

*people
passion pizza*



Domino's Pizza Group plc
Annual Report & Accounts 2013

We're passionate about...

developing new and exciting products, keeping our customers at the core of all we do and focusing on expansion. This passion for our business means we continued to develop lots of new flavours during 2013 from hot dog stuffed crust to chocolate twisted dough balls.

Financial highlights

System sales

£668.8m¹

2012⁵: £586.5m¹

UK like-for-like sales growth

7.0%²

2012⁵: 5.2%²

Adjusted profit before tax

47.6m³

2012: £46.7m³

Adjusted diluted earnings per share

23.9p³

2012: 22.0p³

- Earnings per share (pre-exceptional items)
 - Diluted earnings per share up 8.6% to 23.9p (2012: 22.0p)
 - Basic earnings per share up 8.1% to 24.0p (2012: 22.2p)
- Statutory basic earnings per share 10.7p (2012: 19.0p)
- Final dividend increased by 11.4% to 8.80p per share (2012: 7.90p)
- 57 new stores opened in the year (2012: 69 stores) and four closures (2012: two) resulting in a total of 858 stores in four countries as at 29 December 2013 (as at 30 December 2012: 805)
- Online system sales increased by 28.2% to £338.0m (2012⁵: £263.7m) with online sales accounting for 61.5% of UK delivered sales (2012⁵: 56.1%). Of this, 30.9% of online sales were taken through a mobile device (2012⁵: 19.7%)

- Adjusted net debt⁴ to EBITDA³ of 0.3:1 (2012: 0.5:1), 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 25 December 2011 compared to the corresponding 52-week period in the prior year that were open in both periods being compared.

3 Pre-exceptional items.

4 Excludes Domino's Leasing Limited's non-recourse loans and the non-controlling shareholder loan in Germany.

5 The financial year 2012 included 53 weeks in total. To provide a more meaningful comparison, the system sales stated for 2012 have been adjusted to 52 weeks by excluding the first trading week of the 2012 financial year.



Social Media



Facebook: DominosPizza, DominosIreland, dominospizzadeutschland, dominospizza.ch

Twitter: @Dominos_UK, @Dominos_ROI, @Dominos_DE

YouTube: DominosUK1

Instagram: #dominos_uk

Blog: dominos.co.uk/blog





Strategic report

Read about our plans for the business going forward, including the changes at Board level, the launch of our new Corporate Social Responsibility strategy – Domino's Responsible Delivery Plan – and a review of 2013.

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Group at a glance

Our mission is to be the number one pizza delivery company in the UK, the Republic of Ireland, Germany and Switzerland. In 2013 we opened 57 new stores and sold 65.5 million pizzas – an average of nearly 1.26 million pizzas per week.



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

1	Suppliers	...	2	Supply Chain Centre	...	3	Franchisees	...
<p>Our passion for only the finest quality ingredients ensures we continue to maintain an excellent relationship with our suppliers. We negotiate the best commercial terms and have many long-term supplier agreements in place.</p>			<p>Our Supply Chain Centres continue to lead the way for Domino's globally, remaining among the highest ranking in relation to standards of excellence throughout Domino's worldwide.</p>			<p>Our network of exceptional franchisees remains committed to promoting the Domino's brand. Their entrepreneurial spirit and drive ensure our continued success on the high street.</p>		
								



Domino's stores in numbers



England

663

Scotland

56

Wales

33

Northern Ireland

21

Isle of Man

1

Mobile Unit

3

Republic of Ireland

48

Germany

23

Switzerland

10

4

Delivery



From order to door, we deliver more. Our drivers are equipped to face most weather to ensure that fresh, piping-hot pizza gets to the customer in as quick a time as is safely possible.



5

Communities



Our interaction with the local community is part of Domino's history and culture, with our franchisees striving to be at the heart of everything by getting involved in local charitable projects and sponsorships. We aim to deliver more than just great-tasting pizza.



6

Customers



Our customers remain our number one priority. We continue to provide them with fresh, great-tasting pizza and deliver them new product offerings and new ways in which to order each year.



Chairman's statement



Key highlights

System sales

+14%
2012¹: +10.5%

New stores

+57
2012: +69

UK like-for-like
growth

+7.0%
2012¹: 5.2%

In 2013 our UK strategy has continued to deliver very powerful growth. The Republic of Ireland has shown real recovery and we have started to implement a new strategy for Germany.

¹ Throughout the Strategic Report the 2012 system sales and like-for-like figures have been adjusted to represent a 52-week comparative by excluding the first trading week of the 2012 financial year, however, all income statement and balance sheet related comparisons are for the 53 weeks ended 30 December 2012.

I am pleased to have another strong set of results to share with you. The Group has again delivered very solid profit before tax and exceptional items of £47.6m, representing excellent growth in the core markets of the UK and Republic of Ireland of 11.6% on last year to £55.2m. This was partially offset by higher than anticipated losses in Germany of £7.0m.

At the heart of the Group's story in 2013 is some very powerful growth in our core UK market, where like-for-like sales growth accelerated to 7.0% (2012: 5.2%), surely one of the strongest growth stories on the UK high street. This strong performance was driven by a broad blend of activities, including: investment into digital sales, smart use of SMS marketing, strong new product development and targeted incentives for franchisees to accelerate their order counts.

The Republic of Ireland ("ROI") has at last shown some real recovery and we are delighted that our strategy of working with franchisees to support them through difficult times appears to be bearing fruit. During the sharp recession in Ireland no stores were closed as a result of the franchisees' skill and determination along with some financial support from us.

The strong volume growth plays well to the Group's operational gearing. As volume grows, we extract improved returns from our investments in Supply Chain Centre (formerly known as commissary) capacity and procurement. In 2013 we saw the important metric of UK & ROI's adjusted profit before tax to systems sales grow to 8.5% (2012: 8.4%).

Germany has been a difficult experience for us during 2013. Our initial strategy of rapid store expansion to achieve critical mass early resulted in unacceptably high losses including large impairments of assets in Germany. This strategy was revised mid year as we started to transition our corporate stores across to franchisees and slow expansion until solid store level economics have been established. This follows the pattern in the UK, successfully executed in the 1990s. This process is now well under way and I expect we will see transitioned stores start to pick up sales momentum in the coming months and the corporate losses start to decline.

I remain an optimist on the long-term prospects for our German business. At a local level we have seen that a good store, operated by a strong franchisee, can achieve order levels not far short of the UK levels. Over the coming year we will concentrate on driving more stores up to this critical stage, before accelerating our store opening process.

We have also taken the decision to purchase the remaining 25% of the German business from our non-controlling interest partner. This will simplify the operation of this business and is a sensible deal for Domino's shareholders, giving 100% ownership and the Group full control over how we implement our plans for the future.

Our Swiss business, which we purchased in September 2012, is on track to reach profit by late 2014/early 2015. The team there is making great progress.

It remains for me to say two important goodbyes:

Chief Executive Officer, Lance Batchelor, joined the Domino's board in July 2010, initially as a Non-Executive Director. In June 2011 he moved across to become deputy Chief Executive Officer, stepping up to Chief Executive Officer in December. He recently announced his resignation, leaving us in March 2014 to take up a new role. Lance's tenure has been marked by a strong uplift in our UK like-for-likes, a deeper move into web and mobile sales and marketing, and a very strong new product pipeline. I would like to take this chance to thank him for all he has contributed and wish him well. We are currently busy recruiting his successor, and I have no doubt we will attract a top-class Chief Executive Officer to run this wonderful Group.

During the interval between Chief Executive Officer's, our Non-Executive Director, David Wild, has agreed to step up and act as Interim Chief Executive. David is an experienced Chief Executive Officer himself and will be a very safe pair of hands. I will be working closely with David to ensure our strategy is delivered without any pause.

Chief Financial Officer, Lee Ginsberg, joined Domino's in 2004, and has therefore been part of our story for over a decade. He has now decided to retire and take up a portfolio of roles. Lee has been an integral part of the remarkable Domino's success story, working with three Chief Executive Officers to take the market capitalisation of the Group from £105m to today's £800m+. He has a very strong and well-deserved reputation within the investment community, demonstrating an intimate understanding of the business model. I would like to sincerely thank Lee for the huge part he has played in the helping the Group grow.

I am pleased to welcome Sean Wilkins as our new Chief Financial Officer. Sean came to us from Coles in Australia and, before that, Tesco. He joined us in November and is now fully immersed in the business, demonstrating good understanding of our unique business model and rapidly developing strong relationships both within the Domino's family and with our investors. I am confident Sean will be a major asset to the next stage of Domino's development.

Finally let me thank our franchisees and staff for all they do to make Domino's the leading pizza delivery company in the world. Day and night they are out there, focused on product, service and image, always seeking to ensure customers get what they want and I am grateful to them all.

Stephen Hemsley

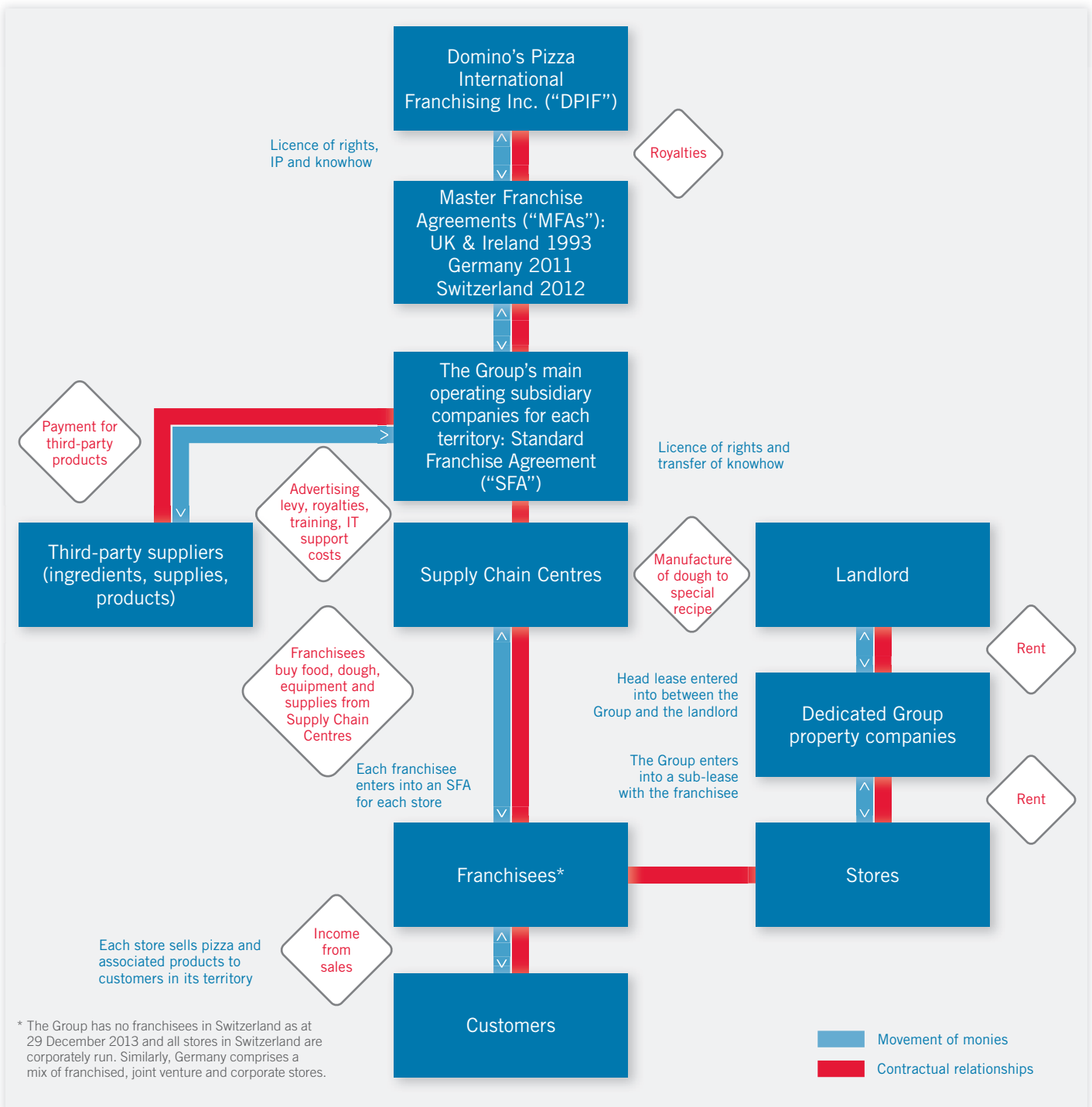
Chairman


28 February 2014

Our business model

Our franchised business model has proven to be successful in the UK over many years. We manufacture fresh dough and supply quality ingredients and offer support to all of our stores in a variety of ways, from local store marketing support, centralised IT systems and software and Group services, right through to business partners that work with each franchisee to target growth opportunities.

We typically take a head lease with the landlord for a store and grant a sub lease to the franchisee. Each Domino's Pizza store buys all its dough, most other ingredients and many other supplies directly from our Supply Chain Centres or, in some cases, through approved suppliers. Our Supply Chain Centres offer stores everything from dough and menu ingredients through to uniforms and equipment. Stores then sell directly to customers, paying the Group royalties and making contributions to a national advertising fund, based on a percentage of sales.



1	Domino's Pizza International Franchising Inc.	...
<p>One of the Group's key relationships is with DPIF, the master franchisor of Domino's Pizza across the globe. We have three MFAs in place with DPIF, relating to the territories in which the Group sub-franchises in (1) UK and Republic of Ireland; (2) Germany; and (3) Switzerland, Liechtenstein and Luxembourg. The Company has also purchased from DPIF the option to acquire the Master Franchise rights in relation to Austria on or before 31 December 2014.</p>		
2	Franchisees	...
<p>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 nearly 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.</p> <p>Franchisees enter into a Standard Franchise Agreement in respect of each store for an initial term of ten years with an option to renew for a further ten years.</p>		
3	Dough, third-party suppliers, distribution	...
<p>We manufacture all the dough for our pizzas in our Supply Chain Centres and supply all our stores with fresh, tasty dough and most other food products three times a week.</p> <p>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, with whom we are building long-term relationships and aim to get the best commercial terms possible.</p>		
4	Innovation and new product development	...
<p>Innovation is at the heart of our success, including:</p> <ul style="list-style-type: none"> • new products to keep our offering fresh; • innovative use of social media and other digital marketing tools to extend our reach; and • the use of technology to streamline ordering and reduce costs 		
5	Customers	...
<p>Our goal is to be the leading provider of freshly made great-tasting pizza for each territory in which we operate. Customers can order online, by phone or in store.</p>		
6	People	...
<p>Most of the employees that work in Domino's Pizza stores are employees of the franchisee that owns and operates that store. The Group employs staff at its Support Centres in Milton Keynes, Düsseldorf and Zurich and Supply Chain Centres in the United Kingdom, Ireland, Germany and Switzerland.</p> <p>We recognise the importance of a happy workplace and believe our employees are one of the main champions of the brand, so we place significant emphasis on how we recruit and how we develop them.</p> <p>We put safeguards in place to ensure our franchisees treat their staff with respect and in accordance with brand standards and we continuously strive to update and train all staff on a regular basis.</p>		
7	Revenue & cash flow	...
<p>We generate most of our revenues from three main streams, as follows:</p> <p>(i) Royalties, sales to franchisees and corporate store sales This includes revenue from pizza sales in our corporate stores as well as revenue from sales of 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.</p> <p>(ii) Rental income This arises from leasehold properties, for which the Group holds the head lease, that are sub-let to franchisees.</p> <p>(iii) Finance lease income Interest income from financing provided to franchisees associates and joint ventures in the form of finance leases for assets in new stores. 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, including food, salaries, rental and royalty payments. We invest in assets such as plant, property, equipment and IT systems.</p>		
8	Shareholders	...
<p>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.</p>		
	What makes us different	...
<p>Our dedication to 'Product, Service and Image', endeavours to make Domino's our customers' first choice for home delivery and takeaway pizza.</p>		

Market overview

Domino's sits in a highly competitive marketplace that combines international/national and independent chains with a diverse food offering. We consistently perform with strength and clear vision that differentiates us from many of our competitors. We keep our customers' needs front and centre in all of our thinking and this gives us a clear edge over the competition.

The delivery/takeaway meal sector is a competitive and fragmented marketplace. Alongside pizza it includes options ranging from sandwiches, burgers, chicken and fish & chips to ethnic food options such as Chinese and Indian. The market is served by national/international chains and also by local independents.

Macroeconomic environment

Following some very tough economic times, we and our franchisees are cautiously optimistic about the economic outlook.

Consumer confidence is rising, domestic output is increasing and unemployment rates are falling. However, real disposable income has declined over the longer term as the cost of living has increased, despite interest rates staying at historically low levels.

It took some time for the impact of the recession to be really felt in our customers' pockets. We think it is likely to take some time before customer spending returns to pre-recessionary levels, hence our cautious optimism.

Food commodity prices

2013 was another challenging year on food commodities with UK Food Inflation running well above 4% for the majority of the year.

Milk price inflation, impacting the price of cheese, was our biggest concern, driven by poor weather in the spring, reduced production levels and increased demand from China, forcing us to pass price increases to franchisees in the latter part of 2013.

However, the Group was able to avoid many other areas of food commodity inflation due to the strong, long term relationships we have with our suppliers. Despite spikes in the prices of core

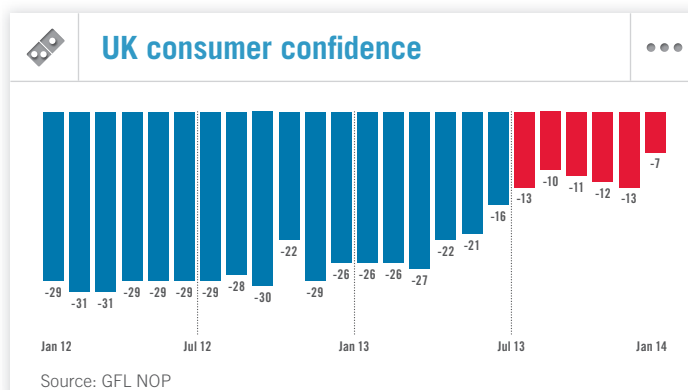
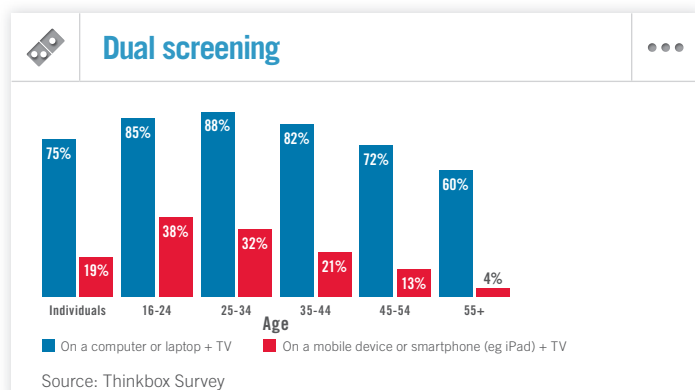
commodities – chicken (+15%), wheat (+20%) and tomato paste (+10%) – we were able to hold the prices of all of these products flat to franchisees on the back of forward buying and long term contracts.

In 2013 food inflation generally ran well above 4%, however; Domino's average store food basket only saw a year-on-year increase of 2.5%.

Customers want value for money

Commentators have been quick to correlate our strong performance and growth with the recession, stating that Domino's is a recession-proof brand. But at Domino's we are anything but complacent about our growth and recognise that, in this economic environment, our customers are looking for real value for money. Customers claim to be eating out less frequently and spending less than they used to on delivery/takeaway food and they are typically choosing to spend their hard-earned money on more traditional takeaway/delivery occasions, like evenings and weekends. They are savvier than ever, claiming to shop "on deal" more than they used to and looking for offers tailored to their needs, whether that means family meals, social snacking or eating on the go. Consequently, the more expensive delivery/takeaway options have suffered, whilst the pizza delivery/takeaway sector has been more resilient.

More than 70% of takeaway users look out for special offers.





UK stores like-for-like
sales growth

+7.0%
2012¹: +5.2%

There's a focus on quality and service

Recent food scares have focused consumers' attention on the quality and provenance of prepared foods and ingredients. Our customers tell us that they would rather spend a little bit more on a hot, fresh meal made with superior ingredients, be that our fresh dough, our mozzarella, our unique recipe tomato sauce or our thicker cut pepperoni. They trust us to deliver a high-quality product on time, rather than opting for a cheaper alternative that means they end up with something cold, late and made from inferior ingredients.

Quality is a key driver of purchase for 65% of pizza buyers.

And innovation is important too

Customers, though, are increasingly willing to shop around and their loyalty is harder than ever to earn. Whilst value and quality are important, consumers are also increasingly adventurous in their food preferences. They want to be enticed with new flavour choices and experiences, not just in core pizza offerings but across a range of supporting side dishes and desserts that can turn a meal into an occasion. There's an increasing appetite for us to ring the changes with limited edition ranges and new product formats that give customers new reasons to keep coming back.

44% of pizza buyers are interested in pizza recipes influenced by other types of cuisine.

Our marketplace has become digital

We used to say that the TV was our point of sale. However, TV screens today are just one of media through which consumers see advertising and other forms of communications. Rapid growth in the use of smartphones and other internet-enabled devices means that today's customers are spending the majority of their daily media time online and "multi screening" is on the increase as they use smartphones, tablets or laptops whilst watching TV. More than ever before, customers are using the internet to research before they buy, to communicate with each other and, of course, to shop. This is particularly true amongst our younger adult audience and, if this is where our customers are, we need to be there with them.

53%+ of our UK sales are online.

Getting social (and personal) with customers

The digitalisation of the market has spawned a number of aggregator sites offering independent takeaway/delivery chains an e-commerce platform for a hefty commission. However, whilst this gives these providers access to a sales channel, here at Domino's we think the digital landscape offers much wider opportunities for customer engagement. It is a complex, exciting and rapidly developing environment, which offers not only new platforms to trade from, but also:

- access to our own media channels that allow us to communicate more effectively with customers;
- the ability to target specific customers more efficiently at different stages of their purchase decision and personalise our communications with them; and
- scope to develop more event-driven, seasonal and local content that can be used to connect with existing and prospective customers.

Consumer brands now need a strong social media presence, as customers spend more time communicating within social channels, making recommendations to each other and using social sites as customer service tools. Where brand communications used to be broadcasts, they are now conversations. Content is created and shared not just by brand owners but by consumers too and increasingly it is about entertainment as well as information. The Domino's brand has always been about fun and sharing, so this plays to our strengths. Digital has created new opportunities for us to use media as a way of delivering more engaging brand messages to customers, as well as providing them with a fast, secure, convenient way to order.

We recognise the importance of digital and have worked hard to digitalise the business. Digital or not, though, our real challenge is to keep customers' needs and preferences front and centre in our thinking. We have more opportunities to engage, entertain and educate them about Domino's through multiple touch points.

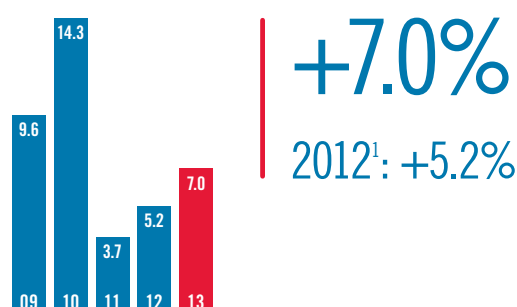
Key Performance Indicators

In order to continue to implement, develop and measure the Group's strategic performance, we monitor eight financial and non-financial key performance indicators ("KPIs") in addition to the Group's income statement results.

Recognising that our employees drive our business forward, we ensure that we align our Directors and other employees' interests to those of our shareholders by including two measures linked to our KPIs (details of which can be found in the Directors' remuneration report) within our Executive remuneration policy, being adjusted profit before tax growth and adjusted diluted earnings per share growth. The eight KPIs and how we performed against them are set out below:

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

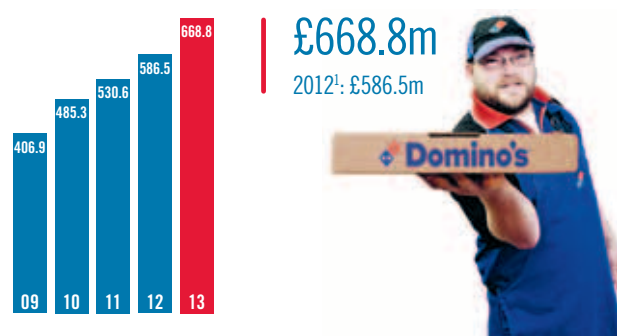
Like-for-like sales growth represents a very useful barometer of organic growth and is an accepted measure of performance across all retailing sectors. Like-for-like sales in the 670 stores that were open in both periods being compared grew by 7.0% (2012¹: 5.2% growth in 612 stores). Over the last five years the average like-for-like growth was 7.9% (2012: 8.5%).



2 System sales (£m)

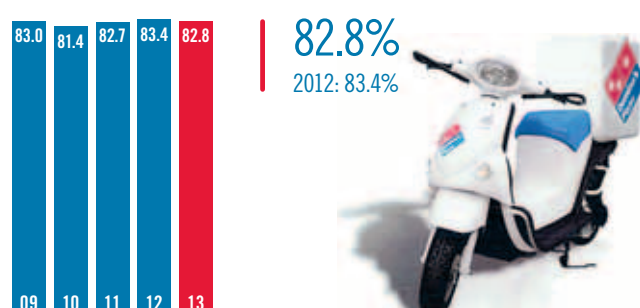
System sales represents the most useful indicator of the overall strength of the Domino's brand in the UK, Republic of Ireland, Germany and Switzerland.

The Group measures the total sales of the Group's franchisee and corporate store system in the UK, Republic of Ireland, Germany and Switzerland, to external customers, for the 52 week period, compared to the 52/53-week reporting period in 2009–2012¹. In 2013, system sales grew by 14% (2012¹: 10.5%) to £668.8m (2012¹: £586.5m).



3 Delivered on time (%)

The UK and Ireland'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 remained steady at 82.8% (2012: 83.4%)

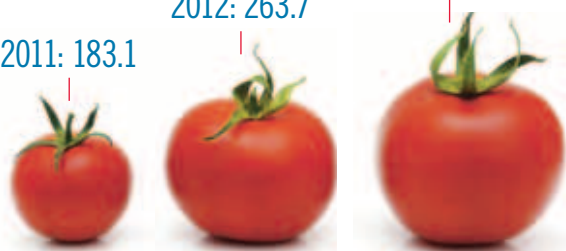


4 Adjusted profit before tax (PBT) (£000)

Group profit before tax and exceptional items ("adjusted PBT") is a good indicator of the efficiency of the business model for the shareholders and franchisees alike. The Group measure adjusted PBT compared to the 52/53-week reporting period in 2009–2012. Adjusted PBT for the period was up 1.9% to £47.6m (2012: £46.7m)



2011: 183.1 2012: 263.7 2013: 338.0



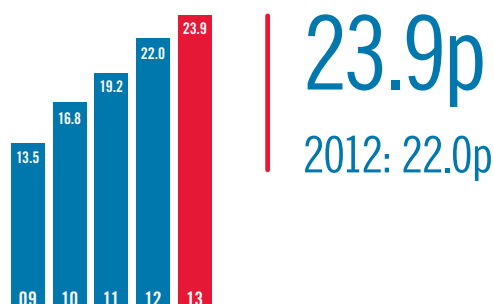
E-commerce
sales

+28.2%

2012¹: +43.6%

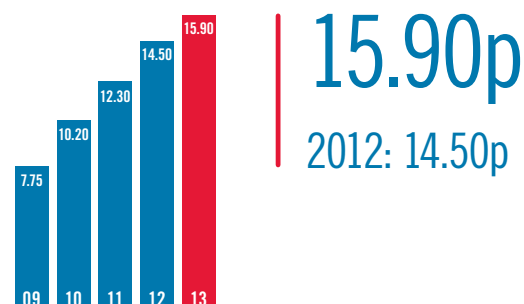
5 Adjusted diluted earnings per share (EPS) (pence)

Total earnings, before operating and non-operating exceptional items, divided by the total number of dilutive shares. Adjusted diluted earnings per share for the period was up 8.6% to 23.9p (2012: 22.0p).



6 Dividend per share (pence)

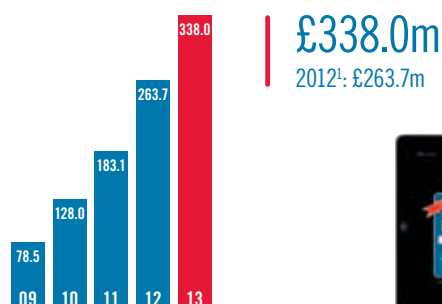
The interim dividend paid and the final dividend proposed divided by the number of shares eligible for dividends. Dividend per share for the period was up 9.7% to 15.90p (2012: 14.50p).



7 E-commerce sales (£m)

The focus on digitalisation of the business drives this measure.

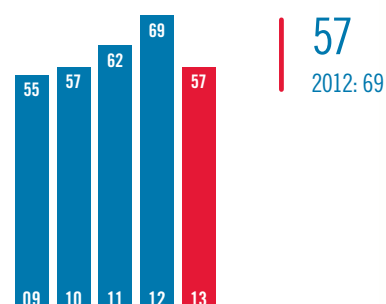
In 2013, the sales of the stores in the UK and Republic of Ireland, to external customers, via the website (www.dominos.co.uk and www.dominos.ie), grew by 28.2% to £338.0m (2012¹: £263.7m).



8 New store openings (number of stores)

A strong indicator of growth in our business is continued presence by increasing store numbers.

57 new stores were opened during the 52-week period 29 December 2013 (2012: 69 in 53-week period 30 December 2012).



Chief Executive Officer's review



Key highlights

Group like-for-like
sales growth

+6.5%

2012¹: 4.2%

UK & ROI
E-commerce sales

+28.2%

2012¹: 44.0%

Delivered on time

82.8%

2012: 83.4%

I am delighted to be able to present the Board's strategy and these results in my role as Interim Chief Executive. Whilst I have been in the business for a relatively short period of time, I have got to know it well. I am excited by what I have seen and opportunities for the future.



Our strategy

The greatest strength of the Domino's business is the simplicity and clarity of our strategy: we aim to be the number one pizza delivery business in our markets through a commitment to offering the best product, service and quality to our customers.

We have a very strong network of franchisees who execute the strategy locally. At Domino's we support them with:

- an efficient, low-cost supply chain to help drive down costs;
- innovative product development;
- world-class marketing and e-commerce initiatives;
- audits which maintain standards; and
- property management, including new store development.

We have a highly developed and successful business in the UK and Republic of Ireland. We have the opportunity to develop a strong position in Germany and Switzerland, where, although our operations are very immature, we are rapidly gaining experience.

As you can see, our focus on these areas in 2013 has led to record adjusted profits in 2013 for Domino's. In the core UK and Irish markets,

profit before tax and exceptional items reached £55.2m, an increase of 11.6%, with Group adjusted diluted EPS growing by a very satisfactory 8.6%.

This excellent result was offset by the higher than anticipated £7.0m loss in Germany along with significant one-off costs and impairments, which is the one disappointment of the year.

The Group opened 57 new stores in 2013 (2012: 69) and the Group now operates 858 stores in total across four markets.

As at 29 December 2013, the Group had the following franchised and corporate owned stores in the Territories:

	Franchised (as at 29 Dec 2013)	Corporate owned (as at 29 Dec 2013)	Franchised (as at 30 Dec 2012)	Corporate owned (as at 30 Dec 2012)
UK	775	2	727	–
ROI	48	–	48	–
Germany	15	8	7	11
Switzerland	–	10	–	12
Group total	838	20	782	23

UK

In 2013 the core UK business has grown at a rapid pace with the strongest growth achieved in Q4. Overall sales hit record levels, with a new highest-ever Domino's Pizza UK and Northern Ireland sales record week in December of £14.1m, with mature stores averaging weekly sales of £20,903. The like-for-like performance across the year was 7.0% (2012: 5.2%). Excluding the impact of split stores like-for-like sales were up 9.2%.

The strong UK performance cannot be attributed to one single initiative, rather an extensive programme of activity which has made positive contributions.

The UK has seen a 4.1% growth in order count which is especially pleasing. It is a great barometer of positive consumer satisfaction with our offer. An increase of 1.2% in the items per order reflects a success in bundling offers to give better value and target family meals more successfully.

We were particularly pleased to see growth in the dinner segment part of the day, again a reflection of our success in bundling meals for families, to include starters and desserts.

One of the biggest changes in consumer activity in recent years has been the impact of digital technology and the use of new devices for ordering goods and services. Domino's has been at the vanguard of these developments and we see consistent growth in electronic orders from customers.

Improved reliability and stability of our platforms has been the bedrock of this performance and I am delighted that we have seen up to 23 orders per second transacted on our site.

