Company strategy and performance. There is now, inter alia, a single remuneration figure, to reflect best practice in light of the forthcoming executive disclosure requirements. I hope that this development of our disclosure practice will facilitate a better understanding of our approach to executive remuneration and allow for enhanced clarity and therefore better engagement with our stakeholders in the future.

As described in the Operating and Financial Review, the FY 2012 results illustrate the ability of our business to continue growing sales, profits and margins despite the tough economic conditions in the United Kingdom, Ireland and in Germany. The increase in profitability achieved in FY 2012 once again demonstrates the strength of our business model and brand, the strong and effective leadership of our management team, the talents of our franchisees and the commitment of both corporate and franchisee staff.

Performance and reward

In light of the combination of strong Company and Executive Directors' performance achievements during the year, the Remuneration Committee (the Committee) considers the remuneration paid to the Executive Directors to fairly reflect their performance during the year. As a result of exceeding the target set for annual growth in adjusted PBT*, the annual bonus entitlement for the Executive Directors was 77% of salary.

With regard to the Company's longer-term performance, reflecting the Company's successful implementation of its growth strategy over the last three financial years, the 2010 reversionary interest awards (measuring performance from 27 December 2009 to 30 December 2012) will vest in full as a result of delivering annualised adjusted EPS*** growth of 19.2% over the performance period, which significantly exceeded the performance targets set, which the Committee considered suitably challenging.

Remuneration Policy for 2013

To ensure that our remuneration policy continues to support the Company's growth strategy in the current economic environment, and reflecting the feedback received from our shareholders following our 2012 AGM, the Committee has recently undertaken a review of its remuneration policy. The key conclusion of the review was that the current policy of providing at or below median base salaries and an above median incentive opportunity for delivery of superior performance remains appropriate and therefore that no further changes were required save for performance related cost of living adjustments to base salary levels to ensure they remain appropriate. As a result, 2013 policy will operate on broadly similar terms to the 2012 policy save for the first time there is an introduction of a second performance measure (stretching personal objectives) alongside growth in profit before tax for the annual performance bonus.

The Committee is comfortable that its policy continues to enable recruitment, retention and motivation of the quality of executive required to continue to successfully deliver sustainable growth in our business and further create returns for shareholders.

Shareholder views

The Remuneration Committee continues to take an active interest in shareholder views. The key issues raised around the time of last year's AGM were in relation to the introduction of a new long-term incentive plan and the award of long-term incentives to the Executive Director population in 2012. As a result of the consultation, which included a number of meetings between the Company's major institutional shareholders and the Remuneration Committee Chairman and Company Chairman, a number of changes to the new long-term incentive plan were made (e.g. clawback provisions were incorporated into the new plan as well as the annual bonus plan for 2012).

Given that only performance related adjustments have been made to base salaries for 2013 and the annual bonus going forward will incorporate two rather than one performance measures, it has not been considered necessary to pre-consult with our largest shareholders in respect of 2013 remuneration. We hope to receive your continued support at the 2013 AGM.

John Hodson
Chairman of the Remuneration Committee

* Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items and before any trading results relating to Switzerland.

** Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.

*** Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items and before any trading results relating to the German and Swiss businesses.

**** Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items.

Introduction

This report sets out the Company's policy on Directors' remuneration for the forthcoming year, and, so far as practicable, for subsequent years, as well as information on remuneration paid to Directors in the financial year to 30 December 2012. The report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and has been prepared in line with the recommendations of the Code and the UKLA Listing Rules.

The Committee has considered the changes to Executive Directors' pay reporting requirements which have been proposed by the Department of Business, Innovation & Skills (BIS), and although these proposals are not yet in force, in accordance with these proposals, this report has been split into two sections; a Policy Report and an Implementation Report. The structure and content of this report remains compliant with the Regulations. The parts of the report which have been audited by Ernst & Young LLP have been highlighted as required by the Regulations.

What has the Remuneration Committee done during the year?

The Committee met three times during the year to consider and, where appropriate, approve key remuneration items including the following:

A) Pay and Incentive Plan Reviews

- Reviewed and approved Executive Directors and senior management base salaries and benefits.
- Adopted the shareholder approved new long term incentive plan with clawback provision.
- Reviewed and approved overall remuneration policy for Executive Directors and senior management for FY2013, including performance measures for the annual performance bonus and 2013 share plan awards to ensure measures are aligned with strategy and that targets are appropriately stretching.
- Reviewed year-end business performance and performance linked reward in order to determine annual bonus payouts and vesting of long term incentives.

B) Governance

- Reviewed and approved the Directors' remuneration report.
- Reviewed updated BIS executive remuneration disclosure proposals and assessed the Company's approach to compliance ahead of the changes coming into force. Also, closely monitored guidance and directional themes from institutional shareholder bodies.
- Reviewed 2012 AGM results and feedback from institutional shareholders following consultation on modifications to the remuneration policy for FY2012. Confirmed that the proposed 2013 remuneration proposals are not anticipated to inadvertently encourage any undue risk taking.

Going forward in 2013, the Committee will be focused on:

- understanding the final form of the legislative changes on reporting requirements and shareholder voting rights to be implemented by the Government;
- understanding and responding to any shareholder feedback arising out of the 2013 AGM;
- assessing whether the current remuneration policy is appropriate and targets in short and long term incentives are sufficiently stretching; and
- ensuring that the current structure and level of executive remuneration policy is sufficient to retain and attract the best talent and retain an appropriate link between performance and reward.

Remuneration policy report (unaudited)

This part of our Directors' remuneration report sets out the remuneration policy for the Company as applies for the year ended 29 December 2013 and beyond where appropriate.

Policy Overview

In setting the remuneration policy for the Executive Directors, the Committee takes into account the following:

- the need to set appropriate remuneration policies and packages which will attract, retain and motivate executive directors and senior management but avoid paying more than is necessary;
- to weight a significant proportion of the remuneration towards variable pay with at or below median base salary vis-à-vis comparable benchmarks and above market incentive opportunity linked to the delivery of superior performance;
- to have demanding short and long term performance targets that are specific, measurable and fully aligned with the Company's business objectives to provide strong linkage between remuneration and performance;
- to create a strong alignment between the interests of senior managers and the delivery of value to shareholders;
- to avoid creating excessive risks in the achievement of performance targets;
- internal pay and benefits practice and employment conditions both within the Group as a whole and within the particular national contexts in which it operates; and
- periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies taking into account their size, business complexity, international scope and relative performance.

The table below summarises our 2013 policy and the changes to apply for the current financial year.

2013 Executive Director policy table

This policy is anticipated to apply to current Executive Directors from 1 January 2013.

Element & maximum	Purpose and link to strategy	Operation
Base salary	• Reflects the value of the individual and their role • Reflect skills and experience over time • Provide an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income	• Reviewed annually, effective 1 January • Agreed when results for the previous year have been finalised • Takes periodic account against companies with similar characteristics and sector comparators • Targeted at below median position
Annual performance bonus	• Incentivise annual delivery of financial and operational goals linked to the Company's strategy • Relatively high potential rewards for achieving demanding targets • Stretching profit targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends • For 2013, introduction of an individual performance element linked to delivery of key strategic objectives • Introduction of clawback for 2012 to provide further alignment with shareholders	• Paid as cash • Not pensionable • Clawback provisions apply • 60% paid for on-target performance
Long Term Incentive Plan	• Aligned to main strategic objectives of delivering sustained profitable growth • As primary long term incentive, aids retention of senior management • Creates alignment with shareholders and provides focus on increasing the Company's share price over the medium term	• Annual grant of market value options or performance shares • Subject to performance conditions measured over three years • Clawback provisions apply
Pension	• Provide market competitive, yet cost-effective retirement benefits • Opportunity for Executive to contribute to their own retirement plan	• Defined contribution • HMRC approved salary sacrifice arrangement • Salary sacrifice for employee contribution
Other benefits	• Provide cost-effective insured benefits to support the individual and their family • Access to company car to facilitate effective travel	• Benefits provided through third party providers • Company cars or cash equivalents provided
Share ownership guidelines	• To provide alignment between Executives and shareholders • To encourage a focus on sustainable long-term performance	• Executives are required to build and maintain a shareholding equivalent to a multiple of salary within 5 years of joining

* Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items and before any trading results relating to Switzerland.
** Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.
*** Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items and before any trading results relating to the German and Swiss businesses.
**** Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items.

The above policy would also be anticipated forming the basis on which a new executive director was appointed, however, the Committee retains the flexibility to offer a remuneration package outside the above policy to facilitate a new appointment as deemed necessary. The ongoing policy for the individual would then be subject to the above policy.

Maximum	Performance targets	Changes for 2013
• Annual increases will usually be linked to those of the wider workforce • Significant changes in responsibility, a change of scope in a role or very strong performance may merit base salary increases beyond those of the wider workforce • On appointment, if pay is set at a discount to the Company's normal policy, it may be appropriate to phase an individual towards an appropriate rate based on performance and experience	• N/A	• CEO – increase from £430,000 to £452,630 • CFO – increase from £265,000 to £278,950
• CEO – maximum 150% of salary • CFO – maximum 125% of salary	• Growth in Group profit before tax* of 10.3% • Meeting individual objectives	• Annual bonus plan now based 80% on financial measure and 20% on specific individual business objectives
• Maximum opportunity of 500% of salary market value share options or 200% of salary performance shares	• Performance measured over three years • EPS reflects profitability and is a key measure for shareholders • Performance targets aligned with the Group's strategy of delivering profitable growth • Awards still to be subject to annual average growth in adjusted EPS**** of 9% to 15%	• CEO – no award to be granted in 2013 due to recruitment award • CFO – 300% of salary market value options • None
• Monthly employer contribution of 15% of basic salary	• N/A	• N/A
• Family level private medical insurance cover provided • Life insurance cover of 4x multiple of salary • Company car or cash allowance provided, CEO £18,000, CFO £15,000	• N/A	• N/A
• 150% of salary holding for Executive Directors	• N/A	• N/A

Directors' remuneration report continued

Balance between fixed and variable pay

The variable elements of remuneration are dependent upon the achievement of performance measures that are identified as important sustainable growth drivers for the business and that are aligned with the creation of shareholder value. The balance achieved in the packages is significantly more performance related than that operated in comparatively sized leisure companies and FTSE All-Share companies of a comparative size more generally, particularly at high levels of performance.

Choice of performance metrics

As detailed in the Chief Executive Officer's strategy review on page 16, the Group remains fully aligned with delivering profitable growth through targeting organic growth and the desire to be the market leader in each of its territories. The Board sets stretching performance targets for the business and its senior managers, with the aim of driving optimal delivery of the Company's strategy in return for commensurate levels of remuneration. All incentives are capped in order that inappropriate risk taking is neither encouraged nor rewarded.

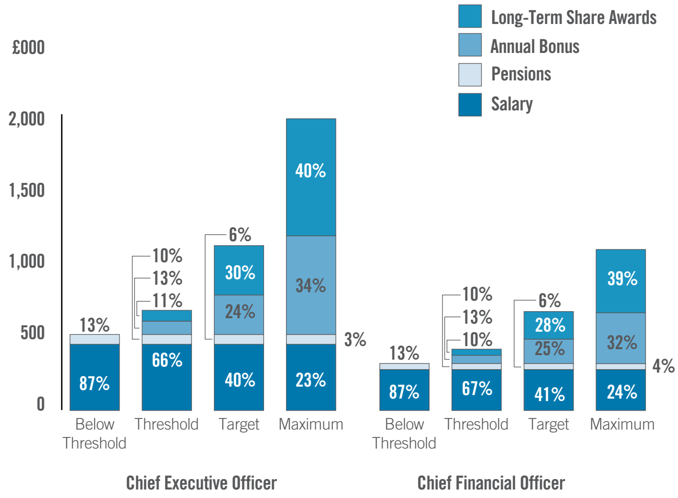
Whilst noting the encouragement received from a number of shareholders ahead of the 2012 AGM to consider introducing more than one performance metric for the new LTIP, we continue to consider EPS to be the most appropriate measure of long-term performance at the Company since it is a key measure of long-term financial performance assessed by the Board and aligned with the Company's objectives of delivering long-term profitable growth and a progressive dividend policy. Use of absolute or relative total shareholder return (TSR) is considered less effective as a measure of underlying financial performance given its potential to be influenced by external general market factors (to either the advantage or disadvantage of participants) which is beyond management's control. This concurs with some of the feedback we received from some shareholders that absolute TSR was not their preferred metric and the fact there are no natural comparators to compare our performance against for the purposes of relative TSR.

EPS is therefore being retained as the sole performance measure.

Given our growth strategy, we are keen to incentivise growth in each of our territories and, accordingly, this has been integrated into our short term annual bonus.

Remuneration scenarios for Executive Directors

The charts below show how the composition of each of the Executive Director's remuneration packages varies at different levels of performance under the policy set out above, as a percentage of total remuneration opportunity and as a total value. Since the Chief Executive Officer will not receive a long term incentive award in 2013, given he received above policy recruitment-related awards in 2011 and 2012, the annualised value of his 2012 award included in the chart below is an approximation of the typical weighting that we would expect at different levels of performance arising with our remuneration policy for the Chief Executive Officer.



Notes:
1 Chart labels show proportion of the total package comprised of each element.
2 Since no LTIP award is to be granted to the Chief Executive Officer in 2013 (following the second part of his recruitment incentive being granted in 2012), the annualised value of his 2012 LTIP award has been included in the chart above.
3 To place a value on the LTIP, the following assumptions were employed: at the threshold performance level 14% of the award vests based on 9% p.a. share price growth, at the target performance level 56% of the award vests based on 12% p.a. share price growth and maximum vesting takes place for share price growth of 15% p.a. The share price growth levels are indicative and selected based on an assumed constant price earnings ratio in line with the 2013 LTIP targets. These are illustrative.

How employees' pay is taken into account

Pay and conditions elsewhere in the Group were considered when finalising the current policy for the Executive Directors. In particular, the Committee is kept updated throughout the year on salary increases for the general employee population, Company-wide benefit provision, level of annual bonuses and staff participation in long term incentive schemes, so the Committee is aware of how the total remuneration of the Executive Directors compares with the average total remuneration of employees. The Committee is also informed of the results of employee engagement surveys, the most recent of which indicated that most employees show high levels of engagement and feel that reward is an important attribute of their job.

Whilst the base salary increases awarded to the Executive Directors (5%) were above the average increase for employees across the Group (2.5%) for 2013, the increases were in line with the policy range applied to rewarding the highest performing employees within the Group and the Executive Directors were considered to fall into this category. Furthermore, the Executive Directors are now responsible for a larger, more complex business than was the case last year given Domino's international expansion and continued organic growth and, in part, the salary increases reflect this increase in scale.

How the Executive Directors' remuneration policy relates to the wider Group

The remuneration policy described above provides an overview of the structure that operates for the most senior executives in the Group with a significant element of remuneration dependent on Company and individual performance.

Lower aggregate incentive quantum operates at below executive level with levels driven by market comparatives, internal relativities and the impact of the role. The vast majority of our employees participate in an annual bonus plan, although the limits and performance conditions vary according to job level.

The Committee believes that broad-based employee share ownership provides a key element in retention and motivation in the wider workforce and therefore long-term incentives are provided outside of the most senior executives, with most staff in all territories eligible to participate in market value share option plans. The Company operates HMRC approved savings-related share option schemes for all UK based employees who have achieved more than six months service and who wish to participate, including Executive Directors.

All newly appointed employees, including Executive Directors, are eligible to join a defined contribution pension plan, whereby they are required to make a contribution to a nominated plan and the Company contribution depends on job level.

How is risk managed in relation to short- and long-term incentives?

The Committee believes that the consideration and management of risk is very important when formulating and then operating appropriate remuneration structures (notably the performance criteria) for senior management. The majority of the Committee also are members of the Audit Committee and liaison between the two is frequent, so the Committee has an excellent understanding of risk factors in the business that may be relevant to the remuneration strategy and more particularly the setting of the short and longer term performance targets.

In line with the Association of British Insurers' (ABI) Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives.

The introduction in 2012 of the clawback provision in respect of annual bonuses and share plans also provides the Committee with a mechanic to recover monies in the event of a material performance failure. Share ownership guidelines ensure Executive Directors have a focus on long-term sustainable performance which is aligned to the shareholder experience.

How shareholders' views are taken into account

The Committee considers shareholder feedback received in relation to the AGM each year immediately following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. The Committee also undertakes a consultation exercise with its largest shareholders as appropriate. The Committee values this feedback and seeks to maintain a continued open dialogue.

Detailed Remuneration Policy for 2013

Base salary

Salaries for the Executive Directors and senior managers are reviewed annually by the Committee, although not necessarily increased. Salary increases are determined after taking into account an individual's performance and experience, any change in the size and nature of the role as well as both the Group's own salary structures and salary budget. On a bi-annual basis, the Committee will consider independent market data on salary rates for similar positions in comparative companies and from across all FTSE sectors more generally although this data is reviewed with caution to avoid the racheting of pay.

This approach is consistent with previous years, with the 2013 salary levels continuing to be set below the median benchmarks considered for each position.

For the year commencing 1 January 2013, the basic salaries for the Executive Directors were increased by 5% which, as noted earlier, took due account of the salary increases awarded across the Group for high performers, their own strong performance and the increase in scale of the business achieved during 2012. Salary levels are £452,630 for the Chief Executive Officer and £278,950 for the Chief Financial Officer for the 2013 financial year.

Annual Performance Bonus (APB)

The APB provides a focus on the delivery of the stretching targets that are set by the Committee following consideration of the Company's annual operating plan by the Board each year and there is a threshold performance below which no award is paid.

The performance conditions for the APB for the financial year ended 29 December 2013 will be based both on achieving and exceeding the Group's adjusted PBT** growth targets set by the Board and on achieving individual business objectives that were derived from a set of common goals considered to be key imperatives supporting the delivery of the business plan. The targets applying to the bonus will operate on a banded bonus scale commencing at 20% of salary through to 60% of salary at target levels of performance through to 150% (for Chief Executive Officer) or 125% (for Chief Financial Officer) of salary at maximum performance levels. There is straight line vesting in between the performance bands.

For the year ended 30 December 2012, the target for Group adjusted PBT* growth was 10.3%.

Given the financial targets require significant growth from a 2012 actual adjusted PBT base point (which in itself was a substantial growth from 2011), the Committee believes these targets to be extremely challenging yet achievable. The Committee believes the addition of a second performance measure provides an appropriate balance of focus between annual profitability objectives and driving changes which underpin the Group's strategy. However, no individual objective component of the bonus may be earned unless a 'threshold' level of Group PBT has been achieved.

Any bonus payments made are in cash. A clawback provision has applied to bonus awards since 28 March 2012 which will enable the Committee to clawback any value which was overpaid in the event of a misstatement of the Company's Report and Accounts.

Any bonuses paid are non-pensionable and are not taken into account when determining base salary for performance-related remuneration.

Long-term incentives

Long Term Incentive Share Plan

The Company's long-term incentive plan for the Executive Directors and other members of the Executive Committee is the 2012 Long Term Incentive Plan (the Plan), which was approved by shareholders at the 2012 AGM. Awards made under the Plan can be in the form of market value share options or performance shares.

The Remuneration Committee is responsible for selecting eligible employees to participate and for granting conditional awards of a specified number of shares in the Company under the Plan. No payment is required on grant, vesting or exercise of an award. Until an option is exercised or an allocation vests, a participant has no voting, dividend or other rights in respect of the shares.