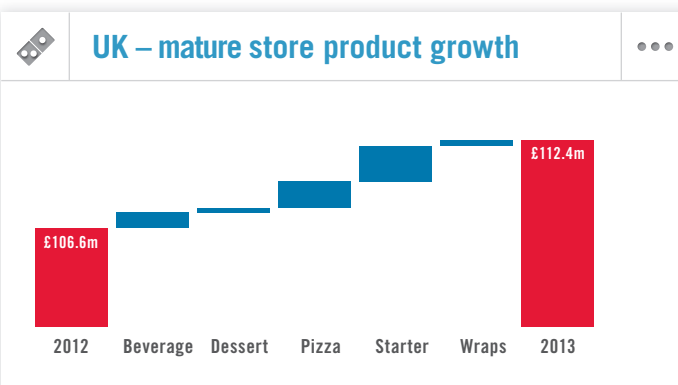
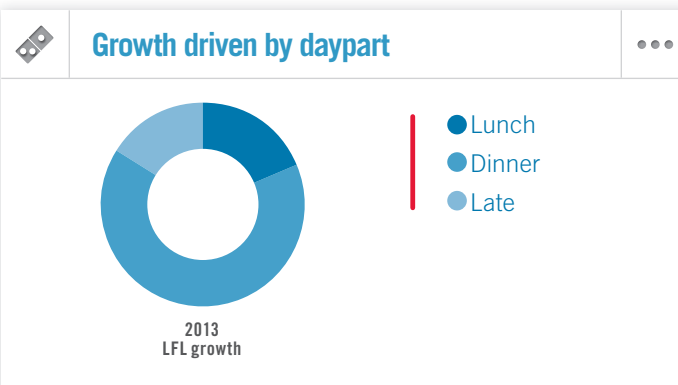
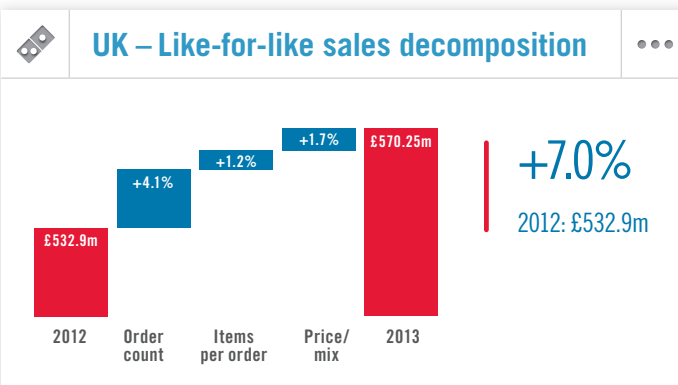
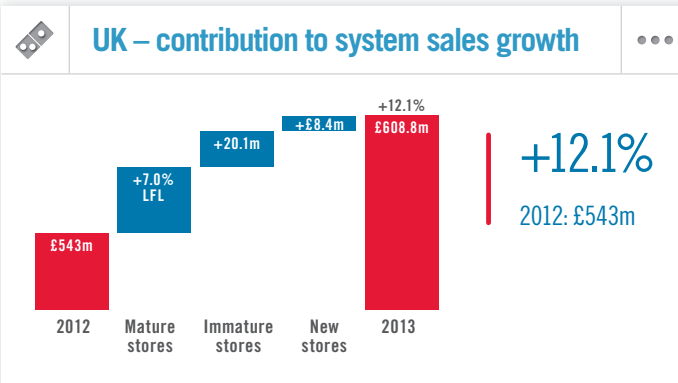
Building on this bedrock is the ease of use and navigability of our website, as well as the opportunity provided for innovative marketing campaigns, which offer our customers a wider menu of products.

We now have over 4.2m permissions to email customers (2012: 3.0m), allowing us to target them directly with marketing messages. 2013 saw our first foray into the world of high-end digital content with the production of "The Support Group", a football-themed sitcom that was hosted on our own YouTube channel.

The programme proved a massive success and has been watched by 1.2m people to date. Customers who watched the programme were 15 times more likely to go and purchase from us than they were before.

In 2013 we also launched our first-ever Domino's Blog, created to house both video and static content, to improve our search performance and provide a hunting ground for customers looking for a deal. We continue to engage, entertain and educate our social media fan base and have done so with more personality than ever before, consequently Domino's in the UK now has 912k fans on Facebook (2012: 747k) and 173k followers on Twitter (2012: 68k).

We participated in Global Domino's Week this year, which offered Domino's customers across the globe the chance to obtain 50% off when they participated in the promotional mechanic on Facebook. We also partnered with Twitter this year to understand how Twitter can be used more effectively to amplify our spend in traditional TV. This has driven out some great insights which will shape our social media strategy going forward.



Continue reading the Chief Executive Officer's review on pages 20 to 22

To read our principal risks see pages 23 to 26

47.7m
site visits
in 2013

23 orders
per second

19m UK
online orders



Passionate about service

our growing digital world

At Domino's we recognise that, in a competitive marketplace, being able to offer an engaging user experience has become a key reason why customers choose to buy from us and to recommend us to others. Our marketplace has very rapidly gone digital, and we have embraced new opportunities to connect with consumers using social media channels such as Facebook, Twitter and Instagram. As we establish our digital presence, we have focused on building user relationships based on fun, entertainment and shared experiences.

In 2013 we launched a blog to strengthen our social media presence, bringing together and sharing our content, including posts, widgets, downloads, games, competitions, infographics, videos and pictures. This concentration of content has enabled us to optimise our rankings with internet search engines, making us more visible to users through online searches.

We are also now using innovative new approaches to convert our online followers into customers: user profiling on social media channels allows us to deliver targeted online display advertising campaigns more cost-effectively than through traditional methods. Last year we were one of the first UK brands to start using Facebook as a way of delivering "highly targeted" advertisements to users who had previously visited our website. By offering tailored promotions we are able to give our digital followers a good reason to convert their initial interest into a purchase.

912,000+
Facebook
fans

Q&A with our Sales and Marketing Director Simon Wallis

What kinds of content does Domino's produce on the web?

We are increasingly idea centred and media agnostic in our thinking. We will start with the customer, their needs and requirements but it is our solution and our creative idea that brings this life. It could be a video served on YouTube or via our blog, an in-game app as we did when we sponsored the X Factor App last year, production of new programme content like The Support Group, a conversation on social media channels, or just fantastic photography that has people salivating over their digital device.

Which digital channels do you use to engage with customers?

We have a number of paid, owned and earned channels where we look to engage, entertain and educate customers about Domino's. Be that traditional display advertising, or our own blog, YouTube channel, social media platforms, email and affiliate partners.

Are they helping you to reach new customers?

We use our own channels to engage with our existing customers to drive their frequency. However, paid channels and affiliate partners are increasingly used to prospect for new customers.

What are the risks to being "out there" on social media, and how do you manage them?

We have a clearly defined tone of voice, an understanding of what is on brand and what is off brand. This is shared amongst agency partners and any creators of content. This reduces the risk of getting it wrong. We also have a responsive service to any customer-related complaints, and it is important for us to advise them that we take their issue seriously and will respond as soon as we can.



Passionate about product

fresh, natural ingredients

Our new store design, Project Star, takes its inspiration from our fresh, natural ingredients. We take great pride in the quality of our products and we work hard with our suppliers to make sure that each Domino's pizza uses the best possible ingredients. This means our customers can be confident that they are buying carefully sourced and prepared foods without hydrogenated fats or artificial flavourings and colourings.

Whether it's the 4,000 tonnes of fresh, sun-ripened tomatoes harvested for us each day at peak season, our carefully hand-picked mushrooms or our delicious, stretchy mozzarella, all our suppliers of food ingredients agree to a detailed product specification for the products they supply. This is reviewed by our food technologist to ensure each product is safe, legal and of consistently high quality. Suppliers are continually assessed in various ways, including quality checks carried out on delivery, samples sent for analysis and feedback received from stores. We make our own pizza dough and deliver it chilled, not frozen, to each of our stores to ensure it reaches our customers in great condition.



New Chocolate
Twisted
Dough Balls





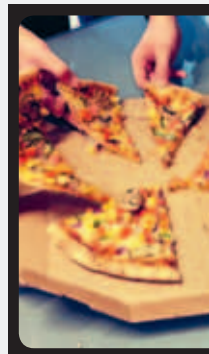
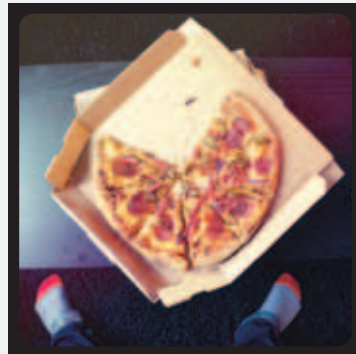


Passionate about image

— building our brand through sponsorship —

Building on our strong track record of sponsoring family entertainment, we were pleased with the performance of both of our 2013 initiatives. In the UK, we sponsored the X-Factor App, aimed at engaging consumers by adding an extra dimension to the X-Factor TV viewing experience. The app allowed users to vote for their favourite acts straight from their phones, share opinions in real time, have fun with X Factor-related competitions and games to unlock Domino's offers and, of course, order pizza!

In the Republic of Ireland we sponsored interactive talent show The Hit, a live show format which saw established artists selecting songs by new songwriters that they then competed to turn into hits through a series of weekly "chart battle" heats in which the song with the most downloads was the winner, culminating in the "ultimate hit".





Box design

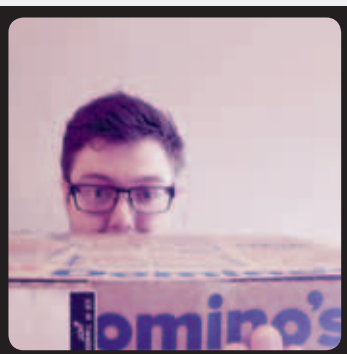


Domino's has always taken great pride in its image. In 2013, we began to integrate our new logo into the system and this gave us a good opportunity to look at our current branding and revitalise it.

We started with our pizza boxes. We replaced the old logo box with a new brown box that incorporates some key brand messages, such as the promotion of our fresh dough and the fact that our products contain no artificial colourings, flavourings or hydrogenated fats. Our new box is still 100% recyclable and is made from 80% recyclable material, with the remaining 20% being FSC assured.



Tasty new
box designs



Project Star



We also began to look at our store design, with Project Star – a new-look image for our stores.

Project Star was designed to increase our brand awareness on the high street, give our stores a more contemporary feel and provide our customers with a clearer vision on where to order and collect their pizzas.

We have changed both the exterior and interior of the store. Externally, a new, sleek black frontage and internally a feature wall showcasing our fresh products, overhead digital menu screens, a lowered, more welcoming, customer counter and a prominent view of our gallery, enabling customers a window into the world of pizza making.

Every new store opens with this format, with the remainder of our stores implementing this design by 2017. This modern design ensures that we keep our brand fresh and exciting and it has made a real difference to the look and feel of our stores.



Chief Executive Officer's review continued

New products

Our development chefs continue to come up with new and interesting product ideas to give customers reasons to expand their basket. In 2013, we continued to build on our fresh dough Stuffed Crust platform with the launch of Hot Dog Stuffed Crust. We also brought out a new range of American Legends pizzas (New York Deli and The Carolina), which were intended to be a limited time only offer, but proved so popular we decided to keep them on our menu. We also expanded our range of sides and desserts this year with the addition of our savoury and sweet Twisted Dough Balls range, Spicy BBQ Wings and Chocolate Brownies.

Our gluten free offering has continued to grow in popularity, and helped us broaden the appeal of the brand amongst families that previously ignored Domino's because one or more of the family were gluten intolerant. Now the whole family can enjoy a pizza meal together.

Image

We have begun a major improvement of the image of the brand at a store level with the roll-out of our new store image programme, Project Star. In this new design, part of a worldwide brand refresh, we are making the pizza the star of the show. Every Domino's pizza is a customised, handmade work of art. So we are bringing the back of house into the front, shining a spotlight (quite literally) on the pizza-making process, providing a better welcome, taking customers on a journey with their pizza from order, along the makeline, through the oven, to the cut table and then to the pickup.

There is much better use of natural materials and colours to reflect the provenance of our fresh product. The exterior of these re-imaged stores creates a far more impactful, confident and high-quality impression of the brand on the high street and really sets us far apart from the competition. We're very proud of it and

encourage anyone to come and take a look at a new store. It will change your perceptions of what a pizza delivery shop can look like. By 2017 every older store in the Domino's estate will be updated, as we work to ensure the business is kept fresh and new.

This more natural brand image has also been reflected in our new packaging design, which not only serves to provide reassurance to customers about the quality and provenance of our ingredients, but does so in our own inimitable tone of voice.

Republic of Ireland

I am delighted with how our Irish business has turned around this year. Like-for-like sales in euro's in 2013 were up 6.0% (2012': -0.3%), which was significantly ahead of our expectations. Encouragingly this growth was driven by like-for-like order count growth of +1.5% (2012': -3.6%). I am also encouraged by the fact that growth has been seen across all parts of the country. Dublin stores are outperforming those in the provincial and country areas, but all remain in growth.

The Irish business continues to migrate to digital, albeit at a slower rate than the UK. E-commerce sales reached record levels in Ireland, now representing 28.2%, whilst mobile now represents 28.8% of e-commerce sales. E-commerce sales have grown by 24.2% (2012': 33.1%), whilst mobile sales continue to grow, up 89% (2012': 171%).

The success seen across the country has in large part been driven by franchisees' undiminished commitment, enthusiasm, and investment behind local store marketing. This is when our model really shines, when entrepreneurs passionate about their businesses start to drive ahead. This has been assisted by our long-term commitment to our national promotional strategy.



Greatness from Domino's



Domino's Pizza created a new campaign born out of a new creative positioning for the brand – “Greatness from Domino's”. The TV commercial premiered in September and marked a nationwide roll-out of the new Greatness branding across multiple channels including the franchise retail outlets and packaging.

Domino's harnessed, in a memorable and entertaining marketing campaign, all the great things we do which stands us apart from our competitors.

Essentially great ingredients, great service, great value with great and passionate people dedicated to come to the rescue in those everyday ordinary challenges such as the chore of midweek cooking.

Showcasing all these aspects of the Domino's experience, in an amusing way, gives an emotional connection and a reason to celebrate the individual great moments in their lives with great pizza.

The new campaign featured a delivery driver driving to people across Britain to the theme tune of the 1970s children's classic “Champion The Wonder Horse”. Media planning included high-profile/high-audience shows.

2013 saw us return to family entertainment TV sponsorship as we backed the launch of The Hit, a new TV show that set out to find local home grown singer/songwriter talent. The show proved popular with Irish viewers and saw us expand our audience using RTE (Raidió Teilifís Éireann), as we worked to broaden the footprint of the brand. We are proud of how we brought this sponsorship to life in TV, on social media, in store and at the live concert venue. In fact, we won the Best Media Sponsorship award at the prestigious Irish Sponsorship Awards in September. We were also proud to trial a new promotional mechanic in Ireland, where we asked customers to buy one pizza and another for €1, so we could donate that €1 per pizza to our long-standing Irish charity partner Barratstown.

On the back of some quantitative product work which vindicated our long-standing belief that we make the tastiest pepperoni pizza we communicated this message as part of our marketing campaign for the period.

Germany

The global Domino's business is the most successful home delivery pizza business in the world, operating nearly 10,900 stores in over 70 international markets. These include a mix of both developed and emerging economies. Germany is the largest consumer market in Europe and the 4th in the world, with established global QSR (quick service restaurant) businesses running successfully in the burger and sandwich segments.

Our investment into Germany hasn't been without challenges and teething problems. Initially, the stores were run corporately rather than as a franchise, which is the UK norm. Ambitious expansion plans were established before a full understanding of basic store economics had been determined and the early openings were too large, leading to high rental and utility costs. Overheads are too high given the small number of outlets and we have tested a number of price points during our first few years and concluded that Domino's quality justifies a premium price, as in the UK.

A change of management in 2013 gave the Board the opportunity to review and implement a new strategy based on:

- a move to franchise rather than corporate stores;
- a more modest 2014 opening programme – likely to be five stores;
- a standard store format with a 150 square metre template;
- streamlined Support Centre overhead;
- a new e-commerce platform; and
- premium pricing with aggressive promotions.

The summary of this strategy is to ensure a clear focus on store-level economics. The implementation of this revised strategy has resulted in increased losses in 2013 and significant write-offs which have been taken as exceptional costs. We expect that losses in Germany will continue for several years until we establish sound and replicable store level economics and achieve a critical mass of stores sufficient to support the overhead. Thereafter we hope the growth in contribution from Germany will be significant and replicate the progress made in the UK.



A bit of fun



As you know, we have never been a brand to shy away from being first and having it a bit of fun while we're doing it.

One great example of this in 2013 was the test run of our "DomiCopter", which created a worldwide phenomenon resulting in 15m hits on YouTube and 21.1m mentions on Twitter. The second was our parody of the BA 'lookup' ad, encouraging customers to look down to see to where the Pepperoni Passion was being delivered.

The Board has decided that in order to ensure that we are able to move forward in Germany without any barrier, we should buy out our minority shareholder at a price linked to business success.

Switzerland

Domino's purchased the Swiss business in September 2012, after a decade in which it had lost money and stalled. All stores are corporate stores. We made good progress in 2013, growing Like-for-like sales by 5.4% with pre-exceptional losses of £640k slightly behind where we expected to be.

We closed two underperforming stores and identified four new store sites which took more time to obtain leases and consents than expected, but which are now being developed. It is our intention to reach break even in Switzerland by the final quarter of 2014/early 2015.

Chief Executive Officer's review continued

Technology

Pulse roll-out

In 2013 the roll-out of our new point of sale system called Pulse was completed. The new system, which is the standard across all Domino's markets, provides a stable platform for our stores. In addition to being easier to use and hence reducing our training costs, the system has a number of powerful features which will improve our labour utilisation and provide better control of food costs for the franchisee. The system is fully supported by our master franchisor.

2nd generation mobile applications

Mobile commerce is a fast-moving environment and in 2013 we have replaced all of our core mobile apps (iPhone, iPad, Windows mobile and Android) with second generation versions. The latest apps are easier to use, more reliable and ultimately provide a better experience for our customers which I am pleased to say is translating into significant sales uplifts. Mobile sales now represent 30.9% of our total e-commerce sales.

New website

In a fast-growing e-commerce environment, ensuring that the platform continues to provide a reliable service with ever-increasing levels of traffic is an ongoing challenge. In 2013 we have replaced the core engines underpinning our website. This provides greater reliability, fewer errors and means that we can continue to provide very high levels of availability as we grow. The second phase of this project, which we trialled in our German market towards the end of the year, was a new look to the website. We expect to roll this out gradually during 2014.

Supply chain

The Group runs some of the most highly regarded Supply Chain Centres (formerly known as commissaries) in the Domino's world. Two of our Supply Chain Centres hold the coveted "5-star" status and the third is "4-Star". In the UK and Ireland, all three Supply Chain Centres are rated "A Grade" by the British Retail Consortium.

The highly professional staff in our Supply Chain Centres and logistics teams ensure that virtually 100% of deliveries to stores are made on time, despite all the challenges of weather, traffic etc.

Current trading

The year has started very strongly in the UK, with like-for-like sales for the first seven week period at 14.6% benefiting from the wet weather and in part from weak comparatives a year ago when snow and ice impacted sales. Like-for-like in Ireland of 4.6% are encouraging and Switzerland is marginally down at -0.4% excluding the two store closures. In Germany Like-for-like sales are up 3.8% and the estate is now in the middle of transitioning across from corporate to franchisee ownership, and some sales disruption is expected there until the stores settle down.

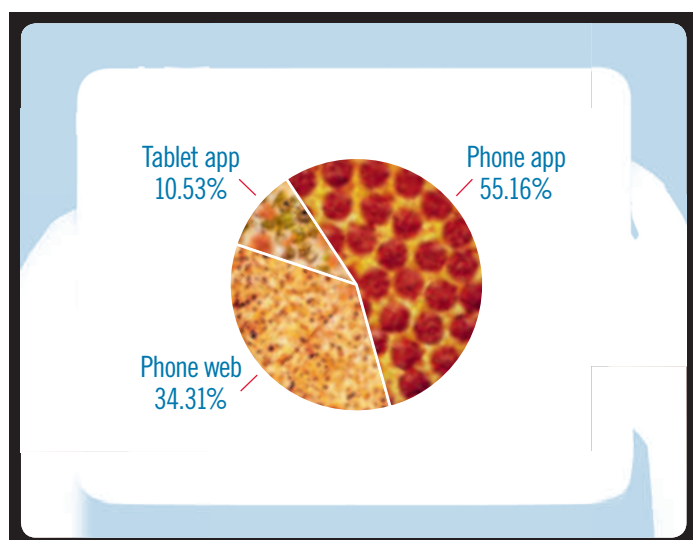
Going forward

We remain focused on delivering our strategy into 2014 and beyond and I am excited by the numerous initiatives I see in all areas of the business.

By working with the franchisees and my colleagues at Domino's, I look forward to fulfilling my role over the coming months to progress the Group's exciting growth plans for the future.

David Wild

Interim Chief Executive
28 February 2014



Total mobile sales
of e-commerce
30.9%

Risk management

Our approach

The Board has continued to identify, evaluate and monitor risks facing the Group and, during the year under review, a particular focus has been placed on identifying the likely impact that each identified risk could have on the business. This has allowed the Board to prioritise and target those risks deemed likely to have the most detrimental impact on the business, were the scenario to arise.

Protecting the business is of paramount importance and an essential part of the Board's role. 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.

We recognise that it is important that risks are identified, assessed and prioritised in a timely manner whilst ensuring that appropriate controls and mitigation strategies are in place. Each identified risk has a business owner who manages and reports on that particular risk to the Group Executive and the relevant Leadership Team. The teams then assist the Board in the review of the risk management processes and take responsibility for designing the appropriate internal control systems and policies with each business owner. The Board is therefore able to feed risks into the formulation and management of the Group's strategic objectives and ultimately determine which risks are primary or secondary in terms of both likelihood and impact.

Identify risk

Assess risk
and impact

Create mitigation
strategy

Update key
risk register

Regularly review
and evaluate

Principal risks and uncertainties

As with any business, we face risks and uncertainties on a daily basis. However, below are the main risks the Board considers to be of most significance to the Group in terms of preventing or restricting execution of our strategy, together with the impact each

risk could have and the mitigating activities that we have put in place to try to prevent such risk materialising. We recognise that other risks are still present and seek to ensure that they are managed accordingly.

Business strategy

Principal risk

Strategic direction

The risk of implementing a strategy in new markets such as Germany, Switzerland, Liechtenstein and Luxembourg that does not achieve the desired outcomes, and the impact of acquiring the option over Austria.

Impact

- Targets may not be achieved, profits could suffer and share price could drop.
- Worst case scenario, brand failure and exit from one of the newly acquired markets.

Management and mitigation

- Diversification and pursuit of growth in new markets in accordance with strategy plans set by the Board and executed by Leadership Teams in each country.
- The Executive Directors feed in Leadership Team strategy plans to the Board for regular approval.
- The Leadership Teams meet weekly which permits senior management to identify any challenges or failures quickly and to implement or revise strategy promptly.
- The Board regularly reviews and considers the option to acquire the master franchise rights for Austria, which is due to expire on 31 December 2014, in light of the Group's general performance and structure.

Principal risk

Appointment of new Executive Directors

Both the CEO and the CFO announced their plans to resign/retire from the Company during 2014. As a result the Board and the Nomination Committee have focused on finding their replacements.

Impact

- Potential for lack of leadership and guidance from the Executive Directors.
- Potential for period of time with no Executive Directors running the Group.

Management and mitigation

- The Nomination Committee has dedicated a substantial part of the year to sourcing and recruiting the right replacement for both the CEO and the CFO.
- The Company has worked closely alongside external recruitment agencies to ensure the right candidates are found.
- A CFO (Designate) (Sean Wilkins) was appointed on 18 November 2013 which allows for a period of handover between the current exiting CFO and the new CFO.
- All of the Board are committed to finding the right candidate and replacement for the exiting CEO and on 31 January 2014, David Wild, Interim CEO, was appointed to assist in the period between the exit of the current CEO and the recruitment of a new CEO.

Principal risk

Germany

Germany remains a challenge and the Group is dedicated to focusing on its success and growth.

Impact

- Failure to succeed in the German market could result in further losses to the Group.
- Long-term failure to break even in Germany could result in an exit from the German market.

Management and mitigation

- A new Managing Director International has been appointed who is dedicated to running the German and Swiss markets.
- A dedicated German Leadership Team was established during the year under review. The majority of this Leadership Team consists of German nationals who understand and know the German market.
- The German stores' performance and results are scrutinised and analysed weekly which allows for fast-paced strategic decisions to be made.
- In December 2013 and January 2014 we sold certain of our corporate stores in Germany to franchisees with a commitment to sell further corporate stores in 2014 which will allow the Group to focus on the German strategy rather than the operation of running the stores.
- A Franchise Development and Recruitment Team has been established in Germany and the Group's first German franchisees are now on board. It is expected that these German franchisees will start opening stores in Germany during 2014.

Risk management continued

Competition

Principal risk

Consumer relevance

Quick service restaurants are affected by various changes in consumer tastes, brand relevance and demographic trends.

Impact

- Any material change in market perception of home delivery and convenience foods could adversely affect the Group.
- Failure to anticipate and respond to a change in consumer demand could have a material effect on future results of operations and financial performance.

Management and mitigation

- The Group places a strong focus on new product development to ensure that the menu has a broad appeal and reflects consumer trends. A New Product Development (NPD) Team meets every two weeks to discuss and review consumer relevance, trends and new products.
- We stay abreast of local and national trends and react quickly to them, an example of this being our gluten free pizza. Consumers showed a real desire for a gluten free option from Domino's and we are proud to offer a gluten free pizza which has been accredited by Coeliac UK.
- Our NPD and Demographics Team work closely together to understand and review changing consumer tastes and trends to ensure we respond promptly to any changing views and tastes. We also work closely with external third parties who focus on consumer analysis and brand tracking.

Principal risk

Impact of competitors

Failure to compete on areas including product offering, price, offers, service and quality.

Impact

- Adverse effect on the Group's financial results.

Management and mitigation

- We have dedicated teams who focus on ensuring Domino's is the best pizza delivery company in the market whilst keeping an eye on our competitors.
- We work relentlessly to reflect changes in consumer tastes and to improve our offering by investing in price, quality and service.
- Part of our strategy has a broad appeal on price, product, new store design concepts, service and quality.
- We regularly review and analyse the markets in which we operate and customer perceptions of Domino's.

Franchisees

Principal risk

Material deterioration in relationships with franchisees

Relationships with franchisees are key to the Group's success as the franchisees drive a large part of the business.

Impact

- Franchisees may leave the system which could result in a drop in operational standards within stores.
- Franchisees may elect to go to a competitor.
- Lack of franchisee buy-in could result in franchisees not supporting changes to policies, standards, brand guidelines or opening stores.

Management and mitigation

- Relationships with franchisees are carefully nurtured by Directors, senior management and franchisee-facing employees within all departments at Domino's.
- One-to-one business review meetings are held with each franchisee at least annually.
- Franchisee dinners and awards are held nationally throughout the year, allowing franchisees to discuss anything of concern or interest directly with Directors.
- The standard franchise agreement in place with franchisees prohibits a franchisee from opening up another pizza outlet for a period of one year post exit from the Domino's system.
- Forums are in place (Marketing Advisory Co-operative and an Operations Forum) within the Group whereby key senior employees meet with franchisees to discuss operational and marketing plans, thus allowing franchisees to interact with the Group regularly.

Principal risk

Commercial leverage of large franchisees

Certain Domino's franchisees are now of considerable scale and therefore there is a risk that should these franchisees be allowed to expand further they could attempt to leverage off their size with a view to gaining preferential treatment from the Group.

Impact

- Franchisees could seek to invest in alternative business ventures, which could lead to less focus on Domino's Pizza stores.
- Franchisees could also stop growing, or sell their Domino's stores.

Management and mitigation

- Senior management and Directors endeavour to maintain a strong and close working relationship with each franchisee which enables early identification of issues and allows for resolutions to be found as quickly as possible.
- Each franchisee has an individual growth plan which sets out the agreed position with regard to store openings.

Principal risk

Reputational damage or loss of confidence in the brand

Any significant act, omission or harmful allegation that is made in public in relation to the brand could lead to significant media interest and potentially bad publicity.

Impact

- Should publicity be of a sufficiently material nature customers may deviate from purchasing from Domino's.
- A material loss in sales could adversely affect future results of operation and financial condition.

Management and mitigation

- Franchisees are required to adhere strictly to the terms of the standard franchise agreement which places obligations on the franchisee to try to prevent any reputational damage to the brand on the part of the franchisee.
- Regular mentoring of franchisees, training and store visits are carried out by the Group.
- Should a franchisee be in material breach of the standard franchise agreement the Company is at liberty to terminate.
- Policies and procedures are in place with employees of the Group which detail what employees should and should not do in the realms of social media when talking about or referring to the Domino's brand.

Data and security

Principal risk

Data protection and security

Ensuring the appropriate security and safeguards are in place to protect against loss or theft of customer data.

Impact

- Negative publicity and potential investigation and fines from regulatory bodies.

Management and mitigation

- The Group uses encryption and authentication technology to provide the security necessary to effect the secure transmission of customer data.
- Customer data is protected by both physical and systems controls.
- All desktops and laptops are protected with antivirus and antimalware software and have access restrictions in place.
- All mobile devices have software installed which allow them to be wiped if they are lost or stolen.

Principal risk

IT systems and infrastructure

Significant failure in, or successful attacks on, the IT processes of our retail operations could impact online sales and each store's ability to trade.

Impact

- Website sales could stop, which could have a serious detrimental effect on the financial performance of the Group as online sales continue to out weigh telephone and walk-in sales.

Management and mitigation

- The IT department regularly monitors, controls and maintains the integrity and efficiency of IT infrastructure.
- Processes are in place to deal with any significant IT security incidents.
- All critical systems for the Group have external security penetration tests carried out on a regular basis.
- Contingency plans and external data centres are in place should any failures arise.

People

Principal risk

Employees

Failure to attract, retain, develop and motivate the best people at all levels.

Impact

- Failing to have the right people within the Group could limit the Group's ability to succeed.

Management and mitigation

- Talent management is reviewed at least annually within the Leadership Teams where key employees are identified and bespoke development plans are put in place.
- People development is a key objective for each member of the Leadership Teams.
- Internal teams, including the Happiness @ Work Team, meet monthly to review and implement feedback from staff.
- The Group places significant investment in training, development and incentives.

Property

Principal risk

Store growth

Continuing acquisition and development of property sites carries inherent risk as challenges exist in relation to finding new sites, obtaining planning permission (or other consents and compliance) in the countries in which the Group operates.

Impact

- Failure to hit store opening targets, or a material reduction in store openings, could result in failure to meet growth targets and thus open areas to competitors.

Management and mitigation

- Regular meetings and reviews on store opening targets and strategy take place at Group Executive, Leadership Team and Board level.
- Each country in which the Group operates poses different challenges in relation to store growth. The more mature markets such as the UK have dedicated teams focusing on property acquisition, store design and store splits with franchisees. The newer markets, namely Germany and Switzerland, have property professionals focusing on licensing and permits to enable new stores to be fitted out and opened as soon as possible.
- The Group monitors legal and regulatory compliance in all property-related activities.
- Legal routes of redress are available in the UK should more onerous planning restrictions be enforced.
- The Group and its planning consultants actively build on relationships with, and work closely with, local authorities to ensure there is an understanding of the responsible way in which stores operate and the Group's willingness to accept appropriate planning conditions.

Risk management continued

Corporate governance

Principal risk

Internal controls, fraud and compliance

Ensuring the Group has the appropriate internal controls and policies and practices.

Impact

- The Group's growth and expansion into Europe means larger and more remote teams with potential for fraudulent and dishonest activity by suppliers, customers and employees.
- Risk that issues or considerations which should be taken into account could be missed if appropriate policies and procedures are not in place.

Management and mitigation

- The Board and the Audit Committee have spent a large proportion of their time during the year focusing on, reviewing and analysing the internal controls in place within the Group. In 2013 the decision to establish an internal audit function in 2014 was taken, reporting to the Company Secretary.
- During 2014, the Group will focus on strengthening its internal controls and adding to its existing policies and procedures.
- Behavioural guidance is given to employees and the Group has in place an Anti-Bribery & Corruption Policy which all employees and external suppliers commit to comply with.
- A Whistleblowing Policy is in place.

Food production, storage and suppliers

Principal risk

Failure of a critical supplier

We are reliant upon the continued operation of various third-party suppliers who provide raw materials.

Impact

- Should a major supplier cease trading, we may be temporarily unable to produce certain food products or be forced to obtain supply from a different, more expensive source.

Management and mitigation

- Core suppliers are routinely put through a risk assessment to determine the likelihood of continued source and supply of goods.
- Contingency plans are put in place to deal with the scenario of a supplier stopping supply.
- We maintain a close relationship with suppliers and have regular reviews and meetings.

Principal risk

Food safety and compliance

Supply Chain Centre and store compliance with food safety rules and regulations.

Impact

- Supply Chain Centre(s) or a store could be closed down in the event of a serious food safety risk or issue.
- Brand recognition could be seriously damaged if a food safety scare occurred.

Management and mitigation

- A dedicated Health & Safety Team and Food Regulatory Team constantly review and monitor food safety and compliance.
- Controls are in place to deal with product integrity, approval and management of stores, emerging issues and any changes to regulatory standards.
- Supplier assurance programme in place and Supply Chain Centres are regularly audited by independent third parties to the BRC Global Standard for food safety.
- Regular mentoring of franchisees, training and store visits are carried out by the Group to ensure standards are maintained at all times.

Principal risk

Production issues or destruction of Supply Chain Centres

One of the key functions of the business is production of dough and the distribution of food and other store items by our Supply Chain Centres.

Impact

- A single major failure or repeated failures in our dough production, distribution of food or other store materials could prevent stores from trading regularly or for a prolonged period.
- Potential for a major adverse impact on the Group's financial performance.

Management and mitigation

- We work in partnership with our suppliers and Domino's Pizza master franchisees in neighbouring territories to manage the risk of any delays or interruptions in the supply chain, which could affect trade.
- We also have the opportunity to increase trade at one of our other Supply Chain Centres should another Supply Chain Centre have to reduce or stop production for any reason.
- A comprehensive Site Down Recovery Plan is also in place and forms part of the Group's Business Continuity Plan.

Chief Financial Officer's review



Key highlights

Adjusted diluted earnings per share

+8.6%

2012: +14.1%

Adjusted profit before tax

+1.9%

2012: +10.8%

Dividends

+9.7%

2012: 17.9%

In my final review before I hand over the reins to my successor, I am pleased to announce another set of strong results, notably in the UK and Republic of Ireland, despite the challenging economic background still facing consumers in these markets.

The Group's financial statements for the 52 weeks ended 29 December 2013 ("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.

Please note that the financial year 2012 included 53 weeks in total. To provide a more meaningful comparison, the like-for-likes and system sales figures stated for 2012 have been adjusted to 52 weeks by excluding the first trading week of the 2012 financial year. However, all income statement and balance sheet related comparisons are for the 53 weeks ended 30 December 2012.

Financial highlights

Our core market in the UK proved, yet again, to be highly robust and resilient with like-for-like sales up 7.0% on 2012 (2012': 5.2%).

Following the success of our increased digital marketing in the previous year, the Group has continued to invest in its eCRM (electronic customer relationship management) programme, innovative e-commerce platforms and targeted digital promotions. This shift in marketing focus helped drive sales in the second half of the period with online sales accounting for nearly 62% of UK delivered sales and mobile sales increasing by an impressive 94% to account for nearly 31% of all online sales. In the UK we hope to launch our exciting new website in 2014, further developing the digitalisation of our business.

A further 50 stores were opened in the UK in the period, 42 of which were traditional formats and the remainder being kiosks in six Extra motorway service stations, one mobile unit and one kiosk store in Newcastle University.

The Group, once again, was faced with commodity price increases during the period, specifically cheese and chicken, with two increases in the second half of the period. Excluding cheese and chicken price increases, the remaining food basket saw very little increase year-on-year. For the full year 2013, the average store food basket saw a year-on-year increase of 2.5% over 2012. We continue to work hard to minimise the impact on both the Group's margin as well as franchisee margins by working closely with our suppliers and ensuring that we utilise our strong relationships with them.

The Republic of Ireland stores had a good year, with like-for-like sales (in euros) up by 6.0% (2012': -0.3%) showing a solid recovery over the recent tough years. The economy has had a positive turn in the period and, although consumers continue to remain cautious with their disposable income, they have higher expectations for future growth. Late-night openings have been a focus for the Irish stores in the period and have proven to be successful. With steady like-for-like growth in the period, the market can now concentrate on driving further successful marketing, mirroring the UK, with e-commerce and digital sales being top of the agenda for 2014.

Chief Financial Officer's review continued

Our business in Germany has had a challenging year, although there has been ongoing improvement in sales performance with system sales up 288.9% to €10.4m (2012: €3.6m) and like-for-like sales up 14.7% (2012: 19.3%). The franchisee stores continued to make good sales progress and at higher sales levels than our corporate stores. A new unit sales record was achieved by one of our franchisees with sales in one week of €46k, which demonstrates the potential in the market when the marketing, product and service are all superbly executed.

Seven stores opened during the period – all in the first half. No new stores were opened in Germany during the second half of the period as a result of our decision to transition the majority of the corporate stores across to franchisee management. As at 29 December 2013, Germany had 23 stores.

The Group has also incurred some exceptional and one-off costs in relation to the German business amounting to £26.5m.

Our new business in Switzerland has shown steady growth in the period, with like-for-like sales (in Swiss francs) up 5.4% for the year. During the period, the Group started its plan to grow the business in Switzerland, including the relocation of existing stores and development of new stores in different Cantons across the country. Two stores were closed for relocation during the period with these stores planned to reopen in early 2014.

In 2013, despite some challenges that have been faced in Germany and with pressure on rising commodity prices, the Group has delivered increases in system sales, Group revenue, adjusted profit before tax and adjusted diluted earnings per share. The table below highlights this growth:

	52 weeks ended 29 December 2013	53 weeks ended 30 December 2012	Variance	Variance %
Group results				
System sales	£668.8m	£586.5m ¹	£82.3m	14.0%
Group revenue	£268.9m	£240.5m	£28.4m	11.8%
Adjusted operating profit	£47.9m	£47.2m	£0.7m	1.5%
Adjusted PBT	£47.6m	£46.7m	£0.9m	1.9%
Adjusted diluted EPS	23.9p	22.0p	1.9p	8.6%
Adjusted operating profit % of Group revenue	17.8%	19.7%		
Adjusted PBT % of system sales	7.1%	7.8%		
Group results excluding Germany and Switzerland				
System sales	£650.9m	£581.0m ¹	£69.9m	12.0%
Group revenue	£250.7m	£233.6m	£17.1m	7.3%
Adjusted operating profit	£55.6m	£50.0m	£5.6m	11.2%
Adjusted PBT	£55.2m	£49.5m	£5.7m	11.6%
Adjusted diluted EPS	25.6p	23.2p	2.4p	10.3%
Adjusted operating profit % of Group revenue	22.2%	21.4%		
Adjusted PBT % of system sales	8.5%	8.4%		

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

Adjusted Group earnings before interest, taxation, depreciation and amortisation ("EBITDA") was up 3.5% at £53.7m (2012: £51.9m), 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 11.4% to 8.80p (2012: 7.90p) and, together with the interim dividend of 7.10p (2012: 6.60p), total dividends of 15.90p (2012: 14.50p) will represent an increase of 9.7% on the prior year.

Adjusted Group profit before tax was £47.6m (2012: £46.7m). Unadjusted Group profit before tax was £21.6m (2012: £42.4m), predominantly as a result of the German impairments and asset write offs and costs relating to exiting the German corporate stores.

At 29 December 2013, the Group had cash and cash equivalents of £31.6m (2012: £22.0m), total debt of £47.3m (2012: £49.6m) and consolidated adjusted net debt of £13.6m (see note 33) (2012: £23.0m). 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 with low levels of financial leverage.

The ratio of adjusted profit before tax as a percentage of system sales (excluding the losses of the German and Swiss operations), a key ratio which highlights the strength of the underlying operational gearing of the business, grew to 8.5% in 2013 (2012: 8.4%). This has been achieved through higher volumes flowing through our system, continuing focus on and tight control of our cost base, close management of procurement costs and operational efficiencies across the business.

Group system sales

Group system sales increased by 14.0% to £668.8m (2012: £586.5m). The main drivers of this growth were:

- Like-for-like sales growth of 7.0% in 670 UK mature stores (2012: 5.2% in 612 mature stores).
- Buoyant e-commerce sales in the UK, growing by 28.0% to £325.9m (2012: £254.6m for 52 weeks), supported by the improvement of our apps for all platforms (Android, Windows, Apple) and greater investment in online marketing and the social media arena.
- 57 (2012: 69) new store openings, including seven store openings in Germany (2012: 12).
- Ongoing new product innovations, including our American Legends range, gluten free pizza base, Spicy BBQ wings and our Chocolate Brownies dessert.

Commodity prices

For the full year 2013, the average store food basket saw a year-on-year increase of 2.5% over 2012. The biggest impact was increasing cheese prices, driven by milk price inflation due to lower production levels and increased demand for dried milk powders from China. Milk prices still remain at record highs as we enter 2014 but it is hoped that these prices will ease throughout Q2 and Q3 of 2014 as production levels continue to increase and because food cost prices are currently lower than at the start of 2013. We have also seen major increases in chicken prices for 2014 due to reduced supply capacity. However, despite these pressures, we have been able to secure contracts on many other areas of our food basket at prices equal to or below 2013 levels – wheat, corn, tomato sauce and oil are just some examples.

As such, we are confident that, for the full year 2014, the annualised basket inflation for franchisees will be at similar levels to 2013 of between 2-3%.

Table of segmental adjusted profit/(loss) (excluding share of associates)

Segment	52 weeks ended 29 December 2013	53 weeks ended 30 December 2012	Variance	Variance
UK	£50.4m	£45.2m	£5.2m	11.5%
ROI	£4.5m	£4.4m	£0.1m	2.3%
Germany*	(£7.0)m	(£2.6)m	(£4.4)m	(169.2)%
Switzerland**	(£0.6)m	(£0.3)m	(£0.3)m	(100.0)%
Group	£47.3m	£46.7m	£0.6m	1.3%

* Acquired in April 2011

** Acquired in September 2012.

Net interest charge

The net interest charge for the period, including the non-cash impact of £0.2m (2012: £0.3m) arising on the unwinding of the discount on the deferred consideration from the acquisition of Domino's Leasing Limited, was £0.5m, a reduction of 37.5% on the prior year (2012: £0.8m).

Operating profit/loss

The Group operates in the following four territories, the results of which are disclosed in the segmental reporting note in the Group Financial Statements (note 4):

- United Kingdom
- Republic of Ireland
- Germany
- Switzerland

The UK market has seen further steady growth in operating profits of 11.5% as a result of a continued push to open new stores (50 in the period) including new and innovative formats to further broaden the reach of the brand, along with a robust operational model driving strong operational gearing.

The Republic of Ireland has seen a return to positive growth at store level after a couple of tough years in the market and this is reflected further in our segment results. The segment has delivered positive results compared to our forecasts.

The results in Germany, as discussed above, have been disappointing in the period, resulting in an increased loss compared to both last year and forecast. The Group is confident that 2014 will start to benefit from the transition of corporate stores into franchisee hands.

Switzerland's results were marginally worse than expected due to the delay in opening new stores compared to our original forecast.

Exceptional items

Results for the year include total net exceptional costs of £25.4m (2012: £5.1m). The total amount has been excluded from the adjusted profits and earnings to show the underlying performance of the business. The exceptional costs in 2013 comprise the following:

Operating exceptional items

- Acquisition and restructuring credits of (£0.1m) relating to the acquisition of Domino's Pizza Switzerland in the previous year following a small change to the restructuring plan.
- Transition of the German corporate stores of £2.0m.

In July 2013, the Group took a decision to transition all but one of the corporate stores held in Germany to franchisees, given the poor performance of the corporate stores. One of these

agreements, with an existing franchisee in both the UK and Germany was to sell five of the poorest performing stores in Düsseldorf. As part of this agreement, the Group have entered into a contract which is considered onerous in nature due to the financial commitments made to the franchisee.

The Group has also recognised an onerous service contract with a supplier in Germany. Following the transition of the corporate stores, it has been recognised that the current contract is not suitable for the remaining business and as such the Group will seek to exit from the contract as soon as possible. Therefore the Group has recognised a charge through the exceptionals line, representing anticipated exit costs.

The Group has also recognised other exceptional costs predominantly in respect of adviser fees on the transition of the stores.

- German receivables of £3.4m.

Management has assessed the recoverability of its receivables in Germany, in light of the poor performance of this business compared to initial expectations and the issues faced by certain operators in the territory. Following this review, management is not confident of recovering balances totalling £3.4m and has, therefore, established a provision for this amount.

- During 2012 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 in 2012 and in the period a further £0.2m of costs have been incurred due to the continued roll-out of the efficiency model. In addition, a similar exercise is being undertaken in Germany following the transition of the business model and costs of £0.9m have been incurred.



Our stores, our people



With 858 units in our estate, our stores remain the heartbeat of our operation and the visible presence of Domino's in the town.

Online orders are forwarded electronically to the store computers and along with orders placed over the counter from walk-in customers and orders telephoned directly to the store, each pizza is freshly made by hand with the same passion and commitment. Up to 15 staff members are present at peak times in the busiest stores and they unite with the goal of preparing the order swiftly and efficiently without any compromise on quality. Our stores also recognise the role they have in the community, not just as passive shop fronts but as active participants in local community life; be it in litter picking, sports team sponsorship, our stores seize on the opportunity to do more in their vicinity.

Chief Financial Officer's review continued

- Acquisition and one off costs of £0.2m relating to new UK joint ventures established during 2012.
- An onerous lease charge of £0.4m (2012: £0.5m) in relation to the rent obligation for three Domino's stores closed in 2011 and other onerous leases identified as well as associated bad debts relating to these onerous leases. This includes an increase in respect of one Irish store, a reduction relating to one UK store and an additional onerous lease identified in the UK.
- An onerous lease charge of £0.5m (2012: £nil) relating to onerous leases has also been recognised in Germany in relation to seven properties in the territory. Two of the properties were occupied by poorly performing stores, which had been closed by the end of the period and management is not confident that sub-tenants will be identified who are willing to take on these properties at full rent. The remaining five properties have previously been identified and acquired as sites for new stores, but the Group has not yet secured franchisees for these sites. As a result, there is a risk that the sites will need to be sublet and management is not confident that subleases will be secured at full rent. As a result, a provision has been made to cover the potential shortfall in rent.
- A charge of £0.3m relating to the deferred consideration of Domino's Leasing Limited was incurred in the period.
- As a result of reviewing the carrying value compared to the recoverable amount of assets held, the Group has incurred an impairment charge of £19.6m (2012: £0.2m) for the year. This related entirely to the operations in Germany and includes: the write-down of stores assets of £4.9m; £9.3m in relation to a full write-down of the MFA carrying value and related costs; £2.9m in relation to a full write-down of the goodwill carrying value; property, plant and equipment impairment of £2.2m; website and domain costs of £0.3m. See note 7 for more details.

Non-operating exceptional items

- During the year, the Group sold its holding in its UK associate, Dominoid Limited which operated stores in Edinburgh, and recognised a profit of £1.7m on the sale.
- Included within finance costs is a charge of £0.2m (2012: £0.3m) 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 21.1% (2012: 24.2%). This is lower than the statutory tax rate in 2012 due to the reduction in the corporation tax rates in the year and lower than the underlying corporation tax rate of 23.3%. The lower effective tax rate compared to the underlying corporation tax 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 2013 was 43.8% (2012: 28.5%). The effective tax rate includes the following exceptional items:

- Effective 1 April 2015, the corporation tax rate reduces from 23% to 20%. The impact of this change is to reduce the deferred tax asset by £1.6m (2012: £1.1m). 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 £2.2m (2012: £0.3m) in the overall corporation tax for the year (see note 13 earnings per share).

Group earnings per share

Adjusted basic earnings per share for the period of 24.0p was up 8.1% on the prior year (2012: 22.2p). Adjusted diluted earnings per share for the period of 23.9p, was up 8.6% on the prior year (2012: 22.0p).

Unadjusted basic earnings per share for the period of 10.7p, was down 43.7% on the prior year (2012: 19.0p). Unadjusted diluted earnings per share for the period of 10.7p, was down 43.4% on the prior year (2012: 18.9p).

Dividends

Following the results achieved for the year, the Board is recommending a final dividend for 2013 of 8.80p (2012: 7.90p) per share. This is an 11.4% increase on the final dividend for the prior year. Together with the interim dividend of 7.10p per share paid on 6 September 2013, the total dividend for the year will be 15.90p per share, an increase of 9.7% on the dividend paid for the prior year (2012: 14.50p). The full year dividend is 1.50 times covered by adjusted profits after tax (2012: 1.51 times).

Subject to shareholders' approval at the Annual General Meeting on 2 April 2014 the final dividend will be payable on 4 April 2014 to shareholders on the register as at 14 March 2014 (ex dividend date 12 March 2014).

Cash flow and net debt

The Group has a consistent record of delivering strong cash flows and in 2013 this was again the case. Adjusted Group EBITDA increased by 3.5% to £53.7m (2012: £51.9m). Net cash generated from operating activities was £40.7m (2012: £47.5m).

During the year, outflows of £8.6m (2012: £6.6m) of corporation taxes and £4.2m (2012: £30.3m) of capital expenditure and financial investment were incurred. Included in the capital expenditure and financial investment was £1.4m (2012: £2.2m) relating to payments to Commerzbank under the arrangements of the acquisition of Domino's Leasing Limited. In addition, cash receipts relating to the sale of the Group's interest in Dominoid Limited in the UK has resulted in positive cash inflows reducing overall cash used in investing activities.

Overall net cash inflow before financing was £36.5m (2012: £17.2m). During the year we have distributed a further £24.6m (2012: £25.0m) to shareholders through share buybacks of £nil (2012: £3.3m) and £24.6m in dividends (2012: £21.7m).

In the period, options over 0.8m (2012: 1.4m) new shares were exercised, generating an inflow of £2.2m (2012: £2.6m).

DP Capital Limited continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £0.9m (2012: £1.8m). After repayments, the balance outstanding at the end of the period on these leases was £2.6m (2012: £3.0m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.2m (2012: £2.9m).

The Group's adjusted net debt reduced by £9.4m to £13.6m (2012: £23.0m). The Group monitors the ratio of adjusted net debt to 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 low at 0.3 (2012: 0.5) against a covenant of 2.5:1.

Banking facilities

At 29 December 2013 the Group had a total of £53.0m of banking facilities of which £7.8m was undrawn. The main facilities were a £30m five-year facility and a £13m seven-year term facility with the Group's Employee Benefit Trust, which attract an interest margin of LIBOR plus 135bps and 50bps respectively.

On 31 January 2014, the Group negotiated a £15m term loan with one year's expiry at an interest margin of LIBOR plus 110bps. This was drawn down to repay the £13m seven-year term facility which was repaid in full on 31 January 2014.

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

Capital employed

Non-current assets reduced in the year from £112.5m to £94.9m predominantly due to the impairment recognised in relation to German store assets, the Master Franchise Agreement and goodwill relating to Germany.

Current assets increased from £69.3m to £71.5m. This was predominantly due to an increase in cash and cash equivalents of £9.6m partially offset by a decrease in inventories of £3.1m.

Current liabilities increased from £52.4m to £61.4m, due to the movement of the Group's £13m facility to current liabilities, refinanced in early 2014, as discussed above, offset by a reduction in corporation tax liabilities of £1.7m.

Non-current liabilities reduced from £59.0m to £44.9m, due to the movement of the £13m facility from non-current to current liabilities.

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates and currency exchange 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 above.

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 suppliers wherever possible.

My successor

As announced at our interim results, 2013 will be my last year with the Group following my decision to retire at the 2014 AGM. I am pleased to introduce my successor, Sean Wilkins, who will take on the role of Chief Financial Officer with effect from 2 April 2014.

Sean joined the Group in November 2013, as Chief Financial Officer (Designate), and has spent the last few months familiarising himself with the business, our franchisees, the Domino's team and our advisers and I am confident that this additional handover time has proved invaluable in making the transition a smooth one.

Conclusion

Although trading conditions were difficult and the economic backdrop weak, the Group has been able to further grow its sales, open more stores and generate strong cash flow. As always, our people and franchisees have worked hard to deliver an excellent set of results. This performance continues to demonstrate the robust Domino's business model and a growing pizza home delivery market.

The stores in Ireland have shown great resilience and traded strongly throughout the year and in Switzerland we have made good progress in 2013, growing like-for-like sales by 5.4%. Our losses in Switzerland were £640k which was slightly behind where we expected to be. Our German business has been going through the challenges of an early start-up but we can now focus more positively on developing the franchise model following the transition of the corporate stores into franchisee hands.

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 2014 we will continue to:

- Focus on our customers by providing excellent value and 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;
- Grow our store portfolio in line with our long term plans; and
- 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
28 February 2014

Corporate social responsibility report

Community values have always been at the heart of Domino's, but, we realise there is more to being a responsible business than our charitable funding, namely the quality of our food, the impact we have on the environment and how we treat our employees.

In 2013, we began to develop a CSR strategy by analysing our current business practices and devising a plan for the years to come. Domino's Pizza is a successful business, built on a simple business model – deliver hot, freshly made pizza to our customers in as quick a time as safely possible.

We have a responsibility to uphold the solid reputation our business has formed since we arrived in the UK in 1985. So, to ensure we build a sustainable business for the future, we have developed Domino's Responsible Delivery Plan, our CSR strategy.



“CSR is becoming an integral part of decision making at Domino's.”



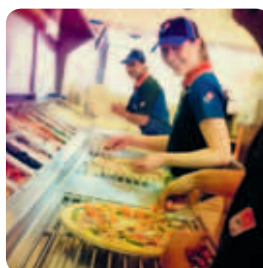
Our CSR Strategy



Food



Environment



Employees



Delivering to the Community

Domino's Responsible Delivery Plan is broken down into four areas, with underpinning values:

- **Food** – premium quality, great tasting, innovative
- **Environment** – reduce energy consumption, reduce, recycle and reuse waste and reduce emissions
- **Employees** – happy staff, healthy staff, engaged staff
- **Delivering to the Community** – to care, to share and to be at the heart of our local communities

We operate our business in line with these values and the following guiding principles:

- to deliver freshly made, quality pizza
- to drive reduction to our carbon footprint by monitoring energy, waste and emissions within the business and setting targets accordingly
- to encourage career development and cater for the wellbeing of our employees
- to invest and give back to the communities in which the business operates
- to demonstrate clear leadership, governance and values by integrating our CSR plan into the strategic Company mission

We will fully integrate our Responsible Delivery Plan over the next five years, measuring and monitoring what we are doing along the way, as we strive to make changes for the better.

Food – Delivering great tasting food



Being a food delivery business, the origin and quality of the food we supply to our customers is paramount. All our pizzas are freshly made to order, using only the best quality ingredients we can source.

Our first three slices focus on *Nutrition, Product Sourcing* and *Working in Partnership with Suppliers*.

Nutrition

Our fresh dough and quality ingredients are at the heart of our business and we pride ourselves on the premium product we sell to our customers.

With the ever increasing obesity debate, we realise that as a brand, we have a responsibility to provide our consumers with the route to a healthier pizza. The beauty of our product is that you can easily reduce the fat and calories of your pizza in the choices you make. For example, by swapping regular cheese for our lower fat Delight Mozzarella cheese, opting for a thin crust base, instead of a regular base and choosing vegetarian toppings instead of meat will ensure you have a healthier pizza.

Our product is an indulgent treat and great for sharing, with most of our customers ordering from us on a monthly, rather than weekly, basis. Our pizzas are fresh and delicious and should be enjoyed responsibly. Our serving suggestion is that a large pizza serves three to four, so we would expect a person to consume around three to four slices per sitting.

As part of our ongoing commitment to provide customers with an abundance of choice, we offer Delight Mozzarella that contains 33% less fat than the standard mozzarella and we offer a gluten free pizza base which is approved by Coeliac UK.

We are a signatory of the Department of Health's Responsibility Deal, pledging to ensure the non use of artificial trans fats, the reduction of salt in our food and the provision of out of home calorie labelling. We are proud to state that we have no trans-fats, artificial colourings or flavourings in any of our food.

In relation to salt reduction, we continue to work closely with our suppliers to look at this issue and make changes where possible, without compromising on taste. Over the past two years we have reduced salt in our BBQ sauce, meatballs and beef, resulting in a total salt reduction in 2013 of 15,358 kg. We are continuing this important work and are working with the Department of Health on realistic salt targets for caterers. We plan to implement further salt reductions in our products over the coming year.

We are constantly looking for opportunities to reduce fat and saturated fat in our products, again without impacting taste. In fact a 10% reduction in the total fat content of our pepperoni, which occurred late in 2012, reduced total fat consumed in 2013 by 75,900kg and saturated fat levels by 12.4% equating to 36,432kg.

Product sourcing

We are passionate about our pizza and continually look at product development to bring new and exciting products to our menu. In doing so, we realise the need to source the best quality products and where possible reduce food miles through local sourcing. For example, all of the mozzarella that we use is sourced in the UK from North Wales, using milk produced on farms no further than a 160 mile radius of the production plant.



We are also constantly looking for opportunities to increase the welfare and sustainability credentials of the products that we buy. In 2013, we were able to convert the sourcing of our tuna over to a pole and line caught product.

Working in partnership with our suppliers

We work closely with our suppliers to ensure we bring the best available quality products to our customers. We monitor the products that are received into our supply chain and require every supplier we use to be a signatory of SEDEX, the Supplier Ethical Data Exchange. This is a not for profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains, especially focusing on areas such as the welfare of employees.

As part of our annual review process with each supplier – the Domino's Supplier Partnership – we review their commitment to sustainability and the environmental agenda. This includes whether they have a CSR strategy and what their environmental considerations are.

We consider what has been communicated to Domino's, whether this is being reviewed regularly and whether the supplier is actively working with us to help develop our CSR strategy.

Achievements in 2013

- We reduced salt in our BBQ sauce, meatballs and pepperoni
- We changed to pole and line caught tuna
- We reduced the fat content in our pepperoni

Our aim is to serve our customers with great tasting, quality food and remain the number one choice for pizza delivery.

Corporate social responsibility report continued

Environment – Reducing the carbon intensity of our operations and delivering responsibly:



Our commitment:

We believe that monitoring and taking action to reduce your carbon footprint is something every responsible business should do. *At Domino's we are committed to reducing the carbon intensity of our operations.* Our main focus is to use resources more efficiently in our markets. We plan to learn from successful initiatives in our Supply Chain

Centres, by applying them in our stores, resulting in an overall reduction to our environmental footprint.

This year marks the launch of our environmental sustainability strategy. In our efforts to embed sustainability into our operations and reduce our impact, we have set ourselves a reduction target. We plan to reduce the tonnes of CO₂e (CO₂ equivalent) emitted for each tonne of dough produced by 25% by 2018. This is an ambitious target, but one which we believe we can achieve by taking practical steps and building on our successes year on year. Our focus is on: *energy consumption, our supply chain fleet and our generation of waste.*

We have grouped our initiatives to date, as well as our action plan for the next five years, into three key objectives and these are our environmental slices of change: *driving energy efficiency, delivering smarter and striving for zero waste to landfill.*

We already have a number of achievements to celebrate in this area, but we have a long way to go. Over the next five years we plan to work on activities that will help us deliver on our objectives, as well as our promise to all stakeholders that we will continue to operate a responsible business, one that is committed to learn how to do more with less.

Driving energy efficiency:

Both the Supply Chain Centre and central support centre in Milton Keynes have been built to BREEAM standards (Building Research Establishment Environmental Assessment Method) and have a rating of excellent. The BREEAM environmental assessment aims to minimise environmental impact by ensuring sustainable best practices are in place, helping to lower costs through efficiency.

Both buildings utilise modern mechanical heating and cooling systems, fully integrated with natural green ventilation systems.

These systems, that enhance energy efficiency, help to reduce our carbon footprint and are controlled through an intelligent, direct, digitally controlled building management system.

Historically, we have not monitored the energy efficiency of our stores, but we have recently rolled out a system which allows us to collate and review energy consumption data at store level. This is a great achievement for us and will lead to us being able to not only monitor performance, but to track the impact of energy saving initiatives across our estate and comply with the CRC (Carbon Reduction Commitment) energy efficiency scheme¹.

Going forward

Our main focus will remain on using energy more efficiently in our support offices and supply chain centres as well as getting our franchisees on board with energy saving activities.

We are keen to use Milton Keynes as a template for any future supply chain centres that we build. Furthermore, we will continue to work towards ensuring our employees' drive continued progress in reducing energy consumption.

We realise there is a lot of work to be done at store level in relation to driving energy reduction. A key objective for us is to establish a typical level of energy consumption in store. Then we can start to communicate this information, develop best practice and work with our franchisees to reduce their energy use.

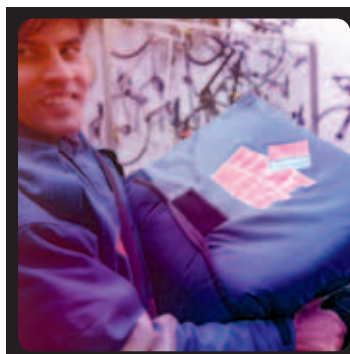
Striving for zero waste to landfill:

We work closely with the BHA (British Hospitality Association), DEFRA (Department for Environment Food and Rural Affairs) and WRAP (Waste Resource Action Programme) to ensure we are doing all we can to reduce waste. As a signatory of HaFSA (Hospitality and Food Service Agreement), we are part of a working group that meets regularly to discuss ideas and best practices.

In Milton Keynes, we have made some real progress in this area by appointing a national waste company to help us drive change within the business. In 2013, 94% of waste arising from our UK Supply Chain Centres was either recycled or recovered, and we now have a programme in place which ensures our waste dough is used in the production of animal feed.

We're also working hard to reduce the impact of our packaging. Our pizza boxes are 100% recyclable and are made from 80% recyclable material, with the remaining 20% meeting FSC standards.

Our work in relation to waste has already begun, with our stores in Northern Ireland uniting to sponsor the TIDY Northern Ireland Anti-Litter summit. Our presence at this event was well received by the local councils who observed that Domino's is trying to drive behaviour change in this area.



¹ Following a qualification exercise Domino's has now registered under phase 2 of the scheme and will be required to report electricity and gas consumption data not only for our Supply Chain Centres and support centres but also that of our franchisees in England, Wales and Scotland.

Going forward

Our overall objective is to continue to increase the percentage of waste we reduce, reuse and recycle wherever possible. We have set ourselves two targets in this area:

Achieve zero waste to landfill across all our supply chain centres by 2016; and strive for 75% of our entire estate to reach zero waste to landfill by 2018.

To meet our first target we plan to take the best practice examples achieved at our Milton Keynes supply chain centre and implement similar approaches across our other centres. We then plan to roll out a national waste programme which will allow us to empower franchisees to do their part as well.

As part of the Hospitality and Food Services Agreement under WRAP we are committed to reducing waste by 5% by 2015. Our first waste reduction initiative of 2014 will be to work with our Supply Chain Centres to replace their paper based job sheets with an electronic version.

Delivering smarter

Logistics play a big part in our business – we need to get fresh dough and ingredients to our network of stores on a regular basis. In order to do this we currently have four Supply Chain Centres based in Milton Keynes, Penrith, Naas in the Republic of Ireland and Berlin in Germany. We have systems in place to ensure a smooth, efficient and regular delivery of goods to our stores, with all our dough being made fresh on site and delivered accordingly.

Orders are received from the stores, then the ingredients are picked, packed and shipped out to them. We have the following measures in place to help us promote a greener system, ensuring we work towards an improved carbon footprint:

- We control, monitor and reduce the fuel consumption and emission levels of all our vehicles.
- We only procure vehicles that comply with the latest EC emission and noise specification.
- We ensure that vehicle weights remain within legal restrictions.
- We encourage road safety and good driving practices by providing a high standard of training.
- We ensure that all service providers carry out repairs and servicing in an environmentally considerate manner.
- We insist all waste vehicle oil is disposed of in an environmentally safe manner.

In 2013, we went into partnership with Renault to promote the Twizy as the next delivery vehicle of choice. The Twizy, an electric car, has been introduced to the Domino's system by some of our franchisees and we continually promote the use of this car, as we believe it's the perfect way to reduce our carbon footprint at store level.

Going forward

Our supply chain delivery fleet represents 47% of our total footprint and as such looking for innovation and efficiency remains a clear priority for us.

Our work on the optimisation of distribution and route planning will continue in the years to come. We are launching a new dynamic routing system which will allow us to optimise capacity loading further and reduce transport miles.

In 2014, we are planning to launch a brand new electric scooter fleet in Switzerland. Our aim is to quantify carbon savings achieved in Switzerland as a result of this change and promote electric vehicles to our franchisees. We believe leading by example is an important first step in our transition from traditional fuels to electric technology.

Achievements in 2013

- Zero waste to landfill achieved for 11 months of the year at our Milton Keynes Supply Chain Centre and we are looking to apply lessons learned from this initiative across our other centres
- Implementation of Renault partnership, to introduce electric cars to stores
- Roll out of data collection for energy consumption across our stores
- Sponsorship of TIDY Northern Ireland Anti-litter summit
- We also formed a team of Green Champions who meet regularly to discuss and implement ideas accordingly. This team will be the driving force to us accomplishing our environment goals

Our environmental footprint

We strive to understand the full impact of our business on the environment and calculating our carbon footprint is critical to this exercise. We first began voluntarily accounting and reporting on the Group's GHG (greenhouse gases) emissions in 2009 as part of our annual CDP (Carbon Disclosure Project) submission.

This year marks two key milestones for our reporting journey – the inclusion of our GHG emissions in our Annual Report for the first time and the expansion of our reporting boundary to include GHG emissions from our international markets.



Working in action



Our work in relation to waste has already begun, with our stores in Northern Ireland uniting to sponsor the TIDY NI Anti-Litter summit.



Corporate social responsibility report continued

We comply with the greenhouse gas (GHG) emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for GHG emissions.

Our greenhouse gas (GHG) emissions inventory

We have adopted a financial control approach to defining our organisational boundary; as a result we report GHG emissions from all four markets considered as part of the Group's current financial consolidation: United Kingdom, Republic of Ireland, Switzerland and Germany.

The methodology used to compile this data is in accordance with the requirements of the following standards: the World Resources Institute's *Greenhouse Gas Protocol* (revised version); DEFRA's *Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance* (June 2013) and *ISO 14064 – part 1*.

Our financial reporting year is 52 or 53 weeks to the last Sunday of the calendar year; however we have set our reporting period back by a quarter to facilitate data collection. Therefore, our reporting period for GHG emissions is 1 October to 30 September. The 2012/13 GHG inventory marks our baseline year and this will be used for comparison purposes in the future.

Our material GHG emissions from our business activities, (ie. excluding franchisee activities) in 2012/13 amounts to 12,316 tonnes tCO₂e, consisting of:

	Emissions source	Tonnes of CO ₂ e ¹
CO ₂ e from the combustion of fuel and the operation of any facilities	Natural gas	802
	Kerosene	99
	Refrigerant	189
	Owned vehicles ³	6,726
CO ₂ e from the purchase of electricity, heat, steam or cooling by the company for its own use	Purchased electricity	4,500
Total		12,316

We believe a relevant measure for tracking our GHG emissions over time is against our dough production and distribution levels. As such our intensity ratio for this reporting year is 0.45 tCO₂e/tonne of dough produced and delivered to stores.

Due to lack of data the GHG emissions summary above excludes the following GHG emissions from refrigerants from our Swiss and German markets.

A more detailed view

In addition to the business activities as outlined above, we collect data on a more expanded scope of activities which we believe to be pertinent to our environmental sustainability strategy. Above you will find a more detailed breakdown of our business activities, including indirect Scope 3 emissions.

	UK	ROI	Switzerland	Germany ⁴	Total Group
Scope 1					
Natural gas	457	n/a	129	216	802
Kerosene ⁵	n/a	99	n/a	n/a	99
Refrigerant	36	153	–	–	189
Owned vehicles	5,713	712	82	220	6,726
Scope 2					
Purchased electricity	3,846	353	8	294	4,501
Scope 3					
Water	18	5	–	1	24
Waste to landfill	22	17	–	–	39
Business travel ⁶	342	–	–	–	342
Electricity transmission & distribution ⁷	303	30	1	17	351
Total tonnes CO₂e	10,737	1,369	220	748	13,073

Our total carbon footprint against this expanded scope was 13,072 tCO₂e and our carbon intensity ratio was 0.48 tCO₂e per tonne of dough produced.

Our sustainability data covers all four of our current markets; our franchisees' emissions are currently excluded from our reporting on the basis that we don't have sufficiently accurate information to report on their impacts. However, we have already begun a process of data collection and we aim to expand the scope of our reporting to include our franchised stores in future years.

Due to lack of data the GHG emissions summary above excludes the following: GHG emissions from refrigerants from our Switzerland and German markets and GHG emissions from water in Switzerland.