Participants are eligible to be considered for awards annually. The aggregate market value of awards made under the Plan in any one financial year may not exceed 500% of basic salary (for market value share options) or 200% of basic salary (for performance shares). The normal grant policy under the Plan is to award market value options at 300% of salary and the Committee intends to grant the Chief Financial Officer an award at this level in respect of the 2013 financial year. As disclosed in last year's Directors' remuneration report, the Chief Executive Officer is not eligible to receive an award in 2013 due to him receiving an exceptional recruitment incentive on becoming an executive in 2011 as described in more detail in the Implementation Report.

As noted earlier, the Committee reviewed performance measures at the inception of the Plan and more recently in late 2012 when considering awards to be made under the Plan in 2013. It considers that sustained growth in EPS most accurately captures the impact of management's decisions and actions in areas such as production efficiency, margin improvement and efficient use of resources. In terms of creating long-term shareholder value, sustained growth in profitability means that EPS is the most appropriate measure of performance. Therefore, it is anticipated that the 2013 awards will be subject to EPS performance alone and the Committee considers it appropriate to use the same EPS performance condition used for the 2012 awards in 2013 (albeit tested from the 2012 EPS result).

The table below shows the performance vesting schedule of earnings per share under the current Plan.

Adjusted annual EPS growth	Proportion vesting
Below 9%	0%
9%	14%
10%	28%
11%	42%
12%	56%
13%	70%
14%	84%
15%	100%
Straight line vesting in between performance points	

Failure to achieve the threshold level of performance will result in the full award lapsing; there is no retest facility. Vesting between the threshold and maximum is on a straight-line sliding scale basis.

A clawback provision will apply to all awards made under the LTIP Plan which will enable the Remuneration Committee to clawback any value which was overpaid in the event of a misstatement of the Company's Report and Accounts.

Benefits and supplements

Benefits in kind provided for the Executive Directors are principally a fully expensed car, mobile telephone, life insurance cover and private health cover for the Director and his family. Benefits in kind are not pensionable and are not taken into account when determining base salary for performance-related remuneration.

Pension

The Committee reviews the pensions arrangements for the Executive Directors to ensure the benefits provided are consistent with those provided by other similar companies and take account of changes in relevant legislation.

The Company does not offer a defined benefit pension scheme. Instead, the Company contributes to the Executive Directors' personal pensions at a rate of 15% of basic salary.

The Committee approves the pension arrangements and contributions made by the Group on behalf of the Executive Directors. The Company does not contribute to any pension arrangements for the Non-Executive Directors.

Service Contracts and Policy on Exit

The Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. Notice periods given by the employing company are normally limited to 12 months or less. The contracts of the Executive Directors are dated 27 June 2011 (as Deputy Chief Executive Officer) for the Chief Executive Officer and 1 November 2004 for the Chief Financial Officer. Both contracts operate on a rolling basis with a 12 month notice period.

An Executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the Company terminates the employment of an Executive Director in breach of contract, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the period. Payments in lieu of notice are not pensionable. In the event of a change of control of the Company, there is no enhancement to contractual terms.

In summary, the contractual provisions for the Executive Directors are as follows:

Provision	Detailed terms
Notice period	12 months
Maximum termination payment	Base salary plus benefits, subject to mitigation
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below) In all cases performance targets would apply
Change of control	As on termination

Any share-based entitlements granted to an Executive Director under the Company's LTIP or bonus entitlement under the APB will be determined based on the relevant plan rules.

With regards to the circumstances under which the Executive Directors might leave service, these are described opposite with a description of the anticipated payments:

Reason for leaving payment	"Bad" leaver (e.g. resignation)	Departure on agreed terms (e.g. asked to leave due to revised skill sets required for role)	"Good" leaver (e.g. ill health, retirement)
Salary in lieu of notice period	Salary for proportion of notice period served	Treatment will normally fall between Good Leaver and Bad Leaver treatment, subject to the discretion of the Remuneration Committee and the terms of any termination agreement	Up to a maximum of 100% of salary (e.g. redundancy)
Pension and benefits	Provided for period of notice period served		Up to one-year's worth of pension & benefits (e.g. redundancy) Possible payment of pension and insured benefits triggered by the leaver event (this would be governed by the terms of the benefits provided)
Bonus	If resigns, reduced pro rata to reflect proportion of bonus year elapsed (provided performance conditions met). If dismissed for cause, none payable		If resigns, reduced pro rata to reflect proportion of bonus year elapsed (provided performance conditions met). If dismissed for cause, none payable
Long-term incentive entitlements (2012 LTIP)	Lapse		Up to full vesting, based on performance tested over the full performance period (or to the date of cessation at the discretion of the Committee) Where awards are granted as market value options, the award may also be reduced pro-rata (at the discretion of the Committee) to reflect the proportion of the performance period elapsed to the date of cessation. Where awards are granted as performance shares awards will be subject to a pro-rata reduction unless the Committee determines otherwise
Other payments	None	Disbursements such as legal costs, outplacement	

Non-Executive Director remuneration

The Non-Executive Directors are not employed under service contracts and do not receive compensation for loss of office, but (with the exception of Colin Halpern) are appointed for fixed terms of three years renewable for further three-year terms if both parties agree and subject to annual re-election by shareholders.

The following table shows details of the terms of appointment for the Non-Executive Directors:

	Appointment date	Date most recent term commenced	Expected date of expiry of current term
Stephen Hemsley (Chairman)	1 January 2008 (as Executive Chairman)	30 March 2010 (as Non-Executive Chairman)	30 March 2013
Colin Halpern (Vice-Chairman)	15 November 1999	Rolling annual	N/A
Michael Shallow (SID)	1 January 2006	1 January 2012	1 January 2015
Nigel Wray	15 November 1999	8 May 2011	8 May 2014
John Hodson	14 February 2005	14 February 2011	14 February 2014
Syl Saller	20 September 2011	20 September 2011	20 September 2014
Helen Keays	20 September 2011	20 September 2011	20 September 2014

Non-Executive Director fees (with the exception of the Company Chairman fee) are reviewed on a bi-annual basis by the Board of Directors. The Company Chairman's fee is set by the Committee. The fees are set at a level to attract individuals with the suitable experience and skills to challenge and support the Company's strategy.

The fee levels set take into account the size and complexity of the Group and the time commitment involved with each Non-Executive Director role. Non-Executive Directors are paid a basic fee with additional fees for chairing the Remuneration and Audit Committees. There are no additional fees for chairing the Nomination Committee. The Senior Independent Director is also paid a fee given the extra responsibility and time commitment required of this position. Non-Executive Directors do not participate in any annual bonus, share incentive plans, or pension arrangements.

For the year ending 29 December 2013, the Board has set the following fees for Non-Executive Directors:

	2013	2012
Chairman	£194,000	**£194,000**
Non-Executive Vice Chairman*	£265,000	**£265,000**
Non-Executive Director (Base fee)	£39,000	**£39,000**
Audit Committee Chairman (Supplemental fee)	£7,000	**£7,000**
Remuneration Committee Chairman (Supplemental fee)	£7,000	**£7,000**
Senior Independent Director (Supplemental fee)	£5,000	**£5,000**

* Colin Halpern, the Non-Executive Vice Chairman, is seconded to the Company from HS Real LLC under the terms of a management agreement originally entered into in 1999. Colin Halpern has played an integral part for 20 years in building our business and continues to provide regular advice and assistance to the Executive Directors, and as an international ambassador for the Company was closely involved in securing the acquisition opportunity for Germany. As disclosed in previous years, the management fees are reviewed annually. The figure for 2013 was agreed as a basic fee of £265,000 plus expenses (2012: £265,000).

External appointments

The Committee recognises that Executive Directors may be invited to become non-executive directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to pre-agreed conditions, and with prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive director in another listed company. The Executive Director is permitted to retain any fees paid for such service. Lee Ginsberg is currently a non-executive director of Mothercare plc, having been appointed to its board on 2 July 2012.

Implementation report

Role and membership

The Committee is responsible for the Chairman's and the Executive Directors' remuneration and also oversees the remuneration packages of other senior management. The remuneration and terms of appointment of the Non-Executive Directors are determined by the Board as a whole.

The Chairman and Chief Executive Officer are consulted on proposals relating to the remuneration of the Chief Financial Officer and designated senior management and, when appropriate, are invited by the Committee to attend meetings but are not present when their own remuneration is considered.

The Company Secretary acts as secretary to the Committee.

The role of the Committee is set out in its terms of reference which are reviewed annually and can be found on the Group's website www.dominos.co.uk. The Committee meets at least twice each year and thereafter as circumstances dictate.

During the year the members of the Committee and their attendance at the meetings were:

Name	From	Attendance
John Hodson (Chairman)	14 February 2005	2 out of 3
Michael Shallow	1 January 2006	3 out of 3
Syl Saller	22 November 2011	3 out of 3

External Advisors

During the year, New Bridge Street (NBS), a trading name of AON plc (NBS's parent company), was engaged by the Committee to provide it with remuneration consultancy services. The terms of engagement between the Company and NBS are available from the Company Secretary on request. NBS is a signatory to the Remuneration Consultants' Code of Conduct. NBS (and AON plc) did not provide any other services to the Company except in relation to senior management remuneration matters.

The Committee reviews it relationship with external advisors on a regular basis and continues to believe there are no conflicts of interest.

Statement of shareholding voting at AGM

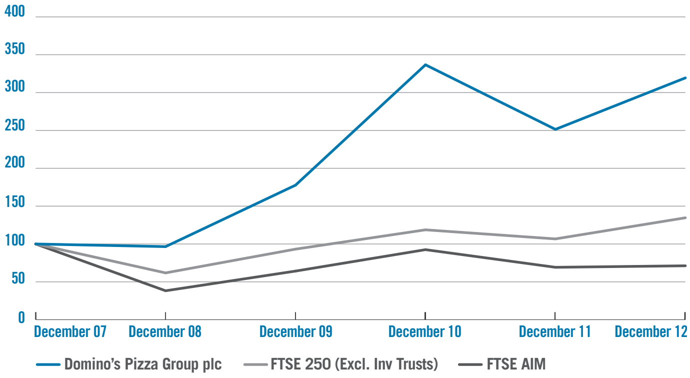
At last year's AGM, the Directors' remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	87,961,172	83.4%
Against	17,434,797	16.5%
Chairman's discretion	33,534	0.03%
Total votes cast (for and against)	**105, 429,503**	**100%**
Votes withheld*	310,490	0.29%
Total votes cast (including a withheld votes)	**105,739,993**	–

* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution

Total Shareholder Return (TSR)

Source: Thomson Reuters



Total Shareholder Return

The following graph illustrates the performance of the Company measured by TSR for the last five years to 30 December 2012 against the TSR performance of the AiM Index and FTSE 250 Index over the same period. TSR is the product of movements in the share price plus dividends reinvested on the ex-dividend date. As required by the Regulations, the Company's TSR performance is required to be shown against a recognised broad-based share index. The AiM Index has been selected for this comparison because up until admission to the Official List on 19 May 2008, this was the index in which the Company's shares were quoted and it provides a broad based comparator group of retail and non-retail companies. The FTSE 250 Index (excluding Investment Trusts) has been selected for this comparison because this is the index in which the Company's shares have been quoted since admission to the Official List. TSR provides a useful, widely used benchmark to illustrate the Company's performance over the last 5 years. The graph shows the value, by 30 December 2012, of £100 invested in the Company on 31 December 2007 compared with the value of £100 invested in the FTSE AiM Index and the FTSE 250 Index (excluding Investment Trusts). The other points plotted are the values at intervening financial year-ends.

Directors' remuneration (Excluding LTIP emoluments) (audited)

For 53 weeks ended 30 December 2012 £'000	Salary	Benefits[1] and supplements	Bonus	Total remuneration in 2012	Total remuneration in 2011
Executives					
Lance Batchelor[2]	438	17	332	**787**	256
Lee Ginsberg	270	34	205	**509**	388
Christopher Moore[3]	–	–	–	**–**	630
Non-Executives					
Stephen Hemsley	198	1	–	**199**	196
Colin Halpern[4]	265	31	–	**296**	291
Michael Shallow	52	–	–	**52**	50
Nigel Wray[5]	40	–	–	**40**	38
John Hodson	47	–	–	**47**	45
Syl Saller	40	–	–	**40**	11
Helen Keays	40	–	–	**40**	11
Peter Klauber[6]	–	–	–	**–**	31
Lance Batchelor[2]	–	–	–	**–**	20
Total	1,390	83	537	**2,010**	1,967

1 The value of benefits relates primarily to the provision of a company car or equivalent allowance.
2 Lance Batchelor became an Executive Director on 27 June 2011. Prior to this he was a Non-Executive Director from 13 July 2010.
3 Christopher Moore retired as an Executive Director on 26 December 2011.
4 Colin Halpern is not remunerated by the Company and management fee of £265,000 (2011: £260,000) was paid to HS Read Company LLC in respect of his services. A further benefit of £31,000 (2011: £31,000) relating to life insurance premiums was paid to HS Read Company LLC during the year.
5 Nigel Wray was not directly remunerated by the Company and a management fee of £40,000 (2011: £38,000) was paid to Brendon Street Investments Limited, a company of which Nigel Wray is a director (and has a controlling interest), in respect of his services.
6 Peter Klauber retired as a Non-Executive Director on 30 September 2011.

Single total remuneration figure for each Director (as per BIS proposals) (unaudited)

				Fixed pay			Performance related pay	
For 53 weeks ended 30 December 2012	Salary	Benefits[1] and supplements	Pension	Subtotal	Bonus	Deferred interest vesting[5]	Subtotal	Total remuneration in 2012
Executives								
Lance Batchelor[2]	438	17	65	520	332	–	332	**852**
Lee Ginsberg	270	34	37	341	205	347	552	**893**
Non-Executives								
Stephen Hemsley	198	1	–	199	–	–	–	**199**
Colin Halpern[3]	265	31	–	296	–	–	–	**296**
Michael Shallow	52	–	–	52	–	–	–	**52**
Nigel Wray[4]	40	–	–	40	–	–	–	**40**
John Hodson	47	–	–	47	–	–	–	**47**
Syl Saller	40	–	–	40	–	–	–	**40**
Helen Keays	40	–	–	40	–	–	–	**40**
Total	1,390	83	102	1,575	537	347	884	**2,459**

1 The value of benefits relates primarily to the provision of a company car or equivalent allowance.
2 Lance Batchelor became an Executive Director on 27 June 2011. Prior to this he was a Non-Executive Director from 13 July 2010.
3 Colin Halpern is not remunerated by the Company and management fee of £265,000 (2011: £260,000) was paid to HS Read Company LLC in respect of his services. A further benefit of £31,000 (2011: £31,000) relating to life insurance premiums was paid to HS Read Company LLC during the year.
4 Nigel Wray was not directly remunerated by the Company and a management fee of £40,000 (2011: £38,000) was paid to Brendon Street Investments Limited, a company of which Nigel Wray is a director (and has a controlling interest), in respect of his services.
5 The value of the deferred interest vesting is calculated by taking the number of options expected to vest which are dependent on the current year performance and multiplying by the difference between the exercise price and the year end share price.

Defined Contribution Pensions (audited)

Executive Directors receive 15% of salary from the Company totalling £65,000 (2011: £17,000) in the case of the Chief Executive Officer and £37,000 (2011: £37,000) in the case of the Chief Financial Officer.

Details of Variable Pay Earned in the Year

Annual bonus plan

The incentive for the financial year ended 30 December 2012 was in the form of a cash bonus based on a requirement for a significant increase in the Group's adjusted PBT (profit before tax and before operating and non-operating exceptional items and before any trading results relating to the Swiss business).

The targets applying to the bonus operated on a banded bonus scale commencing at 20% of salary through to 60% of salary at target levels of performance through to 150% (for Chief Executive Officer) or 125% (for Chief Financial Officer) of salary at maximum performance levels.

The actual adjusted consolidated PBT growth for the year was 11.2%, 101% of the performance target.

This resulted in bonuses being paid at £332,000 and £205,000 for the Chief Executive Officer and Chief Financial Officer respectively. More details are provided in the report below:

Performance hurdle	Total bonus available % of salary	Target set for year	Actual performance achieved	Resulting bonus out-turn % of salary
Growth in Adjusted Profit Before Tax of between 95% of target (20% payout) and 110% or more (full payout)	150% for CEO 125% for CFO	Target growth in adjusted PBT* was 10.3%	Actual adjusted growth in PBT* was 11.2%	77%

* Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items and before any trading results relating to Switzerland.

Reversionary interests (audited)

Prior to the implementation of the current LTIP in 2012, the Executive Directors and senior management had been eligible, at the discretion of trustees of the EBT that holds shares for the purpose of operating the Company's share plans, to be awarded an interest in the growth in value of a specific sub-fund of the EBT (reversionary interests), represented by the increase in value of the Company's shares. The economic impact of the arrangement from a participant's perspective is such that, subject to achieving the performance targets, the increase in value of the said sub-fund may be settled on vesting in the form of shares. The performance condition that applied to the grant of reversionary interests required the following challenging adjusted EPS*** growth condition to be met over the three years:

Average annual compound EPS growth	Level of vesting
Less than 9% + RPI	0%
RPI + 9%	25%
RPI + 12% (or better)	100%
Between RPI + 9% and RPI + 12%	Straight line vesting between 25% and 100%

The condition is only tested at the end of the three years with the award lapsing if the condition is not met at that time. In each year that awards were made, the Committee reviewed the adjusted EPS*** growth conditions prior to making any awards and retained the same range of targets since 2009. As disclosed in prior years, awards granted prior to 2009 were granted under a similar reversionary interests structure but with performance conditions tested over a 5 year period.

On 2 June 2012, the reversionary interests granted in June 2009 to the Chief Financial Officer as represented by 260,606 Ordinary shares vested. The performance conditions for the reversionary interests had already been met in full prior to that date as a result of delivering annualised adjusted EPS growth of 15.9% over the performance period which significantly exceeded the performance targets set.

Chris Moore retired as Chief Executive Officer on 26 December 2011 and, as such, was eligible to be treated as a 'good leaver' under the terms of the LTIP. On 2 June 2012, following the vesting of 381,091 reversionary interests, an amount of £1,072,678 was paid to him on the sale of the vested shares.

As at 30 December 2012, Lance Batchelor had not been awarded any reversionary interests. The following is a summary of the reversionary interests granted to Lee Ginsberg:

	At 25 December 2011 No. shares represented by	Vested during the year No. shares represented by	Percentage of award vesting	At 30 December 2012 No. shares represented by
Lee Ginsberg				
Grant date				
2 June 2009	260,606	(260,606)	100%	–
17 February 2010	211,009	–	–	**211,009**
9 August 2011	336,307	–	–	**336,307**
Total	807,922			**547,316**
Weighted average initial value of the awards	333.88p	206.25	–	**394.65**

The total aggregate value of awards that vested during 2012 was £825,276 (2011: £11,262,000).

The following is a summary of the performance criteria and vesting conditions relating to the reversionary interests granted to Lee Ginsberg:

	Potential vesting period[3]	Initial price per share on grant Pence	Adjusted EPS[1] required for vesting Pence
17 February 2010	17 February 2013	327.00	Footnote 2
9 August 2011	9 August 2014	437.10	Footnote 2

1 Adjusted EPS means diluted earnings per share before operating and non-operating exceptional items and before any trading results relating to Switzerland.
2 Performance condition is achievement of annual compound growth in adjusted EPS at between RPI plus 9% and RPI plus 12% or more to get 100% of award.
3 Absent a person being declared a Good Leaver, a Relevant Transaction occurring or the early attainment of the Performance Condition (each as defined in the LTIP Deed of Appointment).

As a result of delivering annualised adjusted EPS' growth of 19.2% over the performance period, the performance conditions for the reversionary interests granted during 2010 as represented by 211,009 Ordinary shares were significantly exceeded but will not be capable of vesting until February 2013.

Based on the year end share price of 491.5p, the increase in value of the reversionary interests will be met on vesting by 70,623 Ordinary shares and these have been included in the diluted earnings per share (see note 12). The vesting of the interests will be met with Ordinary shares as follows:

	Eligible to vest during 2013 No.	Value at 30 December 2012 share price	Eligible to vest during 2012 No.	Value at 25 December 2011 share price
Lee Ginsberg	70,623	347,110	**125,556**	499,712

The market price of the Company's shares on 30 December 2012 was 491.5p per share and the high and low share prices during the year were 563p and 397.5p respectively.

Share Options (Recruitment Award) (audited)

The following is a summary of the market value share option awards made to Lance Batchelor under a special recruitment incentive (Recruitment Award), details of which were disclosed in the last Directors' remuneration report:

Grant date	Options held at 25 December 2011	Options granted during the year	Options exercised during the year	Options held at 30 December 2012	Exercise price for options granted	Dates exercisable from	Dates exercisable to	Performance conditions
28 July 2011	1,000,000	–	–	1,000,000	386.8p	28 July 2014	28 July 2021	100%: EPS growth of RPI + 9% (25% vesting) to RPI + 12% (100% vesting) p.a. 3 years performance period, no retesting, straight-line vesting between the points.
2 April 2012	–	1,000,000	–	1,000,000	398.0p	2 April 2017	2 April 2022	100%: EPS growth of 9% (14% vesting) to 15% (100% vesting) p.a. 5 years performance period, no retesting, vesting schedule as per target described on p58.

With regard to the award granted on 2 April 2012, 75% of the award will vest on 2 April 2017 subject to the achievement of the performance condition with the remaining 25% of the award vesting after a further year.

Long-term incentive plan awards granted in the year (audited)

Under the LTIP, the Company's policy is to make annual a wards of up to 500% of salary over shares. In 2012 (as disclosed in last year's Directors' remuneration report), the Company made an exceptional award of 400% of salary to Lee Ginsberg and the number of shares awarded was determined according to the average of the mid-market price of the Company's shares at the close of business for the five dealing days immediately preceding the award date. No award under the LTIP was made in 2012 to Lance Batchelor due to his receipt of the second part of his Recruitment Award detailed above. The details of the award made to Lee Ginsberg in the year ended 30 December 2012 are set out below:

The award was made on 2 April 2012.

	Scheme	Basis of award	Face value	Vesting period	Performance conditions
Lee Ginsberg	2012 LTIP (market value options)	400% of salary, comprising options over 245,597 shares at an exercise price 431.6p	£1,060,000	2 April 2015 to 2 April 2022	100%: EPS growth of 9% (14% vesting) to 15% (100% vesting) p.a. 3 years performance period, no retesting, straight-line vesting between the points

Dilution limits (audited)

We ensure that the aggregate of all share-based awards does not exceed the best practice all share plan guideline set by the ABI. The guideline provides that outstanding awards granted to employees over new issue shares under the Company's employee share schemes when aggregated to new shares issued in relation to exercised historic share awards should not exceed 10% of the Company's issued share capital in any 10 year rolling period. Shares issued or to be issued under awards or options granted before the Company was admitted to trading on AIM in 1999 are excluded from this limit.

Termination payments

No Director left in the year and no compensation for loss of office was paid. The principles governing compensation for loss of office payments are set out on page 58.

Directors' shareholdings (audited)

To reinforce the linkage between senior executives and shareholders, the Committee has adopted a shareholding policy that applies to Executive Directors under its long-term incentive arrangements. The Executive Directors are required to build up and retain a personal shareholding worth an equivalent of a minimum of 150% of their prevailing base salary. It is expected that the required shareholding will be built up over a maximum of five years. The Committee has discretion to waive the requirement in exceptional circumstances. Once attained, a subsequent fall below the required level may be taken into account by the Committee when determining the grant of future awards.

	Legally owned (No. of shares) 30 Dec 2012	Legally owned (No.of shares) 25 Dec 2011	Subject to performance conditions under 2012 Share Option Scheme[1]	Subject to performance conditions under revisionary interest awards 2010[2]	Subject to performance conditions under revisionary interest awards 2011[3]	Subject to performance conditions under recruitment incentive 2011[4]	Subject to performance conditions under recruitment incentive 2012[5]	% of salary shareholding requirement met[6]
Executive Directors								
Lance Batchelor[7]	21,775	21,775	–	–	–	1,000,000	1,000,000	25%
Lee Ginsberg[8]	115,748	100,320	245,597	211,009	336,307	–	–	> 100%
Non-Executive Directors								
Stephen Hemsley[9]	2,890,462	3,948,914	–	–	–	–	–	–
Colin Halpern[10]	557,900	4,457,900	–	–	–	–	–	–
Michael Shallow[11]	48,000	48,000	–	–	–	–	–	–
Nigel Wray[12]	10,585,179	16,595,368	–	–	–	–	–	–
John Hodson[13]	48,000	48,000	–	–	–	–	–	–
Syl Saller	–	–	–	–	–	–	–	–
Helen Keays	–	–	–	–	–	–	–	–

1 Awarded on 2 April 2012, vesting date 2 April 2015. Market price on date of award 431.6p.
2 Awarded on 17 February 2010, vesting date 25 February 2013. Performance conditions met on 25 February 2013. Market price on date of award 327p.
3 Awarded on 9 August 2011 , vesting date 9 August 2014. Market price on date of award 437.1p.
4 Awarded on 28 July 2011, vesting date 28 July 2014. Exercise price on date of award 386.8p.
5 Awarded on 2 April 2012, vesting date 2 April 2017. Exercise price on date of award 398.0p.
6 Based on share price at end of year, number of legally owned shares and salary as paid in year.
7 21,775 ordinary shares (2011: 21,775) are held by Lance Batchelor personally.
8 27,748 ordinary shares (2011: 100,320) are held by Lee Ginsberg personally. 88,000 ordinary shares are held in Lee's self invested pension plan (2011: 0).
9 450,462 ordinary shares (2011: 1,000,462) are held by CTG Investment Limited, a discretionary trust of which Stephen Hemsley and his family are potential beneficiaries. 2,340,000 ordinary shares (2011: 2,790,000) are held by The Stephen Hemsley Trusts Nos. 1 to 5, a discretionary trust of which Stephen Hemsley and his family are potential beneficiaries. 100,000 ordinary shares (2011: 158,452) are held in Stephen's self invested pension plan.
10 557,900 ordinary shares (2011: 4,457,900) are held by HS Real LLC. HS Real LLC is owned by a discretionary trust, the beneficiaries of which are the adult children of Colin and Gail Halpern.
11 48,000 ordinary shares (2011: 48,000) are held by Michael Shallow personally. In 2011 these shares were held by Brewin Dolphin Securities Limited on behalf of Michael Shallow.
12 407,775 ordinary shares are held by Roy Nominees Limited, which is beneficially owned by the family trusts of Nigel Wray, principal beneficiaries of which are Nigel Wray's children's (2011: 407,775). 8,977,404 ordinary shares are held by Pershing Nominees Limited on behalf of Syncbeam Limited and Euroblue Investments Limited and 1,200,000 ordinary shares are held by Barclays Bank (Suisse SA) also on behalf of Syncbeam Limited. Syncbeam and Euroblue Investments are companies wholly owned by Nigel Wray (2011: 16,177,404 ordinary shares held by Syncbeam and 10,189 ordinary shares were held on behalf of Nigel Wray's son).
13 48,000 ordinary shares (2011: 48,000) are held in John Hodson's self invested pension plan.

On behalf of the Board

John Hodson
Chairman of the Remuneration Committee
22 February 2013

Financial statements

Statement of Directors' responsibilities

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report, the Report on Directors' remuneration and the financial statements (Group and Company) in accordance with applicable UK laws and regulations. UK company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable UK law. Further, they have elected to prepare the Company financial statements in accordance with UK accounting standards (UK GAAP) and applicable UK law.

Under company law the directors must not approve the financial statements unless they are satisfied that they are a true and fair view of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors and then apply them consistently;
- Present information, including accounting policies, in a manner which presents relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enables users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

In preparing the Company financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Annual Report and financial statements comply with the Companies Act 2006 and with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

A copy of the financial statements of the Company is posted on the Company's website. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DTR 4.1 statement

Each of the Directors, the names and functions of whom are set out on pages 26 and 27 confirms that to the best of his knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities and financial position and profit of the Group and the Company and of the Group's income statement for that period. In addition, each of the Directors confirms that the management report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board

Lance Batchelor
Chief Executive Officer
22 February 2013

Lee Ginsberg
Chief Financial Officer
22 February 2013

Independent auditor's report

to the members of Domino's Pizza Group plc

We have audited the group financial statements of Domino's Pizza Group plc for the 53 weeks ended 30 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 December 2012 and of its profit for the 53 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 36, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Domino's Pizza Group plc for the 53 weeks ended 30 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Neill
Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
22 February 2013

Group income statement

	Notes	53 weeks ended 30 December 2012 Before exceptional items £000	53 weeks ended 30 December 2012 Exceptional items (Note 7) £000	53 weeks ended 30 December 2012 Total £000	52 weeks ended 25 December 2011 Before exceptional items £000	52 weeks ended 25 December 2011 Exceptional items (Note 7) £000	52 weeks ended 25 December 2011 Total £000
Revenue	3	**240,524**	**–**	**240,524**	209,863	–	209,863
Cost of sales		**(152,509)**	**–**	**(152,509)**	(132,939)	–	(132,939)
Gross profit		**88,015**	**–**	**88,015**	76,924	–	76,924
Distribution costs		**(14,792)**	**–**	**(14,792)**	(13,026)	–	(13,026)
Administrative costs		**(26,427)**	**(4,553)**	**(30,980)**	(21,860)	(3,007)	(24,867)
		46,796	**(4,553)**	**42,243**	42,038	(3,007)	39,031
Share of post tax profits of associates and joint ventures		**426**	**–**	**426**	335	–	335
Operating profit	5	**47,222**	**(4,553)**	**42,669**	42,373	(3,007)	39,366
Profit on the sale of subsidiary undertakings	20	**–**	**507**	**507**	–	–	–
Profit before interest and taxation		**47,222**	**(4,046)**	**43,176**	42,373	(3,007)	39,366
Finance income	9	**606**	**–**	**606**	334	–	334
Finance expense	10	**(1,127)**	**(286)**	**(1,413)**	(551)	(360)	(911)
Profit before taxation		**46,701**	**(4,332)**	**42,369**	42,156	(3,367)	38,789
Taxation	11	**(11,321)**	**(741)**	**(12,062)**	(11,141)	(1,182)	(12,323)
Profit for the period		**35,380**	**(5,073)**	**30,307**	31,015	(4,549)	26,466
Profit for the period attributable to:							
Owners of the parent				**30,910**			26,746
Non-controlling interests				**(603)**			(280)
				30,307			26,466
Earnings per share (post exceptional items)							
– Basic (pence)	12			**19.04**			16.65
– Diluted (pence)	12			**18.85**			16.45
Earnings per share (pre exceptional items)							
– Basic (pence)	12			**22.17**			19.48
– Diluted (pence)	12			**21.95**			19.24

Group statement of comprehensive income

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Profit for the period	**30,307**	26,466
Other comprehensive income:		
Exchange differences on retranslation of foreign operations	**(154)**	(917)
Other comprehensive income for the period, net of tax	**(154)**	(917)
Total comprehensive income for the period	**30,153**	25,549
Total comprehensive income for the year attributable to:		
Owners of the parent	**30,756**	25,829
Non-controlling interests	**(603)**	(280)
	30,153	25,549

Group balance sheet

	Notes	At 30 December 2012 £000	At 25 December 2011 £000
Non-current assets			
Intangible assets	15	**23,092**	16,611
Property, plant and equipment	14	**56,913**	55,564
Prepaid operating lease charges	16	**1,479**	676
Trade and other receivables	23	**10,210**	2,705
Net investment in finance leases	17	**1,978**	5,745
Investments in associates and joint ventures	18	**6,245**	1,423
Deferred tax asset	11	**12,533**	16,349
		112,450	99,073
Current assets			
Inventories	21	**7,329**	3,878
Trade and other receivables	23	**36,147**	24,343
Net investment in finance leases	17	**3,658**	1,532
Prepaid operating lease charges	16	**217**	165
Cash and cash equivalents	24	**21,975**	24,427
		69,326	54,345
Total assets		**181,776**	153,418
Current liabilities			
Trade and other payables	25	**(41,683)**	(29,444)
Deferred income		**(162)**	(136)
Financial liabilities	26	**(3,741)**	(26,529)
Deferred and contingent consideration	22	**(1,199)**	(2,164)
Current tax liabilities		**(4,985)**	(4,248)
Provisions	28	**(654)**	(66)
		(52,424)	(62,587)
Non-current liabilities			
Financial liabilities	26	**(45,852)**	(19,222)
Deferred income		**(2,307)**	(2,021)
Deferred and contingent consideration	22	**(8,075)**	(7,875)
Deferred tax liabilities	11	**(1,111)**	(1,078)
Provisions	28	**(1,679)**	(971)
Total liabilities		**(111,448)**	(93,754)
Net assets		**70,328**	59,664
Shareholders' equity			
Called up share capital	31	**2,557**	2,532
Share premium account		**17,932**	15,358
Capital redemption reserve		**425**	414
Capital reserve – own shares		**(9)**	(1,151)
Currency translation reserve		**(58)**	96
Other reserve		**3,432**	3,432
Retained earnings		**45,028**	37,179
Equity shareholders' funds		**69,307**	57,860
Non-controlling interests		**1,021**	1,804
Total equity		**70,328**	59,664

Lee Ginsberg
Chief Financial Officer
22 February 2013

Group statement of changes in equity

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve-own shares £000	Currency translation reserve £000	Other reserve £000	Retained earnings £000	Equity shareholder's funds £000	Non-controlling interests £000	Total equity £000
At 26 December 2010	**2,514**	**9,592**	**406**	**(5,526)**	**1,013**	**–**	**33,512**	**41,511**	**151**	**41,662**
Profit for the period	–	–	–	–	–	–	26,746	26,746	(280)	26,466
Other comprehensive income – exchange differences	–	–	–	–	(917)	–	–	(917)	–	(917)
Total comprehensive income for the period	–	–	–	–	(917)	–	26,746	25,829	(280)	25,549
Proceeds from share issue	26	5,766	–	–	–	–	–	5,792	–	5,792
Share buybacks	(8)	–	8	–	–	–	(2,200)	(2,200)	–	(2,200)
Share transaction charges	–	–	–	–	–	–	(19)	(19)	–	(19)
Vesting of LTIP grants	–	–	–	4,375	–	–	(4,375)	–	–	–
Share option and LTIP charge	–	–	–	–	–	–	1,499	1,499	–	1,499
Tax on employee share options	–	–	–	–	–	–	41	41	–	41
Equity dividends paid	–	–	–	–	–	–	(18,025)	(18,025)	–	(18,025)
Contingent consideration	–	–	–	–	–	3,432	–	3,432	–	3,432
Non-controlling interest movement	–	–	–	–	–	–	–	–	1,933	1,933
At 25 December 2011	**2,532**	**15,358**	**414**	**(1,151)**	**96**	**3,432**	**37,179**	**57,860**	**1,804**	**59,664**
Profit for the period	–	–	–	–	–	–	30,910	30,910	(603)	30,307
Other comprehensive income – exchange differences	–	–	–	–	(154)	–	–	(154)	–	(154)
Total comprehensive income for the period	–	–	–	–	(154)	–	30,910	30,756	(603)	30,153
Proceeds from share issues	20	2,574	–	–	–	–	–	2,594	–	2,594
Share buybacks	(11)	–	11	–	–	–	(3,260)	(3,260)	–	(3,260)
Share transaction charges	–	–	–	–	–	–	(47)	(47)	–	(47)
Vesting of LTIP grants	–	–	–	1,142	–	–	(4,711)	(3,569)	–	(3,569)
Tax on employee share options	–	–	–	–	–	–	793	793	–	793
Shares issued to EBT	16	–	–	(16)	–	–	–	–	–	–
Disposal of shares to EBT	–	–	–	16	–	–	3,553	3,569	–	3,569
Share options and LTIP charge	–	–	–	–	–	–	2,357	2,357	–	2,357
Equity dividends paid	–	–	–	–	–	–	(21,746)	(21,746)	–	(21,746)
Non-controlling interest movement	–	–	–	–	–	–	–	–	(180)	(180)
At 30 December 2012	**2,557**	**17,932**	**425**	**(9)**	**(58)**	**3,432**	**45,028**	**69,307**	**1,021**	**70,328**

Group cash flow statement

	Notes	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Cash flows from operating activities			
Profit before taxation		**42,369**	38,789
Net finance costs		**807**	577
Share of post tax profits of associates	18	**(198)**	(335)
Amortisation and depreciation	14, 15, 16	**4,718**	3,280
Impairment		**243**	837
Loss on disposal of non-current assets		**12**	–
Profit on disposal of subsidiary undertaking	20	**(507)**	–
Share option and LTIP charge		**2,357**	1,499
Other non cash movements		**39**	–
(Increase)/decrease in inventories		**(3,312)**	1,180
Increase in receivables		**(5,959)**	(9,910)
Increase/(decrease) in payables		**11,953**	(2,341)
Increase in deferred income		**313**	980
Increase in provisions		**1,296**	918
Cash generated from operations		**54,131**	35,474
UK corporation tax		**(6,257)**	(3,751)
Overseas corporation tax paid		**(376)**	(241)
Net cash generated by operating activities		**47,498**	31,482
Cash flows from investing activities			
Interest received		**178**	175
Dividends received from associates		**75**	70
(Increase)/decrease in loans to associates and joint ventures		**(3,000)**	30
Increase in loans to franchisees		**(10,941)**	(1,447)
Payments to acquire finance lease assets		**(1,214)**	(1,112)
Receipts from repayment of franchisee finance leases		**2,902**	2,186
Purchase of property, plant and equipment	14	**(4,437)**	(9,841)
Deferred consideration for Domino's Leasing	22	**(2,164)**	(4,413)
Net cash outflow from business combinations	19	**(3,555)**	–
Purchase of other non-current assets		**(4,424)**	(3,171)
Cash proceeds on the disposal of subsidiary undertaking	20	**821**	–
Receipts from the sale of other non-current assets		**590**	585
Investment in joint ventures	18	**(4,699)**	–
Purchase of non-controlling interest	20	**(402)**	–
Net cash used by investing activities		**(30,270)**	(16,938)
Cash inflow before financing		**17,228**	14,544
Cash flow from financing activities			
Interest paid		**(705)**	(521)
Issue of ordinary share capital		**2,610**	593
Purchase of own shares		**(3,307)**	(2,219)
Bank revolving facility		**4,702**	–
New long-term loans		**1,758**	1,327
Repayment of long-term loans		**(2,848)**	(2,225)
Equity dividends paid		**(21,746)**	(18,025)
Net cash used by financing activities		**(19,536)**	(21,070)
Net decrease in cash and cash equivalents		**(2,308)**	(6,526)
Cash and cash equivalents at beginning of period		**24,427**	31,128
Foreign exchange loss on cash and cash equivalents		**(144)**	(175)
Cash and cash equivalents at end of period		**21,975**	24,427

Notes to the Group financial statements

1. Authorisation of financial statements and statement of Compliance with IFRS

The financial statements of Domino's Pizza Group plc and its subsidiaries (the Group) for the 53 weeks ended 30 December 2012 were authorised for issue by the board of directors on 22 February 2013 and the balance sheet was signed on the Board's behalf by Lee Ginsberg. Domino's Pizza Group plc is a public limited company (the 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 FSA and traded on the main market of the LSE.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the period ended 30 December 2012.