Where data was incomplete (i.e. less than 12 months of data were available) GHG emissions were extrapolated from the available information; this applies to GHG emissions from gas and electricity in Switzerland and refrigerants in ROI where only nine months of data were available. We will work to improve overall data quality in 2014.

From 2014, we will provide an overview of key changes to our GHG emissions inventory and highlight initiatives or circumstances associated with either reductions or increases.

For more insight into the quality and reliability of our GHG calculations please access the opinion statement www.corporate.dominos.co.uk created by our carbon consultants, Carbon Smart.

Ensuring accountability

Accountability for our overall environmental performance rests with our Executive Committee; the Committee works closely with the operational functions of the business as well as with our franchisees and will play a significant role in raising the profile of the Responsible Delivery Plan across our markets.

The work required in delivering on our targets and objectives is shared – our CR team is responsible for raising awareness about our strategy, communicating it to our employees and franchisees and reporting progress against targets. It's our Green Team (representatives from our key operational functions) that will take ownership of the various activities and objectives and set about making them happen.

1 Following a qualification exercise Domino's has now registered under phase 2 of the scheme and will be required to report electricity and gas consumption data not only for our supply chain centres and support offices but also that of our franchisees in England, Wales and Scotland.

2 We report all material GHG emissions, "using tonnes of CO₂-equivalent" (tCO₂e) as the unit, to account for all GHGs which are attributable to human activity, as defined in section 92 of the Climate Change Act 2008(a).

3 Includes diesel and red diesel fuel consumption of our delivery fleet and fuel petrol and diesel consumption of our company cars.

4 In the absence of data from the German market, GHG emissions were extrapolated using an average consumption figure / tonne of dough produced derived from UK and ROI consumption figures as well as an average electricity consumption figure / corporate store derived from the consumption figures representative of the Group's corporate stores in Switzerland.

5 Includes: diesel and red diesel fuel consumption of our supply chain centre delivery fleet, petrol and diesel fuel consumption of our company cars and scooters.

6 This includes both air and rail travel; data is currently collected at Group level although this is likely to change in the future.

7 Electricity transmission and distribution refers to the energy loss that occurs between the power station and the point of use.

Changes to legislation mean that this year these emissions must be reported separately as a scope 3 emission.

Employees – Creating a great place to work:



We consider our employees' wellbeing and happiness to be of great importance. Without their passion and enthusiasm we wouldn't achieve the great results that we do.

Our next three slices are all related to our employees and focus on *Performance and development*, *Attracting talent* and *Engagement and wellbeing*.

Performance & development

Our reputation as a brand that delivers excellence depends on the contribution of employees who are committed to high levels of performance and their own continuous development. Learning at Domino's works as a partnership and underpins our approach to performance development. Developing individual skills and knowledge is critical to our success, and from our part, we make sure that everyone has the chance to learn the things they need to know for their role and to look after our franchisees/customers. That might mean attending a course, working towards a professional qualification, using an online package or being mentored or coached by an experienced team member.

We will continue to build on our record of providing development opportunities that are aligned with the needs of the business and our people. Our Performance and Development Review (PDR) scheme is a key process for ensuring that our employees have the opportunity to receive clear feedback on their performance and agree work objectives and development needs that contribute to the team, department and organisation goals.

Having identified the competencies that represent the Group's aspirations, and both current and future needs, we have developed the Group Competency Framework to support "Greatness" from Domino's. The framework supports a number of HR and management activities as well as providing objective and easily recognisable definitions of competence levels. It will also act as a force for consistency around the performance management cycle. The framework was established as a system for all employees to match skills, knowledge and behaviours of the workforce to the requirements of the business.

Training interventions are being aligned to competency development and the "areas for improvement" as highlighted in our annual Happiness at Work employee survey. In focusing on these specific training interventions, we have also considered our need to ensure that our managers improve behaviour in "soft skills" areas, by developing relationships and improving communication with their teams.

We continue to support professional development with a number of individuals working towards CIPD, CIMA, ACCA and CPC qualifications.

In conjunction with Bucks New University we have successfully launched the Domino's Degree programme. The initial pilot is proving successful with both cross functional corporate managers and franchisee managers benefiting from the programme.

In addition, we are working with Cranfield University to provide leadership development opportunities to our Senior Executive and Franchisee Management teams.

To support our stores, we provide regular training to our store team members at our central training centre in Milton Keynes. We offer a range of different training courses from basic management programmes, right through to advanced management training and supervisor training. In 2013, we launched our Domino's University and we have an in-house system called DOTS – Domino's Online Training System. This online system is interactive with our store teams, providing regular webcasts for staff on a variety of topics.

Attracting talent

We have streamlined the recruitment process for corporate vacancies to increase the speed and efficiency in which vacant posts and new jobs are filled. In 2013, we launched Web Recruit to attract and recruit high calibre candidates across the range of roles that are available at Domino's Pizza. We aim to hire high calibre applicants through effective recruitment strategies and a positive recruitment experience.

We are also committed to enabling the promotion and progression of candidates within the business through appropriate policies. We will develop effective talent management and succession planning strategies to ensure that we are retaining, engaging and developing employees who have the potential and aspiration for career progression within the business.

We are in the process of setting up an automated system for stores which will replace the paper-based process and will offer an on-line solution so applicants can apply 24/7, supporting the attraction of high calibre employees in our stores.



Working in action



In 2013, we launched an annual staff engagement day – the theme for our first one was "Back to School" and incorporated a day of team sports and a company quiz.

All team members were separated from their normal working groups to encourage them to interact with new colleagues. It was a very successful event and has been firmly added to the Domino's calendar.

Corporate social responsibility report continued

Engagement & wellbeing

Research has shown that there is a close correlation between levels of employee motivation, organisational performance and the provision of a safe and healthy workplace. We aim to continue to provide a high quality work experience for all our employees to ensure they feel supported, valued and involved in the work of their team. Most importantly we want employees to feel proud to be part of Domino's Pizza and to be contributing to our success.

We are committed to asking employees about their employment experience and to addressing areas where they would like to see improvements through our annual Happiness at Work employee surveys. The feedback we receive informs our action plans and strategies for enhancing the working experience that we provide.

We invest a considerable amount of time and resource in ensuring we provide a safe and healthy environment for work. We position our approach to occupational health and safety within a wider approach to the wellbeing of our employees. We provide private medical insurance, an occupational health service, including health checks and annual flu vaccinations, and will continue to identify ways we can support employees at work.

It's important that we acknowledge and celebrate the successes and contribution of our employees. As a result of feedback obtained from the Happiness at Work employee survey we have developed a team member, peer to peer, recognition scheme to reward the hard work, commitment and achievements of all employees. The scheme recognises those who have made an exceptional contribution, providing monetary and non-monetary recognition to all employee groups.

We want to promote meaningful and constructive dialogue and to support this aim we have established cross-functional working teams to enhance our culture and working environment. These teams cover all our employee groups and help us to gather information and suggestions from across the business. The Happiness at Work team develops our employee programmes and positively influences our work culture.

Key areas covered include:

- employee recognition – to reward individuals and teams for excellence in support of business objectives
- employee health, fitness and wellbeing – both in and out of the office
- work-life balance initiatives
- opportunities to socialise with colleagues, through cross-functional team events, team days and social events
- programmes to improve the environmental performance of the office buildings, supply chain centres and business operations
- more effective communications

We will continue to explore ways of communicating and celebrating the achievements of our employees through BASE, our employee intranet, *Slice*, our internal magazine and via updates from the Chief Executive Officer.

We continue our relationship with Pru Health, the Company's private medical provider, that provides an interactive wellbeing website called Vitality. Vitality provides employees with a wealth of information, help and support, from healthy eating and exercise to advice in achieving a positive work-life balance.

Achievements in 2013

- Launch of the Happiness at Work team
- Introduction of Employee of the Month award
- Recognition wall on employee intranet (BASE)
- Introduction of flexible working for support office staff
- Annual team engagement day implemented

Our aim is to create a great place to work.

♥

Rays of Sunshine



Community matters – being at the heart of the local community:



Domino's considers its place to be at the heart of the local community, delighting the residents with not only hot, freshly made pizza, but also contributing to local charitable and social events.

Our final three slices focus on our community engagement and are centred around *Charitable funding, Supporting education and Creating jobs.*

Charitable funding

In 2013, our most notable change was the appointment of Rays of Sunshine as our new charity partner. This new partnership has been embedded into the Domino's system, with franchisees, store teams and support office employees all joining together to raise money for this worthy charity.

In just one year we have already made a significant difference to this charity, helping to deliver lots of wishes to many seriously ill children.

We also continue to work with Pennies, the electronic charity box, giving our customers the option to round up their order to the nearest pound, donating the spare change to our chosen charities. We are always overwhelmed by the fantastic customer response to Pennies, with many thousands of pounds being raised each year for charity. We are proud to have been the landmark partner for Pennies and have seen this trend of online donation grow considerably since it began in 2010.

In the UK, our current beneficiaries are Rays of Sunshine (75% of donated funds) and Special Olympics Great Britain (20% of donated funds), with the remaining 5% going to Pennies' chosen charities. In Northern Ireland, the Northern Ireland's Children's Hospice receives the full 95%. In 2014, we aim to implement Pennies into the Republic of Ireland, appointing children's charity Barretstown as the benefactor, this charity cares for children with cancer.

At store level, we are very proud of our franchisees' community spirit – we see our store teams regularly engage with their local residents, supporting any number of local projects, from attending school fetes, to sponsoring sports teams, to getting involved in charitable projects. Most recently, we have seen our stores support the Typhoon Appeal and support flood victims in this country, either by fundraising or by delivering fresh, hot pizza to the volunteers.

Supporting education

We operate a school tour programme throughout our network of stores, inviting school children along to learn how to make pizza. These visits are hugely popular, providing not only an educational experience, but also a fun one. We are passionate about being at the heart of the local community and want to do all we can to support students and assist with education.

Students are a big part of our fan base, with our presence at Freshers Fayres being extremely welcome. Our franchisees spend time talking to the students, as well as providing them with hot, fresh pizza. In 2013, we opened a store on the Newcastle University campus, it's a Ready2Go store (one of our new concepts) and involves a set menu of readily available products, rather than the standard full menu range.



Rays of Sunshine grants wishes to seriously and terminally ill children. We are wholeheartedly behind this cause and are supporting them at every level to ensure we help them to make lots of children's wishes come true.

Rays of Sunshine fits perfectly with the Domino's brand as we are both driven to delivering feel-good moments.

Corporate social responsibility report continued

The variety of roles available in stores, at our supply chain and at our support office make us an appealing brand to work for. We have many case studies of students that joined during a summer break, only to stay with the business and become a store manager or even a franchisee. Likewise, in our support office we host many work experience placements and the individuals always leave with a smile on their face, having learnt a great deal about the business, not just how great the pizza is.

We want to continue to work in our local communities up and down the country and where possible go and speak to schools about the employment opportunities that are available at Domino's.

Achievements in 2013

Raised over £300,000 for charity:

- over £144,000 to Rays of Sunshine
- over £125,000 to Special Olympics Great Britain
- over £8,500 to Northern Ireland's Children's Hospice
- over £16,000 to Pennies' chosen charities
- over £6,000 to the Text Santa Appeal
- over £10,000 to local charities in Milton Keynes
- Created a team of Charity Champions to drive charitable funding and staff engagement
- Organised five volunteer days for staff to give their time to a local charity
- Introduced charitable match funding for support staff

Our aim is to be at the heart of the local community.



Working in action



In 2013, in Milton Keynes, we introduced matched funding, supporting our employees to raise money for charities of their choice.

During the year, our staff chose to raise money for the following charities – Rays of Sunshine, Breast Cancer Care, Whizz Kidz, Prostate Cancer and the Sikh Youth Community Centre.



Working in action



In 2013, we sponsored a puppy through the Medical Detection Dogs charity. This charity trains dogs to assist people who suffer from diabetes, epilepsy and other dependent conditions, as well as training them to detect cancer.

We named the pup Domino and our donation of £1,000 will ensure he receives full training, so that when he is ready he will be placed with a much deserving new owner.



**Raised over
£300k
for charity**



**Volunteer
days**



The table below outlines our current CSR goals, starting in 2014:

Great tasting food

Nutrition	<ul style="list-style-type: none"> • Work with the Department of Health to establish realistic salt reduction targets for caterers • Identify key products where fat reduction will not impact taste • Display up-to-date product nutritional breakdown on our corporate website and calorie labelling of core products on our main ordering website • Display allergens information on website and at point of sale in stores
Product sourcing	<ul style="list-style-type: none"> • Identify opportunities to reduce food miles through more local sourcing or backhaul
Working in partnership with our suppliers	<ul style="list-style-type: none"> • All suppliers to have shared CSR plans with Domino's • 100% of food and packaging suppliers signed up to SEDEX and data shared with Domino's

Reducing carbon footprint

Driving energy efficiency	<ul style="list-style-type: none"> • Kick-off development of energy management framework • Introduce energy performance measurement at store level • Continue to promote and encourage franchisees to join national energy deal, procured in 2013 • Establish energy profile of typical store and guide franchisees accordingly to set performance targets
Delivering smarter	<ul style="list-style-type: none"> • Reduce speed limit by 10% across our supply chain fleet in UK and ROI • Drive further fuel efficiency by rolling out dynamic routing across our supply chain • Replace petrol scooters with electric ones across our corporate stores
Striving for zero waste to landfill	<ul style="list-style-type: none"> • Run campaign to reinvigorate recycling practices across our supply chain and support centres • Investigate opportunities to team up with a food charity • Replace paper based job sheet system with electronic version

A great place to work

Engagement & wellbeing	<ul style="list-style-type: none"> • Promote health and wellbeing in line with our Government pledge to increase Physical Activity in the Workplace • Increase participation in areas of employee involvement • Gather and act on staff opinion from Happiness at Work survey results
Attracting talent	<ul style="list-style-type: none"> • Introduce an online application process for corporate and store opportunities • Improve our induction process by bringing it online
Performance & development	<ul style="list-style-type: none"> • Launch a new employee competency framework • Implement learning and development interventions to reflect the competency framework

Community matters

Charitable funding	<ul style="list-style-type: none"> • Launch Pennies online in the Republic of Ireland • Increase participation in volunteering days by 20% against 2013 levels • Share best practice community engagement with all Domino's franchisees and encourage them to do more • Increase donation to our charity partners by 10% against 2013 levels • Identify relevant charity partners within our Swiss and German markets
Supporting education	<ul style="list-style-type: none"> • Review school tour programme in preparation for national re-launch
Creating jobs	<ul style="list-style-type: none"> • Create a further 1,000 jobs across our markets

Summary

We are at the beginning of our CSR journey and realise it will take time, energy and commitment to achieve our goals. However, with our *Responsible Delivery Plan* now in place, we can look to meet these set targets and measure our success accordingly.

We have a clear vision of the future for the Group and will work hard to build a sustainable business, one that ensures we remain a market leader in our industry.

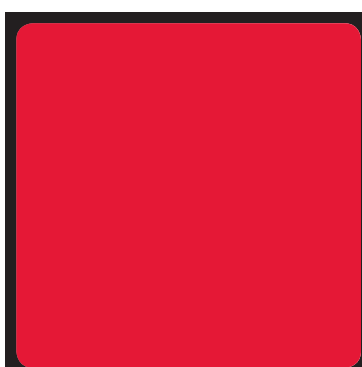
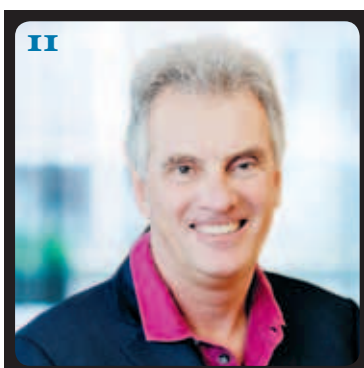
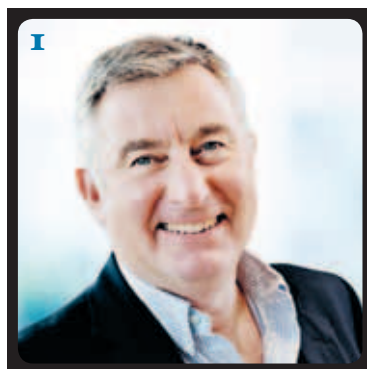
Strategic report approval

The Strategic report, outlined on pages 2 to 43, incorporates the Group at a glance, Chairman's Statement, Our business model, Market overview, Key Performance Indicators, Chief Executive Officer's review, Risk Management, Chief Financial Officer's review and Corporate social responsibility report.

By order of the Board

Mark Millar
Company Secretary
28 February 2014

Board of Directors



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 28 February 2014

1 Stephen Hemsley (56)

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.

2 Colin Halpern (77)

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.

3 Lance Batchelor (50)

Chief Executive Officer (until 16 March 2014)

Lance leaves the Company to take up the position of Chief Executive Officer of Saga on 16 March 2014 having been Chief Executive Officer since 26 December 2011 (and Deputy Chief Executive Officer since June 2011). Lance 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.

4 David Wild (58)

Interim Chief Executive

David was appointed to the Board in November 2013 and in January 2014 was appointed Chief Executive on an interim basis whilst a permanent replacement for Lance Batchelor is found. David is Senior Independent Director and Chair of the remuneration committee at Premier Foods plc and previously held senior positions at Halfords Group plc, Walmart Stores Inc., Tesco Stores plc and RHM Foods Limited.

5 Lee Ginsberg (56)

Chief Financial Officer

On 30 July 2013 it was announced that Lee would retire and stand down at the 2014 AGM on (2 April 2014) having joined the Company in 2004 as Finance Director and Company Secretary. Lee 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, Oriole Restaurants Limited and was appointed a Non-Executive Director of Trinity Mirror plc on 1 January 2014. Lee is a chartered accountant by profession.

6 Sean Wilkins (44)

Chief Financial Officer (from 2 April 2014)

Sean took up the position of Chief Financial Officer (Designate) with effect from 18 November 2013 to take over as Chief Financial Officer on 2 April 2014. Sean joined the Company from Coles Group Pty Limited in Australia where he was General Manager (Supermarkets Finance). Sean previously held the roles of Finance Director (Malaysia) and Finance Strategy and International Director of Telecoms at Tesco plc. Before this Sean was Chief Financial Officer of O2 Asia Pacific & Middle East (part of Telefonica Europe plc).

7 Michael Shallow (59) ●○○

Non-Executive Director

Michael was appointed to the Board in 2006. He is the Senior Independent Director, Chair of the Company's Audit Committee and a member of the 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.

8 Syl Saller (56) ○○

Non-Executive Director

Syl was appointed to the Board in September 2011 and is Chair of the Company's Nomination Committee and a member of the Remuneration Committee. Syl was promoted in July 2013 to be Chief Marketing Officer for Diageo plc, sitting on the company's Executive Committee. Prior to this she was Global Innovation Director for Diageo, and has held senior marketing and general management roles within Allied Domecq, the Holson Burnes Group and Gillette. She has an MBA from Harvard Business School.

9 Helen Keays (49) ○○

Non-Executive Director

Helen was appointed to the Board in September 2011 and is a member of the Company's Audit and Nomination Committees. Helen is also a Non-Executive Director of Majestic Wine plc and a trustee of The Shakespeare Birthplace Trust. Helen has previously been a Director of Chrysalis plc and The Britannia Building Society, Mattioli Woods plc and held senior roles within Vodafone Group plc and GE Capital.

10 John Hodson (67) ●○○

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 Chairman of the Company's Remuneration Committee and a member of the Nomination Committee and Audit Committee.

11 Nigel Wray (65)

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.

12 Ebbe Jacobsen (64)

Non-Executive Director

Ebbe was appointed to the Board on 31 January 2014. He has wide experience of operating in Germany and other European countries, most recently with Delsey. He has been in retail all his life and has pan-EU retail knowledge with significant experience in franchising, multi-site and single brand retail. He pioneered the introduction of US fast food, Burger King, into the Nordics in 1975 and held the position of Director and Operating Partner when the franchise was sold in 1985. Other significant retail experience includes having been CEO of Ikea in Germany, CEO of Delsey and CEO of Habitat.

13 Mark Millar (44)

General Counsel and Company Secretary

Mark was appointed as General Counsel and Company Secretary of the Company with effect from 18 February 2013. Mark joined from Future plc where he was General Counsel and Company Secretary for over 10 years. Mark brings with him a wealth of commercial and legal expertise having worked for more than a decade as a City solicitor, joining Future plc from Allen & Overy.

Corporate governance



Introduction from the Chairman

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 29 December 2013. As Chairman, it is my responsibility to ensure that the Group is governed and managed with transparency and in the best interests of stakeholders.

The purpose of this 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 and to ensure as far as possible that the values you would expect from the Group are in place and adhered to.

As a Board and as a Group, 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.

As many of you will have read, our Chief Executive Officer and Chief Financial Officer announced their resignations from the company during the year ended 29 December 2013. Lance Batchelor leaves the Group in 2014 to join the over 50's insurer and travel agent, Saga, and Lee Ginsberg is due to retire with effect from the 2014 AGM. There has therefore been a large focus during the year on sourcing their long-term replacements, interim arrangements and having regard to the composition of the Board more generally. Not only have we successfully appointed a Chief Financial Officer (Designate), Sean Wilkins, who started with the Group on 18 November 2013 but we have also appointed David Wild as an independent Non-Executive Director on 14 November 2013 and as Interim Chief Executive announced on 31 January 2014. Since the year end we have further strengthened the Board with the appointment of Ebbe Jacobsen as a Non-Executive Director

announced on 31 January 2014. We continue with our search to find a replacement Chief Executive Officer and will report to you, our shareholders, on this further as soon as the right candidate has been found.

There has also been a large focus this year on reviewing the current policies and procedures that the Group has in place, particularly in relation to internal controls and risk, to ensure they are appropriate for a company of our size and reputation. We have decided to establish an internal audit function in 2014 to improve our performance and had PricewaterhouseCoopers prepare a report to scope how we want the function to operate. This has been particularly relevant with our expansion into Europe as we now have stores and teams in the United Kingdom, the Republic of Ireland, Germany and Switzerland which brings with it not only greater regulation and compliance requirements from the governance perspective but also the need to ensure that our processes and controls are implemented across the Group as a whole. This work will continue in 2014 as we look to implement an Enterprise Resource Planning ("ERP") system to enshrine controls and processes into our workstreams.

I am pleased to report that the Group continues to be 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
28 February 2014

Compliance with the UK Corporate Governance Code



Corporate governance is at the core of what we do and this report details how the Board has applied the principles and provisions in the Financial Reporting Council's ("FRC") UK Corporate Governance Code September 2012 (the "Code").

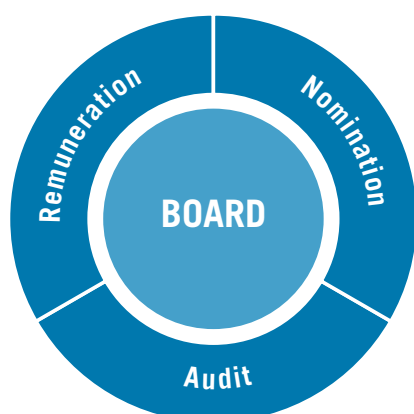
The Code sets out principles and specific provisions on how a company should be directed and controlled to achieve standards of good corporate governance and it provides a guide to a number of key components of effective board practice.

The Code applies to all companies with a Premium listing of equity shares, regardless of whether they are incorporated in the UK or elsewhere. The Company is therefore required to report against the Code for the financial year ended 29 December 2013. A copy of the Code is available at www.frc.org.uk

The required regulatory and governance assurances are provided throughout this report and also in the Directors' report on pages 72 to 74.



The Board



Structure

The Board is supported in its work by the following key committees and its Senior Management Teams:

The Remuneration Committee

The Remuneration Committee determines the terms and conditions of employment, remuneration and rewards of the Executive Directors, the Chairman and the Leadership Teams. The Remuneration Committee focuses on what is necessary to attract, retain and motivate these individuals. During the year under review, the Remuneration Committee also focused on putting in place a Remuneration Policy which we consulted with major shareholders on and will be proposed to shareholders at the 2014 AGM.

The Nomination Committee

The Nomination Committee manages the recruitment of the Directors and advises on matters relating to the Board's membership and Committee appointments, and this includes reviewing succession plans. During the year under review, the Nomination Committee has been especially busy, having focused on finding suitable replacements for the Chief Executive Officer and

Chief Financial Officer and appointing new independent Non-Executive Directors, which resulted in the appointment of David Wild on 14 November 2013 and Ebbe Jacobsen on 31 January 2014. The Nomination Committee also regularly reviews and monitors the skill set of the Board in general, particularly in light of the Group's increasing growth and presence in parts of Europe.

The Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the current internal controls and risk mitigation strategies and monitoring the effectiveness and objectivity of the external auditor. During the year under review, a particular focus has been placed on reviewing the internal controls of the Group alongside reviewing the risk mitigation strategies and categorisations and the Committee approved the development of an internal audit function.

Senior Management Teams

The Board is supported by a newly formed Group Executive and by Leadership Teams in the UK, Germany and Switzerland. The Executive Directors sit on each of the Group Executive and Leadership Teams and feed back updates to the Board at regular intervals. Further details on the Group Executive and Leadership Teams can be found at pages 50 to 51 of this Corporate Governance report.

Focus during the year

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

- recruitment, particularly in relation to the replacement of the Chief Executive Officer and Chief Financial Officer alongside the appointment of two new independent Non-Executive Directors;
- executive management: appointment of David Wild as Chief Executive Officer on an interim basis to ensure smooth transition in 2014 to a new Chief Executive Officer;
- driving new business opportunities (for example the trial of new business concepts such as the kiosk format at sports grounds and universities and the relaunch of service station units);
- formulating and driving the Group's strategy;
- reviewing the interim and full year results;
- a detailed review of the risks register, to ensure the Group's risk profile is aligned with its strategic objectives;
- considering the establishment of a Group internal audit function; and
- a major external review and report into the Group's internal controls.

Board responsibilities and processes include:

- setting and approving the overall strategy of the Group;
- making and reviewing major business decisions;
- monitoring current trading against previously approved plans;
- exercising of control by annual review of "matters reserved" for the Board;
- review of significant contractual commitments;
- review of corporate governance arrangements;
- review of major risks and mitigation strategies;
- Executive and senior management succession planning; and
- review and control of capital expenditure.

Corporate governance continued

Governance structures

Board roles and responsibilities

There is a clear separation between the roles of the Chairman and the Chief Executive Officer. The role descriptions were updated and agreed by the Board during the year under review and then again on the appointment of David Wild as Interim Chief Executive and are summarised below. The Chairman meets with the Chief Executive Officer, off-site, at least once a month and regularly meets with the Chief Financial Officer. The Chairman also has separate discussions with the Non-Executive Directors.

Chairman

- Providing coherent leadership and ensuring effectiveness in the running of the Board
- Ensuring Directors receive accurate, timely and clear information and ensuring that agendas emphasise strategic, rather than routine, issues
- Facilitating effective contribution of Non-Executive Directors and arranging informal meetings of the Directors, including meetings of the Non-Executive Directors
- Guardian of the Board's decision making processes
- Ensuring effective communication by the Group with its shareholders
- Arranging for the Chairs of the Committees to be available to answer questions at the AGM and for all Directors to attend
- Taking the lead in providing a properly constructed, full, formal and tailored induction programme for new Directors

Chief Executive Officer (including Interim)

- Leading the development of the Group's strategic direction and objectives
- Identifying and executing acquisitions and disposals and leading geographic diversification initiatives
- Reviewing the Group's organisational structure and recommending changes as appropriate
- Identifying and executing new business opportunities
- Oversight of risk management and internal control
- Managing the Group's risk profile including the health and safety performance of the Group
- Implementing the decisions of the Board and its Committees
- Building and maintaining effective Leadership Teams
- Ensuring the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group

Chief Financial Officer

- Recommending to the Board an annual budget and financial plan
- Examining all trade, investments and major capital expenditure proposed by Group companies
- Reviewing and monitoring the Group's remuneration policy
- Oversight of risk management and internal control
- Ensuring effective communication with shareholders and key stakeholders and updating institutional investors on the business strategy and performance
- Maintaining relationships with the Group's banks and managing the investment and banking portfolio

Non-Executive Director

- Providing creative contribution to the Board by way of constructive criticism
- Bringing independence, impartiality, experience, special knowledge and a different perspective to the Board
- Guidance on matters of concern and strategy
- Oversight of risk management and internal control
- Protection of shareholder and stakeholder interests
- Constructive challenge to the Executive Directors, and the monitoring of Executive performance
- Supporting the Executive team in the shaping and delivery of the strategic goals of the business
- Optimisation of shareholder return and protection of shareholder assets
- Ensuring the Board is able to work together effectively and make maximum use of its time

Senior Independent Director

During the year under review, Michael Shallow stepped down from the role of Senior Independent Director ("SID") and was replaced by David Wild (with effect from 13 December 2013). On 31 January 2014, Michael Shallow was reappointed as SID whilst David Wild acts as Interim Chief Executive. Both Michael and David's biographies are available on page 43.

The SID focuses on:

- Meeting regularly with solely the independent Non-Executive Directors

- Providing a sounding board for the Chairman and intermediary for other Directors
- Being available to shareholders if they have reason for concern that contact through the normal channels of Chairman or Chief Executive Officer has failed
- Holding annual meetings with Non-Executive Directors without the Chairman present

Company Secretary

- Developing, implementing and sustaining high standards of corporate governance
- Supporting the Chairman and other Board members as necessary
- Advising the Board of legislation, regulation and corporate governance developments which impact the Group, and maintaining the Group's Corporate Governance Manual
- Communicating with shareholders and keeping the Board informed of shareholder opinions
- Ensuring compliance with statutory and regulatory governance requirements

Board composition

As at 29 December 2013, the Board consisted of three Executive and eight Non-Executive Directors, five of whom were deemed to be independent. Since 29 December 2013, the Board has appointed Ebbe Jacobsen as an independent Non-Executive Director.

During the year under review a new Chief Financial Officer (Designate) was appointed, as was a new Non-Executive Director and a further Non-Executive Director was appointed on 31 January 2014 (further details are provided in the Independent Non-Executive Directors and Executive Directors sections of this Corporate governance report). For the majority of the year under review the Board consisted of two Executive and seven Non-Executive Directors, four of whom were deemed to be independent.

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

At the 2013 AGM, each Director retired voluntarily and submitted themselves for re-election. All were successfully re-elected.

Terms of reference for all Committees, which are approved by the Board and reviewed annually, are available on Domino's Investor Relations website (www.dominos.uk.com) along with the formal schedule of matters reserved for the Board which remains unaltered.

Biographies of the Directors and the Company Secretary and details of their other time commitments are set out on page 43.

Independent Non-Executive Directors

The independent Non-Executive Directors during the year under review were Michael Shallow, John Hodson, Syl Saller, Helen Keays and David Wild.

On 14 November 2013, David Wild was appointed as a Non-Executive Director of the Board. David's appointment was on the recommendation of the Nomination Committee, following consideration of the Board's annual effectiveness review. On 31 January 2014 David Wild became Interim Chief Executive pending appointment of a full-time replacement. David will not be treated as an independent Non-Executive Director during his Interim Chief Executive role but it is intended that he will revert to the role of Non-Executive Director once a new Chief Executive Officer is appointed and handover is completed. David will stand for election to the Board of the Company at the 2014 AGM.

The Board reviews the independence of its Non-Executive Directors as part of its annual Board effectiveness review. In assessing the independence of each Director the Board considered whether each was independent in character and judgement.

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 that the Board and Company matters are effectively challenged from a range of external perspectives.

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

The letters of appointment of our Non-Executive Directors are available for inspection at the Company's registered office and at our AGM.

Executive Directors

The Executive Directors of the Company during the year under review were Lance Batchelor (Chief Executive Officer), Lee Ginsberg (Chief Financial Officer) and Sean Wilkins (Chief Financial Officer (Designate)).

On 30 July 2013, it was announced by the Company that the Chief Financial Officer, Lee Ginsberg, would retire and stand down at the 2014 AGM. Lee Ginsberg (the Chief Financial Officer) currently holds the position of Non-Executive Director of Mothercare plc and has done since 2 July 2012. On 1 January 2014, Lee was also appointed as a Non-Executive Director of Trinity Mirror plc.

It was further announced on 6 December 2013 that Lance Batchelor, Chief Executive Officer, was resigning from the Company to take up the position of Chief Executive Officer of Saga.

One of the focuses during the year under review was therefore the recruitment of a new Chief Executive Officer and Chief Financial Officer. In searching for the replacement Chief Executive Officer and Chief Financial Officer the Company has worked alongside three external consultancy firms, none of which has any other connection with the Company.

On 18 November 2013 the Company formally appointed Sean Wilkins as Chief Financial Officer (Designate). Sean will stand for election to the Board of the Company at the 2014 AGM. Full details on Sean's background can be found in the Directors' biographies on page 43.

Details of the Executive Directors' service contracts are set out on pages 62 and 63.

As described above, since the year end, David Wild has been appointed Interim Chief Executive.

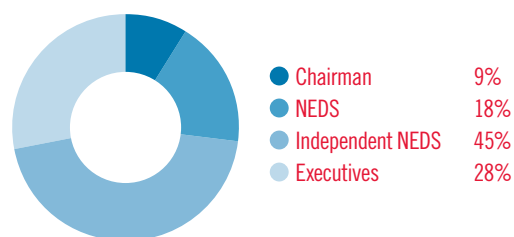
Company Secretary

On 18 February 2013, Mark Millar was formally appointed as the Group's General Counsel and Company Secretary. The former Company Secretary, Adam Batty, stood down with effect from 17 February 2013.