The principal accounting policies adopted by the Group are set out in note 2.

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the 53 weeks ended 30 December 2012 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 53 weeks ended 30 December 2012.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Group financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Please refer to the Directors' Report for further details.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- A key judgement was required in determining the impact of the acquisition of Domino's Leasing Limited during the 52 weeks ended 27 December 2009. This has been accounted for as a business combination in accordance with IFRS3 and resulted in the recognition of deferred tax assets, contingent consideration and a credit to the income statement relating to the accounting for the excess of fair value of net assets over consideration. See note 22 for further details. Had this transaction been accounted for as an asset purchase, the deferred tax assets and day one exceptional credit in the income statement would not have been reflected. Instead, the Group tax charge would have benefitted from tax relief over the period of the leases acquired with Domino's Leasing Limited.
- Franchisees within the Domino's Pizza system pay a percentage of their sales into a central fund designed to build store sales through increased public recognition of the Domino's Pizza brand. The Fund is managed for the benefit of franchisees in the system with the objective of driving revenues for the franchised stores. The Fund is used to pay for national marketing strategies and promotional plans. The Fund is planned to operate at breakeven with any short-term timing surplus or deficit carried in the Group balance sheet.

  As all Fund income is designated for specific purposes and does not result in a profit or loss for the Group, the revenue recognition criteria as outlined in our accounting policy are not met and therefore the income and expenses of the Fund are not included in the group income statement.

  The assets and liabilities relating to the Fund are included in the appropriate headings in the Group balance sheet as the related legal, but not beneficial, rights and obligations rest with the Group. These assets and liabilities include the short-term timing surpluses and deficits and any receivables and payables related to the fund.

  The cash flows relating to the fund are included within 'Cash generated from operations' in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

- A key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the estimation of share-based payment costs. The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.
- The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain of these items may give rise to material income statement and or cash flow variances.

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

- Residual values and useful lives are determined with reference to manufacturer's guidelines, past experience and market trends. If useful lives were shorter than estimated a reassessment of the future depreciation charge may be required. Useful lives are reassessed annually which may lead to an increase or reduction in depreciation accordingly.
- Determining the fair value of acquired intangible assets and goodwill acquired in business combinations requires the use of estimates regarding the value of the intangible assets and deferred consideration payable in particular. These values are determined using discounted cash flows based on latest approved budgets which necessarily include estimates concerning factors such as levels of sales and timing of store openings. Subsequent impairment reviews also require the use of estimates to value the cash generating units to which goodwill has been allocated.

Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up to the nearest Sunday to 31 December each year. The interim results are prepared for the first 26 weeks of the relevant full period.

Basis of consolidation from 1 January 2010

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent company and are based on consistent accounting policies. All inter-company transactions and balances between Group entities, including unrealised profits arising from them, are eliminated upon consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences and any gains on losses on transactions with owners in their capacity as owners recorded in equity; (iv) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences are carried forward in certain instances from the previous basis of consolidation:

Non-controlling interests represent the portion of the profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholder's equity. Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consolidation and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not allocated between non-controlling interests and the parent shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date of control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

Interests in associates and joint ventures

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures are accounted for using the equity method of accounting. The Group has also entered into a number of contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities. Where the joint venture is established through an interest in a company, the Group recognises its interest in the entities' assets and liabilities using the equity method of accounting.

Under the equity method, the investment in an associate or joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture, less distributions received and less any impairment in value of individual investments. The Group's income statement reflects the Group's share of the associate or joint venture's results after tax. The Group statement of changes in equity reflects the Group's share of any income and expense recognised by the associate or joint venture outside profit and loss.

Any goodwill arising on the acquisition of an associate or joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate or joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate or joint venture and is not amortised. To the extent that the net fair value of the associate or joint venture's identifiable assets, liabilities and contingent liabilities are greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

2. Accounting policies (continued)

Interests in associates and joint ventures (continued)

Financial statements of associates and joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used in line with those of the Group; to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates and joint ventures.

Foreign currencies

Foreign operations

The income and expenses of overseas subsidiaries are translated at the spot rate on the transaction date. The balance sheet of the overseas subsidiary undertaking is translated into Sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

The Group utilised the exemption available in IFRS 1 whereby cumulative translation differences were deemed to be zero at 1 January 2006 (the date of transition to IFRS).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement for the period.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combinations is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Accounting policies (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is accounted for using the parent-entity extension method, whereby the difference between the consideration paid and the book value of the share in the net assets acquired is recognised in goodwill.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, the difference is recognised in profit and loss. Goodwill recognised as an asset at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying amount being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value maybe impaired.

The carrying amount of goodwill allocated to cash generated units is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Intangible assets

Computer software

Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring into use the specific software. Internally developed computer software programs are capitalised to the extent that costs can be separately identified and attributed to particular software programs, measured reliably, and that the asset developed can be shown to generate future economic benefits. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:

• Freehold land	Not depreciated
• Freehold buildings	50 years
• Assets under construction	Not depreciated
• Leasehold improvements	Over the life of the lease
• Fixtures and fittings	Over 5 to 10 years
• Commissary equipment	Over 3 to 30 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. The majority of assets within commissary equipment are being depreciated over ten years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

All items of property, plant and equipment are reviewed for impairment in accordance with IAS 36, Impairment of Assets, when there are indications that the carrying value may not be recoverable.

Prepaid short leasehold costs

Prepaid short leasehold property costs are classified as current and non-current prepayments. On initial recognition these assets are held at cost and subsequently at amortised cost over the length of the lease.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met if a sale is expected to materialise within twelve months after the balance sheet date and the asset is available for immediate disposal in its present condition. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. After classification as assets held for sale, no further depreciation is provided for on the assets.

2. Accounting policies (continued)

Leases

Group as lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held as finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments during the lease term at the inception of the lease. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest in the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement on a straight line basis over the lease term. Lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

Group as lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. Finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation and where the amount of the obligation can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows where the impact of discounting is material.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising under onerous lease contracts are recognised and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

2. Accounting policies (continued)

Trade and other receivables

Trade receivables, which generally have 7 – 28 days terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

The Group provides interest free loans to assist franchisees in the opening of new stores, the difference between the present value of loan recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated via the royalty income and commissary sales that will be generated. These assets are amortised over the life of new franchise agreement of 10 years.

National advertising fund

In addition to franchise fees, franchisees pay contributions which are collected by the Group for specific use within the National advertising fund. The Group operates the funds on behalf of the franchisees with the objective of driving revenues for their stores. The fund is specifically used to pay for marketing and advertising. The fund is planned to operate at breakeven with any short term timing surplus or deficit carried in the Group balance sheet within working capital. As all fund contributions are designated for specific purposes and do not result in a profit or loss for the Group, revenue recognition criteria are not met and therefore the income and expenses of the fund are not included in the Group income statement.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are recognised for all temporary differences, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or losses can be utilised.

Income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the income tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to set off current tax assets and liabilities and the deferred tax relates to income taxes levied by the same tax jurisdiction on either the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities are expected to be settled or recovered.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Pensions

The Group contributes to the personal pension plans of certain staff. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Group has no further payment obligations once the contributions have been paid.

Capital reserve – own shares

Domino's Pizza Group plc shares held by the Company and the Group are classified in shareholders' equity as "Capital reserve – own shares" and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares. The Employee Benefit Trust (EBT) has waived its entitlement to dividends. The Group will meet the expenses of the EBT as and when they fall due.

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns, rebates and value-added taxes.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from pizza delivery, commissary and equipment sales is recognised on delivery to customers and franchisees.

Franchise fees

The franchise fee is effectively a joining fee, it is non-refundable and no element of the franchise fee relates to subsequent services. Revenue from franchisee fees is recognised when a franchisee opens a store for trading.

Royalties

Royalties are based on Domino's Pizza store sales to customers and are recognised as the income is earned.

Rental income

Rental income arising from leasehold properties is recognised on a straight line basis in accordance with the lease terms.

Finance income

Interest income is recognised as the interest accrues, using the effective interest method. Finance lease interest income is recognised as set out in the leasing accounting policy.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Borrowing costs consist of interest and other finance costs that the Group incurs. The policy is adopted for all assets that meet the definition of qualifying assets under IAS 23.

Capitalisation of borrowing costs should commence when:

- expenditures for the asset and borrowing costs are being incurred; and
- activities necessary to prepare the asset for its intended use are in progress.

Capitalisation of borrowing costs ceases when the asset is substantially ready for its intended use. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalisation for each part ceases on substantial completion of that part.

For borrowing associated with a specific asset, the actual borrowing costs less any investment income on temporary investment of those borrowings are capitalised. To the extent funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Share-based payments

The Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair values of employee share option plans are calculated using the Black-Scholes and Binomial models. In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions and/or service conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or in the case of an instrument subject to a market condition, be treated as vested as described above.

2. Accounting policies (continued)

Share-based payments (continued)

The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with the corresponding increase in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. This includes any where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 12).

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 3 January 2005.

New standards and interpretations not applied

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU), none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure.

	Effective date
International Financial Reporting Standards ('IFRS')	
Amendment to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 – Consolidated Financial Statements*	1 January 2013
IFRS 11 – Joint Arrangements*	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
International Accounting Standards ('IAS')	
Amendment to IAS 1: Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 27 (Revised 2011) – Separate Financial Statements*	1 January 2013
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures*	1 January 2013
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014

* Required to be applied no later than the first accounting period starting on or after 1 January 2014 but early adoption is permitted.

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Royalties and sales to franchisees	**226,053**	196,135
Rental income on leasehold and freehold property	**14,121**	13,416
Finance lease income	**350**	312
	240,524	209,863

4. Segment information

For management purposes, the Group is organised into four geographical business units, the United Kingdom, Ireland, Germany and Switzerland, based on the territories governed by the Master Franchise Agreement ("MFA"). 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 (royalties, commissary sales, rental income and finance lease income) made to franchise stores located in that segment. Segment results for the Ireland segment include both the Republic of Ireland and Northern Ireland as both of these territories are served by the same commissary. The new Switzerland operating segment is in respect of business acquired in Switzerland during the period.

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

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the bank revolving facility, bank loans, deferred consideration and taxation liabilities.

	At 30 December 2012 £000	At 25 December 2011 £000
Deferred tax asset	**12,533**	16,349
Cash and cash equivalents	**21,975**	24,427
Unallocated assets	**34,508**	40,776
Deferred consideration – Domino's Leasing	**8,161**	10,039
Current tax liabilities	**4,985**	4,248
Deferred tax liabilities	**1,111**	1,078
Bank revolving facility	**29,737**	25,000
Bank loans	**12,035**	12,035
Unallocated liabilities	**56,029**	52,400

4. Segment information (continued)

Operating segments

	53 weeks ended 30 December 2012					52 weeks ended 25 December 2011			
	Switzerland £000	Germany £000	Ireland £000	United Kingdom £000	Total £000	Germany £000	Ireland £000	United Kingdom £000	Total £000
Segment revenue									
Sales to external customers	2,971	3,919	18,937	214,697	240,524	579	19,130	190,154	209,863
Results									
Segment result	(250)	(2,559)	4,362	45,243	46,796	(1,341)	4,261	39,118	42,038
Exceptional items	(1,431)	–	–	(3,122)	(4,553)	–	(1,061)	(1,946)	(3,007)
Share of profit of associates	–	–	–	426	426	–	–	335	335
Group operating profit	(1,681)	(2,559)	4,362	42,547	42,669	(1,341)	3,200	37,507	39,366
Profit on sale of subsidiary undertakings	–	–	–	507	507	–	–	–	–
	(1,681)	(2,559)	4,362	43,054	43,176	(1,341)	3,200	37,507	39,366
Net finance costs					(807)				(577)
Profit before tax					42,369				38,789
Assets									
Segment current assets	3,811	3,850	818	38,871	47,350	436	738	28,858	30,032
Segment non-current assets	5,182	16,171	2,376	69,944	93,673	13,607	2,135	65,445	81,187
Equity accounted investments				6,245	6,245	–	–	1,423	1,423
Unallocated assets					34,508	–	–	–	40,776
Total assets	8,993	20,021	3,194	115,060	181,776	14,043	2,873	95,726	153,418
Liabilities									
Segment liabilities	5,511	2,840	668	46,400	55,419	3,111	1,100	37,143	41,354
Unallocated liabilities					56,029	–	–	–	52,400
Total liabilities	5,511	2,840	668	46,400	111,448	3,111	1,100	37,143	93,754
Additions to non-current assets									
Property, plant and equipment:									
– Freehold land and buildings	–	–	82	368	450	–	3	275	278
– Assets under construction	–	576	–	110	686	–	–	6,565	6,565
– Leasehold improvements	56	–	–	–	56	–	–	3	3
– Commissary equipment	–	–	167	1,764	1,931	–	495	1,211	1,706
– Fixtures and fittings	282	1,020	–	256	1,558	770	–	519	1,289
Intangible assets	4,757	359	–	3,290	8,406	13,288	–	2,896	16,184
Prepaid operating lease charges	–	207	–	843	1,050	–	–	275	275
Other segment information									
Depreciation	30	187	110	2,208	2,535	47	134	1,962	2,143
Amortisation	40	428	–	1,715	2,183	232	–	905	1,137
Share-based payment charge	–	60	–	2,297	2,357	–	–	1,499	1,499
Write-off of inventories	–	–	–	–	–	–	–	48	48
Unwinding of discount – exceptional	–	–	–	286	286	–	–	360	360
Unwinding of discount – non exceptional	4	–	–	260	264	–	–	–	–
Entity wide disclosures									
Royalties and sales to franchisees	2,971	3,919	18,093	201,070	226,053	579	18,128	177,428	196,135
Rental income on leasehold and freehold property	–	–	844	13,277	14,121	–	1,002	12,414	13,416
Finance lease income	–	–	–	350	350	–	–	312	312
	2,971	3,919	18,937	214,697	240,524	579	19,130	190,154	209,863

Major customers

Annual revenue from two franchisees amounted to £32,977,000 (2011: £30,051,000) and £28,772,000 (2011: £25,465,000) respectively, arising from sales reported in the United Kingdom segment.

5. Group operating profit
This is stated after charging:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Depreciation of property, plant and equipment	**2,535**	2,143
Amortisation of prepaid lease charges	**198**	142
Amortisation of intangible assets	**1,985**	995
Total depreciation and amortisation expense	**4,718**	3,280
Operating lease payments (minimum lease payments)		
– land and buildings	**14,747**	13,678
– plant, machinery and vehicles	**2,721**	2,478
Total operating lease payments recognised in the income statement	**17,468**	16,156
(Loss)/profit on disposal of non-current assets	**(12)**	119
Net foreign currency loss	**107**	173
Cost of inventories recognised as an expense	**105,542**	95,518
Write-down of inventories to net realisable value	**–**	48

6. Auditors' remuneration
The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Audit of the financial statements*	**122**	111
Audit of subsidiaries	**59**	34
Total audit	**181**	145
Audit related assurance services	**16**	16
Total non-audit services	**16**	16
Total fees	**197**	161

* of which £2,000 (2011: £2,000) relates to the Company.

7. Exceptional items
(a) Recognised as part of operating profit

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	**2,365**	–
Acquisition costs and one off costs relating to new UK joint ventures	**620**	–
Restructuring and reorganisation costs	**800**	–
Onerous lease provision	**525**	938
Impairment costs	**243**	837
Acquisition costs and one off costs relating to Domino's Pizza Germany	**–**	1,232
	4,553	3,007

Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland
Costs of £2,365,000 have been incurred during the period in relation to the acquisition and restructuring of Domino's Pizza Switzerland (see note 19). This includes the recognition of a £1,347,000 provision for restructuring costs (see note 28) and one-off costs relating to the acquisition of £1,018,000.

7. Exceptional items (continued)

(a) Recognised as part of operating profit (continued)

Acquisition costs and one off costs relating to new UK Joint Ventures

Costs of £620,000 have been incurred during the period in relation to the acquisition of two companies, DA Hall Trading Limited and DAHT Limited, and the subsequent establishment of two new joint ventures with third party franchisees. Further details about these transactions are included in note 18.

Restructuring and reorganisation costs

During the period the Group has undertaken a review of all of its head office central overhead departments in order to create efficiencies and streamline processes. As a result of this review, restructuring and reorganisation costs of £800,000 were incurred.

Onerous lease provision

A provision of £938,000 was made in the period ended 25 December 2011 in relation to the rent obligation for the three Domino's stores closed during the period and other onerous leases identified. During the current period, as detailed in note 28, the provision has been increased by £271,000. This takes account of three further Irish sub-leases which have become onerous (£886,000) and the release of part of the 2011 provision following the surrender of one of the leases (£361,000).

Acquisition costs and one off costs relating to Domino's Pizza Germany

Costs of £1,232,000 were incurred during the period ended 25 December 2011 in relation to the acquisition of DP Cyco Limited (formerly Intergrowth Enterprises Limited), the master franchisor for Domino's Pizza Germany.

Impairment costs

The Group undertook a review of certain of its assets previously held for sale as at 25 December 2011. As a result of the review the assets were considered to no longer meet the criteria to be disclosed as held for sale. On transfer back into property, plant and equipment the Group identified that the carrying value of these assets exceeded the recoverable amount and an impairment of £837,000 was recognised in relation to four of the stores held for sale.

In the period ended 30 December 2012 an impairment of £243,000 has been recognised relating to assets at one store closed during the year.

(b) Recognised below operating profit

Profit on the sale of subsidiary undertaking

During the period ended 30 December 2012, the Group recognised a profit on the sale of a subsidiary of £507,000 (see note 20 for further details).

Unwinding of discount

Included within finance costs is a charge of £286,000 (2011: £360,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited.

Change in tax rates

During the period the Group has incurred an exceptional tax charge of £1,055,000 (2011: £1,272,000) in relation to an adjustment to deferred tax following a change in tax law. The financial statements reflect the corporation tax rate changes announced by the Chancellor of the Exchequer in his budget on 21 March 2012 and in his Autumn statement of 5 December 2012 to 23% from April 2013, as these changes have been enacted at the period end. The impact of these tax rate changes has been classified as exceptional due to its material impact on the Group's tax charge for the period.

This charge is reduced by £314,000 to £741,000 due to the tax impact of other exceptional items discussed above (2011: reduced by £90,000 to £1,182,000).

8. Employee benefits and directors' remuneration

(a) Employee benefits expense

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Wages and salaries	**20,904**	17,056
Social security costs	**2,346**	1,749
Other pension costs	**457**	403
Share-based payment charge	**2,357**	1,499
	26,064	20,707

8. Employee benefits and directors' remuneration (continued)
(a) Employee benefits expense (continued)
The average monthly number of employees during the year was made up as follows:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Administration	**219**	201
Production and distribution	**253**	233
Corporate stores	**258**	121
	730	555

(b) Directors' remuneration

	53 weeks ended 25 December 2012 £000	52 weeks ended 25 December 2011 £000
Directors' remuneration	**2,010**	1,967
Aggregate contributions to defined contribution pension schemes	**102**	115
Number of directors accruing benefits under:		
– Defined contribution schemes	**2**	3

Additional information regarding directors' remuneration is included in the Directors' remuneration report on pages 52 to 64.