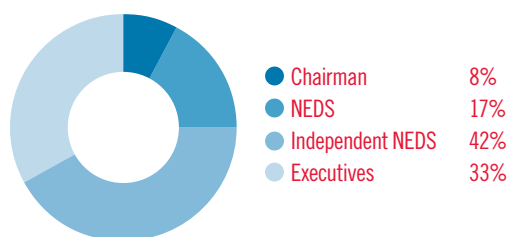
Corporate governance continued

Balance of Board members

29 December 2013



28 February 2014



Length of service of each Non-Executive Director

Non-Executive Director	Date of appointment	Years in post at 29 December 2013
Stephen Hemsley*	1998	15
Colin Halpern**	1993	20
Michael Shallow	2006	7
John Hodson***	2005	8
Nigel Wray	1999	14
Syl Saller	2011	2
Helen Keays	2011	2
David Wild	2013	Less than 1
Ebbe Jacobsen	2014	n/a

* Stephen Hemsley was appointed as Non-Executive Chairman in 2010. However, he was first appointed to the Company in 1998. Full details of Stephen's history with the Company can be found in the Directors' biographies on page 43.

** Colin Halpern acquired the Domino's Pizza franchise for the UK and Ireland in 1993 and has held a variety of jobs within the Group. Full details of Colin's history with the Company can be found in the Directors' biographies on page 43.

*** John Hodson will reach nine years' service in 2014 and will retire once David Wild steps down from the Interim Chief Executive role and resumes as Chairman of the Remuneration Committee.

Board attendance

The Board held nine formal meetings during the year together with two off-site strategy meetings. The Board is responsible for setting and approving the strategy and key policies of the Group and monitoring the progress in achieving these objectives through regular reporting and discussion on financial performance, material operational issues and risk.

	Audit Committee	Nomination Committee	Remuneration Committee	Board meetings
Number of meetings held	4	5	3	9
Executive Directors				
Lance Batchelor	–	–	–	9
Lee Ginsberg	–	–	–	9
Sean Wilkins*	–	–	–	2/2
Non-Executive Directors				
Stephen Hemsley	–	–	3****	9
Colin Halpern***	–	–	–	9
Michael Shallow	4	5	3	9
Nigel Wray	–	–	–	8
John Hodson	3/4	3/5	3	8
Syl Saller	–	5	3	8
Helen Keays***	3/4	3/3	–	8
David Wild**	1/1	1/1	–	2/2

* Sean Wilkins was appointed as Chief Financial Officer (Designate) on 18 November 2013.

** David Wild was appointed as a Non-Executive Director on 14 November 2013 and a member of the Remuneration, Audit and Nomination Committees on 19 November 2013.

*** Colin Halpern resigned from the Nomination Committee in February 2013 and Helen Keays was appointed to the Nomination Committee on 24 July 2013.

**** Attended parts of certain Committee meetings by invitation – not a Committee member.

Board induction and professional development

- When newly appointed, each Director receives a tailored induction pack and programme which is designed to familiarise the Director with the Company and the Group as a whole as quickly as possible and to ensure that they have the necessary knowledge and understanding of the Group and its activities. The programme will usually include an overview of the business model and the Board processes, meetings with the Leadership Teams, senior managers and major franchisees, store visits and briefings on key governance and compliance issues.
- The Chairman, assisted by the Company Secretary, regularly discusses any development or training needs with individual Directors. The Board also recognises 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 ongoing training of Directors. During the year under review, training was provided in matters including directors' duties, risks and internal controls. These training programmes have also been shared, as appropriate, with the Leadership Teams to ensure that there is the necessary knowledge and support right across senior management in the Group.
- Non-Executive Directors are encouraged to attend major franchisee events during the year in order to gain further insight into the business.

Professional advice

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.

Insurance

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.

Board evaluation

During March and April of 2013 the Executive Directors, the Chairman and the independent Non-Executive Directors underwent an external evaluation. The evaluation was prepared and carried out by MBS Limited, an independent governance consultancy, who carried out the Board's previous external evaluation in 2011. MBS Limited has no other connection with the Company. The evaluation was facilitated by the Company Secretary.

The external evaluation carried out during 2013 focused on the Board structure, the role of the Executive Directors, the Chairman and the independent Non-Executive Directors and communications and meetings between the Board and the Committees. Interviews were held with the Directors, evaluated and the results were considered by the Board as a whole. Whilst recognising that a number of improvements had taken place since the last external Board evaluation in 2011, the Board recognised that a number of recommendations from the 2013 evaluation should be implemented during the year under review.

As a result of this evaluation, the Board has placed a particular focus during the year on the succession planning of senior management alongside the recruitment of new independent Non-Executive Directors to add to the Board's skills and knowledge, particularly in European operations.

In addition to the above evaluation, 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 Board's and the Chairman's performance and effectiveness. This review also takes into account the views of the Executive Directors.

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 53 and 54 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.

Corporate governance continued

Leadership Teams

The day-to-day management of the Group's operations for delivering the Group's strategy is undertaken by the Group Executive supported by three country-based Leadership Teams.

There is a separate Leadership Team for each geographical area: UK & Ireland Leadership Team; Germany Leadership Team; and Switzerland Leadership Team. There is a significant commonality of membership between these teams.

Group Executive

Overview

The Group Executive was established in autumn 2013 to give a Group strategic focus and coordinate the work of the three country Leadership Teams. The Group Executive is responsible for the day-to-day management of the Group's operations and for delivering the Group's strategy through the Leadership Teams in the UK & Ireland, Germany and Switzerland.

Members

- Lance Batchelor (resigns 16 March 2014)
- David Wild, Interim Chief Executive (Chairman)
- Sean Wilkins, Chief Financial Officer (Designate)*
- Mark Millar, Company Secretary and General Counsel*
- Simon Wallis, Sales and Marketing Director
- Michael Botha, Commercial Director
- Colin Rees, IT Director
- Brian Trier, Managing Director International

UK & Ireland Leadership Team

Overview

The UK & Ireland Leadership Team is responsible for the day-to-day management of the operations and delivery of Group's strategy in the UK & Ireland.

Senior managers on the UK & Ireland Leadership Team 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.

Members

- Lance Batchelor (resigns 16 March 2014)
- David Wild, Interim Chief Executive (Chairman)*
- Lee Ginsberg, Chief Financial Officer (retires 2 April 2014)
- Sean Wilkins, Chief Financial Officer (Designate)*
- Mark Millar, Company Secretary and General Counsel*
- Ian Douglas, Procurement Director and Head of Ireland
- Simon Wallis, Sales and Marketing Director
- Kerri Saunders, Operations Director
- Jane Franks, HR Director
- Michael Botha, Commercial Director
- Colin Rees, IT Director
- Julia Poulson, Director of Property and Franchise Development*
- Stephen Woodburn, Group Financial Controller
- Georgina Wald, Head of Franchise Development (resigned 31 December 2013)*

Activities

The UK & Ireland Leadership Team meets weekly to oversee the running of the UK and Irish business and implementation of the strategy. The Committee has delegated certain tasks to the following operational subcommittees and receives regular updates from the chairman of each of them:

- **Health & Safety Committee** (Mark Millar) – promotes the wellbeing and safety of our employees, franchisee employees and customers, and minimises 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 Committee
- **Store Default Committee** (Kerri Saunders) – this deals with the relationships with franchisees looking particularly at any breaches of the franchise agreement by a particular franchisee and works to develop relationships and rectification of any potential issues
- **Store Opening Committee** (Julia Poulson) – aims to ensure stores are identified, acquired and opened in accordance with the Company's store opening plan.

* Changes during the year: On 28 January 2013, Mark Millar joined the Board and the UK Leadership Team replacing Adam Batty as Company Secretary and General Counsel with effect from 18 February 2013. On 18 November 2013 Sean Wilkins was formally appointed as Chief Financial Officer (Designate). With effect from 31 December 2013 Georgina Wald left the Company and on 1 January 2014 Julia Poulson was promoted to the position of Director of Domino's Pizza UK & Ireland Limited (the main operating subsidiary of the Company). David Wild was appointed as a Non-Executive Director on 14 November 2013 and subsequently appointed to the role of Interim Chief Executive on 31 January 2014.

Germany Leadership Team

Overview

The Germany Leadership Team is responsible for the day-to-day management of the operations, growth and delivery of the Group's strategy in Germany.

Senior managers on the Germany Leadership Team 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.

Members

- Lance Batchelor (resigns 16 March 2014)
- David Wild, Interim Chief Executive (Chairman)*
- Lee Ginsberg, Chief Financial Officer (retires 2 April 2014)
- Sean Wilkins, Chief Financial Officer (Designate)*
- Brian Trier, Managing Director International (appointed 1 October 2013)*
- Michael Botha, Commercial Director
- Mark Millar, Company Secretary and General Counsel
- Ian Douglas, Procurement Director
- Colin Rees, IT Director
- Stephen Woodburn, Group Financial Controller
- Matthias Kern, Head of Property

- Tom Korver, Supply Chain Centre Manager
- Robert Strate, Head of Finance
- Jan Hertzberg, Head of Marketing
- Steffen Alfes, Head of HR

* During the year under review, Kory Spiroff resigned as the German Market Director on 30 September 2013 and resigned his service relationship with the Group on 25 October 2013 to pursue opportunities elsewhere. Kory was replaced by Brian Trier. Brian has been the Market Director in Switzerland since November 2012 and on 1 October 2013 was promoted to Managing Director International of the Group. On 18 November 2013, Sean Wilkins was formally appointed as Chief Financial Officer (Designate). David Wild was appointed as a Non-Executive Director on 14 November 2013 and subsequently appointed to the role of Interim Chief Executive on 31 January 2014.

Activities

The Germany Leadership Team meets monthly to oversee the running of the German business and implementation of strategy. In the year under review the Germany Leadership Team has focused on:

- Store openings;
- Recruiting new franchisees;
- Brand penetration in the German market by way of local sponsorship deals and local store marketing;
- Creating and implementing a new website for the German market;
- Implementing the new minimum wage structure in the North Rhine Westphalia region; and
- Building on its policies and procedures and staff induction packs.

Switzerland Leadership Team

Overview

The Switzerland Leadership Team is responsible for the day-to-day management of the operations, growth and delivery of the Group's strategy in Switzerland.

Senior managers on the Switzerland Leadership Team 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.

Members

- Lance Batchelor (resigns 16 March 2014)
- David Wild, Interim Chief Executive (Chairman)*
- Lee Ginsberg, Chief Financial Officer (retires 2 April 2014)
- Sean Wilkins, Chief Financial Officer (Designate)*
- Brian Trier, Managing Director International
- Mark Millar, Company Secretary and General Counsel
- Michael Botha, Commercial Director
- Ian Douglas, Procurement Director
- Colin Rees, IT Director
- Stephen Woodburn, Group Financial Controller

- Samuel Bernhard, Director and Country Manager*
- Annika Meister, Finance Manager
- Sebastian Meyer, Operations Manager
- Martin Scheidegger, Marketing Manager
- Claudia Scherrer, HR Manager

* Sean Wilkins was formally appointed as Chief Financial Officer (Designate) on 18 November 2013 and Samuel Bernhard was appointed as a director on 28 August 2013. David Wild was appointed as a Non-Executive Director on 14 November 2013 and subsequently appointed to the role of Interim Chief Executive on 31 January 2014.

Activities

The Switzerland Leadership Team meets monthly to oversee the running of the Swiss business and implementation of strategy. In the year under review the Switzerland Leadership Team has focused on:

- relocating stores and finding new premises; and
- building on brand awareness and product innovation.

Switzerland is still a relatively new market for the Group and the focus for the year has been on relocating existing stores to better areas (in terms of demographics) and refitting existing stores in line with current brand standards. The Group has also focused on creating a line of products which are appealing to the Swiss consumer and which build on the Swiss consumer's tastes.

Corporate governance continued

The Board is kept up to date with developments in the business, including the work of the Leadership Teams, through the Chief Executive Officer and Chief Financial Officer's monthly report, which is discussed in detail at each Board meeting. Group Leadership Team members regularly attend Board meetings to present items and they also meet with the Chairman, as appropriate, to discuss matters which are specific to their area on a less formal basis.

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.

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, and contains other 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.

Diversity

At Domino's, we are unmistakably proud of the diversity in our system and both we and our franchisees recognise the benefits that this brings. The Group and its 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.

With regard to gender diversity, which has been the focus of significant attention, as at 29 December 2013 Domino's had two female Non-Executive Directors on the Board and four of the

thirteen UK Leadership Team members were female. The Switzerland Leadership Team consists of two women and the German Leadership Team was solely male. 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, regardless of gender.

The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. However, the Board seeks to monitor and ensure a good balance of male and female members on its Leadership Teams and the Board.

Relations with shareholders

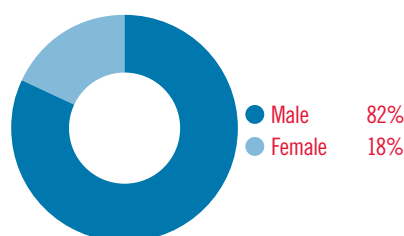
The Chief Executive Officer, the Chief Financial Officer, the Chief Financial Officer (Designate), the Chairman (during the period of significant management change) and the Company Secretary carry out extensive engagement with analysts, institutional shareholders and potential shareholders to ensure 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 John Hodson (as Chair of the Remuneration Committee) and the Company Secretary 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. Please address any requests via the Company Secretary.

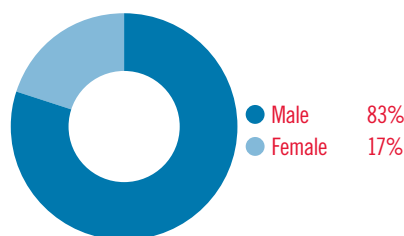
The Group's AGM offers the opportunity to all shareholders to communicate directly with the entire Board. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. All proxy votes received in respect of each resolution at the AGM are counted and the balance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

Diversity

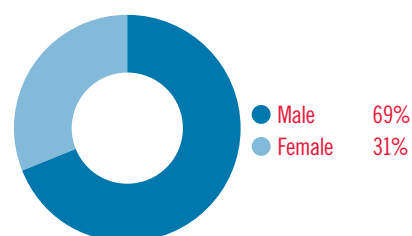
Board



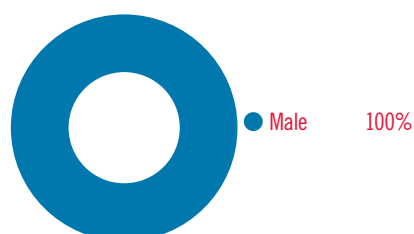
Group Workforce



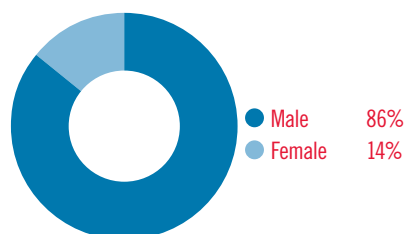
UK Leadership Team



German Leadership Team



Swiss Leadership Team



Committee information

Remuneration Committee

The Remuneration Committee determines the terms and conditions of employment, remuneration and benefits of the Executive Directors, the Chairman and senior management. It also advises the Board on the Group's remuneration strategy and framework to recruit, retain and reward senior management.

John Hodson (Chairman)

Chairman's overview

The principal purpose of the Remuneration 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 has been carried out in relation to factors now required of the Directors' remuneration report which is built within this Annual Report.

Members

- John Hodson (stepped down as Chairman on 12 December 2013 and was reappointed 31 January 2014 when David Wild stepped down)
- Michael Shallow
- Syl Saller
- David Wild was appointed Chairman from 13 December 2013 but stepped down from the Committee on 30 January 2014 when appointed Interim Chief Executive

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 Remuneration Committee.

Activities

The Committee met formally three times during the 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 56 to 71.

The Terms of Reference of the Remuneration Committee were revised and updated in June 2013 and approved by the Board at its meeting on 25 June 2013.

Nomination Committee

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.

Syl Saller (Chairman)

Chairman's overview

The principal purpose of the Nomination 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.

2013 has been a busy year for the Nomination Committee which has spent a considerable amount of time on the appointment of the replacement of the Chief Executive Officer and Chief Financial Officer alongside the recruitment of new Non-Executive Directors. This Committee also dedicated much of its time to the 2013 external Board evaluation review, working closely with MBS Limited on the results of the review and the contents of the report.

The Nomination Committee also regularly appraises Board and senior management succession over the longer term and continues to focus on ensuring that the Company has the optimum mix of Directors to lead and support the business across all territories for the future, informed by considerations of diversity in terms of experience, relevant knowledge and gender.

Members

- Syl Saller
- Michael Shallow
- John Hodson
- Colin Halpern – stepped down from the Committee in February 2014
- David Wild joined the Committee in December 2013 but stepped down in January 2014 when appointed Interim Chief Executive

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

Activities

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

- the recruitment of a new Chief Executive Officer;
- the recruitment of a new Chief Financial Officer;
- the recruitment of a new Non-Executive Director;
- the results of the external Board evaluation during the year;
- the reappointment of all Directors retiring at the 2013 AGM; and
- Board succession and composition over the longer term.

The Terms of Reference of the Nomination Committee were revised and updated in June 2013 and approved by the Board at its meeting on 25 June 2013.

Corporate governance continued

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, the effectiveness of the systems of internal control, and regulatory and financial risk management. It also monitors the objectivity and effectiveness of the external auditors.

Michael Shallow (Chairman)

Chairman's overview

In addition to monitoring the integrity of the financial statements and announcements of the Group, the principal purpose of the Audit 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 Audit Committee determines that the Annual Report and Accounts contains 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.

Members

Michael Shallow; John Hodson; Helen Keays; and David Wild (joined the Committee in December 2013 but stepped down in January 2014 when appointed Interim Chief Executive).

In accordance with the Code, Michael Shallow is identified as having recent and relevant financial experience. 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 and by the Company Secretary as Secretary of the Committee.

Significant issues considered in the year

During the year the Committee considered and concluded upon what the significant risks and issues were in relation to the financial statements and how these would be addressed.

Impairment of the carrying value of the German business

In July 2013 the Company announced that it would be reconsidering the strategy and approach for its German business, given the poor trading results of that business and that it would seek to transition loss-making corporate stores to franchisees, consistent with its successful UK business model. As this would likely result in a significant revision to the long-term financial budgets for the business, the Board met in Germany in September 2013 to visit the head office, a number of stores and some competitor stores to understand the business fully. It also held a strategy day with the Executive Directors and senior German management team to remodel the business and seek to understand store level economics in Germany. Once the financial budgets had been revised and the potential impairment issues quantified, the Committee discussed the level of impairment charges on a line by line basis with senior management and external auditors before approving the levels of impairment included in these results.

Classification of exceptional items

The financial results include a number of exceptional items, many of which relate to the transition of the German business and the Committee has responsibility to ensure appropriate classification of all such items to ensure that the results are fair, balanced and understandable. The Committee ensured that it had a thorough understanding of the business from the Board trip to Germany and considered a detailed report from management of each proposed exceptional item, and also the external auditor's report to the Committee, in order to determine the appropriate quantum and disclosure of each exceptional item.

What the Committee did in 2013

The Committee met four times this year during which it:

- reviewed results, announcements and the 2013 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 judgements made and the accompanying narrative when appropriate;
- received regular reports from the Chief Financial Officer, the Chief Financial Officer (Designate), the Financial Controller, the Audit Partner and the Company Secretary on risk and compliance matters;
- oversaw further development of the internal controls testing framework and assessed the need for an internal audit function and commissioned a report on internal controls for PricewaterhouseCoopers;
- approved the auditors' work plan for the Group and the Group's own annual controls testing plan;
- reviewed emerging risks and material risk profile;
- discussed the Company's tax strategy;
- reviewed and monitored the external auditors' independence and objectivity, considered the effectiveness of the audit process and the reappointment of the external auditors, and approved the external auditors' remuneration and fees being charged by Ernst & Young for audit and potential non-audit services; and
- oversaw the dedicated whistleblowing facility for all employees, which allows employees to raise concerns about possible improprieties in financial reporting or other matters.

The Audit Committee has had a very active year. Further to the reviews of internal control and audit in 2013 it has been decided that it would now be appropriate, given the size and growth of the Group, for the appointment/dedication of an internal audit and internal control function within the Group. It is expected that an internal audit role will come into full force and effect during the financial year 2014.

We have built on the work done in 2012 and overseen a further detailed review and analysis of the Group's risks. Whilst we have kept the underlying level of detail we have significantly shortened the risks section of this Annual Report, focusing on the key risks and aligning these with the strategy of the Group as a whole and re-evaluating the likelihood and impact that the risks are likely to have on the Group.

The Committee also put in place and approved an Auditor Independence Policy and considered an Auditor Rotation Policy. However, it was determined in line with The Auditing Practice Board Ethical Standard 3, Audit Engagement Partners should rotate every five years (or seven in certain circumstances) and the Company's current Audit Partner has been in place for four years and therefore would not be rotated until 2015.

The Committee had 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.

Risk management and internal controls

Risk management

The Group's risk management system has been thoroughly reviewed throughout the year. It is designed to encourage entrepreneurial spirit and also to provide assurance that risk is fully understood and managed. Risks are identified by way of a traffic light system in terms of both likelihood and impact and subsequently ranked as either primary or secondary risks to the business.

This categorisation allows senior management to really focus on those primary risks that are most pertinent to the Group's business, rather than having the key risks lost in the wider pool of other risks. Detailed risk mitigation strategies for all risks have been produced and are reviewed regularly and reported on to the Audit Committee.

Overall responsibility for risk management sits with the Board and the Board monitors the Group's risk management system and its effectiveness within the context of the Group's strategy. The Group Executive and Leadership Teams are responsible for implementing and maintaining the appropriate controls and systems in relation to risk and, at least biannually, the Company Secretary reports to the Board on the current risk analysis matrix.

Full and further details of the Group's risks and risk management can be found in the Strategic report on pages 23 to 26.

Internal controls

The Audit Committee reports to the Board on its review of the Company's internal controls and risk management. This includes the appropriateness, effectiveness and sustainability of the Group's risk management systems of internal control and governance frameworks and processes in light of the Group's strategy. The Board is responsible for the Group's system of internal control and reviewing its effectiveness. Any system of internal control is designed to manage and mitigate, rather than eliminate, the failure to achieve business objectives and strategy and/or risks.

During the year under review the Company instructed PricewaterhouseCoopers to carry out a full review of the current internal controls and systems that are in place within the Group. PricewaterhouseCoopers are due to complete and finalise their report of the review in spring 2014 and the Company's intention is to review the report with a view to implementing certain of its recommendations during the 2014 financial year.

During the year under review the Directors have not identified or been advised of any failings which appear to be significant weaknesses. However, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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.

Internal audit

As the Group continues to expand and enters new territories the requirement for internal controls and risk management becomes more key. During the year the Board commissioned PricewaterhouseCoopers to report on proposals to establish an internal audit function, reporting to the Company Secretary. Following the review carried out by PricewaterhouseCoopers, the Company is establishing an internal audit function within the Group in 2014 and the scope of this new function will be considered in further detail following the completion of the final report by PricewaterhouseCoopers in spring 2014.

External auditors

Ernst & Young LLP ("EY") has served as the Group's auditor since 1997. However, Domino's did not become a public interest entity until it joined the Main List in 2008. The partner engaged on the audit is changed in line with Code standards and the services provided by EY are reviewed periodically. The Audit Committee plays a key role in managing the relationship with the Group's external auditor.

Assessment of effectiveness of auditors

The effectiveness of the audit process carried out by EY is an important aspect of the Audit Committee's confidence in the Company's approach to controls and risks and in the integrity of its financial reporting. During the year the Committee discussed EY's effectiveness with each of the senior finance team, the auditors and the Board, considered the audit in the light of the audit plan, and concluded that EY continue to prove effective in its role as external auditor.

Independence of auditors

EY's independence is evidenced through their robust challenge to management during the audit process. EY's effectiveness enables the Audit Committee to recommend their reappointment as external auditors for 2014. There was no non-audit work carried out by the external auditors in the year under review. However, 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 which was implemented in the year under review.

During the year ended 29 December 2013, EY fees for audit services were £0.2m and a summary of the audit fees for 2013 are given in note 6 to the financial statements.

The Audit Committee considered whether to tender audit services during 2013 for 2014 audit for the first time as a public company. However, with the change of Chief Financial Officer and the need to appoint a new Chief Executive Officer in 2014, the Committee wanted to preserve continuity and will reconsider putting audit services out to tender during 2014. Consequently, the Committee has recommended to the Board that EY be reappointed as auditor of the Company. A resolution for the reappointment will be put to a shareholder vote at the AGM on 2 April 2014.

Directors' remuneration report

for the 52 weeks ended 29 December 2013

Chairman's summary statement

Dear Shareholder

I am pleased to present our Directors' remuneration report for the year ended 29 December 2013 for Domino's Pizza Group plc (the "Company").

In line with the new reporting requirements, we have made some further changes to the structure and layout of our Directors' remuneration report which includes the forward-looking Directors' remuneration policy report and implementation of the policy during the year as described in the Directors' remuneration report.

As described in the Strategic report the year end results illustrate the ability to continue growing the business despite the tough economic conditions in the United Kingdom, Ireland and in Germany. The increase in sales achieved during the year under review 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

Despite strong UK financial performance during the year, the performance of the German businesses was such that the Remuneration Committee (the "Committee") determined that the target set for annual growth in adjusted profit before tax ("PBT")* had not been achieved. The individual personal performance objectives were met in part, and therefore the annual bonus entitlement for Lee Ginsberg was 12.5% 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 2011 reversionary interest awards (measuring performance from 26 December 2010 to 29 December 2013) are expected to vest at 92.5% as a result of delivery against the performance targets set, and which the Committee considered suitably challenging.

The Committee is satisfied that the remuneration paid to the Executive Directors in the year fairly reflects both corporate and individual performance during the year.

Remuneration policy for 2013

The remuneration policy for 2013 operated on broadly similar terms to the 2012 policy save for the introduction of a personal performance objective in the annual performance bonus as disclosed in last year's report. The Committee's activities during the year are described in more detail in this Directors' remuneration report.

Remuneration policy for 2014

During 2013 the Committee completed a review of the current Executive remuneration policy. This review concluded that the overall policy to pay base salaries at, or below, appropriate comparative median benchmarks but with the opportunity to earn upper quartile incentives based on performance, remained fit for purpose. However, cognisant of market practice, and with a view to better managing future share plan dilution, we are proposing a number of modifications to our existing arrangements. The proposed key changes are:

- introduction of compulsory deferral of one-third of the annual bonus;
- replace current annual award of market value options with annual awards of performance shares. The Company's previous policy of granting annual awards of market value share options at up to 300% of salary will be replaced with annual awards of performance shares of up to 175% of salary;
- performance share awards which will be split into two halves so that half will be subject to a challenging range of earnings per share ("EPS") growth targets, with the remaining half subject to a relative total shareholder return ("TSR") condition measured against the FTSE 250 Index (excluding investment trusts); and
- seek shareholder approval to remove the 5% in 10-year dilution limit and operate all plans within a 10% in 10-year limit. Longer-term, the intention is to reintroduce a 5% in 10-year dilution limit with the removal of the limit at the 2014 AGM reflecting the depth into the organisation that the Company has historically operated a Company Share Option Scheme ("CSOP") (i.e. the Company has used a discretionary share plan that sits within the 5% in 10-year dilution limit on a broadly all-employee basis with such plans typically only subject to a 10% in 10-year limit). Since the Company is ceasing to use the CSOP in this manner, and replacing it with wider use of an HMRC approved sharesave plan ("SAYE"), it will be a number of years until the historic CSOP awards work their way through the Company's dilution limits and the Company is able to reintroduce the 5% in 10-year dilution limit.

There will be no base salary increases to the Chief Executive Officer or Chief Financial Officer noting their resignation and retirement respectively during the course of the year under review. The Chief Financial Officer (Designate), appointed on 18 November 2013, will not receive a salary increase with effect from 1 January 2014 with his salary remaining at £275,000 until 1 January 2015 when he will be first eligible for a salary review.

Unless otherwise stated in this Directors' remuneration report, adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.

There has been no change to annual bonus maximum opportunity with LTIP policy to be revised as detailed above.

While the above changes detail the key developments to the Company's ongoing remuneration policy, as detailed in the Corporate governance report, the temporary restructuring of the PLC Board has necessitated a number of short-term remuneration structures being implemented. Recognising the temporary appointment of a Interim Chief Executive for the period until two months after a successor to Lance Batchelor is appointed, the Interim Chief Executive is to be paid a monthly salary of £50,000. This includes an allowance for pension and benefits and the individual will not be eligible to participate in the annual or long-term incentive plan as a result of the role being for a temporary period only. In addition, reflecting the enhanced responsibilities of the Chairman, his fee will increase to £390,000, which reflects an approximate anticipated doubling of his current time commitment.

Shareholder views

The Remuneration Committee continues to take an active interest in shareholder views. Given the changes noted above, we consulted with our major shareholders in late 2013 and early 2014 and enjoyed a constructive dialogue which has helped form the final policy set out in the Directors' remuneration policy report. On behalf of the Committee, I wish to thank our shareholders for their comments and look forward to maintaining an open and transparent dialogue in the future. We hope to receive your continued support at our 2014 AGM.

John Hodson

Chairman of the Remuneration Committee
28 February 2014

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 29 December 2013. The report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations") and has been prepared in line with the recommendations of the UK Corporate Governance Code and the UKLA Listing Rules.

The report has been divided into two sections with the Directors' remuneration report being subject to an advisory vote at the 2014 AGM. The Directors' remuneration policy report will be subject to a binding vote at the 2014 AGM and, subject to shareholder approval, the policy contained in this report will be effective from the date of the AGM and shall remain in place for three years hence. The Committee has also sought to apply the principles of its policy for the period from 1 January 2014 until the AGM. The parts of the report which have been audited by Ernst & Young LLP have been highlighted as required by the Regulations.

Remuneration policy report (unaudited)

This part of our Directors' remuneration report sets out the remuneration policy for the Company as it applies from the date of the 2014 AGM for a period of three years.

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 relevant market rate 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.

Directors' remuneration report continued

The table below summarises our 2014 policy and the changes to apply for the current financial year.

2014 Executive Director policy table

This policy is anticipated to apply to current Executive Directors from 1 January 2014 albeit with the effective date of the policy for the purposes of the Regulations being the AGM date.

Element and maximum	Purpose and link to strategy	Operation
Base salary	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 Set in the context of pay and employment conditions in the Group Targeted at below the relevant market rate
Pension	<ul style="list-style-type: none"> Provide market competitive, yet cost-effective retirement benefits Opportunity for Executive to contribute to their own retirement plan 	<ul style="list-style-type: none"> Defined contribution or cash supplement HMRC approved salary sacrifice arrangement Salary sacrifice for employee contribution
Other benefits	<ul style="list-style-type: none"> Provide cost-effective insured benefits to support the individual and their family Access to company car to facilitate effective travel 	<ul style="list-style-type: none"> Benefits are provided through third-party providers and include medical and life insurance Company cars or cash equivalents provided The Committee may offer Executive Directors other employee benefits from time to time on broadly the same terms as provided to the wider workforce
Annual Performance Bonus	<ul style="list-style-type: none"> Incentivise annual delivery of financial and operational goals linked to the Company's strategy Relatively high potential rewards for achieving demanding targets 	<ul style="list-style-type: none"> Two-thirds paid as cash One-third deferred into shares which will vest after two years and are subject to forfeiture Dividends which accrue on vested share may be payable Not pensionable Clawback provisions apply Stretching targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends
Long-Term Incentive Plan (LTIP)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Annual grant of market value options or performance shares Subject to performance conditions measured over three years Clawback provisions apply Dividends which accrue may be paid on vested shares
Share ownership guidelines	<ul style="list-style-type: none"> To provide alignment between Executives and shareholders To encourage a focus on sustainable long-term performance 	<ul style="list-style-type: none"> Executives are expected to build and maintain a shareholding equivalent to the guideline multiple of salary within five years of joining

Maximum	Performance targets
<ul style="list-style-type: none"> The salaries as at 1 January 2014 are set out on page 65 of this Directors' remuneration report Salaries will be eligible for increases on an annual basis with the rate of increase (in percentage terms) typically linked to those of the wider workforce Significant changes in responsibility, a change of scope in a role, a material sustained change in the size and/or complexity of the Company 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 using increases above those of the wider workforce based on performance and experience 	<ul style="list-style-type: none"> Broad assessment of the Company and individual performance as part of the review process
<ul style="list-style-type: none"> Monthly employer contribution to a pension arrangement or payment of a cash allowance in lieu of pension up to 15% of basic salary 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> Family level private medical insurance cover provided Life insurance cover of 4x multiple of salary Company car or cash allowance The value of insured benefits will vary from year-to-year, based on the cost from third-party providers 	<ul style="list-style-type: none"> N/A
<ul style="list-style-type: none"> CEO – maximum 150% of salary CFO – maximum 125% of salary CFO-Designate – maximum 125% of salary One-third of any amount will be deferred and payable in shares after two years 	<ul style="list-style-type: none"> Bonuses will be subject to a combination of financial and strategic targets which are set by the Committee on an annual basis The majority of the bonus will be measured against financial metrics (e.g. adjusted PBT) with a graduated scale set around the target A minority of the bonus will be set based on strategic targets which are aligned to the key objectives from year to year A minority of each element will be payable for achieving the threshold performance level. In relation to financial targets, 20% of this part of the bonus becomes payable for achieving the threshold performance target. In relation to the strategic targets, it is not always practicable to set a sliding scale for each objective. Where it is, a similar proportion of the bonus becomes payable for achieving the threshold performance level as for financial targets Details of the bonus measures operated each year will be included each year in the relevant Directors' remuneration report
<ul style="list-style-type: none"> Maximum opportunity of 500% of salary market value share options or 200% of salary performance shares The normal policy is to grant annual awards of performance shares at up to 175% of salary to each Executive Director 	<ul style="list-style-type: none"> Long-term incentive awards vest based on three-year performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee in its discretion Financial targets will determine vesting in relation to at least 50% of a performance share award A maximum of 15% of any target vests for achieving the threshold performance level with 100% of the awards being earned for maximum performance (there is graduated vesting between these points) The performance period for financial targets and relative TSR targets is three financial years
<ul style="list-style-type: none"> 150% of salary holding for Executive Directors 	<ul style="list-style-type: none"> N/A

Directors' remuneration report continued

Element and maximum	Purpose and link to strategy	Operation	Maximum
Non-Executive Director fees	<ul style="list-style-type: none"> Reflects the value of the individual's skills and experience Recognises expected time commitments and responsibilities 	<ul style="list-style-type: none"> Chairman's fee set by the Committee. Non-Executive Directors' fees set by the Board Reviewed biannually, effective 1 January Takes into account periodic external review against companies with similar characteristics and sector comparators Set in the context of time commitments and responsibilities A base fee is provided to all Non-Executive Directors with supplemental fees payable for chairing the Audit and Remuneration committees and for the Senior Independent Director Non-Executive Directors do not participate in any annual bonus, share incentive plans, or pension arrangements 	<ul style="list-style-type: none"> Fees for 2014 are: <ul style="list-style-type: none"> Chairman* – £390,000 Non-Executive Vice Chairman** – £265,000 Base fee – £41,000 Audit Committee Chairman fee – £7,000 Remuneration Committee Chairman fee – £7,000 Nomination Committee Chairman fee – £5,000 Senior Independent Director fee – £5,000 The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity The above fee levels will be eligible for increases during the three-year period that the remuneration policy operates from the effective date to ensure they appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity Flexibility is retained to go above the above fee levels if necessary to do so to appoint a new Chairman or Non-Executive of an appropriate calibre

* The fee of the Chairman, Stephen Hemsley, has been enhanced from £195,000 to £390,000 with effect from 1 February 2014. This increase in fee reflects the additional time commitment anticipated to be required of his enhanced role supporting the Interim Chief Executive which took effect from that date. It is expected that following the appointment of a new Chief Executive Officer (replacing the current Interim Chief Executive), after an appropriate period of transition of the enhanced responsibilities to the Chief Executive Officer, that the fee of the Chairman will revert to a level reflecting his responsibilities at that time (£195,000).