9. Finance income

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Bank interest receivable	**84**	161
Franchisee loans	**81**	39
Other interest	**359**	134
Unwinding of discount – non exceptional	**82**	–
Total finance income	**606**	334

The finance income relates to financial assets at amortised cost. Total interest on financial assets not at fair value through profit or loss, including finance lease revenue is £956,000 (2011: £646,000).

10. Finance expense

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Bank loan in relation to the EBT	**181**	167
Bank revolving credit facility interest payable	**528**	325
Other interest payable	**72**	59
Unwinding of discount – exceptional	**286**	360
Unwinding of discount – non exceptional	**346**	–
	1,413	911

The finance expense relates to financial liabilities at amortised cost. Total interest on financial liabilities not at fair value through profit or loss, including loans cost related to DP Capital Limited and Domino's Leasing Limited reported within cost of sales is £1,710,000 (2011: £1,169,000). In the period to 30 December 2012 no interest was capitalised under IAS 23 (2011: £54,000 – included in additions in the period in note 14, resulting in total cash flows relating to interest payable of £863,000)

11. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Current income tax:		
UK corporation tax		
– current period	**8,387**	5,885
– adjustment in respect of prior periods	**(475)**	(32)
	7,912	5,853
Income tax of overseas operations on profits for the period	**364**	349
Total current income tax	**8,276**	6,202
Deferred tax:		
Origination and reversal of temporary differences	**2,586**	4,874
Effect of change in tax rate	**1,055**	1,272
Adjustment in respect of prior periods	**145**	(25)
Total deferred tax	**3,786**	6,121
Tax charge in the income statement	**12,062**	12,323
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	**12,062**	12,323
Tax relating to items credited/(charged) to equity:		
Reduction in current tax liability as a result of the exercise of share options	**856**	218
Origination and reversal of temporary differences in relation to unexercised share options	**(63)**	(177)
Tax credit in the Group statement of changes in equity	**793**	41

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

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the 53 weeks ended 30 December 2012 is higher than the statutory corporation tax rate of 24.5% (2011: 26.5%). The differences are reconciled below:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Profit before taxation	**42,369**	38,789
Accounting profit multiplied by the UK statutory rate of corporation tax of 24.5% (2011: 26.5%)	**10,380**	10,279
Expenses not deductible for tax purposes	**597**	677
Accounting depreciation not eligible for tax purposes	**201**	181
Adjustments relating to prior years	**(330)**	(61)
Adjustment to deferred tax in respect of change in tax law	**1,055**	1,272
Other	**457**	315
Tax rate differences	**(298)**	(340)
Total tax expense reported in the income statement	**12,062**	12,323
Effective tax rate (%)	**28.5**	31.8
Effective tax rate – pre exceptional items (%)	**24.2**	26.4

In his budget on 21 March 2012 and then in his Autumn Statement of 5 December 2012, the Chancellor of the Exchequer announced tax changes, which have an effect on the Group's current and future tax position. The changes announced were further decreases from the planned rate of UK corporation tax of 25% to 23% from April 2012 and by a further 1% each year to 21% from April 2014. The reduction of the UK corporation tax rate to 24% from April 2012 and 23% from April 2013 had been substantively enacted during the year. The effect of these changes to the UK tax system have been reflected in the Group's financial statements for the 53 weeks ending 30 December 2012 to the extent that they had been substantively enacted by that date.

The further reductions to 21% had not been substantively enacted at the year end and therefore are not reflected in these financial statements. The maximum effect of the future reduction in the tax rate on the Group's deferred tax asset would be to reduce the asset by £805,000 (2011: £860,000). The rate change will also impact the amount of future cash tax payments to be made in the Group.

11. Taxation (continued)

(c) Temporary differences associated with Group investments

At 30 December 2012, there was no recognised deferred tax liability (2011: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates and joint ventures, as there are no corporation tax consequences of the Group's UK, Irish or overseas subsidiaries or associates paying dividends to their parent companies.

There are no income tax consequences for the Group attaching to the payment of dividends by the Group to its shareholders.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	At 30 December 2012 £000	At 25 December 2011 £000
Deferred tax arising in the UK on non-capital items	**12,360**	16,349
Deferred tax arising in Ireland and the UK on capital gains	**(108)**	(55)
Deferred tax arising on acquisition of subsidiary	**–**	(1,023)
Deferred tax arising on other overseas subsidiaries	**(830)**	–
	11,422	15,271

	At 30 December 2012 £000	At 25 December 2011 £000
Gross movement in the deferred income tax account		
Opening balance	**15,271**	22,614
Tax (charge)/credit to equity	**(63)**	(177)
Income statement charge	**(3,786)**	(6,121)
Arising on acquisition of subsidiary undertaking	**–**	(1,045)
Closing balance	**11,422**	15,271

Deferred tax arising in the UK on non-capital items

	Share-based payments £000	Accelerated capital allowances £000	Lease inducements £000	Goodwill and amortisation £000	Provisions £000	Total £000
At 26 December 2010	813	21,537	283	(14)	39	22,658
Charge to equity	(177)	–	–	–	–	(177)
Credit/(charge) to income	126	(6,426)	(30)	1	197	(6,132)
At 25 December 2011	762	15,111	253	(13)	236	16,349
Charge to equity	(63)	–	–	–	–	(63)
Credit/(charge) to income	112	(4,034)	(46)	–	42	(3,926)
At 30 December 2012	**811**	**11,077**	**207**	**(13)**	**278**	**12,360**

A deferred tax asset of £12,360,000 (2011: £16,349,000) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

The Group has tax losses of £824,000 (2011: £nil) which arose in relation to the Swiss business during the period and are available for offset against future taxable profits in Switzerland. A deferred tax asset has been recognised in relation to these taxable losses in Switzerland on the basis that they are expected to be recovered in the near future. In addition there are £940,000 losses (2011: £1,190,000) which have arisen in Germany and Cyprus in prior periods which are available for offset against future taxable profits in these jurisdictions. No deferred tax asset has been recognised in respect of these losses due to the uncertain timing of the availability of future profits in these territories. Taxable losses that have arisen in the period in the German branch of Domino's Pizza Germany Limited are available to group relieve amongst the UK Group and have been fully utilised.

Notes to the Group financial statements continued

11. Taxation (continued)
(d) Deferred tax (continued)
Deferred tax arising in Ireland and the UK on capital gains

	Roll over relief £000	Accelerated capital allowances £000	Total £000
At 26 December 2010	(26)	(18)	(44)
Credit/Charge to income	1	(12)	(11)
At 25 December 2011	(25)	(30)	(55)
Credit/Charge to income	2	(55)	(53)
At 30 December 2012	**(23)**	**(85)**	**(108)**

Deferred tax arising on other overseas subsidiaries

	£000
At 26 December 2010	–
Arising on acquisition of subsidiary undertaking	(1,045)
Credit to income	22
At 25 December 2011	(1,023)
Credit to income	193
At 30 December 2012	**(830)**

Included within the above is a deferred tax asset of £173,000 (2011: £nil) in relation to the recognition of Switzerland tax losses and a deferred tax liability relating to accelerated capital allowances in Switzerland. There is also a deferred tax liability in respect of the Domino's Pizza Germany Group based on the amortised value of the Master Franchise Agreement and the related intangible asset arising on consolidation. Deferred tax in respect of Switzerland cannot be offset against the deferred tax in respect of Germany as the Group does not have a legally enforceable right to offset these assets and liabilities due to them arising in differing territories.

12. 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 are 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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Profit for the period	**30,307**	26,466
Adjusted for – non-controlling interests	**603**	280
Profit attributable to owners of the parent	**30,910**	26,746

	At 30 December 2012 No.	At 25 December 2011 No.
Basic weighted average number of shares (excluding treasury shares)	**162,337,757**	160,677,858
Dilutive potential ordinary shares:		
Employee share options	**808,996**	716,109
Reversionary interests	**815,792**	1,230,921
Diluted weighted average number of shares	**163,962,545**	162,624,888

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The performance conditions for reversionary interests granted over 4,243,340 (2011: 4,531,403) shares and share options granted over 4,198,563 (2011: 3,662,061) shares 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 have 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 are anti-dilutive (2011: 476,737). See note 32 for further information on reversionary interests and share options.

12. Earnings per share (continued)

Earnings per share pre exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

To this end, basic and diluted earnings from continuing operations per share is also presented on this basis and using the weighted average number of shares for both basic and diluted amounts as per the table above. The amounts for earnings per share from continuing operations before exceptional items are as follows:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Basic earnings per share	**22.17p**	19.48p
Diluted earnings per share	**21.95p**	19.24p

Net profit before exceptional items and attributable to owners of the parent is derived as follows:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Profit for the period	**30,307**	26,466
Adjusted for – non-controlling interests	**603**	280
Profit attributable to owners of the parent	**30,910**	26,746
Exceptional items after tax – attributable to equity holders of the parent	**5,073**	4,549
– Acquisition costs and one off costs relating to Domino's Pizza Germany	**–**	1,232
– Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	**2,365**	–
– Acquisition costs and one off costs relating to new UK joint ventures	**620**	–
– Restructuring and reorganisation costs	**800**	–
– Onerous lease provision	**525**	938
– Impairment	**243**	837
– Profit on the sale of subsidiary undertaking	**(507)**	–
– Unwinding of discount	**286**	360
– Taxation impact	**(314)**	(90)
– Change in corporation tax rate – impact on deferred tax asset	**1,055**	1,272
Profit before exceptional items attributable to owners of the parent	**35,983**	31,295

13. Dividends paid and proposed

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2011: 6.80p (2010: 5.70p)	**11,001**	9,144
Interim dividend for 2012: 6.60p (2011: 5.50p)	**10,745**	8,881
Dividends paid	**21,746**	18,025
Proposed for approval by shareholders at the AGM (not recognised as a liability at 30 December 2012 or 25 December 2011)		
Final dividend for 2012: 7.90p (2011 6.80p)	**12,890**	10,980

14. Property, plant and equipment

	Freehold land and buildings £000	Assets under construction £000	Leasehold improvements £000	Fixtures and fittings £000	Commissary equipment £000	Total £000
Cost or valuation:						
At 26 December 2010	31,766	1,062	322	5,387	23,221	61,758
Additions	278	6,565	3	1,289	1,706	9,841
Disposals	–	–	–	(3,869)	(1,254)	(5,123)
Foreign exchange on translation	(30)	–	(1)	–	(41)	(72)
Reclassification	1,617	(7,627)	–	710	5,300	–
Acquisition of subsidiary	–	–	–	534	–	534
At 25 December 2011	33,631	–	324	4,051	28,932	66,938
Additions	450	686	3	1,367	1,931	4,437
Disposals	(522)	–	–	(351)	–	(873)
Disposal of subsidiary	–	–	(133)	(141)	–	(274)
Foreign exchange on translation	(22)	7	3	(4)	(22)	(38)
Reclassification (to software)	–	–	–	(165)	(30)	(195)
Acquisition of subsidiary	–	–	53	191	–	244
At 30 December 2012	**33,537**	**693**	**250**	**4,948**	**30,811**	**70,239**
Depreciation and impairment:						
At 26 December 2010	3,286	–	135	4,803	6,156	14,380
Provided during the year	470	–	30	468	1,175	2,143
Disposals	–	–	–	(3,869)	(1,254)	(5,123)
Foreign exchange on translation	(4)	–	–	–	(22)	(26)
Reclassification	(116)	–	–	–	116	–
At 25 December 2011	3,636	–	165	1,402	6,171	11,374
Provided during the year	534	–	32	546	1,423	2,535
Disposals	(20)	–	–	(254)	–	(274)
Disposal of subsidiary	–	–	(133)	(112)	–	(245)
Foreign exchange on translation	(2)	–	–	–	(10)	(12)
Reclassification (to software)	–	–	–	(29)	(23)	(52)
At 30 December 2012	**4,148**	**–**	**64**	**1,553**	**7,561**	**13,326**
Net book value at 30 December 2012	**29,389**	**693**	**186**	**3,395**	**23,250**	**56,913**
Net book value at 25 December 2011	29,995	–	159	2,649	22,761	55,564

Freehold land and buildings

Included within freehold land and buildings is an amount of £4,689,000 (2011: £4,689,000) in respect of land which is not depreciated.

Capitalised interest

Included within freehold land and buildings is an amount of £1,117,000 (2011: £1,117,000) of capitalised interest, of which £nil (2011: £54,000) was capitalised in the current period and included with additions. This interest relates to the revolving credit facility used to finance the building of the new commissary and head office. Tax relief on capitalised interest is claimed in full in the period in which the interest is paid.

For details of property, plant and equipment pledged as security for liabilities see note 26.

15. Intangible assets

	Goodwill £000	Franchise fees £000	Software £000	Other £000	Total £000
Cost or valuation:					
At 26 December 2010	–	1,035	3,916	–	4,951
Additions	–	–	2,896	–	2,896
Acquisition of subsidiary	2,835	10,453	–	–	13,288
Disposals	–	–	(1,834)	–	(1,834)
Foreign exchange on translation	(176)	(650)	–	–	(826)
At 25 December 2011	2,659	10,838	4,978	–	18,475
Additions	–	349	3,025	552	3,926
Disposal of subsidiary	–	(7)	–	–	(7)
Foreign exchange on translation	(5)	(93)	–	–	(98)
Reclassification (from property, plant and equipment)	–	–	195	–	195
Acquisition of subsidiary	1,603	2,870	7	–	4,480
At 30 December 2012	**4,257**	**13,957**	**8,205**	**552**	**26,971**
Depreciation and impairment:					
At 26 December 2010	–	819	1,898	–	2,717
Provided during the year	–	285	710	–	995
Disposals	–	–	(1,834)	–	(1,834)
Foreign exchange on translation	–	(14)	–	–	(14)
At 25 December 2011	–	1,090	774	–	1,864
Provided during the year	–	400	1,555	30	1,985
Disposal of subsidiary	–	(2)	–	–	(2)
Foreign exchange on translation	–	(20)	–	–	(20)
Reclassification (from property plant and equipment)	–	–	52	–	52
At 30 December 2012	**–**	**1,468**	**2,381**	**30**	**3,879**
Net book value at 30 December 2012	**4,257**	**12,489**	**5,824**	**522**	**23,092**
Net book value at 25 December 2011	2,659	9,748	4,204	–	16,611

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination or are established as a result of the business combination. The carrying amount of goodwill has been allocated as follows:

	At 30 December 2012 £000	At 25 December 2011 £000
Germany	**2,617**	2,659
Switzerland	**1,640**	0
	4,257	2,659

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from fair value less costs to sell ('FVLCS') calculations. The key assumptions for the valuations are those regarding discount rates, store openings and expected changes to level of sales in stores. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs. Growth rates are based on market growth forecasts. Changes in levels of AWUS (average weekly unit sales) and store openings are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cashflows for the remaining term of the MFA based on the average long-term growth rate of 1.4% for Germany and 1.7% for Switzerland which does not exceed the average long term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Germany CGU is 12.0% and from the Swiss CGU is 12.5%.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value including reducing sales level and changing discount rates. At 30 December 2012 no reasonably expected change in the key assumptions to the German CGU would give rise to an impairment charge. Given the proximity of our Swiss acquisition to the year end, the FVLCS calculated is not significantly higher than the carrying value of the CGU. As such, changes in key assumptions such as an increase in the discount rate by 1% would result in the carrying value of goodwill being reduced to its recoverable amount.

15. Intangible assets (continued)

Franchise fees consist of costs relating to the Master Franchise Agreement (MFA) for the UK and Ireland, Germany and Switzerland. The UK and Ireland MFA runs into perpetuity, with a development clause which is renewable on a 10 year basis. The German MFA has a term of 30 years and the addition in the period relates to the Swiss MFA which also has a term of 30 years.

During the period ended 30 December 2012, the Group has purchased from Domino's Pizza International Franchising Inc. an option to acquire the master franchise rights for Domino's Pizza in Austria for £217,000. The option expires on 31 December 2014 and provides a further opportunity for growth by building on Domino's presence in central Europe.

An asset has been recognised in the year of £552,000 (2011: £nil) in relation to interest free loans given to franchisees to assist in the opening of new stores. The difference between the present value of loan recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated.

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

16. Prepaid operating lease charges

	At 30 December 2012 £000	At 25 December 2011 £000
Balance at the beginning of the period	**841**	708
Additions	**1,050**	275
Foreign exchange on translation	**3**	–
Amortisation	**(198)**	(142)
Balance at the end of the period	**1,696**	841
Analysed as follows:		
Non-current assets	**1,479**	676
Current assets	**217**	165
	1,696	841

17. Financial assets

The balance shown in franchisee leasing consists of leases over store equipment granted to franchisees on terms of between one and five years bearing interest at fixed rates of an average of 7.1% (2011: 8.1%). Other leases include leases over assets which were acquired with Domino's Leasing Limited. They are repayable over terms of up to five years and bear interest at 0.5% above LIBOR.

	At 30 December 2012			At 25 December 2011		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Net investment in finance leases	**3,026**	**2,610**	**5,636**	3,324	3,953	7,277
Analysis of net investment in finance leases						
Current	**1,048**	**2,610**	**3,658**	1,016	516	1,532
Non-current	**1,978**	**–**	**1,978**	2,308	3,437	5,745
	3,026	**2,610**	**5,636**	3,324	3,953	7,277

Future minimum payments receivable:

	At 30 December 2012			At 25 December 2011		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	**1,173**	**2,729**	**3,902**	1,175	692	1,867
After one year but not more than five years	**2,077**	**–**	**2,077**	2,440	3,642	6,082
	3,250	**2,729**	**5,979**	3,615	4,334	7,949
Less: finance income allocated to future periods	**(225)**	**(119)**	**(343)**	(291)	(381)	(672)
	3,026	**2,610**	**5,636**	3,324	3,953	7,277

The present value of minimum lease payments receivable is analysed as follows:

	At 30 December 2012			At 25 December 2011		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	**1,048**	**2,610**	**3,658**	1,016	516	1,532
After one year but not more than five years	**1,978**	**–**	**1,978**	2,308	3,437	5,745
	3,026	**2,610**	**5,636**	3,324	3,953	7,277

18. Investments in associates and joint ventures

	At 30 December 2012 £000	At 25 December 2011 £000
Investment in associates	**1,514**	1,423
Investment in joint ventures	**4,731**	–
	6,245	1,423

(a) Investments in associates

The Group has a 41% interest in Full House Restaurants Limited, a 50% interest in Mungo Park and a 50% interest in Dominoid Limited, private companies which manage pizza delivery stores in the United Kingdom. These interests are accounted for as associates as Group has significant influence but does not control the entities or have joint control.

Summarised financial information for significant associates is aggregated below:

	At 30 December 2012 £000	At 25 December 2011 £000
Share of the associate's balance sheet:		
Current assets	**564**	518
Non-current assets	**2,388**	2,335
Current liabilities	**(650)**	(475)
Non-current liabilities	**(788)**	(955)
Share of net assets	**1,514**	1,423

18. Investments in associates and joint ventures (continued)

Share of associate's revenue and profit:

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Revenue	**8,622**	7,623
Profit after tax for the year	**166**	335

(b) Investments in joint ventures

On 29 July 2012 the Group acquired 100% of the issued share capital of two companies, DA Hall Trading Limited and DAHT Limited. These companies owned and operated eight stores in the United Kingdom. The companies were acquired with the intention to establish two new joint ventures with third party franchisees. As such, these entities were classified as held for sale under IFRS 5 and the identifiable assets and liabilities acquired were measured at fair value. The identifiable assets and liabilities acquired in the two companies was £344,000 along with intangibles of £4,336,000. The consideration of £4,681,000 was satisfied by cash.