** 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 2014 was agreed as a basic fee of £265,000 plus expenses and life insurance (2013: £265,000).

Operation of the annual bonus plan and LTIP policy

The Committee will operate the annual bonus plan and LTIP in accordance with their respective rules and in accordance with the Listing Rules and HMRC requirements where relevant.

Within these rules, the Committee is required to retain a number of discretions to ensure an effective operation and administration of these plans. These discretions are consistent with standard market practice and include (but are not limited to):

- who participates in the plans;
- when awards are granted and/or paid;
- the size of an award and/or a payment (subject to the limits stated in the policy table above);
- how to determine the level of vesting;
- how to deal with a change of control or restructuring of the Group;
- how to determine a good/bad leaver for incentive plan purposes;
- how to determine any adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- reviewing the performance conditions (range of targets, measures and weightings) for the annual bonus plan and LTIP from year to year.

If certain events occur, such as material acquisition or divestment of a Group business, the original performance conditions may be no longer appropriate. Therefore, the Committee retains the discretion to make adjustments to the targets and/or set different measures and alter weightings as they deem necessary to ensure the

conditions achieve their original purpose, are appropriate in their revised circumstance and, in any event, are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Directors' remuneration report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

The outstanding share incentive awards which are detailed on pages 68 to 70 of the Directors' remuneration report and any arrangements agreed prior to the effective date of this policy will remain eligible to vest or pay out based on their original award terms. In addition, all arrangements previously disclosed in prior years' Directors' remuneration reports will remain eligible to vest or become payable on their original terms.

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 typically 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 review on page 12, 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. For incentive purposes this results in adjusted profit before tax being used as the primary performance metric in the annual bonus plan and adjusted EPS growth being used as a performance metric within the LTIP (with adjusted EPS

measuring the Company's success in delivering long-term profitable growth on a per share basis which is a key contributor to the Company's valuation). The Board sets stretching financial performance targets for the business and its senior managers, based on internal forecasts 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. For financial targets a sliding scale is applied, with a minority of the bonus being payable for threshold levels of performance.

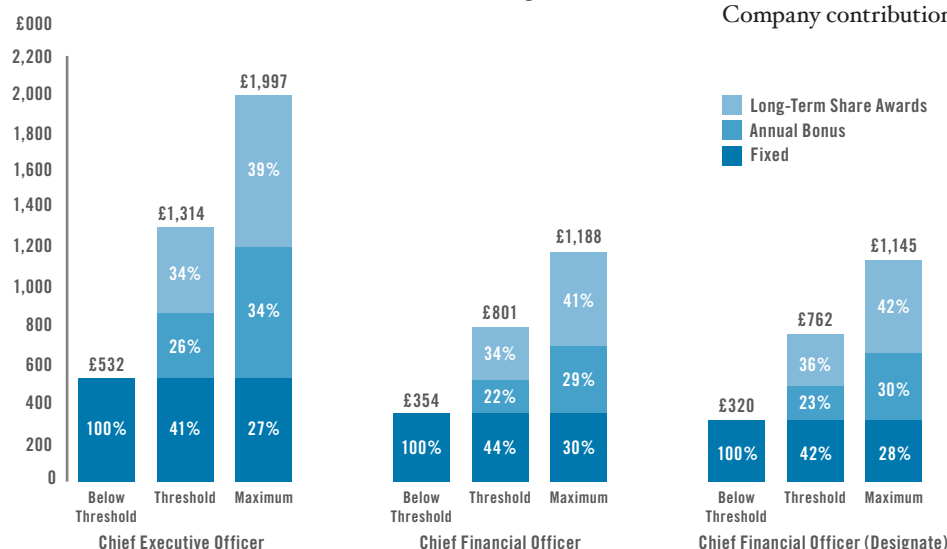
A number of the Company's non-financial strategic objectives have been incorporated into the annual bonus and will be applied on an individual basis for a minority of the overall bonus potential. These objectives will also be measured on a sliding scale of performance.

Noting the encouragement received from a number of shareholders the Committee has introduced a second performance metric into the LTIP. Relative TSR is to determine vesting of part of future long-term incentive awards with this metric clearly aligned with the interests of shareholders in that Executives will only be rewarded to the extent that the Company outperforms the median company of comparable size with full vesting on this measure dependent on achieving top quartile performance. This measure will be used in tandem with adjusted EPS which is considered to be the most appropriate measure of long-term financial performance (as noted above). It is also aligned with our objective of operating a progressive dividend policy and is a measure that is assessed by the Board on a continuous basis to determine how successful we are at executing our strategy.

The Committee will review the continued appropriateness of both the annual bonus and LTIP performance conditions on an annual basis to ensure they remain aligned to the Company's strategy at the time. The Committee will make necessary changes to the weightings of measures and/or introduce new measures which they believe would provide a closer link to the business strategy within the confines of the policy detailed above. Shareholder dialogue would take place, as appropriate, should there be any material change of emphasis in relation to current practices.

Remuneration scenarios for Executive Directors

The chart below shows 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. We have applied the policy for the current Chief Executive Officer, Chief Financial Officer and Chief Financial Officer (Designate).



Notes:

- 1 Fixed Pay = Salary (from 1 January 2014) + Benefits (using 2013 value as a proxy) + Pension.
- 2 Below Threshold = Fixed pay only.
- 3 Target = Fixed pay + On-target bonus (50% of bonus) + Mid-point vesting of LTIP award (i.e. 56.25% vesting on LTIP award of 175% of salary).
- 4 Maximum = Fixed Pay + Maximum bonus + Full vesting of LTIP award.
- 5 No share price growth has been assumed.

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.

There will be no increases to the base salary levels of the Executive Directors with effect from 1 January 2014 given the resignation and retirement of the Chief Executive Officer and Chief Financial Officer respectively.

The Committee does not formally consult directly with employees on executive pay but does receive periodic updates from the Group HR Director. The Committee is also informed of the results of employee engagement surveys, which do not contain any specific questions related to Executive Director remuneration, but 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.

How the Executive Directors' remuneration policy relates to the 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.

Directors' remuneration report continued

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 are also 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 certain circumstances, e.g. misstatement. 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. A full consultation exercise was undertaken during late 2013 and early 2014 with shareholders' views being reflected in the final policy set for 2014.

The Committee values feedback from its shareholders and seeks to maintain a continued open dialogue.

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. Notice periods given by the employing company are limited to 12 months or less. Should notice be served by either party, the Executives can continue to receive basic salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. 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.

The contract of the Chief Executive Officer (as Deputy Chief Executive Officer) is dated 27 June 2011 and 13 May 2008 for the Chief Financial Officer. Both contracts operate on a rolling basis with a 12-month notice period. The service contract for the Chief Financial Officer (Designate) is dated 9 December 2013 with a six-month notice period.

The policy for a new hire would be based on terms that are consistent with these provisions but will also include the ability for Domino's to make a payment in lieu of notice (limited to a maximum value of 12 months' base salary, pension and benefits). Payments in lieu of notice may be made in monthly instalments and would reduce proportionately to the extent that alternative employment income was received (i.e. phased payments would be subject to mitigation).

The Chief Financial Officer (Designate)'s service contract includes a payment in lieu of notice provision as per the policy details above for a new hire.

Payments in lieu of notice are not pensionable. In the event of a change of control of the Group, 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 or less
Maximum termination payment	Base salary plus benefits and pension, subject to mitigation for new directors
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 regard to the circumstances under which the Executive Directors might leave service, these are described below 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
Pension and benefits	Provided for proportion of notice period served		Up to one year's worth of pension and 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 employed (provided performance conditions met) at the discretion of the Remuneration Committee. If dismissed for cause, none payable		Reduced pro rata to reflect proportion of bonus year elapsed (provided performance conditions met).
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, redundancy entitlements	

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 2013 (as Non-Executive Chairman)	30 March 2016
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
David Wild*	14 November 2013 (as Non-Executive Director)	14 November 2013	14 November 2016
Ebbe Jacobsen	31 January 2014	31 January 2014	31 January 2017

* David Wild was appointed as Non-Executive Director on 14 November 2013 and subsequently appointed as Interim Chief Executive on 31 January 2014.

** John Hodson has agreed to temporarily stay on as a Non-Executive Director whilst a Chief Executive Officer is recruited. The Company will re-visit this at a later stage.

Directors' remuneration report continued

Recruitment and promotion policy

When facilitating an external recruitment or an internal promotion the Committee will apply the following principles:

Remuneration element	Policy
Base salary	Salary levels will be set based on the experience, knowledge and skills of the individual and be set in the context of market rates for equivalent roles in companies of a similar size and complexity. The Committee will also consider Group relativities when setting base salary levels The Committee may set initial base salaries below the perceived market rate with the aim to make multi-year staged increases to achieve the desired market position over time. Where necessary these increases may be above those of the wider workforce, but will be subject to continued development in the role
Benefits	Benefits will be as provided to current Executive Directors The Committee will consider meeting the cost of certain reasonable relocation expenses and legal fees as necessary
Pension	A defined contribution or cash supplement at a level no more (as a percentage of salary) than current Executive Directors
Annual bonus	The annual bonus would be operated in line with that set out in the policy table for current Executive Directors with the maximum limited to 150% of base salary For a new joiner, the bonus would be prorated for the period of service Due to the timing or nature of the appointment, the Committee may determine it necessary to set different modified performance conditions for the first year of appointment
Long-term incentives	Ongoing Long-Term Incentive Plan awards may be made on the same terms as current Executive Directors, with the maximum award limited as per the plan rules (200% of salary of performance shares or 500% of salary in market value options) Awards may be made shortly after an appointment, subject to prohibited periods Any new appointment would be eligible to participate in the all-employee share options arrangements on the same terms as all other employees For internal promotions, existing awards will continue over their original vesting period and remain subject to their terms as at the date of grant
Additional incentives on appointment	The Committee will assess whether it is necessary to buy out remuneration which would be forfeited from a previous employer The Committee will, where possible, seek to offer a direct replacement award taking into account the structure, quantum, time horizons and relevant performance conditions which would impact on the expected value of the remuneration to be forfeit The Committee will use the existing remuneration plans where possible, although it may be necessary to grant outside of these schemes using exemptions permitted under the Listing Rules In addition, in certain limited circumstances, for example, where a previous employer has offered a higher ongoing incentive structure, they may make a one-off sign on award as part of the initial package In aggregate, the total of such awards, plus ongoing remuneration incentive pay, would be limited in all cases to 500% of salary (excluding buyout awards) with the Long-Term Incentive element granted as performance shares While the above is included in the policy to provide flexibility, the Committee's expectation is that variable pay on recruitment (excluding buyouts) would not exceed 350% of salary with the Long-Term Incentive element granted as performance shares

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 and was permitted to accept an invitation to join the board of Trinity Mirror as a Non-Executive Director from 1 January 2014, due to him standing down as an Executive Director of the Company at the 2014 AGM.

Annual report on remuneration

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.corporate.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	Member since	Attendance
John Hodson (Chairman)	14 February 2005	3 out of 3
Michael Shallow	1 January 2006	3 out of 3
Syl Saller	22 November 2011	3 out of 3

External advisers

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 total fees for NBS services in the year were £66,412 excluding VAT. The Committee reviews its relationship with external advisers on a regular basis and, noting that AON plc does not provide any other services to the Group, continues to believe there are no conflicts of interest.

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.
- Reviewed and approved overall remuneration policy for Executive Directors and senior management for FY2014, including performance measures for the annual performance bonus and 2014 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.
- Approved the terms of the Chief Financial Officer's retirement.
- Approved the terms of appointment of the Chief Financial Officer Designate.

B) Governance

- Reviewed and approved the Directors' remuneration report.
- Reviewed final reporting regulations changes and assessed the Company's approach to compliance. Also, closely monitored guidance and directional themes from institutional shareholder bodies.
- Reviewed 2013 AGM results and feedback from institutional shareholders as a result of the consultation on modifications to the remuneration policy for the forthcoming year. Confirmed that the proposed 2014 remuneration proposals are not anticipated to inadvertently encourage any undue risk taking.

Going forward, the Committee will be focused on:

- Agreeing terms for the new Chief Executive Officer.
- Understanding and responding to any shareholder feedback on remuneration issues.
- Assessing whether the current remuneration policy is appropriate and targets in short and long-term incentives are sufficiently stretching.

Implementation of remuneration policy for 2014

Base salary

As detailed in the policy report, 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 biannual 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 ratcheting of pay.

This approach is consistent with previous years, with the 2014 salary levels continuing to be set below the median benchmarks considered for each position.

As detailed in the Corporate governance report, there have been a number of changes to the PLC Board during the year and in the period since the end of the year under review.

In light of the resignation of the Chief Executive Officer (who is to leave the Board with effect from 16 March 2014) and the retirement of the Chief Financial Officer (with effect from the AGM), their salary levels will not be increased from their 2013 levels and will remain at £451,000 and £278,000 respectively.

The salary of the Interim Chief Executive, who has been appointed from 31 January 2014 and will remain in post until two months after a successor to the current Chief Executive Officer commences employment, has been set at a flat rate of £50,000 per month. This rate of pay has been set inclusive of benefits and pension and reflects the calibre, and experience, of the individual. He will not be eligible to participate in any of the Group's incentive plans given the interim nature of the appointment with the intention being, that he will return to his previous role as Senior Independent Director following completion of his temporary executive duties.

In relation to the Chief Financial Officer (Designate), his salary was set, on appointment on 18 November 2013 at a rate of £275,000 with the next review date set at 1 January 2015. The salary was set in line with the Company's policy (at or below lower quartile comparative benchmarks) having had due regard to the individual's experience.

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 28 December 2014 will be based both on achieving and exceeding the Group's adjusted PBT growth targets set by the Board (80% of bonus) and on achieving individual business objectives (20% of bonus) 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% through to 50% of bonus at target levels of performance through to 150% (for the Chief Executive Officer following appointment) or 125% (for Chief Financial Officer Designate) of salary (based on the proportion of the bonus year each Executive is in employment) at maximum performance levels. In light of his retirement, as a good leaver for the purposes of the annual bonus plan, the Chief Financial Officer will participate in the bonus plan pro rata (to a maximum of 125% of his pro rata salary) for the part-year he is employed until his retirement from the Board on 2 April 2014. The current Chief Executive Officer, following his resignation, will not be eligible to participate in the APB in the period to his cessation of employment.

The adjusted PBT measure is based on internally set targets and pays out at threshold 95% of target rising on a pro rata basis to target and maximum 110% of target.

For 2014 strategic business objectives will be set by the Committee linked to the Company's strategic goals. The Committee believes 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 adjusted PBT has been achieved. Individual objectives are also set on a sliding scale based around a target.

Given that the financial targets require significant growth from a 2013 actual adjusted PBT base point (which in itself was a substantial growth from 2012), the Committee believes these targets to be extremely challenging.

Directors' remuneration report continued

The Committee considers that the performance targets in relation to the annual bonus are commercially sensitive and therefore will not be disclosed on a prospective basis. The Company's intention is for the targets and outcomes to be disclosed in the annual report on remuneration once they are no longer considered sensitive.

Two-thirds of any bonus payments will be made in cash, with the remaining third deferred into Company shares, which will vest after two years during which they remain subject to forfeiture. A clawback provision has applied to bonus awards since 28 March 2012 which will enable the Committee to claw back 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 a performance share award 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 Committee intends to make an award of performance shares with a value equal to 175% of salary to the Chief Financial Officer Designate in 2014 and retains discretion, in line with its policy, to make a similar award to a newly appointed Chief Executive Officer following an appointment in due course. Neither the Chief Executive Officer nor the Chief Financial Officer will receive awards in 2014 in light of their employment with the Company ceasing with effect from 16 March 2014 and 2 April 2014 respectively.

In terms of performance targets, the Remuneration Committee intends to grant future awards subject to two independent performance metrics.

50%: EPS performance

Half of future awards will vest subject to growth in the Company's adjusted earnings per share. The Remuneration Committee continues to consider the existing range of adjusted earnings per share growth targets to be stretching and, as a result, the following range of targets will continue to apply to future long-term incentive awards.

Three year adjusted earnings per share* ('EPS')	Vesting (% of EPS part of award)
Below 30%	0%
30%	10%
40%	45%
50%	80%
60%	100%
Straight-line vesting in between the performance points	

The above adjusted EPS targets are considered to be appropriately demanding given the quantum of the awards proposed, current market expectations of the Company and internal long term planning. Furthermore, given the reliance placed on long term incentives in our overall remuneration policy, the proposed targets are considered to provide an appropriate range of stretching but achievable targets that will both retain and motivate the executive team to deliver the Board's strategy.

In retaining the above range of targets, the Remuneration Committee was also mindful that maintaining consistent year on year adjusted EPS growth becomes more challenging as (i) the business grows (e.g. as the contribution from individual new store openings falls as the overall Group becomes larger) and (ii) the impact on earnings growth of our continued investment in our international businesses. The range of targets set is also more demanding, both in terms of the absolute levels of growth required over three years for vesting and in that a lower proportion of this part of the award vests at the threshold performance level, than the adjusted EPS targets set for the most recent grant under the Plan in 2012.

50%: TSR performance

The remaining half of future awards will vest based on the following vesting schedule based on the Company's TSR performance measures against the constituents of the FTSE 250 Index (excluding investment trusts) over three financial years.

Ranking of the Company's TSR	Vesting (% of TSR part of award)
Below median	0%
Median	15%
Upper quartile	100%
Straight line vesting occurs between these points	

In choosing adjusted EPS and TSR as the metrics to apply to future awards, the Committee has sought to provide a balance between incentivising delivery against our key measure of success in delivering profitable growth (adjusted EPS) and aligning the executives with shareholders through the introduction of a relative total shareholder return condition.

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

Benefits and supplements

Benefits in kind provided for the Executive Directors are principally company car provision or an allowance in lieu of company car, mobile telephone, life insurance cover and private health cover for the Executive 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 or provides a cash supplement, at a rate of up to 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.

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	115,007,832	95.38%
Against	5,576,128	4.62%
Total votes cast (for and against)	120,583,960	100%
Votes withheld*	2,165,489	1.76%
Total votes cast (including a withheld votes)	122,749,449	–

* 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.

Single total remuneration figure for each Director (audited)

52 Weeks ended 29 December 2013

52 Weeks ended 29 December 2013				Fixed pay		Performance-related pay		Total remuneration in 2013
£'000	Salary	Benefits' and Supplements	Pension	Subtotal	Bonus	Deferred interest vesting ⁵	Subtotal	
Executives								
Lance Batchelor	451	17	64	532	–	–	–	532
Lee Ginsberg ²	278	35	41	354	35	376	411	765
Sean Wilkins	32	2	–	34	–	–	–	34
Non-Executives								
Stephen Hemsley	195	1	–	196	–	–	–	196
Colin Halpern ³	265	31	–	296	–	–	–	296
Michael Shallow	51	–	–	51	–	–	–	51
Nigel Wray ⁴	40	–	–	40	–	–	–	40
John Hodson	46	–	–	46	–	–	–	46
Syl Saller	39	–	–	39	–	–	–	39
Helen Keays	39	–	–	39	–	–	–	39
David Wild	5	–	–	5	–	–	–	5
Total	1,441	86	105	1,632	35	376	411	2,043

Single total remuneration figure for each Director

53 Weeks ended 30 December 2012

				Fixed pay		Performance-related pay		Total remuneration in 2012
£'000	Salary	Benefits ¹ and Supplements	Pension	Subtotal	Bonus	Deferred Interest vesting ⁶	Subtotal	
Executives								
Lance Batchelor	438	17	65	520	332	–	332	852
Lee Ginsberg	270	34	37	341	205	445	650	991
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	445	982	2,557

1 The value of benefits relates primarily to the provision of a company car or equivalent allowance.

2 In relation to the retirement of Lee Ginsberg, announced on 29 July 2013 and effective 2 April 2014:

(a) he will receive a payment of £69,750, being the balance of his 12 month notice period;

(b) in relation to his LTIP awards he as a retiree will be treated as a good leaver under the terms of the plans with performance tested over the original performance period and his 2012 LTIP award pro-rated for time; and

(c) as a result of his retirement instead of any 2013 LTIP he will receive a pro-rated payment representing one-third of a normal LTIP award (based on historic LTIP policy) which represents 100% of salary worth of share options on which he will receive the growth in value over £5.28 per share to the date of his retirement, subject to satisfaction of a number of individual objectives set by the Committee.

3 Colin Halpern is not remunerated by the Company and a management fee of £265,000 was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 relating to life insurance premiums was paid to HS Real Company LLC during the year. The same structure of payment of fees operated in 2012.

4 Nigel Wray was not solely directly remunerated by the Company and from April 2013, 55% of Nigel's management fee was paid directly to Nigel and 45% of the management fee 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. This structure of payment of fees operated in 2013 following discussions and subsequent agreement with HM Revenue & Customs to revise the pay structure.

5 The value of the deferred interest in respect of 2013 is calculated by taking the number of options expected to vest which are dependent on the 2013 year performance and multiplying by the difference between the exercise price and the average share price over the final three months ending 29 December 2013.

6 The value of the deferred interest in respect of 2012 is the actual value on vesting received by Lee Ginsberg. This differs from the £347,000 published in the 2012 Annual Report and Accounts which was based on the average share price over the final three months ending 30 December 2012 as the vesting date had not been reached by the date of publication of the 2012 Annual Report and Accounts.

Directors' remuneration report continued

Defined contribution pensions (audited)

Executive Directors receive up to 15% of salary from the Company; in 2013 totalling £64,000 (2012: £65,000) in the case of the Chief Executive Officer and £41,000 (2012: £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 29 December 2013 was in the form of a cash bonus based on a requirement for a significant increase in the Group's adjusted PBT.

The targets applying to the bonus operated on a banded bonus scale commencing at 20% through to 50% of bonus at target levels of performance through to 150% (for Chief Executive Officer) or 125% (for Chief Financial Officer) of salary at maximum performance levels. In relation to the year under review, bonuses remain payable to the Chief Financial Officer on the basis that he was employed for the duration of the year under review.

Performance hurdle	Total bonus available	Target set for year	Actual performance achieved	Resulting bonus out-turn
Growth in adjusted profit before tax of between 95% of target (20% payout) and 110% or more (full payout)	150% of salary for CEO 125% of salary for CFO	Target adjusted PBT was £50.2m	Actual adjusted PBT was £47.6m	0% of salary

The individual objectives were used to determine 20% of the maximum bonus for each Executive, subject to achieving a threshold level of adjusted PBT (which was satisfied in the opinion the Committee). Whilst the overall bonus was capped at 20% of maximum for this element, there is the ability to outperform any of the three criteria used as shown in the table below.

Performance hurdle	Total bonus available	Target met?	Resulting bonus out-turn
Cash flow: Net debt between 90% (0% of target and 110% or more (full payout)	Up to 12.5% of salary for CFO	Yes	CFO 12.5% of salary
PBT losses for Germany between 90% (0% of target and 110% or more (full payout)	Up to 10% of salary for CFO	No	CFO 0% of salary
Store opening weeks for the year between 90% (0% of target and 110% or more (full payout)	Up to 10% of salary for CFO	No	CFO 0% of salary
Total	CFO capped at 25% of salary		CFO 12.5% of salary

This resulted in bonuses being paid at 12.5% (£34,869) of salary for the Chief Financial Officer.

No bonus was payable to the Chief Executive Officer in light of his resignation.

Long-term incentive plans (audited)

Awards vesting based on performance ended 29 December 2013

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 (excluding for this grant only, as previously disclosed, the international business) condition to be met over the three years:

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

As a result of delivering annualised adjusted EPS* growth of 15.2% over the performance period, the performance conditions for the reversionary interests granted during 2011 as represented by 336,307 ordinary shares to Lee Ginsberg and will vest at 92.5%. Based on the average share price over the last financial quarter of 2013 of 558.2p, the increase in value of the reversionary interests from the share price at grant of 437.1p is £376,000 and this value has been recorded in the total single figure table for 2013.

* Excluding the international business

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 and were capable of vesting from February 2013. Based on the share price on vesting of 537.5p, the increase in value of the reversionary interests from the share price at grant of 327p was £445,174 and this value has been recorded in the total single figure table for 2012.

Award	Performance measure	Basis of calculation	Threshold	Maximum	Actual	% vesting/ estimated vesting
9 August 2011	Annual Growth in EPS* to 29 December 2013	EPS growth against RPI	RPI +9%	RPI +12%	15.2%	92.5%
17 February 2010	Annual Growth in EPS* to 30 December 2012	EPS growth against RPI	RPI +9%	RPI +12%	19.2%	100%

* Excluding the international business

The market price of the Company's shares on 29 December 2013 was 495.7p per share and the high and low share prices during the year were 708.5p and 469p respectively.

As at 29 December 2013, the Interim Chief Executive Officer and the Chief Financial Officer (Designate) had not been awarded any reversionary interests during the year under review. The following is a summary of the reversionary interests granted to Lee Ginsberg:

	At 25 December 2012 No. shares represented by	Vested during the year No. shares represented by	Percentage of award vesting	At 30 December 2013 No. shares represented by
Lee Ginsberg				
Grant date				
17 February 2010	211,009	(211,009)	100%	–
9 August 2011	336,307	–	–	336,307
Total	547,316			336,307
Weighted average initial value of the awards	394.65p	327.0p		437.1p

The total aggregate estimated value of awards that will vest in relation to performance measured to 31 December 2013 is £376,000 (2012: £445,174).

In line with the discretions afforded to the Remuneration Committee, with regard to Lee Ginsberg's retirement from the Board, he will be treated as a good leaver in relation to his 2012 LTIP. The performance period for this award will be completed on 31 December 2014 and his award will vest, subject to performance measured over the full performance period, on 2 April 2015. The number of shares comprising this award will be prorated for the proportion of the vesting period between the grant date (2 April 2012) and the date of retirement (2 April 2014) relative to the original three-year vesting period.

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

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 2011 Directors' remuneration report:

Grant date	Options held at 30 December 2012	Options granted during the year	Options exercised during the year	Options held at 29 December 2013	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 p66.

In light of his resignation, the Chief Executive Officer's awards detailed above will lapse on his cessation of employment.

Directors' remuneration report continued

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

No awards were granted to Executive Directors during the year.

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.

A resolution in relation to discretionary share plan dilution is being tabled at the AGM on 2 April 2014, with full details included in the Notice of AGM which will be available on our website www.corporate.dominos.co.uk

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 63.

Payments to former Directors

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 25 February 2013, following the vesting of 288,991 reversionary interests, an amount of £609,326 was paid to him on the sale of the vested shares.

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) 29 Dec 2013	Legally owned (no. of shares) 30 Dec 2012	Subject to performance conditions under 2012 Share Option Scheme ¹	Subject to performance conditions under reversionary interest awards 2011 ²	Subject to performance conditions under recruitment incentive 2011 ³	Subject to performance conditions under recruitment incentive 2012 ⁴	% of salary shareholding requirement met ⁵
Executive Directors							
Lance Batchelor ⁶	21,775	21,775	–	–	1,000,000	1,000,000	16.0%
Lee Ginsberg ⁷	49,800	115,748	245,597	336,307	–	–	59.2%
Sean Wilkins ¹³	–	–	–	–	–	–	–
Non-Executive Directors							
Stephen Hemsley ⁸	600,000	2,890,462	–	–	–	–	–
Colin Halpern ⁹	557,900	557,900	–	–	–	–	–
Michael Shallow ¹⁰	48,000	48,000	–	–	–	–	–
Nigel Wray ¹¹	–	10,585,179	–	–	–	–	–
John Hodson ¹²	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 9 August 2011, vesting date 9 August 2014. Market price on date of award 437.1p.

3 Awarded on 28 July 2011, vesting date 28 July 2014. Exercise price on date of award 386.8p.

4 Awarded on 2 April 2012, vesting date 2 April 2017. Exercise price on date of award 398.0p.

5 Based on share price at end of year, number of legally owned shares and salary as paid in year.

6 21,775 ordinary shares (2012: 21,775) are held by Lance Batchelor personally.

7 31,800 ordinary shares (2012: 27,748) are held by Lee Ginsberg personally. 18,000 ordinary shares are held in Lee's self-invested pension plan (2012: 88,000).

8 600,000 ordinary shares (2012: 2,890,462) are held by The Stephen Hemsley Trusts Nos. 1 to 5, discretionary trusts of which Stephen Hemsley and his family are potential beneficiaries.

9 557,900 ordinary shares (2012: 557,900) 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.

10 48,000 ordinary shares (2012: 48,000) are held by Michael Shallow personally. These shares were held by Brewin Dolphin Securities Limited on behalf of Michael Shallow.

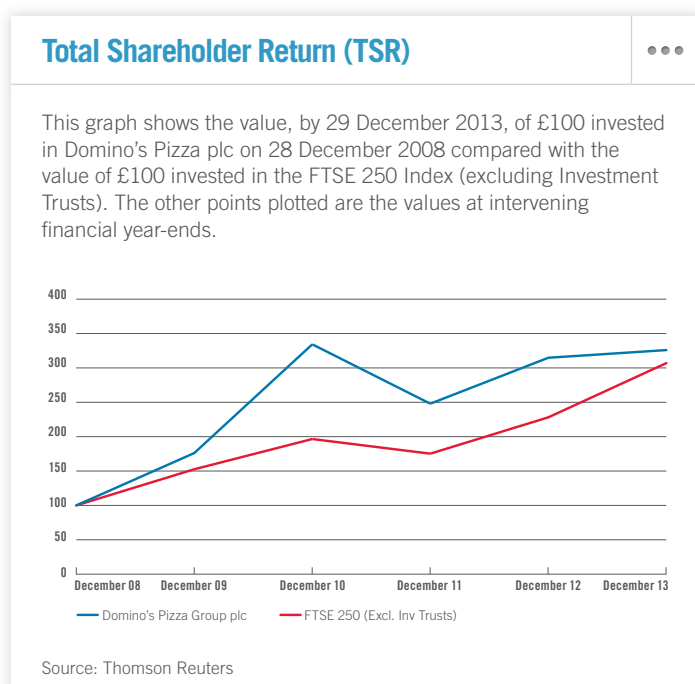
11 Nigel Wray (through companies which are wholly owned by Nigel Wray) disposed of 5,675,000 shares on 28 February 2013 and (through companies which are wholly owned by Nigel Wray and trusts which are beneficially owned by the family of Nigel Wray) disposed of 4,910,179 shares on 2 August 2013.

12 48,000 ordinary shares (2012: 48,000) are held in John Hodson's self-invested pension plan.

13 Sean Wilkins was appointed as an Executive Director on 18 November 2013.

Total Shareholder Return (TSR)

The following graph illustrates the performance of the Company measured by TSR for the last five years to 29 December 2013 against the TSR performance of the 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 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 five years. The graph shows the value, at 29 December 2013, of £100 invested in the Company on 28 December 2008 compared with the value of £100 invested in the FTSE 250 Index (excluding Investment Trusts). The other points plotted are the values at intervening financial year ends.



Chief Executive remuneration

Year ending	Executive	Total remuneration (£000)	Annual bonus (% of max)	LTIP vesting (% of max)
29/12/13	Lance Batchelor	£532	0%	—
30/12/12	Lance Batchelor	£852	50%	—
25/12/11	Lance Batchelor	£256	60%	—
25/12/11	Chris Moore	£630	60%	100%
26/12/10	Chris Moore	£809	100%	100%
27/12/09	Chris Moore	£672	100%	100%

Percentage increase in the remuneration of the Chief Executive Officer (not audited)

	% Change
Chief Executive	%
Salary	3%
Benefits	0%
Bonus	-100%
Average employee	
Salary	-11.8%
Benefits	-21.7%
Bonus	-26.6%

The table above shows the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to the average employee cost. The composition of employees changed between 2012 and 2013 with a 48% increase as a result of growth in corporate store employees in the German business.

Relative importance of spend on pay (not audited)

	2013	2012	% change
Staff costs (£000)	32,042	26,064	22.9%
Distributions to shareholders (£m)	24,609	21,746	13.2%
Adjusted PBT* (£m)	47.6	46.7	1.9%

On behalf of the Board

John Hodson

Chairman of the Remuneration Committee
28 February 2014

Directors' report

Domino's Pizza Group plc

Company number 03853545

The Directors have pleasure in presenting their statutory financial statements for the Group for the 52 weeks ended 29 December 2013.

The sections that are required to be included in this Annual Report and Accounts in accordance with Companies Act 2006 section 414 C (11) are set out below.

The Company has chosen in accordance with the Companies Act section 414 C(11) to include the disclosure of likely future developments in the Strategic report.