On 2 December 2012, the share capital of the companies acquired was contributed into the first of the two joint ventures, Domino's Pizza West Country Limited ('West Country') along with a company previously controlled by the joint venture party. West Country is accounted for as a joint venture as the Group has joint control through voting rights and share ownership as well as being party to a joint venture agreement which ensures that strategic, financial and operational decisions relating to the joint venture activities require the unanimous consent of the two joint venture parties.

On 9 December 2012, the share capital of two subsidiary companies of DA Hall Trading Limited and DAHT Limited was transferred into the other joint venture company, DP Shayban Limited ('DP Shayban'), along with the share capital of three companies previously controlled by the other joint venture party. As with West Country, DP Shayban is accounted for as a joint venture due to the Group's joint control as set out in the joint venture agreement for the same reasons as set above.

During the period from 29 July 2012 to 2 December 2012 the wholly owned subsidiaries held for resale generated profit of £228,000. Due to the substance of the acquisition which was completed as part of an overall transaction to establish the joint venture entities, the Directors have deemed it inappropriate to present the contribution from these companies within the operating results of the Group and have therefore included the profits within the income from associates and joint ventures. No further disclosures have been included regarding the initial business combination due to the purchase being for resale within the year.

	At 30 December 2012		
	DP Shayban £000	West Country £000	Total £000
Share of joint ventures' balance sheets:			
Current assets	**214**	**330**	**544**
Non-current assets	**1,969**	**3,026**	**4,995**
Current liabilities	**(405)**	**(304)**	**(709)**
Non-current liabilities	**(30)**	**(77)**	**(107)**
Share of net assets	**1,748**	**2,975**	**4,723**

Share of joint ventures' revenue and profit:

	53 weeks ended 30 December 2012		
	DP Shayban £000	West Country £000	Total £000
Revenue	**199**	**305**	**503**
Profit after tax for the year	**27**	**15**	**42**

During the period to 30 December 2012 the Group also invested in two further entities which are jointly controlled and therefore deemed to be joint ventures. An investment of €12,500 was made to acquire 50% of the share capital of Deutsche Dominoid GmbH and €10,000 was made to acquire 40% of the share capital of HJS Pizza Deutschland GmbH. Both entities have been established in order to facilitate the opening of new stores in the German market.

Due to the start up nature of these entities, losses were incurred during the period in Deutsche Dominoid GmbH which have exceeded the Group's interest in the joint venture. The Group's share of unrecognised losses for the period to 30 December 2012 was £210,000.

HJS Pizza Deutschland GmbH began trading on 28 December 2012 and generated £nil profit to 30 December 2012.

19. Business combinations

On 24 September 2012, the Group acquired the trade and assets of Domino's Pizza Switzerland AG into a wholly owned subsidiary, DP Cyco Switzerland Limited, and its wholly owned subsidiary, Domino's Pizza GmbH (known collectively as 'Domino's Switzerland'). These assets included the master franchise agreement for the territory which provides the Company with the exclusive right to operate and franchise Domino's Pizza stores in Switzerland, Liechtenstein and Luxembourg.

The fair values of the identifiable assets and liabilities of Domino's Switzerland as at the date of acquisition were as follows:

	Fair value to Group £000
Master franchise agreement	2,870
Other intangible assets	7
Property, plant & equipment	244
Inventory	143
Trade and other receivables	238
Cash and cash equivalents	7
Trade and other payables	(463)
Net assets acquired	3,046
Goodwill	1,603
Total acquisition cost	4,649
Discharged by:	
Cash consideration	3,562
Deferred consideration	1,087
	4,649
Net cash outflow arising on acquisition:	
Cash consideration	3,562
Less: cash and cash equivalent balances acquired	(7)
	3,555

Under the terms of the acquisition the Group purchased the business of Domino's Switzerland for a maximum consideration of CHF 7,000,000 (£4,645,000) in cash plus an amount for the stock, cash in tills and cash and rent deposits for CHF 369,000 (£245,000). This consideration is being paid in two tranches. The first tranche of CHF 5,000,000 (£3,318,000) was payable on completion and the second tranche of up to CHF 2,000,000 (£1,327,000) is payable two years from the date of completion and will be dependent upon the sales performance of the twelve Domino's Pizza stores in Switzerland which were acquired at completion.

The fair value of the contingent consideration arrangement of £1,087,000 was estimated by applying a probability weighted average for a number of scenarios based on performance against budget. The impact of discounting was considered but as it was not material the contingent consideration recognised is undiscounted. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and CHF 2,000,000 (£1,327,000).

The goodwill of £1,063,000 arising from the acquisition represents the opportunities in the three territories together with the synergies obtainable through the economies of scale across the Group. It has been allocated for impairment testing to the Swiss cash generating unit as described in note 15. There is no tax deduction for the goodwill arising on the acquisition of Domino's Switzerland.

From the date of acquisition, Domino's Switzerland contributed £2,971,000 revenue and a loss of £254,000 pre-exceptional administration costs of £1,431,000. If the combination had taken place at the beginning of the financial period the profit before tax (excluding exceptional items) would have been £45,780,000 and revenue from continuing operations would have been £250,702,000. See note 7 for further details about acquisition costs and restructuring costs relating to the acquisition.

20. Disposal of subsidiary

At 25 December 2011 the Group owned 75% of the share capital of DP Milton Keynes Limited ('DPMK'). This was increased to 100% on 24 July 2012 following the acquisition of the remaining share capital for cash consideration of £402,000, resulting in a £225,000 loss on acquisition of the non-controlling interest which was recognised in reserves due to this being a transaction with owners in their capacity as owners.

On 21 December 2012 the Group disposed of 100% of its interest in DPMK for cash consideration of £840,000 (less transaction costs of £12,000). The net assets at the date of disposal were £41,000. A gain of £507,000 has been recognised on this disposal following recognition of the loss in reserves and an accrual of £55,000 for final settlement obligations.

	£000
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	840
Disposal costs	(12)
Less: cash and cash equivalents disposed of	(7)
	821

21. Inventories

	At 30 December 2012 £000	At 25 December 2011 £000
Raw materials	**259**	169
Finished goods and goods for sale	**7,070**	3,709
Total inventories at lower of cost or net realisable value	**7,329**	3,878

22. Deferred and contingent consideration

	Deferred £000	Contingent £000	Total £000
At 26 December 2010	14,092	–	14,092
Paid during the period	(4,413)	–	(4,413)
Unwinding of discount	360	–	360
At 25 December 2011	10,039	–	10,039
Acquisition of subsidiary	–	1,087	1,087
Paid during the period	(2,164)	–	(2,164)
Unwinding of discount	286	–	286
Foreign exchange movements	–	26	26
At 30 December 2012	**8,161**	**1,113**	**9,274**

	At 30 December 2012 £000	At 25 December 2011 £000
Current	**1,199**	2,164
Non-current	**8,075**	7,875
Total	**9,274**	10,039

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited ("Domino's Leasing"), a private company based in England which provides funding in the form of finance leases to a number of corporate clients. As a company with an established leasing trade, Domino's Leasing owns the leased equipment and is entitled to an on-going rental income from each lease for the remaining term of that lease and it is entitled to certain tax reliefs from its ownership of that equipment. On acquisition, the tax reliefs available had a total value of £29,240,000 and a deferred consideration of £15,364,000 was payable, the amount and timing of which depends on the amount and timing of the benefits to the Group arising from this tax relief. The deferred consideration is payable until April 2016.

Finance costs reflect the unwinding of the discount on contingent consideration. Therefore, while the cash flow statements reflect lower tax paid as a result of this transaction, this is partly offset by investing cashflow for the consideration paid.

During the period the Group has utilised £13,099,000 (2011: £17,700,000) of the capital allowances which were acquired with Domino's Leasing. The utilisation of these capital allowances reduces the value of the deferred tax asset which was recognised on acquisition, however results in no overall impact on the tax charge for the period as there is an equal and opposite reduction in the Group's corporation tax liability.

On 24 September 2012, the Group acquired the trade and assets of a business in Switzerland on which contingent consideration may be payable. The fair value of contingent consideration has been estimated to be £1,087,000 (see note 19) and is a financial liability at fair value through profit or loss.

23. Trade and other receivables

Included in non-current assets:

	At 30 December 2012 £000	At 25 December 2011 £000
Amounts owed by associates and joint ventures*	**2,565**	114
Loans to franchisees*	**6,155**	1,464
Other receivables*	**1,490**	1,127
	10,210	2,705

Included in current assets:

	At 30 December 2012 £000	At 25 December 2011 £000
Trade receivables*	**8,403**	6,462
Amounts owed by associates and joint ventures*	**1,325**	329
Loans to franchisees*	**3,193**	745
Other receivables*	**12,603**	9,612
Prepayments and accrued income	**10,623**	7,195
	36,147	24,343

* Financial assets at amortised cost.

Trade receivables

Trade receivables are denominated in the following currencies:

	At 30 December 2012 £000	At 25 December 2011 £000
Sterling	**7,177**	5,623
Euro	**1,219**	839
Swiss Franc	**7**	–
	8,403	6,462

The Euro denominated receivables relate to franchisee receivables within the Group's Irish and German operations which have a Euro functional currency.

Trade receivables are non-interest bearing and are generally on 7 – 28 days terms. As at 30 December 2012, trade receivables at nominal value of £160,000 (2011: £65,000) were provided for. During the 53 weeks ended 30 December 2012 no bad debts were written off (2011: £nil).

The ageing analysis of trade receivables is as follows:

			Past due but not impaired	
	Total £000	Neither past due nor impaired £000	< 30 days £000	> 30 days £000
As at 30 December 2012	**8,403**	**5,687**	**1,246**	**1,470**
As at 25 December 2011	6,462	5,797	70	595

Loans to franchisees

Loans to franchisees are repayable within 1-5 years. The loans are either interest free or bear interest on a quarterly basis at an average of 3.0% above LIBOR and are repaid in monthly or quarterly instalments.

23. Trade and other receivables (continued)
Amounts owed by associates and joint ventures

	At 30 December 2012 £000	At 25 December 2011 £000
Amounts owed by associates	**2,427**	443
Amounts owed by joint ventures	**1,463**	–
	3,890	443

Included within the balance due from associates are loan balances totalling £1,797,000 (2011: £120,000) due from Full House Restaurants Limited and £211,000 (2011: £nil) due from Dominoid Limited. Included within the balance due from joint ventures are loan balances of £549,000 due from DP Shayban Limited, £277,000 due from Domino's Pizza West Country Limited and £284,000 due from Deutsche Dominoid GmbH. The terms of these loans are consistent with the loan terms provided to franchisees (see above). The remainder of the balance due from associates and joint ventures are trading balances.

An analysis is provided below of the movement in trading and loan balances with associates and joint ventures:

	Trading balance £000	Loan balance £000	Total £000
At 26 December 2010	320	173	493
Movement in trading balance	(20)	–	(20)
Repayment of loan balance	–	(30)	(30)
At 25 December 2011	300	143	443
Movement in trading balance	447	–	447
Repayment of loan balance	–	(261)	(261)
Increase in loan balance	–	3,261	3,261
At 30 December 2012	**747**	**3,143**	**3,890**

The movement in the trading balance is included within the 'increase in receivables' in 'cash generated from operations' in the cash flow statement.

Other receivables
Included in the current element of other receivables is the National Advertising Fund ('NAF') balance of £5,562,000 (2011: £5,475,000), due to the timing of the cash flows of the marketing activities committed to by the fund and the contributions received from the franchisees. Total contributions made to the fund during the 53 weeks ended 30 December 2012 were £23,323,000 (2011: £22,518,000). The outstanding balance of the NAF bears interest at 4.5% above Barclays Bank plc base rate.

24. Cash and cash equivalents

	At 30 December 2012 £000	At 25 December 2011 £000
Cash at bank and in hand	**8,891**	6,363
Short-term deposits	**13,084**	18,064
	21,975	24,427

Cash is denominated in the following currencies:

	At 30 December 2012 £000	At 25 December 2011 £000
Sterling	**19,483**	20,563
Euro	**1,999**	3,864
Swiss Franc	**493**	–
	21,975	24,427

25. Trade and other payables

	At 30 December 2012 £000	At 25 December 2011 £000
Trade payables*	**13,839**	11,078
Other taxes and social security costs	**3,730**	1,995
Other payables*	**3,343**	3,445
Accruals	**20,771**	12,926
	41,683	29,444

* Financial liabilities at amortised cost.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 7 – 30 day terms.
- Other payables are non-interest bearing and have an average term of six months.

26. Financial liabilities

	At 30 December 2012 £000	At 25 December 2011 £000
Current		
Current instalments due on other loans	**1,036**	1,013
Current instalments due on non-recourse loans	**2,604**	516
Current instalments due on finance leases	**101**	–
Bank revolving facility	**–**	25,000
	3,741	26,529
Non current		
Bank revolving facility	**29,737**	–
Non-current instalments due on bank loans	**12,035**	12,035
Non-current instalments due on other loans	**3,953**	3,760
Non-current instalments due on non-recourse loans	**–**	3,427
Non-current instalments on finance leases	**127**	
	45,852	19,222

Banking facilities

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates depending on the balance on deposit. The interest rate applicable to the short-term deposits during the financial period was 0.25% (2011: 0.25%). The fair value of cash and cash equivalents is £21,975,000 (2011: £24,427,000). At 30 December 2012 the Group had a total of £53,000,000 (2011: £43,000,000) of banking facilities, of which £8,027,000 (2011: £3,276,000) was undrawn.

Bank revolving facility

On 1 August 2012, the Group completed the refinancing of the existing £25,000,000 revolving credit facility with Barclays Bank plc, increasing it to a £30,000,000 facility. The facility was fully drawn down at 30 December 2012 and has a five year term. The interest is charged at 1.35% (2011: 0.5%) per annum above LIBOR in addition to a 0.5% utilisation fee. Arrangement fees of £298,000 directly incurred in relation to the re-financing were included in the carrying value of the facility and are being amortised over the term of the facility; at 30 December 2012, amortisation of £35,000 has been recognised against the carrying value of the facility. The facility is secured by an unlimited cross guarantee between the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

Bank overdraft facility

On 5 October 2012, the Company obtained an overdraft facility from Barclays Bank plc for a maximum limit of £5,000,000 for working capital purposes. The interest is charged at 1.25% per annum above LIBOR. At 30 December 2012 there was £nil drawdown on the facility.

26. Financial liabilities (continued)

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 30 December 2012 the balance due under these facilities was £12,035,000 (2011: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.5% (2011: 0.5%) above LIBOR. The loan facility has a term of seven years and matures on 31 January 2014. The limit for this facility is £13,000,000.

Other loans

Other loans include loans entered into to acquire assets which are then leased onto franchisees under finance lease arrangements. The Group has an asset finance facility of £5,000,000 (2011: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 30 December 2012 is £2,939,000 (2011: £2,689,000). The loans are repayable in equal instalments over a period of up to five years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza UK & Ireland Limited (limited to an annual sum of £300,000) and a mortgage charge over the assets financed. The interest rate on these loans is fixed at an average of 6.16% (2011: 6.8%).

Also included within other loans is a balance of £2,050,000 (2011: £2,084,000) in relation to a loan due to the Non-Controlling Interest in Domino's Pizza Germany. This loan was acquired as part of the acquisition of Domino's Germany. It is repayable in 2016 and bears interest at a rate of 2.5% above the 3 month Euro LIBOR.

Non-recourse loans

Non-recourse loans of £2,604,000 (2011: £3,943,000) were acquired with Domino's Leasing Limited. The loans are repayable over terms of up to six years and bear interest at 0.5% above LIBOR. The loans are secured over the related lease receivables and are only repayable provided the related lease receivables are settled in full.

Finance leases

During the period ended 30 December 2012 the Group acquired a number of finance leases for corporate store equipment and vehicles in Switzerland and Germany. The average lease term is 2.5 years. During the period the average effective borrowing rate was 5.8%. Interest rates are fixed at the contract rate. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets. At 30 December 2012 the leased assets have a carrying value of £196,000. No further disclosures have been included due to the immateriality of the lease liabilities to the Group's balance sheet.

27. Obligations under leases and hire purchase contracts

Operating lease commitments where the Group is lessee

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease, and then subletting the properties to the franchisees. These leases have an average duration of between 10 and 25 years. Under the terms of the franchise agreement the franchisee is granted an initial period of 10 years to operate a Domino's Pizza delivery store under the Domino's system. Under the agreement the franchisee also has the option to renew for a further 10 years at the end of the initial period, provided at the time of the renewal the franchisee is not in default of any material provision of the franchise agreement. In addition the Group has entered into commercial leases on motor vehicles and items of plant, machinery and equipment. These leases have an average duration of between three and five years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 30 December 2012 £000	At 25 December 2011 £000
Not later than one year	**17,132**	13,639
After one year but not more than five years	**61,578**	49,982
After five years	**125,001**	102,559
	203,711	166,180

27. Obligations under leases and hire purchase contracts (continued)

Operating lease commitments where the Group is lessor

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease (and in a few instances acquiring the freehold), and then subletting the properties to the franchisees. These non-cancellable leases have remaining terms of between five and ten years. All leases include a provision for five-yearly rent reviews according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	At 30 December 2012 £000	At 25 December 2011 £000
Not later than one year	**13,794**	13,239
After one year but not more than five years	**45,185**	42,743
After five years	**26,068**	18,430
	85,047	74,412

28. Provisions

	Onerous lease provisions £000	Restructuring provisions £000	Property provisions £000	Total £000
At 25 December 2011	938	–	99	1,037
Arising during the period	886	1,347	–	2,233
Utilised during the period	(264)	(239)	–	(503)
Released during the period	(361)	–	(99)	(460)
Impact of discounting	11	4	–	15
Foreign exchange on translation	–	11	–	11
At 30 December 2012	**1,210**	**1,123**	–	**2,333**

	At 30 December 2012 £000	At 25 December 2011 £000
Current	**654**	66
Non-current	**1,679**	971
	2,333	1,037

Onerous lease provision

The onerous lease provision relates to the outstanding rent obligation for three Domino's stores which were closed during the prior period and other onerous leases identified. During the period to 30 December 2012 one of these leases was surrendered leading to the release of the unutilised provision. Additional provisions have been recognised for three Irish leases, two of which are sub-let to commercial tenants; changes in circumstances brought about by the current economic environment have resulted in these sub-leases becoming onerous. The provision will be utilised over the remaining lease term on the properties identified which range between three and 25 years.

Restructuring provisions

The restructuring provision has arisen on acquisition of Domino's Switzerland and relates to outstanding rent obligations for eight stores which were are being closed and relocated as well as other commitments arising from the restructuring plan such as redundancy and relocation costs. The provision will be utilised within five years.

Property provisions

The property provision at 25 December 2011 related to outstanding rent reviews, rates, service charges and dilapidation costs for stores sold as part of the sale of subsidiary undertakings during prior years. Following the completion of the outstanding rent and rates reviews with no further costs incurred the remaining provision has been released.

29. Financial risk management objectives and policies

The Group's financial risk management objectives consist of identifying and monitoring those risks, which have an adverse impact on the value of the Group's financial assets and liabilities or on reported profitability and on the cash flows of the Group.

The Group's principal financial liabilities comprise bank loans, bank revolving facilities, other loans and finance leases. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Group has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. It is, and has been throughout 2012 and 2011, the Group's policy that no trading in derivatives shall be undertaken.

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and monitored by the Board. The Group monitors its cash resources through short, medium and long-term cash forecasting, against available facilities. Surplus cash is pooled into an interest bearing account with the Group's bankers. The Group monitors its overall level of financial gearing monthly, with short and medium-term forecasts showing levels of gearing within targets. It is the Group's policy not to have high financial leverage, comparing adjusted net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA").

The Group includes within adjusted net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes, for this calculation, the Domino's Leasing Limited non-recourse loans and the Domino's Germany non-controlling interest loan. The Domino's Germany non-controlling interest loan is excluded from the Group's net debt calculation as it does not form part of the long term funding strategy of the Group.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, price risk, liquidity risk and cash flow interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Foreign currency risk

The Group has invested in operations in the Republic of Ireland, Germany and Switzerland and also buys and sells goods and services in currencies other than Sterling. As a result, the value of the Group's non-Sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates, the Euro in particular. The Group seeks to mitigate the effect of its currency exposures by agreeing fixed Euro rates with franchisees and suppliers wherever possible. The Board does not consider there to be any significant unmitigated foreign currency risk in relation to the Group's profit before tax.

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against Euro exchange rates with all other variables held constant, of the Group's equity (due to changes in the carrying value of Euro denominated assets in subsidiaries with a Sterling functional currency and Sterling denominated assets in subsidiaries with a Euro functional currency):

	Increase/ decrease in Sterling vs Euro rate %	Effect on profit before tax £000
2012	**+25**	**16**
	-25	**(27)**
2011	+25	(504)
	-25	840

Credit risk

Customers who trade on credit terms and obtain finance leasing and loans from the Group are predominantly franchisees and it is considered that the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure.

Non-recourse loans are only repayable provided the related lease receivables are settled in full. This limits the Group's exposure to the non-repayment of other lease receivables.

In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with franchisees that have been subject to the franchisee selection process and provide guarantees as required under the franchisee agreements, there is no requirement for collateral.

It is Group policy that cash deposits are only made with banks that have been approved by the Board and have a high credit rating (in accordance with the Group's treasury policy) to ensure that the Group is not exposed to unnecessary risk.

29. Financial risk management objectives and policies (continued)

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations with cash collection targets set throughout the Group. All major investment decisions are considered by the Board as part of the project appraisal and approval process. In this way the Group aims to maintain a good credit rating to facilitate fund raising. Financial liabilities due within 3 months of the period end will be settled by the Group using cash and receipts from trade receivables outstanding at the period end.

The table below summarises the maturity profile of the Group's financial liabilities at 30 December 2012 based on contractual undiscounted payments.

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Period ended 30 December 2012						
Floating rate borrowings						
Bank loan EBT	–	38	115	12,035	–	12,188
Bank revolving facility	–	236	709	33,544	–	34,489
Non-recourse loans	–	87	2,635	-	–	2,722
Other loans	–	76	227	2,947	–	3,250
Fixed rate borrowings						
Other loans	–	287	862	1,997	–	3,146
Finance leases	–	25	76	127	–	228
Non-interest bearing						
Trade and other payables	–	37,953	–	–	–	37,953
Deferred consideration	–	450	987	8,561	–	9,998
	–	**39,152**	**5,611**	**59,211**	**–**	**103,974**

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Period ended 25 December 2011						
Floating rate borrowings						
Bank loan EBT	–	32	95	12,161	–	12,288
Bank revolving facility	–	133	25,398	–	–	25,531
Non-recourse loans	–	262	726	3,346	–	4,334
Other loans	–	79	237	2,308	936	3,560
Fixed rate borrowings						
Other loans	–	286	858	1,788	–	2,932
Non-interest bearing						
Trade and other payables	–	27,449	–	–	–	27,449
Deferred consideration	–	616	1,516	8,886	–	11,018
	–	28,857	28,830	28,489	936	87,112

Interest rate risk

The Board has a policy of ensuring a mix of fixed and floating rate borrowings based on the best available rates. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to benefit from a reduction in borrowing costs when market rates are declining. Conversely, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow interest rate risk as costs are impacted by changes in market rates.

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's profit for the 53 week period ended 30 December 2012 would decrease/increase by £111,000 (2011: £73,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. There would be no impact on other comprehensive income.

29. Financial risk management objectives and policies (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it remains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended 30 December 2012 and 25 December 2011.

The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA"). The Group includes within adjusted net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes, for this calculation, the Domino's Leasing Limited non-recourse loans and the Domino's Germany non-controlling interest loan.

	At 30 December 2012 £000	At 25 December 2011 £000
Bank loan EBT	**12,035**	12,035
Other loans	**2,939**	2,689
Finance leases	**228**	–
Bank revolving facilities	**29,737**	25,000
Less: cash and cash equivalents	**(21,975)**	(24,427)
Adjusted net debt	**22,964**	15,297
Non-recourse loans	**2,604**	3,943
Domino's Germany non-controlling interest loan	**2,050**	2,084
Net debt	**27,618**	21,324
EBITDA	**47,894**	42,646
Adjusted gearing ratio	**0.5**	0.4

For further commentary on cash flow, net debt and gearing see the Chief Financial Officer's review.

30. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying value 2012 £000	Carrying value 2011 £000	Fair value 2012 £000	Fair value 2011 £000
Financial assets				
Cash and cash equivalents	**21,975**	24,427	**21,975**	24,427
Net investment in finance leases	**5,636**	7,277	**5,324**	7,027
Financial liabilities				
Bank revolving facilities	**29,737**	25,000	**29,737**	25,000
Bank loan EBT	**12,035**	12,035	**12,035**	12,035
Fixed rate borrowings	**2,939**	2,689	**2,981**	2,824
Finance lease liabilities	**228**	–	**228**	–
Floating rate borrowings	**4,654**	6,027	**4,654**	6,027
Contingent consideration	**1,113**	–	**1,113**	–

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

The fair value of fixed rate borrowings has been calculated by discounting the expected future cash flows at a market rate of interest.

Trade and other receivables and trade and other payables are excluded from the above analysis as the fair values approximate to the carrying amounts due to their short term nature.

Cash, bank revolving facilities and bank loans are all held with banks that have been approved by the Board and have a high credit rating and as a result they are recorded at carrying value. Interest payable on the bank loan EBT and bank revolving facilities is at floating rate and hence no fair value adjustment is required.

The fair value of the contingent consideration has been estimated by applying a probability weighted average for a number of scenarios based on performance against budget as explained in note 19. This equates to a Level 2 classification under the IFRS 7 requirement to classify financial instruments at fair value by reference to the following three-level hierarchy based on the source of inputs used to derive the fair value.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

31. Share capital and reserves

Authorised share capital

	At 30 December 2012	At 25 December 2011
Ordinary shares of 1.5625p each		
– Number	**256,000,000**	256,000,000
– Value – £	**4,000,000**	4,000,000

Allotted, called up and fully paid share capital

	At 30 December 2012		At 25 December 2011	
	Number	£	Number	£
At 25 December 2011 and 26 December 2010	**162,035,784**	**2,531,809**	160,903,435	2,514,116
Issued on exercise of share options	**2,386,957**	**37,296**	312,349	4,880
Issued on acquisition	**–**	**–**	1,320,000	20,625
Share buybacks	**(750,000)**	**(11,719)**	(500,000)	(7,813)
At 30 December 2012 and 25 December 2011	**163,672,741**	**2,557,386**	162,035,784	2,531,808

During the period 2,386,957 (2011: 312,349) ordinary shares of 1.5625p each with a nominal value of £37,296 (2011: £4,880) were issued between 64.53p (2011: 17.19p) and 482.4p (2011: 341.00p) for a total cash consideration received of £2,594,000 (2011: £593,000) to satisfy the share options that were exercised.

During the period the Company bought back a total of 750,000 (2011: 500,000) ordinary shares of 1.5625p each for a total value of £3,307,000 (including costs of £47,000) (2011: £2,219,000, including costs of £19,000). The average price for which these shares were purchased was 434.67p (2011: 439.78p) per share.

31. Share capital and reserves (continued)

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 1.5625p each.

Share premium

The share premium reserve is the premium paid on the Company's 1.5625p ordinary shares.

Capital redemption reserve

The capital redemption reserve includes the nominal value of shares bought back by the Company.

Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT. The shares held by the EBT were purchased in order to satisfy potential awards under the Long-Term Incentive Plan (LTIP) and other incentive schemes. At 30 December 2012, the Trust held 505,370 (2011: 560,527) shares, which had a historic cost of £7,881 (2011: £1,151,169). These shares had a market value at 30 December 2012 of £2,483,894 (2011: £2,230,897).

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

Other reserve

The other reserve relates to the contingent consideration payable for the acquisition of Domino's Germany, being 880,000 ordinary shares on the opening of the 35th Domino's store in Germany.

32. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 53 weeks ended 30 December 2012 is £2,357,000 (2011: £1,499,000). This all arises on equity-settled share-based payment transactions.

Long Term Senior Executive Incentive Plan

Reversionary interests over assets held in the Domino's Pizza Group plc employee benefit trust are approved and granted, at the discretion of the trustees, to senior executives. The interests are capable of vesting within a five year period should certain performance targets be achieved by the Group and all awards will be equity-settled. During the period further reversionary interests were granted, represented by 1,282,296 (2011: 2,507,549) shares. At 30 December 2012 reversionary interests represented by 5,367,194 (2011: 6,259,160) shares in Domino's Pizza Group plc have been granted. The weighted average fair value of each reversionary interest granted during the year was 68.8p (2011: 70.3p).

32. Share-based payments (continued)

Long Term Senior Executive Incentive Plan (continued)

The following tables lists the performance criteria attached to the reversionary interests for the periods ended 30 December 2012 and 25 December 2011:

Grant date	Initial value per interest	Performance conditions	As at 25 December 2011	No. interests represented by Granted	Vested	Forfeited	As at 30 December 2012
2 June 2009	206.25p	Growth of RPI plus 12%	1,727,757	–	(1,727,757)	–	–
17 February 2010	327.00p	Growth of RPI plus 12%	1,123,854	–	–	–	**1,123,854**
17 June 2010	366.10p	Growth of RPI plus 12%	300,000	–	–	–	**300,000**
27 July 2010	424.90p	Growth of RPI plus 12%	300,000	–	–	–	**300,000**
23 September 2010	457.50p	Growth of RPI plus 12%	300,000	–	–	–	**300,000**
9 August 2011	437.10p	Growth of RPI plus 12%	2,507,549	–	–	(219,629)	**2,287,920**
2 April 2012	431.60p	Adjusted annual EPS growth (see page 58)	–	1,282,296	–	(226,876)	**1,055,420**
			6,259,160	1,282,296	(1,727,757)	(446,505)	**5,367,194**

Grant date	Initial value per interest	Performance conditions: Adjusted earnings per share*	Adjusted profit before tax**	As at 26 December 2010	No. interests represented by Granted	Vested	Forfeited	As at 25 December 2011
6 March 2007	210.00p	12.50p	£28,600,000	1,600,000	–	(1,600,000)	–	–
22 February 2008	212.00p	16.40p	£37,000,000	3,170,000	–	(3,170,000)	–	–
2 June 2009	206.25p	Growth of RPI plus 12%		1,727,757	–	–	–	1,727,757
17 February 2010	327.00p	Growth of RPI plus 12%		1,123,854	–	–	–	1,123,854
17 June 2010	366.10p	Growth of RPI plus 12%		300,000	–	–	–	300,000
27 June 2010	424.90p	Growth of RPI plus 12%		300,000	–	–	–	300,000
23 September 2010	457.50p	Growth of RPI plus 12%		300,000	–	–	–	300,000
9 August 2011	437.10p	Growth of RPI plus 12%		–	2,507,549	–	–	2,507,549
				8,521,611	2,507,549	(4,770,000)	–	6,259,160

* Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items.
** Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.

Employee Share-option

On 24 November 1999 participants in the Domino's Pizza Group Limited (Unapproved) Share Option Scheme (which had been in place since 31 March 1999) had the option of exchanging options over shares in Domino's Pizza Group Limited in return for equivalent options over ordinary shares in the Company under Domino's Pizza Share Option (Unapproved) Scheme.

On 23 March 2004, the Company established the Domino's Pizza Group plc Enterprise Management Incentive Scheme (EMI Scheme).

All employees are eligible for grants of options under these schemes, which are approved by the Board. Prior to 2011, the options vest over a 3 year period and are exercisable subject to the condition that the growth in adjusted diluted earnings per share, during each of the 3 years following the date of grant, exceeds growth in the Retail Price Index by at least 3%. For 2011 and 2012 the options vest over a 3 year period and are exercisable subject to the condition that real growth in adjusted diluted earnings per share, during each of the 3 years following the date of the grant, exceeds at least 3%.

The options lapse after 10 years or in certain other circumstances connected with leaving the Company. There are no cash settlement alternatives and all awards are equity settled.

In April 2012 a total of 1,317,077 (2011: 1,160,323) share options were granted under the Unapproved Share Option Scheme and 352,931 (2011: 334,050) share options were granted under the Approved Share Option Scheme. The options vest after a 3 year period and are exercisable subject to the condition that the growth in adjusted basic earnings per share in any financial year between grant and vesting exceeds the real growth by at least 3%. The contractual life of each option granted is 10 years. There are no cash settlement alternatives and all awards are equity settled.

The weighted average fair value of each option granted in 2012 was 91.8p (2011: 86.1p).

Sharesave scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company. Employees have the option to save an amount per month up to a maximum of £250 and at the end of three years they have the option to purchase shares in the company or to take their savings in cash. The contractual life of the scheme is three years. The weighted average fair value of each option granted in 2012 was 68.8p (2011: 69.8p).

32 Share-based payments (continued)

Sharesave scheme (continued)

As at 30 December 2012, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 25 December 2011 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 30 December 2012 No.
Domino's Pizza (unapproved) Scheme						
15 December 2005	107.03p	212,426	–	(93,147)	–	**119,279**
30 March 2007	210.00p	210,878	–	(79,105)	–	**131,773**
3 April 2008	209.00p	297,466	–	(137,752)	–	**159,714**
29 May 2009	205.50p	189,734	–	(131,577)	–	**58,157**
13 April 2010	341.00p	242,672	–	–	(45,981)	**196,691**
26 July 2011	482.40p	160,323	–	(2,047)	(25,777)	**132,499**
9 August 2011	386.80p	1,000,000	–	–	–	**1,000,000**
2 April 2012	431.60p	–	317,077	–	(29,774)	**287,303**
2 April 2012	398.00p	–	1,000,000	–	–	**1,000,000**
		2,313,499	1,317,077	(443,628)	(55,551)	**3,085,416**
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	881,050	–	(352,880)	(37,999)	**270,171**
13 April 2010	341.00p	510,296	–	(18,710)	(22,885)	**468,701**
26 July 2011	482.40p	316,414	–	(14,409)	(13,586)	**288,419**
2 April 2012	431.60p	–	352,931	–	(14,312)	**338,619**
		1,707,760	352,931	(385,999)	(88,782)	**1,365,910**
EMI Scheme						
23 March 2004	64.53p	76,037	–	(35,200)	–	**40,837**
Sharesave Scheme						
1 February 2009	135.81p	299,705	–	(298,292)	(1,413)	**–**
1 March 2010	237.92p	48,923	–	(291)	(8,600)	**40,032**
1 March 2011	426.00p	57,485	–	–	(9,377)	**48,108**
1 March 2012	352.64p		147,561	–	(19,540)	**128,021**
		406,113	147,561	(298,583)	(38,930)	**216,161**
		4,503,410	**1,817,569**	**(1,383,410)**	**(229,244)**	**4,708,324**
Weighted average exercise price		289.7p	406.7p	186.0p	359.6p	**361.9p**

32. Share-based payments (continued)

Sharesave scheme (continued)

As at 25 December 2011, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 26 December 2010 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 25 December 2011 No.
Domino's Pizza (unapproved) Scheme						
25 October 2001	17.19p	4,800	–	(4,800)	–	–
15 December 2005	107.03p	226,875	–	(14,449)	–	212,426
30 March 2007	210.00p	271,927	–	(60,047)	(1,002)	210,878
3 April 2008	209.00p	479,996	–	(177,800)	(4,730)	297,466
29 May 2009	205.50p	189,734	–	–	–	189,734
13 April 2010	341.00p	242,672	–	–	–	242,672
26 July 2011	482.40p	–	160,323	–	–	160,323
9 August 2011	386.80p	–	1,000,000	–	–	1,000,000
		1,416,004	1,160,323	(257,096)	(5,732)	2,313,499
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	926,815	–	(9,606)	(36,159)	881,050
13 April 2010	341.00p	558,199	–	(6,577)	(41,326)	510,296
26 July 2011	482.40p	–	334,050	–	(17,636)	316,414
		1,485,014	334,050	(16,183)	(95,121)	1,707,760
EMI Scheme						
23 March 2004	64.53p	96,507	–	(20,470)	–	76,037
Sharesave Scheme						
1 February 2009	135.81p	309,599	–	(1,608)	(8,286)	299,705
1 March 2010	237.92p	51,973	–	–	(3,050)	48,923
1 March 2011	426.00p	–	60,696	–	(3,211)	57,485
		361,572	60,696	(1,608)	(14,547)	406,113
		3,359,098	1,555,069	(295,357)	(115,400)	4,503,410
Weighted average exercise price		221.8p	418.7p	193.5p	298.5p	289.7p

The weighted average remaining contractual life of the options outstanding at 30 December 2012 is 7.8 years (2011: 7.3 years). The weighted average share price for options exercised during 2012 was 490.9p (2011: 455.1p).

The following share options were exercisable at the period end:

	At 25 December 2012 No.	At 25 December 2011 No.
Domino's Pizza (unapproved) Scheme		
15 December 2005	**119,279**	212,426
30 March 2007	**131,773**	210,878
3 April 2008	**159,714**	297,466
29 May 2009	**58,157**	–
	468,923	720,770
Domino's Pizza (approved) Scheme		
29 May 2009	**270,171**	–
EMI Scheme		
23 March 2004	**40,837**	76,037
	779,931	796,807
Weighted average exercise price	**184.5p**	168.3p

The fair value of both options and reversionary interests granted is estimated at the date of granting using a Black-Scholes model, taking into account the terms and conditions upon which they were granted.

32. Share-based payments (continued)

Sharesave scheme (continued)

The following table lists the inputs to the model used for the period ended 30 December 2012:

	Dividend yield (%)	Expected volatility (%)	Historical volatility (%)	Risk-free rate (%)	Expected term (years)	Initial value/ exercise price (p)	Share price (p)
LTIP (2 April 2012)	**3.0**	**28.8**	**28.8**	**1.1**	**3**	**431.6**	**431.6**
Employee share options (2 April 2012)	**3.0**	**28.8**	**28.8**	**1.1**	**4**	**431.6**	**431.6**
Employee share options (2 April 2012)	**3.0**	**32.1**	**32.1**	**1.1**	**5**	**398.0**	**431.6**

The following table lists the inputs to the model used for the period ended 26 December 2011:

	Dividend yield (%)	Expected volatility (%)	Historical volatility (%)	Risk-free rate (%)	Expected term (years)	Initial value/ exercise price (p)	Share price (p)
LTIP (9 August 2011)	3.0	29.3	29.3	0.9	3	437.1	437.1
Employee share options (26 July 2011)	3.0	29.3	29.3	1.2	3	482.4	482.4
Employee share options (9 August 2011)	3.0	29.3	29.3	0.9	3	386.8	437.1

The expected life is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options or reversionary interests were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating fair value.