- Our strategy on page 12
- Chairman's statement on pages 4 to 5
- Chief Executive Officer's review on pages 12 to 22
- Chief Financial Officer's review on pages 27 to 31
- Corporate governance report on pages 44 to 55
- Risk management on pages 23 to 26
- Corporate social responsibility report on pages 32 to 41

Together, this information is intended to provide a fair, balanced and comprehensive analysis of the development and performance of the Group's business, its strategy going forward, 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 Risk management and details about financial instruments are shown in note 30 to the Group financial statements at page 117.

Pages 72 to 74 inclusive (together with sections of the Annual Report incorporated by reference) consist of the 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 £12,123,000 (2012: £30,307,000). This is after a taxation charge of £9,467,000 (2012: £12,062,000) representing an effective tax rate of 43.8% (2012: 28.5%). The financial statements setting out the results of the Group for the period ended 29 December 2013 are shown on pages 76 to 132.

Dividends

The Directors recommend the payment of a final dividend of 8.80p per ordinary share, to be paid on 4 April 2014 to members on the Register at the close of business on 14 March 2014 (ex dividend date 12 March 2014), subject to shareholder approval. Together with the interim dividend of 7.10p per ordinary share paid on 6 September 2013, the total dividend in respect of the period will be 15.90p compared with 14.50p for the previous year, an increase of 9.7%. 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 2013 accounts, as described in note 14, comprises last year's final dividend and this year's interim dividend.

Share capital

As at 29 December 2013, the Company's (Domino's Pizza Group plc) 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 164,500,133 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 ("AGM") specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM 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 had an employee benefit trust (EBT) for a number of years, the trustee of which is Ogier Employee Benefit Trust Limited (Ogier). As at 29 December 2013, the EBT held 56,252 shares, which are used to satisfy reversionary awards. 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. During the year the Company set up a new employee benefit trust with Ogier to satisfy awards made under the Company's share schemes. The trustee currently holds no shares but when it does hold shares the trustee will abstain from voting in accordance with best practice.

Purchase of own shares

At the 2013 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. However during 2013 (up to and including 29 December 2013) the Company did not make any purchases of its ordinary shares.

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 AGM of shareholders, to be held on 2 April 2014 (2014 AGM). It has been the Company's policy to cancel any ordinary shares it buys back, rather than hold them in treasury but this policy may be revisited in 2014.

Substantial shareholdings

As at 29 December 2013, the Company has been notified of the following interests in 3% or more of the issued share capital of the Company:

	% of share capital*
Oppenheimer Funds, Inc	11.00
MFS Investment Management	9.54
Vontobel Asset Management	6.50
BlackRock, Inc	5.19
Montanaro Asset Management Ltd	4.99
Standard Life Investments	4.67
The Capital Group Companies Inc.	3.22
Old Mutual Asset Managers	3.09

* Using the total voting rights figure applicable at 29 December 2013 of 164,500,133.

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 21 February 2014.

Directors and their interests

The Directors who served during the year were: Stephen Hemsley, Lance Batchelor, Lee Ginsberg, Sean Wilkins, Colin Halpern, Nigel Wray, Michael Shallow, John Hodson, Syl Saller, Helen Keays and David Wild. On 31 January 2014 Ebbe Jacobsen was appointed as a Non-Executive Director. The biographical details of the present Directors are set out on pages 42 to 43 of this Annual Report.

The appointment and replacement of Directors is governed by the Company's Articles of Association (the "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.

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 56 to 71.

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 68 to 69 of this Annual Report.

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 21 February 2014.

In line with 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.

Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the 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 29 December 2013 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 491 people in 2013 (up to and including 29 December 2013) (2012: 495).

Head Office – United Kingdom	240
Milton Keynes Supply Chain Centre	159
Penrith Supply Chain Centre	62
Naas Supply Chain Centre	30

Germany

In Germany, the Group employed an average of 382 people in 2013 (up to and including 29 December 2013) (2012: 160).

German Head Office	27
German Supply Chain Centre	6
German corporate stores	349

The majority of German corporate store employees will transfer over to franchisees during 2014 as corporate store sales complete.

Switzerland

In Switzerland, the Group employed an average of 212 people in 2013 (up to and including 29 December 2013) (2012: 229).

Swiss Head Office	11
Swiss corporate stores	201

For further details please refer to note 9 on page 97.

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 fulfil 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.

For more information on the Company's employment practices please see page 37.

Directors' report continued

General information

Annual General Meeting

The Notice convening the 2014 AGM to be held at 1 p.m. on Wednesday 2 April 2014 at Domino's Pizza Head Office, Supply Chain Centre, 1 Thornbury, West Ashland, Milton Keynes MK6 4BB is contained in a circular sent to all shareholders. 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 2014 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; Germany Master Franchise Agreement ("German MFA"); and Switzerland, 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.

Articles of Association

The Company's Articles remained unchanged during the 2013 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) continued to operate via a branch in Germany, Domino's Pizza Deutschland, during 2013.

Environmental and social responsibility and greenhouse gas emissions

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 wellbeing of others. Details of the Group's approach to these issues and emissions attributable to all activities are set out in the Corporate social responsibility report at pages 32 to 41.

Political donations

The Company makes no political donations (2013: £nil).

Key performance indicators (KPIs)

Details of the Group's KPIs can be found on pages 10 to 11.

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 reappoint Ernst & Young LLP as the Company's auditors will be proposed at the 2014 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 Strategic review on pages 2 to 43. 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 27 to 31. In addition, notes 29 and 30 to the Group 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 other than the Company's acquisition of the minority shareholding in our German business, as more fully set out at note 37 on page 124.

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.

By order of the Board

Mark Millar

Company Secretary
28 February 2014

Financial statements

Financial statements for Domino's Pizza Group plc for the 52 weeks ended 29 December 2013.

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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 enable 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 42 and 43 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 strategic 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.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for the shareholders to assess the Company and Group's performance, business model and strategy.

Signed on behalf of the Board

David Wild

Chief Executive Officer
28 February 2014

Lee Ginsberg

Chief Financial Officer
28 February 2014

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 52 weeks ended 29 December 2013 which comprise the group income statement, group statement of comprehensive income, group balance sheet, group statement of changes in equity, group cashflow statement and the related notes 1 to 37. 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 Directors' Responsibilities Statement set out on page 76, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 29 December 2013 and of its profit for the 52 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.

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team:

- the risk of impairment in the carrying value of property, plant and equipment and intangible assets related to the business in Germany;
- the risk of inappropriate classification of exceptional items and the impact this has in relation to profit before exceptional items; and
- the risk that revenue recognition is not in accordance with IFRS.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined the magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £2m, which is approximately 5% of pre-tax profit before exceptional items. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 50% of materiality, namely £1m. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £2m for the financial statements as whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £100,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report continued

An overview of the scope of our audit

The Group's operations are based in the United Kingdom, Germany and Switzerland. Due to the location of finance staff and the nature of processes and controls all audit procedures are completed by one audit team based in the United Kingdom working across both subsidiary and group financial statement audits.

Where processes and controls relating to Germany physically resided in the local country the UK audit team visited the entity to perform specified procedures to support both the group and local UK statutory audit opinion.

With the exception of the group's Swiss operations, full scope audit procedures are completed for all entities which contribute to the group's results for the year. The audit work on these companies was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. Due to the immaterial nature of Swiss operations and there being no identified risks of material misstatement we performed limited analytical review and balance sheet procedures to confirm there were no misstatements material to the consolidated group.

Our response to the risks of material misstatement identified above was as follows:

- the risk of impairment in the carrying value of property, plant and equipment and intangible assets related to the business in Germany
 - we challenged management's assessment of impairment, including the key inputs of the forecast cash flows, the link to current and future strategy, the discount rate used, the growth rate assumed and the historical accuracy of budgets;
 - we evaluated management's sensitivity analysis;
 - we performed procedures around the carrying value of investments and receivables due to the parent company from the German business; and
 - we ensured that the financial statement disclosures met the requirements of accounting standards.
- the risk of inappropriate classification of exceptional items and the impact this has in relation to profit before exceptional items
 - we have challenged whether items are appropriately classified between exceptional and pre-exceptional and are in accordance with the group's accounting policy for exceptional items and existing practice. This included determining whether the operating exceptional items are sufficiently material in size and nature to be treated as such and ensuring that items are treated consistently from period to period; and
 - we ensured that the financial statement disclosures met the requirements of accounting standards.
- the risk that revenue recognition is not in accordance with IFRS;
 - we tested a sample of transactions to gain assurance that revenue was recognised in accordance with IFRS;
 - we performed analytical procedures, cut-off testing, post year end credit note review and journal testing around revenue; and
 - we ensured that the financial statement disclosures were in accordance with accounting standards.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 44 to 55 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 74, 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.

Other matter

We have reported separately on the parent company financial statements of Domino's Pizza Group plc for the 52 weeks ended 29 December 2013 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
28 February 2014

Notes:

- 1 The maintenance and integrity of the Domino's Pizza Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

	Notes	52 weeks ended 29 December 2013			53 weeks ended 30 December 2012		
		Before exceptional items £000	Exceptional items (Note 8) £000	Total £000	Before exceptional items £000	Exceptional items (Note 8) £000	Total £000
Revenue	3	268,902	–	268,902	240,524	–	240,524
Cost of sales		(171,954)	–	(171,954)	(152,509)	–	(152,509)
Gross profit		96,948	–	96,948	88,015	–	88,015
Distribution costs		(15,704)	–	(15,704)	(14,792)	–	(14,792)
Administrative costs		(33,970)	(27,520)	(61,490)	(26,427)	(4,553)	(30,980)
		47,274	(27,520)	19,754	46,796	(4,553)	42,243
Share of post tax profits of associates and joint ventures		642	–	642	426	–	426
Operating profit	5	47,916	(27,520)	20,396	47,222	(4,553)	42,669
Profit on the sale of investments	8	–	1,745	1,745	–	507	507
Profit before interest and taxation		47,916	(25,775)	22,141	47,222	(4,046)	43,176
Finance income	10	789	–	789	606	–	606
Finance expense	11	(1,104)	(236)	(1,340)	(1,127)	(286)	(1,413)
Profit before taxation		47,601	(26,011)	21,590	46,701	(4,332)	42,369
Taxation	12	(10,089)	622	(9,467)	(11,321)	(741)	(12,062)
Profit for the period		37,512	(25,389)	12,123	35,380	(5,073)	30,307
Profit for the period attributable to:							
Owners of the parent				17,568			30,910
Non-controlling interests				(5,445)			(603)
				12,123			30,307
Earnings per share (post-exceptional items)							
– Basic (pence)	13			10.7			19.0
– Diluted (pence)	13			10.7			18.9
Earnings per share (pre-exceptional items)							
– Basic (pence)	13			24.0			22.2
– Diluted (pence)	13			23.9			22.0

Group statement of comprehensive income

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Profit for the period	12,123	30,307
Other comprehensive income:		
Exchange differences on retranslation of foreign operations	818	(154)
Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	818	(154)
Total comprehensive income for the period	12,941	30,153
Total comprehensive income for the year attributable to:		
Owners of the parent	18,386	30,756
Non-controlling interests	(5,445)	(603)
	12,941	30,153

Group balance sheet

	Notes	At 29 December 2013 £000	At 30 December 2012 £000
Non-current assets			
Intangible assets	16	11,227	23,092
Property, plant and equipment	15	57,508	56,913
Prepaid operating lease charges	17	1,286	1,479
Trade and other receivables	23	7,756	10,210
Net investment in finance leases	18	1,528	1,978
Investments in associates and joint ventures	19	6,158	6,245
Deferred tax asset	12	9,417	12,533
		94,880	112,450
Current assets			
Inventories	21	4,249	7,329
Trade and other receivables	23	34,366	36,147
Net investment in finance leases	18	1,108	3,658
Prepaid operating lease charges	17	228	217
Cash and cash equivalents	24	31,597	21,975
		71,548	69,326
Total assets		166,428	181,776
Current liabilities			
Trade and other payables	25	(40,202)	(41,683)
Deferred income		(293)	(162)
Financial liabilities	26	(13,960)	(3,741)
Deferred and contingent consideration	22	(1,532)	(1,199)
Current tax liabilities		(3,323)	(4,985)
Provisions	28	(2,084)	(654)
		(61,394)	(52,424)
Non-current liabilities			
Financial liabilities	26	(33,291)	(45,852)
Deferred income		(2,229)	(2,307)
Deferred and contingent consideration	22	(6,923)	(8,075)
Deferred tax liabilities	12	(167)	(1,111)
Provisions	28	(2,270)	(1,679)
		(42,880)	(58,964)
Total liabilities		(106,274)	(111,448)
Net assets		60,154	70,328
Shareholders' equity			
Called up share capital	31	2,570	2,557
Share premium account		20,156	17,932
Capital redemption reserve		425	425
Capital reserve – own shares		(1)	(9)
Currency translation reserve		760	(58)
Other reserve		3,432	3,432
Retained earnings		37,236	45,028
Equity shareholders' funds		64,578	69,307
Non-controlling interests		(4,424)	1,021
Total equity		60,154	70,328

Lee Ginsberg

Chief Financial Officer
28 February 2014

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 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
Profit for the period	–	–	–	–	–	–	17,568	17,568	(5,445)	12,123
Other comprehensive income – exchange differences	–	–	–	–	818	–	–	818	–	818
Total comprehensive income for the period	–	–	–	–	818	–	17,568	18,386	(5,445)	12,941
Proceeds from share issues	13	2,224	–	–	–	–	–	2,237	–	2,237
Share transaction charges	–	–	–	–	–	–	(22)	(22)	–	(22)
Vesting of LTIP grants	–	–	–	8	–	–	(1,718)	(1,710)	–	(1,710)
Tax on employee share options	–	–	–	–	–	–	376	376	–	376
Share options and LTIP charge	–	–	–	–	–	–	613	613	–	613
Equity dividends paid	–	–	–	–	–	–	(24,609)	(24,609)	–	(24,609)
At 29 December 2013	2,570	20,156	425	(1)	760	3,432	37,236	64,578	(4,424)	60,154

Group cash flow statement

	Notes	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Cash flows from operating activities			
Profit before taxation		21,590	42,369
Net finance costs		551	807
Share of post tax profits of associates	19	(642)	(198)
Amortisation and depreciation	15,16,17	5,798	4,718
Impairment		19,599	243
(Profit)/loss on disposal of non-current assets		(109)	12
Profit on disposal of investments	19	(1,745)	(507)
Share option and LTIP charge		613	2,357
Other non cash movements		326	39
Decrease/(increase) in inventories		3,089	(3,312)
Decrease/(increase) in receivables		1,702	(5,959)
(Decrease)/increase in payables		(3,527)	11,953
Increase in deferred income		52	313
Increase in provisions		2,021	1,296
Cash generated from operations		49,318	54,131
UK corporation tax		(8,330)	(6,257)
Overseas corporation tax paid		(255)	(376)
Net cash generated by operating activities		40,733	47,498
Cash flows from investing activities			
Interest received		154	178
Dividends received from associates		62	75
Decrease/(increase) in loans to associates and joint ventures		404	(3,000)
Increase in loans to franchisees		529	(10,941)
Refinancing of loans to franchisees		1,366	–
Payments to acquire finance lease assets		(1,308)	(1,214)
Receipts from repayment of franchisee leases		4,214	2,902
Purchase of property, plant and equipment	15	(8,145)	(4,437)
Deferred consideration for Domino's Leasing	22	(1,395)	(2,164)
Net cash outflow from business combinations	20	–	(3,555)
Purchase of other non-current assets		(2,835)	(4,424)
Cash proceeds on the disposal of subsidiary undertaking		–	821
Cash proceeds on the disposal of interest in associate	19	2,377	–
Receipts from the sale of other non-current assets		332	590
Investment in joint ventures	19	–	(4,699)
Purchase of non-controlling interest		–	(402)
Net cash used by investing activities		(4,245)	(30,270)
Cash inflow before financing		36,488	17,228
Cash flow from financing activities			
Interest paid		(875)	(705)
Issue of ordinary share capital		2,237	2,610
Purchase of own shares		–	(3,307)
Payments under LTIP schemes		(1,718)	–
Bank revolving facility		–	4,702
New long-term loans – EBT		965	–
New long-term loans		861	1,758
Repayment of long-term loans		(4,191)	(2,848)
Equity dividends paid		(24,609)	(21,746)
Net cash used by financing activities		(27,330)	(19,536)
Net increase/(decrease) in cash and cash equivalents		9,158	(2,308)
Cash and cash equivalents at beginning of period		21,975	24,427
Foreign exchange gain/(loss) on cash and cash equivalents		464	(144)
Cash and cash equivalents at end of period		31,597	21,975

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 52 weeks ended 29 December 2013 were authorised for issue by the board of directors on 28 February 2014 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 29 December 2013.

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 52 weeks ended 29 December 2013 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 52 weeks ended 29 December 2013.

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.

The following amendments to standards are effective for this financial year but have not had significant impact on the reported financial performance or position of the Group.

- IAS1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping requirement for items presented in other comprehensive income. Items that will be reclassified to profit or loss in the future have been presented separately from items that will never be reclassified.
- IFRS 13 Fair Value Measurements
IFRS 13 describes how to measure fair value when fair value is required or permitted by IFRS. The Group does not have significant items valued at fair value, however, in line with the new standard, additional disclosures have been made to help users understand the valuation techniques used when fair value measurements are made.

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 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 2009 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.
- Determining whether an item is exceptional or not for certain items require the exercise of judgement when applying the Group's accounting policy in relation to this matter.
- 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"). 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:

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

- 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 (as can be seen in the current year's charge following the resignation of the Group's CEO and the subsequent reduction in the charge following the lapse of options), 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.
- 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. These value in use calculations are re-run on an annual basis for goodwill or when there is an indicator of impairment for tangible and intangible fixed assets to determine whether there is any impairment to the carrying value of assets arising from business combinations. Please refer to note 7.

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 or losses on transactions with owners in their capacity as owners recorded in equity; (iv) recognises the fair value of any investment retained; (v) recognises any surplus or deficit in profit or loss; (vi) 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.

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.

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.

Notes to the Group financial statements continued

2. Accounting policies (continued)

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).

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.

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.

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 any contingent consideration 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 re-measured 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 acquiree) 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 represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and will 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)

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.

Franchise fees

Franchise fees are fees paid towards the acquisition of the Master Franchise for the markets in which the Group operate. These are carried at cost less accumulated amortisation and any impairment loss. The useful economic lives of the assets are considered to be the life of the Master Franchise Agreement they relate to which is typically 30 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
• Supply Chain Centre 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 Supply Chain Centre 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.

Notes to the Group financial statements continued

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

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 Supply Chain Centre 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.

Notes to the Group financial statements continued

2. Accounting policies (continued)

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 its Employee Benefit Trust ("EBT") 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 EBT has waived its entitlement to dividends. The Group will meet the expenses of the EBT as and when they fall due.

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, Supply Chain Centre (formerly known as 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.

2. Accounting policies (continued)

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.

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 13).

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.

International Financial Reporting Standards ("IFRS")	Effective date
IFRS 9 – Financial Instruments: Classification and Measurement ¹	1 January 2017
IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Amendment)	1 January 2014
IFRS 11 – Joint arrangements, IAS 28 – Investments in Associates and Joint Ventures	1 January 2014
International Accounting Standards ("IAS")	
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014

¹ Whilst the IASB have not issued a mandatory effective date, they have tentatively decided that it will not be mandatory for periods earlier than those starting on 1 January 2017.

Notes to the Group financial statements continued

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Royalties, corporate store sales and sales to franchisees	253,686	226,053
Rental income on leasehold and freehold property	15,057	14,121
Finance lease income	159	350
	268,902	240,524

4. Segmental information

For management purposes, the Group is organised into four geographical business units, based on the territories governed by the Master Franchise Agreement ("MFA"): the United Kingdom, Ireland, Germany and Switzerland. 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, Supply Chain Centre sales, rental income and finance lease income) made to franchise stores and by corporate 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 Supply Chain Centre.

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 29 December 2013 £000	At 30 December 2012 £000
Deferred tax asset	9,417	12,533
Cash and cash equivalents	31,597	21,975
Unallocated assets	41,014	34,508
Deferred consideration – Domino's Leasing	7,326	8,161
Current tax liabilities	3,323	4,985
Deferred tax liabilities	167	1,111
Bank revolving facility	29,814	29,737
Bank loans	13,000	12,035
Unallocated liabilities	53,630	56,029

4. Segmental information (continued)

Operating segments

	52 weeks ended 29 December 2013					53 weeks ended 30 December 2012				
	Switzerland £000	Germany £000	Ireland £000	United Kingdom £000	Total £000	Switzerland £000	Germany £000	Ireland £000	United Kingdom £000	Total £000
Segment revenue										
Sales to external customers	11,282	6,948	20,847	229,825	268,902	2,971	3,919	18,937	214,697	240,524
Results										
Segment result	(638)	(7,002)	4,541	50,373	47,274	(250)	(2,559)	4,362	45,243	46,796
Exceptional items	42	(26,466)	(154)	(942)	(27,520)	(1,431)	–	–	(3,122)	(4,553)
Share of profit of associates	–	–	–	642	642	–	–	–	426	426
Group operating profit	(596)	(33,468)	4,387	50,073	20,396	(1,681)	(2,559)	4,362	42,547	42,669
Profit on sale of investments	–	–	–	1,745	1,745	–	–	–	507	507
Net finance costs	(596)	(33,468)	4,387	51,818	22,141	(1,681)	(2,559)	4,362	43,054	43,176
Profit before tax					21,590					42,369
Assets										
Segment current assets	3,736	3,953	1,213	31,049	39,951	3,811	3,850	818	38,871	47,350
Segment non-current assets	5,910	1,480	2,308	69,607	79,305	5,182	16,171	2,376	69,944	93,673
Equity accounted investments				6,158	6,158				6,245	6,245
Unallocated assets					41,014					34,508
Total assets	9,646	5,433	3,521	106,814	166,428	8,993	20,021	3,194	115,060	181,776
Liabilities										
Segment liabilities	5,976	6,586	823	39,259	52,644	5,511	2,840	668	46,400	55,419
Unallocated liabilities					53,630					56,029
Total liabilities	5,976	6,586	823	39,259	106,274	5,511	2,840	668	46,400	111,448
Additions to non-current assets										
Property, plant and equipment:										
– Freehold land and buildings	–	–	3	136	139	–	–	82	368	450
– Assets under construction	377	1,104	–	470	1,951	–	576	–	110	686
– Leasehold improvements	29	–	–	–	29	56	–	–	–	56
– Supply Chain Centre equipment	–	–	16	1,453	1,469	–	–	167	1,764	1,931
– Fixtures and fittings	399	3,117	–	1,041	4,557	282	1,020	–	256	1,558
Intangible assets	108	122	–	2,544	2,774	4,757	359	–	3,290	8,406
Prepaid operating lease charges	–	22	–	–	22	–	207	–	843	1,050
Other segment information										
Depreciation	108	235	114	2,354	2,811	30	187	110	2,208	2,535
Amortisation	122	158	20	2,687	2,987	40	428	–	1,715	2,183
Share-based payment charge	–	43	–	570	613	–	60	–	2,297	2,357
Unwinding of discount – exceptional	–	–	–	236	236	–	–	–	286	286
Unwinding of discount – non exceptional	27	–	–	(313)	(286)	4	–	–	260	264
Entity wide disclosures										
Royalties, corporate store sales	11,282	6,948	19,944	215,512	256,686	2,971	3,919	18,093	201,070	226,053
Rental income on leasehold and freehold property	–	–	903	14,154	15,057	–	–	844	13,277	14,121
Finance lease income	–	–	–	159	159	–	–	–	350	350
	11,282	6,948	20,847	229,825	268,902	2,971	3,919	18,937	214,697	240,524

Major customers

Annual revenue from two franchisees amounted to £36,731,000 (2012: £32,977,000) and £33,803,000 (2012: £28,772,000) respectively, arising from sales reported in the United Kingdom segment.

Notes to the Group financial statements continued

5. Group operating profit

This is stated after charging:

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Depreciation of property, plant and equipment	2,811	2,535
Amortisation of prepaid lease charges	206	198
Amortisation of intangible assets	2,781	1,985
Total depreciation and amortisation expense	5,798	4,718
Operating lease payments (minimum lease payments)		
– land and buildings	16,518	14,747
– plant, machinery and vehicles	3,021	2,721
Total operating lease payments recognised in the income statement	19,539	17,468
Loss on disposal of non-current assets	–	(12)
Impairment loss recognised on non-current assets	(19,599)	243
Net foreign currency loss	(653)	(107)
Cost of inventories recognised as an expense	125,060	105,542

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:

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Audit of the financial statements*	109	122
Audit of subsidiaries	60	59
Total audit	169	181
Audit related assurance services	30	16
Total non-audit services	–	16
Total fees	199	197

* of which £2,000 (2012: £2,000) relates to the Company.

7. Impairments

The following impairment charges have been recognised in the period in relation to the German business:

Item impaired	Amount £000
Master Franchise Agreement ("MFA") and related costs	9,267
Corporate stores	4,945
Goodwill	2,928
Property, plant and equipment	2,164
Website and domain costs	295
	19,599

German Master Franchise Agreement (MFA) and related costs

The performance in the period for the German business has been below expectations, particularly in respect of the corporate stores. As set out in the Strategic Report, the Group has therefore taken the decision to transition all but one of its corporate stores across to franchisee ownership and to proceed more cautiously with its expansion in Germany, opening fewer stores than initially expected and reducing its expectations for sales and profit growth.

As a result of this, management now expects the German business to break even later than originally anticipated and has therefore re-assessed the carrying value of its German MFA. In order to do this, management has prepared updated financial budgets for the next five years, taking into account the following key considerations:

- Lower average weekly unit sales ("AWUS") growth for existing stores than initially anticipated, based on actual trends observed during the period and the actual AWUS achieved. This has been partially offset by transferring the stores to franchisee ownership, which is expected to have a positive impact on AWUS, as compared the performance of the stores when they were under corporate ownership
- Lower AWUS expectations for new stores, based on the performance of new stores opened in the period. Again, new stores will be operated as franchise stores, rather than corporate stores, and management therefore expects future new store AWUS to be higher than the AWUS of the new stores opened during the period
- Reduced store openings, due to the fact that the Group will not operate corporate stores in the future, focussing instead on a pure franchise model, establishing viable store level economics and attracting suitably experienced, well-funded franchisees
- Higher labour costs, as a result of actual labour costs experienced in the period and also the anticipated increase in the minimum wage, which is expected to be rolled out across Germany in the future

7. Impairments (continued)

Management then performed a value in use calculation for the MFA, using these updated five year budgets. Cash flows beyond five years for the remaining term of the MFA were then extrapolated based on the long term average growth rate for Germany of 1.4%. These projected cash flows were then discounted using a discount rate of 13%.

As a result of updating its value in use calculation, management has determined that the carrying value of the MFA is fully impaired and has recorded an impairment charge of £9,267,000 as an operating exceptional item within the Group Income Statement.

German corporate stores

The Group also carried out analysis to test for impairment in the carrying value of property, plant and equipment that related to the 15 corporate stores in Germany (prior to the transition detailed in note 8 below).

A value in use calculation was performed on the German CGU as noted below, using the revised five year sales budgets referred to above and factoring in cost increases in a number of areas, as a result of certain costs (notably labour costs) being higher than originally expected. These cash flows were not extrapolated beyond the initial ten year period, given the expected useful life of the assets concerned.

The discount rate used to discount the forecast cash flows was 13%.

As a result of this analysis, the Group has recognised an impairment charge of £4,945,000 against the carrying value of its property, plant and equipment in the 15 stores. This has been recorded as an operating exceptional item within administrative costs in the Group Income Statement.

Property, plant & equipment

Given the reduced sales, profit and cash flow expectations for the German CGU, management has also assessed the carrying value of its property, plant and equipment for impairment, using the revised budgets referred to above. As a result of this assessment, management considers the carrying value of its Supply Chain Centre assets and also a number of assets at its Düsseldorf head office to be fully impaired and has recorded an impairment charge of £2,164,000 as an operating exceptional item within the Group Income Statement.

Website and domain costs

Management has also assessed the carrying value of capitalised website and development costs, given the reduced cash flow expected to be generated by the business. Following this review, management has determined that these assets are fully impaired and has recorded an impairment charge of £295,000 as an operating exceptional item within the Group Income Statement.

German goodwill impairment

The Group is obliged to test goodwill for impairment on an annual basis, due to the goodwill being deemed to have an indefinite useful life.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ("CGU") including the goodwill with its recoverable amount. For these purposes, management considers the Germany business segment to be the most appropriate, separately identifiable CGU, as the cash flows generated by its assets are largely independent from the rest of the Group and the business is not monitored by management at a lower level of disaggregation. In order to identify the carrying value of the CGU, management has taken the German CGU, adjusting for any impairment already recognised in respect of assets other than goodwill and notionally grossing up the goodwill element to include the amount of goodwill attributable to the non-controlling interest.

To assess the recoverable amount of the CGU, management performed a value in use calculation, based on the revised five year sales budgets referred to above and extrapolating cash flows beyond five years based on the long term average growth rate for Germany of 1.4%. These projected cash flows were then discounted using a discount rate of 13%.

As a result of comparing the carrying value of the CGU with its recoverable amount, management has determined that the carrying value of the German goodwill is fully impaired and has recorded an impairment charge of £2,928,000 as an operating exceptional item within the Group Income Statement.

In all cases noted above, a reasonably possible change in assumptions would not result in a reduced impairment.

Notes to the Group financial statements continued

8. Exceptional items

(a) Recognised as part of operating profit

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	(42)	2,365
Transition of German corporate stores	1,981	–
Amounts receivable in Germany	3,438	–
Acquisition costs and one off costs relating to new UK joint ventures	152	620
Restructuring and reorganisation costs	1,119	800
Onerous lease provision	949	525
Domino's Leasing deferred consideration	324	–
Impairment costs (see note 7)	19,599	243
	27,520	4,553

Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland

Costs of £2,365,000 were incurred during the period to 30 December 2012 in relation to the acquisition and restructuring of Domino's Pizza Switzerland. This included the recognition of a £1,347,000 provision for restructuring costs and one-off costs relating to the acquisition of £1,018,000. During the period to 29 December 2013, £42,000 of this provision was released due to changes to the restructuring plan. This credit has been recognised as exceptional to be consistent with where the original cost was recognised.

Transition of German corporate stores

In July 2013, the Group took a decision to transition all but one of the corporate stores held in Germany to franchisees, given the poor performance of the corporate stores. One of these agreements was with an existing franchisee of both the UK and Germany to sell five of the poorest performing stores in Düsseldorf. As part of this agreement and in recognition that the Group were exiting loss making stores, the Group has entered into a contract that is considered onerous in nature due to the financial commitments made to the franchisee.

The Group has also recognised a further onerous service contract with a supplier in Germany. Following the transition of the corporate stores, it has been recognised that the current contract is not suitable for the remaining business and, as such, the Group will seek to exit from the contract as soon as possible. Therefore, the Group has recognised a charge through the exceptionals line.

The Group has also recognised other exceptional costs predominantly in respect of adviser fees on the transition of the stores.

Amounts Receivable in Germany

Management has also undertaken a review of amounts receivable in Germany, in light of the poor performance of this business compared to initial expectations and the issues faced by certain operators in the territory.

Following this review, management is not confident of recovering balances totalling £3,438,000 and has therefore established a provision for this amount, recognising the charge as an operating exceptional item within the Group Income Statement.

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

Costs of £152,000 have been incurred during the period in relation to the acquisition and transfer of stores into two UK joint ventures with third party franchisees.

Restructuring and reorganisation costs

In 2012, the Group undertook 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 to 30 December 2012. In the year to 29 December 2013, a further £184,000 of costs have been incurred, due to the continued roll out of the efficiency model.

A similar review was undertaken during the year for the German business. This was largely driven by the decision to seek to transition all but one of the corporate stores across to franchisee ownership and to move the business to a fully franchised model which has allowed the Group to rationalise the German structure in a number of areas. To date, the costs incurred in Germany amount to £935,000.

Onerous lease provision

A provision of £1,210,000 was held as at 30 December 2012, in relation to the rent obligation for three Domino's stores closed in 2011 and other onerous leases identified. During the current period, overall the provision has been increased by £278,000. This includes an increase in respect of one Irish store, a reduction relating to one UK store and an additional onerous lease identified in the UK. In addition, debtors of £154,000 relating to these onerous leases have been provided for.

A provision relating to onerous leases has also been recognised in Germany for £517,000 in relation to seven properties in the territory. Two of the properties were occupied by poorly performing stores, which had been closed by the end of the period and management is not confident that sub-tenants will be identified who are willing to take on these properties at full rent. The remaining five properties have previously been identified as sites for new stores, but the Group has not yet secured franchisees for these sites since the decision to have franchisees open new stores. As a result, there is a risk that the sites will need to be sub-let and management is not confident that sub-leases will be secured at full rent. As a result, a provision has been made to cover the potential shortfall in rent.

8. Exceptional items (continued)

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

Domino's Leasing Limited deferred consideration

A charge of £324,000 relating to the deferred consideration of Domino's Leasing Limited was incurred in the period.

Impairment

The Group has incurred one-off impairment costs of £19,599,000 in the period, relating to its operations in Germany. More detailed information on these impairment charges is provided in note 7.

In addition, an impairment of £243,000 was recognised in the period ended 30 December 2012 relating to assets at one closed UK store.

(b) Recognised below operating profit

Profit on the sale of interest in associate

During the period, the Group recognised a profit of £1,745,000 on the sale of its interest in Dominoid Limited of (see note 19 for further details).

Unwinding of discount

Included within finance costs is a charge of £236,000 (2012: £286,000) 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 £1,628,000 (2012: £1,055,000) in relation to an adjustment to deferred tax following a change in tax law. Please refer to note 12 for more detail. 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 £2,250,000 to become a credit of £622,000 due to the tax impact of other exceptional items disclosed above (2012: reduced by £314,000 to become a debit of £741,000).