33. Additional cash flow information

Analysis of Group net debt

	At 25 December 2011	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 30 December 2012 £000
Cash and cash equivalents	24,427	(2,308)	(144)	–	**21,975**
Bank revolving facility	(25,000)	(4,702)	–	(35)	**(29,737)**
Bank loans	(12,035)	–	–	–	**(12,035)**
Finance leases	–	–	(4)	(224)	**(228)**
Other loans	(2,689)	(250)	–	–	**(2,939)**
Adjusted net debt	(15,297)	(7,260)	(148)	(259)	**(22,964)**
Non-recourse loans	(3,943)	1,339	–	–	**(2,604)**
Other loans	(2,084)	–	34	–	**(2,050)**
Net debt	(21,324)	(5,921)	(114)	(259)	**(27,618)**

	At 26 December 2010	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 26 December 2010 £000
Cash and cash equivalents	31,128	(6,526)	(175)	–	24,427
Bank revolving facility	(25,000)	–	–	–	(25,000)
Bank loans	(12,035)	–	–	–	(12,035)
Other loans	(2,722)	43	–	–	(2,689)
Adjusted net debt	(8,639)	(6,483)	(175)	–	(15,297)
Non-recourse loans	(4,798)	855	–	–	(3,943)
Other loans	–	–	138	(2,222)	(2,084)
Net debt	(13,437)	(5,628)	(37)	(2,222)	(21,324)

34. Capital commitments
At 30 December 2012, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £92,000 (2011: £184,000) for the Group.

35. Contingent liabilities
Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations, 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited and as a result the Irish company has been exempted from the filing provisions section 7, Companies (Amendment) Act 1986 of the Republic of Ireland.

36. Related party transactions
The financial statements include the financial statements of Domino's Pizza Group PLC and the subsidiary undertakings listed below.

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% ordinary	Investment
DP Realty Limited	England	100% ordinary	Property management
DP Group Developments Limited	England	100% ordinary	Property development
DP Capital Limited	England	100% ordinary	Leasing of store equipment
American Pizza Company Limited	England	100% ordinary	Dormant
DP Milton Keynes Limited*	England	100% ordinary	Management of pizza delivery stores
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% ordinary	Property management
DP Cyco Limited	Cyprus	75 % ordinary	Operation and management of franchise business in Germany
DP Cyco Switzerland Limited	Cyprus	100% ordinary	Operation and management of franchise business in Switzerland
Indirectly held subsidiary undertakings			
Domino's Pizza UK & Ireland Limited	England	100% ordinary	Operation and management of franchise business and commissaries
DP Newcastle Limited	England	100% ordinary	Dormant
Livebait Limited	England	100% ordinary	Dormant
DP Pizza Limited	Republic of Ireland	100% ordinary	Operation of commissary
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany Limited	England	75% ordinary	Operation of commissary and pizza delivery stores in Germany
Domino's Pizza Germany GmbH	Germany	75% ordinary	Investment
Domino's Pizza GmbH	Switzerland	100% ordinary	Operation of commissary and pizza delivery stores in Switzerland
Associate undertakings			
Full House Restaurants Limited	England	41% ordinary	Management of pizza delivery stores
Dominoid Limited	England	50% ordinary	Management of pizza delivery stores
Mungo Park Limited	England	50% ordinary	Management of pizza delivery stores
Joint venture undertakings			
Deutsche Dominoid GmbH	Germany	50% ordinary	Management of pizza delivery stores
Domino's Pizza West Country Limited	England	50% ordinary	Management of pizza delivery stores
DP Shayban Limited	England	50% ordinary	Management of pizza delivery stores
HJS Pizza Deutschland GmbH	Germany	40% ordinary	Management of pizza delivery stores

*DP Milton Keynes sold 21 December 2012 (see note 20)

Notes to the Group financial statements continued

36. Related party transactions (continued)

During the period the Group entered into transactions, in the ordinary course of business, with related parties. For details of loan balances due from associates please refer to note 23. Transactions entered into, and trading balances outstanding at 30 December (2011: 25 December) with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Related party		
Associates and joint ventures		
2012	**13,118**	**3,399**
2011	3,675	443

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within seven days of invoice. The Group has not provided for or benefited from any guarantees for any related party receivables or payables. During the financial period ended 30 December 2012, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2011: same).

Compensation of key management personnel (including directors)

	53 weeks ended 30 December 2012 £000	52 weeks ended 25 December 2011 £000
Short-term employee benefits	**4,601**	4,998
Post-employment benefits	**200**	230
Share-based payment	**1,797**	1,126
	6,598	6,354

The table above includes the remuneration costs of the directors of the Company and the directors of Domino's Pizza UK and Ireland Limited, Domino's Pizza Germany Limited and Domino's Pizza GmbH.

Other related parties

During the period, the Group paid £62,333 (2011: £62,500) to Saracens rugby club, in the normal course of business as part of its on-going marketing strategy and £nil (2011: £9,549) to Prestbury Two LLP in respect of Group travel arrangements. Nigel Wray has an interest in each of these entities, being Non-Executive Chairman of Saracens Limited and a partner in Prestbury Two LLP. The transaction was paid at arm's length values under normal business terms.

Independent auditor's report
to the members of Domino's Pizza Group plc

We have audited the parent company financial statements of Domino's Pizza Group plc for the 53 weeks ended 30 December 2012 which comprise the Company Balance Sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 66, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the group financial statements of Domino's Pizza Group plc for the 53 weeks ended 30 December 2012.

Simon O'Neill
Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
22 February 2013

Company balance sheet

	Notes	At 30 December 2012 £000	At 25 December 2011 £000
Fixed assets			
Investment in subsidiary undertakings	3	**22,206**	15,856
Investment in associate and joint venture undertakings	3	**4,886**	205
Total investments		**27,092**	16,061
Current assets			
Amounts owed by group undertakings	4	**121,052**	117,494
Deferred tax asset		–	2
Other debtors		**302**	–
Cash and cash equivalents		**848**	10,102
		122,202	127,598
Creditors: amounts falling due within one year	5	**(18,069)**	(21,226)
Net current assets		**104,133**	106,372
Total assets less current liabilities		**131,225**	122,433
Creditors: amounts falling due after more than one year	6	**(41,772)**	(12,035)
Provisions for liabilities	7	–	(99)
		89,453	110,299
Shareholder's equity			
Called up share capital	8	**2,557**	2,532
Share premium account	10	**17,932**	15,358
Capital redemption reserve	10	**425**	414
Capital reserve – own shares	10	**(9)**	(1,151)
Other reserve	10	**3,432**	3,432
Profit and loss account	10	**65,116**	89,714
Equity shareholders' funds	10	**89,453**	110,299

Lee Ginsberg
Chief Financial Officer
22 February 2013

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The parent company financial statements of Domino's Pizza Group plc (formerly Domino's Pizza UK & IRL plc) are presented as required by the Companies Act 2006.

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice. The balance sheet is presented in pounds Sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemption under FRS 1 not to present a cash flow statement.

The Company has taken the advantage of the exemption in paragraph 2D of FRS29 Financial Instruments: Disclosures and not disclosed information required by that standard, as the Group's publicly available consolidate financial statements, in which the company is included provide equivalent disclosures for the Group under IFRS 7 Financial Instruments Disclosures.

Investments

Shares in the subsidiary companies and fixed asset investments are stated at cost less provisions for any impairment. Where shares have been issued as part of the consideration for an acquisition these are accounted for at their nominal value in accordance with the exemption under Sections 131 and 133 of the Companies Act 1985 (for issues prior to 1 October 2009) and sections 612 and 615 of Companies Act 2006 thereafter.

Provision is made against the carrying value of investments where there is impairment in value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains from revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Capital reserve – own shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves, as 'Capital reserve – own shares' and recognised at cost. No gain or loss is recognised on the purchase or sale of such shares. The Employee Benefit Trust has waived its entitlement to dividends.

Share-based payment transactions

Directors of the company receive an element of remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met, see note 9 for the individual vesting conditions for the various schemes.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period which ends on the date on which the employees become fully entitled to the award. Fair value is determined by an external value using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry into equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

1. Accounting policies (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Company has taken advantage of the transitional provisions in respect of equity-settled awards and has applied FRS 20 only to awards granted after 7 November 2002 that had not yet vested at 3 January 2005.

The Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 20 costs in the subsidiary undertakings.

Provisions for liabilities

A provision is recognised where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

2. Loss attributable to members of the parent Company

The loss dealt with in the financial statements of the parent Company is £744,000 (2011: £943,000).

3. Investments

	Subsidiary undertakings £000	Associates and joint ventures £000	Total £000
Cost or valuation:			
At 26 December 2010	6,102	205	6,307
Share options granted to subsidiary employees	1,123	–	1,123
Additions	8,631	–	8,631
At 25 December 2011	15,856	205	16,061
Share options granted to subsidiary employees	1,551	–	1,551
Additions	4,912	4,681	9,593
Acquisition of non-controlling interest	404	–	404
Disposals	(517)	–	(517)
At 30 December 2012	**22,206**	**4,886**	**27,092**
Amounts provided for:			
At 25 December 2011 and 30 December 2012	–	–	–
Net book value at 30 December 2012	**22,206**	**4,886**	**27,092**
Net book value at 25 December 2011	15,856	205	16,061

Additions during the period relate to the acquisition of Domino's Switzerland, and the new joint venture companies. Please refer to notes 18 and 19 of the Group accounts for further details. The acquisition of non-controlling interest relates to the purchase of the DP Milton Keynes Limited 25% non-controlling interest and the disposal in the period relates to the disposal of 100% ownership of DP Milton Keynes Limited.

3. Investments (continued)

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% ordinary	Investment
DP Realty Limited	England	100% ordinary	Property management
DP Group Developments Limited	England	100% ordinary	Property development
DP Capital Limited	England	100% ordinary	Leasing of store equipment
American Pizza Company Limited	England	100% ordinary	Dormant
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% ordinary	Property management
DP Cyco Limited	Cyprus	75% ordinary	Operation and management of franchise business in Germany
DP Cyco Switzerland Limited	Cyprus	100% ordinary	Operation and management of franchise business in Switzerland
Indirectly held subsidiary undertakings			
Domino's Pizza UK & Ireland Limited	England	100% ordinary	Operation and management of franchise business and commissaries in the UK and Ireland
DP Newcastle Limited	England	100% ordinary	Dormant
Livebait Limited	England	100% ordinary	Dormant
DP Pizza Limited	Republic of Ireland	100% ordinary	Operation of commissary in Ireland
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany Limited	England	75% ordinary	Operation of commissary and pizza delivery stores in Germany
Domino's Pizza Germany GmbH	Germany	75% ordinary	Investment
Domino's Pizza GmbH	Switzerland	100% ordinary	Operation and management of franchise business in Switzerland
Associate undertakings			
Full House Restaurants Limited	England	41% ordinary	Management of pizza delivery stores in the UK
Dominoid Limited	England	50% ordinary	Management of pizza delivery stores in the UK
Mungo Park Limited	England	50% ordinary	Management of pizza delivery stores in the UK
Joint venture undertakings			
Deutsche Dominoid GmbH	Germany	50% ordinary	Management of pizza delivery stores in Germany
Domino's Pizza West Country Limited	England	50% ordinary	Management of pizza delivery stores in the UK
DP Shayban Limited	England	50% ordinary	Management of pizza delivery stores in the UK
HJS Pizza Deutschland GmbH	Germany	40% ordinary	Management of pizza delivery stores in Germany

4. Debtors

	At 30 December 2012 £000	At 25 December 2011 £000
Amounts owed by Group undertakings	**121,052**	117,494

Notes to the Company financial statements continued

5. Creditors: amounts falling due within one year

	At 30 December 2012 £000	At 25 December 2011 £000
Amounts owed to Group undertakings	**17,730**	3,833
Other creditors	**88**	88
Accruals and deferred income	**251**	55
Bank revolving facility	**–**	17,250
	18,069	21,226

6. Creditors: amounts falling due after one year

Loans repayable are analysed as follows:

	At 30 December 2012 £000	At 25 December 2011 £000
Bank revolving facility	**29,737**	–
Bank loans – wholly repayable within five years	**12,035**	12,035
	41,772	12,035

Bank revolving facility

On 1 August 2012, the Group completed the refinancing of the existing £25,000,000 revolving credit facility with Barclays Bank plc, increasing it to a £30,000,000 facility of which all is held in the Company. The facility was fully drawn down at 30 December 2012 and has a five year term. The interest is charged at 1.35% (2011: 0.5%) per annum above LIBOR in addition to a 0.5% utilisation fee. Arrangement fees of £298,000 directly incurred in relation to the re-financing were included in the carrying value of the new revolving credit facility and are being amortised over the term of the facility; at 30 December 2012, amortisation of £35,000 has been recognised against the carrying value of the facility. The facility is secured by an unlimited cross guarantee between the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

Bank loans

The Company has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 30 December 2012 the balance due under these facilities was £12,035,000 of which all is in relation to the Employee Benefit Trust (2011: £12,035,000). The loans bear interest at 0.5% (2011: 0.5%) above LIBOR. The loan facility has a term of seven years and matures on 31 January 2014. The limit for this facility is £13,000,000.

7. Provisions for liabilities

	Property provisions £000
At 25 December 2011	**99**
Released during the period	**(99)**
At 30 December 2012	–

Property provisions

The property provisions brought forward related to outstanding rent reviews, rates, service charges and dilapidation costs for stores sold as part of the sale of subsidiary undertakings in 2005/2006 which have now been undertaken with no additional costs incurred.

8. Authorised and issued share capital

Authorised share capital

	At 30 December 2012	At 25 December 2011
Ordinary shares of 1.5625p each		
– Number	**256,000,000**	256,000,000
– Value – £	**4,000,000**	4,000,000

Allotted, called up and fully paid share capital

	At 30 December 2012 Number	At 30 December 2012 £	At 25 December 2011 Number	At 25 December 2011 £
At 25 December 2011 and 26 December 2010	**162,035,784**	**2,531,809**	160,903,435	2,514,116
Issued on exercise of share options	**2,386,957**	**37,296**	312,349	4,880
Issued on acquisition	–	–	1,320,000	20,625
Share buybacks	**(750 000)**	**(11,719)**	(500,000)	(7,813)
At 30 December 2012 and 25 December 2011	**163,672,741**	**2,557,386**	162,035,784	2,531,808

During the period 2,386,957 (2011: 312,349) ordinary shares of 1.5625p each with a nominal value of £37,296 (2011: £4,880) were issued between 64.53p (2011: 17.19p) and 482.4p (2011: 341.00p) for a total cash consideration received of £2,594,000 (2011: £593,000) to satisfy the share options that were exercised.

During the period the Company bought back a total of 750,000 (2011: 500,000) ordinary shares of 1.5625p each for a total value of £3,307,000 (including costs of £47,000) (2011: £2,219,000, including costs of £19,000). The average price for which these shares were purchased was 434.67p (2011: 439.78p) per share.

Please refer to note 9 for details of outstanding share awards in relation to the Company.

9. Share-based payments

The total charge recognised for share-based payments in respect of employee services received during the 53 weeks ended 30 December 2012 is £2,357,000 (2011: £1,499,000). This all arises on equity-settled share-based payment transactions. Of this total £806,000 (2011: £376,000) relates to employees of the Company and £1,551,000 (2011: £1,123,000) relates to shares options granted to employees of subsidiaries. The FRS 20 cost relating to employees of subsidiaries is recorded as an increase in the cost of investment. For full disclosures relating to the total charge for the period including grants to both employees of the Company and its subsidiaries please refer to note 32 to the Group financial statements.

Notes to the Company financial statements continued

10. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – own shares £000	Other reserve £000	Profit & loss account £000	Equity shareholder's funds £000
At 25 December 2011	2,514	9,592	406	(5,526)	–	113,777	120,763
Proceeds from share issue	26	5,766	–	–	–	–	5,792
Share buybacks	(8)	–	8	–	–	(2,200)	(2,200)
Share transaction charges	–	–	–	–	–	(19)	(19)
Vesting of LTIP grants	–	–	–	4,375	–	(4,375)	–
Loss for the period	–	–	–	–	–	(943)	(943)
Share option and LTIP charge	–	–	–	–	–	376	376
Share options granted to subsidiary employees	–	–	–	–	–	1,123	1,123
Equity dividends paid	–	–	–	–	–	(18,025)	(18,025)
Contingent consideration	–	–	–	–	3,432	–	3,432
At 30 December 2012	2,532	15,358	414	(1,151)	3,432	89,714	110,299
Proceeds from share issue	20	2,574	–	–	–	–	2,594
Share buybacks	(11)	–	11	–	–	(3,260)	(3,260)
Share transaction charges	–	–	–	–	–	(47)	(47)
Vesting of LTIP grants	16	–	–	1,142	–	(1,158)	–
Loss for the period	–	–	–	–	–	(744)	(744)
Share option and LTIP charge	–	–	–	–	–	806	806
Share options granted to subsidiary employees	–	–	–	–	–	1,551	1,551
Equity dividends paid	–	–	–	–	–	(21,746)	(21,746)
At 30 December 2012	**2,557**	**17,932**	**425**	**(9)**	**3,432**	**65,116**	**89,453**

Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT. The shares held by the EBT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes. At 30 December 2012, the Trust held 505,370 (2011: 560,527) shares, which had a historic cost of £7,881 (2011: £1,151,169). These shares had a market value at 30 December 2012 of £2,483,894 (2011: £2,230,897).

Other reserve

The other reserve relates to the contingent consideration payable for the acquisition of Domino's Germany.

Five year financial summary

	30 December 2012	25 December 2011	26 December 2010	27 December 2009	28 December 2008
Trading weeks	**53**	52	52	52	52
System sales[1] (£m)	**598.6**	530.6	485.3	406.9	350.8
Group revenue (£m)	**240.5**	209.9	188.1	155.0	136.0
Profit before tax (pre exceptional items) (£000s)	**46,701**	42,156	38,007	29,865	23,361
Profit before tax (post exceptional items) (£000s)	**42,369**	38,789	35,204	40,968	22,149
Basic earnings per share					
– Pre exceptional items	**22.17**	19.48	17.36	13.81[3]	10.86
– Post exceptional items	**19.04**	16.65	15.40	21.45[3]	10.12
Diluted earnings per share					
– Pre exceptional items	**21.95**	19.24	16.75	13.49[3]	10.71
– Post exceptional items	**18.85**	16.45	14.85	20.95[3]	9.97
Dividends per share (pence)	**14.50**	12.30	10.20	7.75	5.90
Earnings before interest, taxation, depreciation and amortisation (£000s)	**47,894**	42,646	38,467	30,995[2]	24,485
Adjusted net debt (£000s)[3]	**(22,964)**	(15,297)	(8,639)	(15,741)	(8,174)
Adjusted gearing ratio	**0.5**	0.4	0.2	0.5	0.3
Stores at start of year	**726**	665	608	553	501
Stores opened	**69**	62	57	55	52
Stores acquired	**12**	2	–	–	–
Stores closed	**(2)**	(3)	–	–	–
Stores at year end	**805**	726	665	608	553
Corporate stores at year end	**23**	5	–	–	–
UK like-for-like sales growth (%)	**5.0%**[4]	3.7%	14.3%	9.6%	9.7%

1 Sales from all stores in the UK, Republic of Ireland, Germany and Switzerland to the public.
2 Excludes excess of fair value of assets acquired over consideration recognised in the income statement and impairment charge.
3 Excludes non-recourse loans, Germany non-controlling interest loan and share buy-back obligation.
4 Compared to the comparable 53 week period in the prior year.

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It's what we do...

7:54 tasty pepperoni passion ordered via Domino's mobile app > 7:55 Our passionate staff are on hand to help > 7:59 the dough for your pizza is slapped by our expert pizza maker and topped with the finest ingredients > 8:08 your pizza is baked to the finest quality > 8:09 your pizza is on its way! > 8:17 piping hot pizza delivered to your door in record breaking time > 8:37 taste buds are satisfied. Room for dessert?

Domino's®