9. Employee benefits and directors' remuneration

(a) Employee benefits expense

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Wages and salaries	27,390	20,904
Social security costs	3,470	2,346
Other pension costs	569	457
Share-based payment charge	613	2,357
	32,042	26,064

The average monthly number of employees during the year was made up as follows:

	52 weeks ended 29 December 2013	53 weeks ended 30 December 2012
Administration	277	219
Production and distribution	257	253
Corporate stores	551	258
	1,085	730

(b) Directors' remuneration

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Directors' remuneration	1,527	2,010
Aggregate contributions to defined contribution pension schemes	105	102
Number of directors accruing benefits under:		
– Defined contribution schemes	2	2

Additional information regarding directors' remuneration is included in the Directors' remuneration report on pages 56 to 71.

Notes to the Group financial statements continued

10. Finance income

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Bank interest receivable	72	84
Franchisee loans	134	81
Other interest	270	359
Unwinding of discount – non exceptional	313	82
Total finance income	789	606

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 £946,000 (2012: £956,000).

11. Finance expense

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Bank loan in relation to the EBT	206	181
Bank revolving credit facility interest payable	706	528
Other interest payable	165	72
Unwinding of discount – exceptional	236	286
Unwinding of discount – non exceptional	27	346
	1,340	1,413

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 £1,486,000 (2012: £1,710,000).

12. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Current income tax:		
UK corporation tax		
– current period	7,646	8,387
– adjustment in respect of prior periods	(440)	(475)
	7,206	7,912
Income tax of overseas operations on profits for the period	375	364
Total current income tax	7,581	8,276
Deferred tax:		
Origination and reversal of temporary differences	97	2,586
Effect of change in tax rate	1,628	1,055
Adjustment in respect of prior periods	161	145
Total deferred tax	1,886	3,786
Tax charge in the income statement	9,467	12,062
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	9,467	12,062
Tax relating to items credited/(charged) to equity:		
Reduction in current tax liability as a result of the exercise of share options	662	856
Origination and reversal of temporary differences in relation to unexercised share options	(286)	(63)
Tax credit in the Group statement of changes in equity	376	793

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

12. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 29 December 2013 is higher than the statutory corporation tax rate of 23.3% (2012: 24.5%). The differences are reconciled below:

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Profit before taxation	21,590	42,369
Accounting profit multiplied by the UK statutory rate of corporation tax of 23.3% (2012: 24.5%)	5,030	10,380
Expenses not deductible for tax purposes	3,199	597
Accounting depreciation not eligible for tax purposes	196	201
Adjustments relating to prior years	(277)	(330)
Adjustment to deferred tax in respect of change in tax rate	1,628	1,055
Other	1	457
Tax rate differences	(310)	(298)
Total tax expense reported in the income statement	9,467	12,062
Effective tax rate (%)	43.8	28.5
Effective tax rate – pre exceptional items (%)	21.1	24.2

In his budget on 20 March 2013, the Chancellor of the Exchequer announced further changes to the corporation tax rates, which will have an effect on the Group's current and future tax position. The changes announced were further decreases to the standard rate of corporation tax, with the rate set to be reduced to 20%, effective 1 April 2015. The reduction of the UK corporation tax rate to 23% from April 2013, 21% from 1 April 2014 and 20% from April 2015 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 52 weeks ending 29 December 2013 to the extent that they had been substantively enacted by that date.

(c) Temporary differences associated with Group investments

At 29 December 2013, there was no recognised deferred tax liability (2012: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates, 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 also 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 29 December 2013 £000	At 30 December 2012 £000
Deferred tax arising in the UK on non-capital items	9,194	12,360
Deferred tax arising in Ireland and the UK on capital gains	(110)	(108)
Deferred tax arising on acquisition of subsidiary in previous periods	166	–
Deferred tax arising on other overseas subsidiaries	–	(830)
	9,250	11,422

	At 29 December 2013 £000	At 30 December 2012 £000
Gross movement in the deferred income tax account		
Opening balance	11,422	15,271
Tax charge to equity	(286)	(63)
Income statement charge	(1,886)	(3,786)
Closing balance	9,250	11,422

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 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
Charge to equity	(286)	–	–	–	–	(286)
(Charge)/credit to income	(71)	(3,185)	(41)	–	417	(2,880)
At 29 December 2013	454	7,892	166	(13)	695	9,194

Notes to the Group financial statements continued

12. Taxation (continued)

(d) Deferred tax (continued)

A deferred tax asset of £9,194,000 (2012: £12,360,000) 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 £233,000 (2012: £824,000) 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 they are expected to be recovered in the near future. In addition there are £1,128,000 of losses (2012: £940,000) that have arisen in Germany and Cyprus in current and 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. There is no tax deduction for the goodwill which arose on the acquisition of Germany and Switzerland in previous years.

Deferred tax arising in Ireland and the UK on capital gains

	Roll over relief £000	Accelerated capital allowances £000	Total £000
At 25 December 2011	(25)	(30)	(55)
Credit/charge to income	2	(55)	(53)
At 30 December 2012	(23)	(85)	(108)
Credit/charge to income	1	(3)	(1)
At 29 December 2013	(22)	(88)	(110)

Deferred tax arising on other overseas subsidiaries

	£000
At 25 December 2011	(1,023)
Credit to income	193
At 30 December 2012	(830)
Credit to income	996
At 29 December 2013	166

Included within the above is a deferred tax asset of £233,000 (2012: £173,000) in relation to the recognition of Switzerland tax losses and a deferred tax liability relating to accelerated capital allowances in Switzerland. 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.

13. 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:

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Profit for the period	12,123	30,307
Adjusted for – non-controlling interests	5,445	603
Profit attributable to owners of the parent	17,568	30,910

	At 29 December 2013 No.	At 30 December 2012 No.
Basic weighted average number of shares (excluding treasury shares)	163,737,665	162,337,757
Dilutive potential ordinary shares:		
Employee share options	614,168	808,996
Reversionary interests	270,470	815,792
Diluted weighted average number of shares	164,622,303	163,962,545

Between the reporting date and the date of completion of these financial statements, the acquisition of the non-controlling interest of the German business has resulted in 880,000 ordinary shares being issued along with an option over 3,000,000 shares. Please refer to note 37 for more information.

The performance conditions for reversionary interests granted over 1,021,684 (2012: 4,243,340) shares and share options granted over 1,319,391 (2012: 4,198,563) 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.

13. Earnings per share (continued)

There are no share options excluded from the diluted earnings per share calculation because they are anti dilutive (2012: nil). See note 32 for further information on reversionary interests and share options.

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:

	52 weeks ended 29 December 2013	53 weeks ended 30 December 2012
Basic earnings per share	24.0p	22.2p
Diluted earnings per share	23.9p	22.0p

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

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Profit for the period	12,123	30,307
Adjusted for – non-controlling interests	5,445	603
Profit attributable to owners of the parent	17,568	30,910
Exceptional items after tax – attributable to equity holders of the parent	21,805	5,073
– Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	(42)	2,365
– Transition of corporate stores in Germany	1,981	–
– Receivables Germany	3,438	–
– Acquisition costs and one off costs relating to new UK joint ventures	152	620
– Restructuring and reorganisation	1,119	800
– Onerous lease provision	949	525
– Domino's leasing deferred consideration	324	–
– Impairment	19,599	243
– Profit on the sale of associate and non current assets	(1,745)	(507)
– Unwinding of discount	236	286
– Impact of minority interest related exceptionals	(3,584)	–
– Taxation impact	(2,250)	(314)
– Change in corporation tax rate – impact on deferred tax asset	1,628	1,055
Profit before exceptional items attributable to owners of the parent	39,373	35,983

Notes to the Group financial statements continued

13. Earnings per share (continued)

Earnings per share pre-exceptional items , Germany and Switzerland

	52 weeks ended 29 December 2013	53 weeks ended 30 December 2012
Basic earnings per share	25.8p	23.4p
Diluted earnings per share	25.6p	23.2p
Net profit before exceptional items, Germany and Switzerland attributable to owners of the parent is derived as follows:		
	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Profit before exceptional items attributable to owners of the parent	39,373	35,983
Items relating to Germany and Switzerland	2,445	1,695
Non-controlling interest	(1,859)	(620)
Germany loss	7,002	2,559
Switzerland loss	638	250
Tax Impact	(3,336)	(494)
Profit before exceptional items, Germany and Switzerland attributable to owners of the parent	41,818	37,678
Shares on acquisition		
Basic	1,320,000	1,320,000
Diluted average number of shares	1,320,000	1,320,000
Basic weighted average number of shares (excluding treasury shares)	162,417,665	161,017,757
Diluted weighted average number of shares	163,302,303	162,642,545

14. Dividends paid and proposed

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2012: 7.90p (2011: 6.80p)	12,936	11,001
Interim dividend for 2013: 7.10p (2012: 6.60p)	11,673	10,745
Dividends paid	24,609	21,746
Proposed for approval by shareholders at the AGM (not recognised as a liability at 29 December 2013 or 30 December 2012)		
Final dividend for 2013: 8.80p (2012: 7.90p)	14,432	12,890

15. Property, plant and equipment

	Freehold land and buildings £000	Assets under construction £000	Leasehold improvements £000	Fixtures and fittings £000	Supply Chain Centre equipment £000	Total £000
Cost or valuation:						
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
Additions	139	1,951	29	4,557	1,469	8,145
Reclassification of Store Developments	–	–	–	2,026	–	2,026
Disposals	(245)	–	–	(34)	–	(279)
Foreign exchange on translation	28	(14)	1	(24)	31	22
At 29 December 2013	33,459	2,630	280	11,473	32,311	80,153
Depreciation and impairment:						
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
Provided during the year	509	6	20	829	1,447	2,811
Impairment	–	1,670	–	5,018	–	6,688
Disposals	(54)	–	–	–	–	(54)
Foreign exchange on translation	3	–	–	(142)	13	(126)
At 29 December 2013	4,606	1,676	84	7,258	9,021	22,645
Net book value at 29 December 2013	28,853	954	196	4,215	23,290	57,508
Net book value at 30 December 2012	29,389	693	186	3,395	23,250	56,913

Freehold land and buildings

Included within freehold land and buildings is an amount of £4,689,000 (2012: £4,689,000) in respect of land which is not depreciated.

For details of the impairment of assets, which relates to Germany, please refer to note 7.

Capitalised interest

Included within freehold land and buildings is an amount of £1,016,000 (2012: £1,117,000) of capitalised interest, of which £nil (2012: £nil) 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 Supply Chain Centre 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.

Notes to the Group financial statements continued

16. Intangible assets

	Goodwill £000	Franchise fees £000	Software £000	Other £000	Total £000
Cost or valuation:					
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
Additions	–	–	2,813	–	2,813
Disposals	–	–	–	(39)	(39)
Foreign exchange on translation	319	230	4	–	553
At 29 December 2013	4,576	14,187	11,022	513	30,298
Depreciation and impairment:					
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
Provided during the year	–	347	2,384	50	2,781
Impairment	2,928	9,314	297	–	12,539
Foreign exchange on translation	–	(131)	3	–	(128)
At 29 December 2013	2,928	10,998	5,065	80	19,071
Net book value at 29 December 2013	1,648	3,189	5,957	433	11,227
Net book value at 30 December 2012	4,257	12,489	5,824	522	23,092

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 29 December 2013 £000	At 30 December 2012 £000
Germany	–	2,617
Switzerland	1,648	1,640
	1,648	4,257

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 a value in use calculation. 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 cash flows for the remaining term of the based on the average long-term growth rate of 1.4% for Germany and 1.7% for Switzerland, which do 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 13% and from the Swiss CGU is 12.5%.

Based on the value in use calculation performed in report of Germany, the Group has determined that the carrying values of its German MFA and goodwill are fully impaired and certain assets within software are also impaired. Please refer to note 7 for further details.

The Group also has conducted a sensitivity analysis on the impairment test of each CGU's carrying value including reducing sales level and changing discount rates. In respect of the German CGU, no reasonably expected change in the key assumptions to the valuation would give rise to a change in the impairment charge recognised. In respect of the Swiss CGU, no reasonably expected change in the key assumptions to the valuation would give rise to an impairment charge.

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 2012 relates to the Swiss MFA, which also has a term of 30 years.

During the period ended 30 December 2012, the Group 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 mainland Europe.

An asset has been recognised in the year of £433,000 (2012: £552,000) 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.

17. Prepaid operating lease charges

	At 29 December 2013 £000	At 30 December 2012 £000
Balance at the beginning of the period	1,696	841
Additions	22	1,050
Foreign exchange on translation	2	3
Amortisation	(206)	(198)
Balance at the end of the period	1,514	1,696
Analysed as follows:		
Non-current assets	1,286	1,479
Current assets	228	217
	1,514	1,696

18. 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 6.4% (2012: 7.1%). Other leases were leases over assets which were acquired with Domino's Leasing Limited at the time the business was acquired. These were fully paid up in the period, however during the period new franchisee leases were signed in Domino's Leasing Limited.

	At 29 December 2013		At 30 December 2012		
	Franchisee leasing £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Net investment in finance leases	2,636	2,636	3,026	2,610	5,636
Analysis of net investment in finance leases					
Current	1,108	1,108	1,048	2,610	3,658
Non-current	1,528	1,528	1,978	–	1,978
	2,636	2,636	3,026	2,610	5,636

Future minimum payments receivable:

	At 29 December 2013		At 30 December 2012		
	Franchisee leasing £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	934	934	1,173	2,729	3,902
After one year but not more than five years	1,895	1,895	2,077	–	2,077
	2,829	2,829	3,250	2,729	5,979
Less: finance income allocated to future periods	(193)	(193)	(224)	(119)	(343)
	2,636	2,636	3,026	2,610	5,636

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

	At 29 December 2013		At 30 December 2012		
	Franchisee leasing £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	1,108	1,108	1,048	2,610	3,658
After one year but not more than five years	1,528	1,528	1,978	–	1,978
	2,636	2,636	3,026	2,610	5,636

19. Investments in associates and joint ventures

	At 29 December 2013 £000	At 30 December 2012 £000
Investment in associates	1,006	1,514
Investment in joint ventures	5,152	4,731
	6,158	6,245

(a) Investments in associates

The Group has a 41% interest in Full House Restaurants Limited, a private company that manages pizza delivery stores in the United Kingdom. This interest is accounted for as an associate as the Group has significant influence but does not control the entity or have joint control.

In 2012, the Group owned 50% of the share capital of Dominoid Limited ("Dominoid"), and Mungo Park Limited ("Mungo Park") private companies that owned and operated 13 stores in and around Edinburgh. On 1 April 2013 the Group disposed of its interests in Dominoid and Mungo Park for cash consideration of £2,621,000 (less transaction costs of £244,000). The share of net assets held by the Group at the date of disposal was £632,000. An exceptional gain of £1,745,000 has been recognised on this disposal.

Notes to the Group financial statements continued

19. Investments in associates and joint ventures (continued)

Summarised financial information for significant associates is aggregated below:

	At 29 December 2013 £000	At 30 December 2012 £000
Share of associate's balance sheet:		
Current assets	836	564
Non current assets	1,731	2,388
Current liabilities	(718)	(650)
Non current liabilities	(843)	(788)
Share of net assets	1,006	1,514
	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Share of associate's revenue and profit:		
Revenue	6,566	8,622
Profit after tax for the year	170	166

(b) Investments in Joint Ventures

The Group has two UK joint ventures, with Domino's Pizza West Country Limited ("West Country") and DP Shayban Limited ("DP Shayban"). Both West Country and DP Shayban are accounted for as joint ventures 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 partners.

	At 29 December 2013			At 30 December 2012		
	DP Shayban £000	West Country £000	Total £000	DP Shayban £000	West Country £000	Total £000
Share of joint ventures' balance sheets:						
Current assets	2,044	410	2,454	214	330	544
Non current assets	2,036	3,015	5,051	1,969	3,026	4,995
Current liabilities	(2,064)	(25)	(2,089)	(405)	(304)	(709)
Non current liabilities	(96)	(168)	(264)	(30)	(77)	(107)
Share of net assets	1,920	3,232	5,152	1,748	2,975	4,723
	52 weeks ended 29 December 2013			53 weeks ended 30 December 2012		
	DP Shayban £000	West Country £000	Total £000	DP Shayban £000	West Country £000	Total £000
Share of joint ventures' revenue and profit:						
Revenue	5,761	4,078	9,839	199	305	503
Profit after tax for the year	173	299	472	27	15	42

The Group has also invested in two further entities that are jointly controlled and therefore deemed to be joint ventures: Deutsche Dominoid GmbH and HJS Pizza Deutschland GmbH. Both entities were 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 both entities that have exceeded the value of the Group's interest. The Group's share of unrecognised losses for the period to 29 December 2013 was:

- £294,000 for Deutsche Dominoid GmbH (2012: £210,000)
- £32,000 for HJS Pizza Deutschland GmbH (2012: £nil)

20. 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 country 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 the 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 £1,603,000 arising from the acquisition represents the opportunities in the three countries, 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 16. 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 £1,731,000. 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.

Notes to the Group financial statements continued

21. Inventories

	At 29 December 2013 £000	At 30 December 2012 £000
Raw materials	242	259
Finished goods and goods for sale	4,007	7,070
Total inventories at lower of cost or net realisable value	4,249	7,329

22. Deferred and contingent consideration

	Deferred £000	Contingent £000	Total £000
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
Adjustment to brought forward	324	–	324
Paid during the period	(1,395)	–	(1,395)
Unwinding of discount	236	–	236
Foreign exchange movements	–	16	16
At 29 December 2013	7,326	1,129	8,455

	At 29 December 2013 £000	At 30 December 2012 £000
Current	1,532	1,199
Non-current	6,923	8,075
Total	8,455	9,274

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 the deferred consideration. Therefore, while the cash flow statement reflects 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 £10,405,000 (2012: £13,099,000) 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, it 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 at the time of acquisition was estimated to be £1,087,000 (see note 20) and as at 29 December 2013 the fair value is £1,129,000 due to foreign exchange movements. The deferred consideration is a financial liability at fair value through profit or loss.

23. Trade and other receivables

Included in non-current assets:

	At 29 December 2013 £000	At 30 December 2012 £000
Amounts owed by associates and joint ventures*	1,938	2,565
Loans to franchisees*	4,330	6,155
Other receivables*	1,488	1,490
	7,756	10,210

Included in current assets:

	At 29 December 2013 £000	At 30 December 2012 £000
Trade receivables*	11,695	8,403
Amounts owed by associates and joint ventures*	1,267	1,325
Loans to franchisees*	3,395	3,193
Other receivables*	8,349	12,603
Prepayments and accrued income	9,660	10,623
	34,366	36,147

* Financial assets at amortised cost.

Trade receivables

Trade receivables are denominated in the following currencies:

	At 29 December 2013 £000	At 30 December 2012 £000
Sterling	9,292	7,177
Euro	2,398	1,219
Swiss Franc	5	7
	11,695	8,403

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 29 December 2013, trade receivables at nominal value of £1,574,000 (2012: £160,000) were provided for. During the 52 weeks ended 29 December 2013 bad debts of £154,000 were written off as part of the onerous lease exceptional costs (2012: £nil). These related to rentals due from commercial properties (non-franchisee) and have been included as exceptional within onerous lease costs (note 8).

The ageing analysis of trade receivables is as follows:

	Total £000	Neither past due nor impaired £000	Past due but not impaired	
			< 30 days £000	> 30 days £000
As at 29 December 2013	11,695	5,269	1,692	4,734
As at 30 December 2012	8,403	5,687	1,246	1,470

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.

Notes to the Group financial statements continued

23. Trade and other receivables (continued)

Amounts owed by associates and joint ventures

	At 29 December 2013 £000	At 30 December 2012 £000
Amounts owed by associates	1,908	2,427
Amounts owed by joint ventures	1,297	1,463
	3,205	3,890

Included within the balance due from associates are loan balances totalling £1,540,000 (2012: £1,797,000) due from Full House Restaurants Limited and Enil (2012: £211,000) due from Dominoid Limited following the disposal of the Group's interest during the year. Included within the balance due from joint ventures are loan balances of £673,000 due from DP Shayban Limited (2012: £549,000) and £302,000 due from Domino's Pizza West Country Limited (2012: £277,000). 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 represents 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 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
Movement in trading balance	(58)	–	(58)
Repayment of loan balance	–	(730)	(730)
Increase in loan balance	–	387	387
Debts provided for	–	(284)	(284)
At 29 December 2013	689	2,516	3,205

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 £4,379,000 (2012: £5,562,000) due to the difference in timing between cashflows of the marketing activities committed to by the fund and contributions received from franchisees. Total contributions made to the fund during the 52 weeks ended 29 December 2013 were £25,443,000 (2012: £23,323,000). The outstanding balance of the NAF bears interest at 4.5% above Barclays Bank plc base rate.

24. Cash and cash equivalents

	At 29 December 2013 £000	At 30 December 2012 £000
Cash at bank and in hand	8,739	8,891
Short-term deposits	22,858	13,084
	31,597	21,975

Cash is denominated in the following currencies:

	At 29 December 2013 £000	At 30 December 2012 £000
Sterling	29,491	19,483
Euro	1,766	1,999
Swiss Franc	340	493
	31,597	21,975

25. Trade and other payables

	At 29 December 2013 £000	At 30 December 2012 £000
Trade payables*	12,318	13,839
Other taxes and social security costs	3,144	3,730
Other payables*	3,366	3,343
Accruals	21,374	20,771
	40,202	41,683

* 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 29 December 2013 £000	At 30 December 2012 £000
Current		
Current instalments due on bank loans	13,000	–
Current instalments due on other loans	864	1,036
Current instalments due on non-recourse loans	–	2,604
Current instalments due on finance leases	96	101
	13,960	3,741
Non current		
Bank revolving facility	29,814	29,737
Non-current instalments due on bank loans	–	12,035
Non-current instalments due on other loans	3,439	3,953
Non-current instalments on finance leases	38	127
	33,291	45,852

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 0.3% (2012: 0.25%). The fair value of cash and cash equivalents is £31,597,000 (2012: £21,975,000). At 29 December 2013 the Group had a total of £53,000,000 (2012: £53,000,000) of banking facilities, of which £7,787,000 (2012: £8,027,000) 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 29 December 2013 and has a five year term. The interest is charged at 1.35% (2012: 1.35%) 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 29 December 2013, amortisation of £117,000 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.

On 31 January 2014, the Group increased this facility further to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan as described below. Interest charged on the additional facility is 1.10% per annum above LIBOR and the term loan matures on 31 January 2015. 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 29 December 2013 there was £nil drawdown on the facility (2012: £nil).

Notes to the Group financial statements continued

26. Financial liabilities (continued)

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities for its Employee Benefit Trust. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 29 December 2013 the balance due under these facilities was £13,000,000 (2012: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.5% (2012: 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. On 31 January 2014, the Group repaid £13,000,000 facility by, as noted above, increasing the existing revolving credit facility to £45,000,000.

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 (2012: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 29 December 2013 is £2,213,000 (2012: £2,939,000). 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 5.8% (2012: 6.16%).

Also included within other loans is a balance of £2,090,000 (2012: £2,050,000) in relation to a loan due to the Non-Controlling Interest in Domino's Germany. This loan was acquired as part of the acquisition of Domino's Pizza 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 £nil (2012: £2,604,000) 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 were secured over the related lease receivables and were repaid in October 2013 when the related lease receivables were 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 3.0 years. During the period the average effective borrowing rate was 7.1% (2012: 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 29 December 2013 the leased assets have a carrying value of £171,000 (2012: £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 29 December 2013 £000	At 30 December 2012 £000
Not later than one year	18,500	17,132
After one year but not more than five years	66,744	61,578
After five years	128,859	125,001
	214,103	203,711

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 29 December 2013 £000	At 30 December 2012 £000
Not later than one year	15,392	13,794
After one year but not more than five years	51,406	45,185
After five years	31,475	26,068
	98,273	85,047

28. Provisions

	Onerous lease provisions £000	Restructuring provisions £000	Total £000
At 30 December 2012	1,210	1,123	2,333
Arising during the period	800	1,807	2,607
Utilised during the period	(119)	(428)	(547)
Released during the period	(13)	(127)	(140)
Impact of discounting	83	27	110
Foreign exchange on translation	(14)	5	(9)
At 29 December 2013	1,947	2,407	4,354

	At 29 December 2013 £000	At 30 December 2012 £000
Current	2,084	654
Non-current	2,270	1,679
	4,354	2,333

Onerous lease provision

The onerous lease provision relates to the outstanding rent obligation for UK, ROI and Germany properties. These properties include sub-lets to commercial tenants, properties for which a lease has been signed but no franchisee has been identified to operate the store such that the lease obligation has become onerous, along with stores for which the tenant is paying reduced rent and the Group expects to make a loss in relation to the lease. The provision will be utilised over the remaining lease term on the properties identified which range between two and 24 years.

Restructuring provisions

A restructuring provision was established in the period to 30 December 2012 on acquisition of Domino's Switzerland and relates to outstanding rent obligations for seven stores which are being closed and relocated as well as other commitments arising from the restructuring plan such as redundancy and relocation costs. In the year to 29 December 2013, the transition of corporate stores to franchised stores in Germany is underway and, as part of the transition, a further provision has been established. This includes a provision for an onerous contract (other than leases) that has been identified as a result of the transition and restructuring and redundancy costs. The total restructuring provision will be utilised within four years.

Notes to the Group financial statements continued

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 2013 and 2012, 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
2013	+25	(9)
	-25	15
2012	+25	16
	-25	(27)

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. As stated in note 26 above, the Group settled its financial liability in respect of the Employee Benefit Trust loan of £13,000,000 on 31 January 2014 by agreeing a further term loan in addition to the revolving credit facility and using these funds to repay the loan.

The table below summarises the maturity profile of the Group's financial liabilities at 29 December 2013 and 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	Total £000
Period ended 29 December 2013					
<i>Floating rate borrowings</i>					
Bank loan EBT	–	13,033	–	–	13,033
Bank revolving facility	–	214	641	33,206	34,061
Non-recourse loans	–	–	–	–	–
Other loans	–	56	168	2,754	2,978
<i>Fixed rate borrowings</i>					
Other loans	–	240	721	1,437	2,398
Finance leases	–	24	72	38	134
<i>Non-interest bearing</i>					
Trade and other payables	–	37,058	–	–	37,058
Deferred consideration – amortised cost	–	288	920	6,384	7,592
Contingent consideration – at fair value through profit and loss account	–	–	–	1,129	1,129
	–	50,913	2,522	44,948	98,383
	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Period ended 30 December 2012					
<i>Floating rate borrowings</i>					
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
<i>Fixed rate borrowings</i>					
Other loans	–	287	862	1,997	3,146
Finance leases	–	25	76	127	228
<i>Non-interest bearing</i>					
Trade and other payables	–	37,953	–	–	37,953
Deferred consideration – amortised cost	–	450	987	7,449	8,886
Contingent consideration – at fair value through profit and loss account	–	–	–	1,112	1,112
	–	39,152	5,611	59,211	103,974

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 52 week period ended 29 December 2013 would decrease/increase by £56,000 (2012: £111,000). 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.

Notes to the Group financial statements continued

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 29 December 2013 and 30 December 2012.

The Group monitors the ratio of adjusted net debt to adjusted 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 29 December 2013 £000	At 30 December 2012 £000
Bank loan EBT	13,000	12,035
Other loans	2,213	2,939
Finance leases	134	228
Bank revolving facilities	29,814	29,737
Less: cash and cash equivalents	(31,597)	(21,975)
Adjusted net debt	13,564	22,964
Non-recourse loans	–	2,604
Domino's Germany non-controlling interest loan	2,090	2,050
Net debt	15,654	27,618
Adjusted EBITDA	53,714	47,894
Adjusted gearing ratio	0.3	0.5

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 2013 £000	Carrying value 2012 £000	Fair value 2013 £000	Fair value 2012 £000
Financial assets				
Cash and cash equivalents	31,597	21,975	31,597	21,975
Net investment in finance leases	2,636	5,636	2,452	5,324
Financial liabilities				
Bank revolving facilities	29,814	29,737	29,814	29,737
Bank loan EBT	13,000	12,035	13,000	12,035
Fixed rate borrowings	2,213	2,939	2,746	2,981
Finance lease liabilities	134	228	134	228
Floating rate borrowings	2,090	4,654	2,090	4,654
Contingent consideration	1,129	1,113	1,129	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 20. This equates to a Level 3 classification under the IFRS 13 requirement to classify financial instruments at fair value by reference to the following three-level hierarchy of 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 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The significant unobservable inputs include long-term profitability of the Switzerland business.

Notes to the Group financial statements continued

31. Share capital and reserves

Authorised share capital

	At 29 December 2013	At 30 December 2012
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 29 December 2013		At 30 December 2012	
	Number	£	Number	£
At 30 December 2012 and 26 December 2011	163,672,741	2,557,386	162,035,784	2,531,809
Issued on exercise of share options	824,600	12,884	2,386,957	37,296
Issued on acquisition	–	–	–	–
Share buybacks	–	–	(750,000)	(11,719)
At 29 December 2013 and 30 December 2012	164,497,341	2,570,270	163,672,741	2,557,386

During the period 824,600 (2012: 2,386,957) ordinary shares of 1.5625p each with a nominal value of £12,884 (2012: £37,296) were issued between 64.53p (2012: 64.53p) and 482.4p (2012: 482.4p) for a total cash consideration received of £2,237,000 (2012: £2,594,000) to satisfy the share options that were exercised.

During the period the Company did not buy back any shares (2012: 750,000 ordinary shares of 1.5625p each for a total value of £3,307,000, including costs of £47,000, at an average price of 434.67p per share).

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 Reversionary Long-Term Incentive Plan (LTIP). At 29 December 2013, the Trust held 56,252 (2012: 505,370) shares, which had a historic cost of £879 (2012: £7,881). These shares had a market value at 29 December 2013 of £278,841 (2012: £2,483,894).

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. Please see note 37 for details of a post balance sheet event relating to this.

32. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 29 December 2013 is £613,000 (2012: £2,357,000). This all arises on equity-settled share-based payment transactions.

Senior Executive Long Term Incentive Plan

(a) Reversionary Interest Long Term Incentive Plan

Reversionary interests over assets held in the Domino's Pizza Group plc employee benefit trust were 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 no further reversionary interests were granted (2012: nil) and no further grants are envisaged under this scheme. At 29 December 2013 reversionary interests represented by 2,287,920 (2012: 4,311,774) shares in Domino's Pizza Group plc have been granted. The weighted average fair value of each reversionary interest granted during the period ended 30 December 2012 was 68.8p.

The following tables list the performance criteria attached to the reversionary interests for the periods ended 29 December 2013 and 30 December 2012:

Grant date	Initial value per interest	Performance conditions	As at 30 December 2012	Granted	Vested	Forfeited	As at 29 December 2013
02-Jun-09	206.25p	Growth of RPI plus 12%	–	–	–	–	–
17-Feb-10	327.00p	Growth of RPI plus 12%	1,123,854	–	(1,123,854)	–	–
17-Jun-10	366.10p	Growth of RPI plus 12%	300,000	–	(300,000)	–	–
27-Jul-10	424.90p	Growth of RPI plus 12%	300,000	–	(300,000)	–	–
23-Sep-10	457.50p	Growth of RPI plus 12%	300,000	–	(300,000)	–	–
09-Aug-11	437.10p	Growth of RPI plus 12%	2,287,920	–	–	–	2,287,920
			4,311,774	–	(2,023,854)	–	2,287,920

Grant date	Initial value per interest	Performance conditions	As at 25 December 2011	Granted	Vested	Forfeited	As at 30 December 2012
02-Jun-09	206.25p	Growth of RPI plus 12%	1,727,757	–	(1,727,757)	–	–
17-Feb-10	327.00p	Growth of RPI plus 12%	1,123,854	–	–	–	1,123,854
17-Jun-10	366.10p	Growth of RPI plus 12%	300,000	–	–	–	300,000
27-Jul-10	424.90p	Growth of RPI plus 12%	300,000	–	–	–	300,000
23-Sep-10	457.50p	Growth of RPI plus 12%	300,000	–	–	–	300,000
09-Aug-11	437.10p	Growth of RPI plus 12%	2,507,549	–	–	(219,629)	2,287,920
			6,259,160	–	(1,727,757)	(219,629)	4,311,774

(b) 2012 Long Term Incentive Plan

At the 2012 AGM shareholders approved the adoption of new LTIP rules which allow for either the grant of market value options or performance shares. Awards are approved and granted at the discretion of the Remuneration Committee to senior executives and other employees. Awards are capable of vesting within a three year period should certain performance targets be achieved by the Group and all awards will be equity-settled. During the period no awards were granted (2012: 1,282,296 shares). At 29 December 2013, 2012 LTIP awards were represented by 1,021,684 (2012: 1,055,420) shares in Domino's Pizza Group plc have been granted.

The weighted average fair value of each award granted during the period ended 30 December 2012 was 68.8p.

The following tables lists the performance criteria attached to the 2012 LTP grants for the periods ended 29 December 2013 and 30 December 2012:

Grant date	Initial value per interest	Performance conditions	As at 30 December 2012	Granted	Vested	Forfeited	As at 29 December 2013
		Adjusted annual EPS growth (see page 69)					
02-Apr-12	431.60p		1,055,420	–	–	(33,736)	1,021,684
			1,055,420	–	–	(33,736)	1,021,684

Grant date	Initial value per interest	Performance conditions	As at 25 December 2011	Granted	Vested	Forfeited	As at 30 December 2012
		Adjusted annual EPS growth (see page 69)					
02-Apr-12	431.60p		–	1,282,296	–	(226,876)	1,055,420
			–	1,282,296	–	(226,876)	1,055,420

Employee Share-option schemes

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).

In 2009 the Company established the Domino's Pizza UK & Irl plc Company Share Option Plan 2009 (Domino's Pizza CSOP Scheme) which enables the grant of both approved and unapproved options.

Notes to the Group financial statements continued

32. Share-based payments (continued)

All employees are eligible for grants of options under these schemes, which are approved by the Board. Grants prior to 2011, vest over a three year period and are exercisable subject to the condition that the growth in adjusted diluted earnings per share during each of the three 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 three year period and are exercisable subject to the condition that real growth in adjusted diluted earnings per share, during each of the three years following the date of grant, exceeds 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.

No options were granted during the period ended 29 December 2013.

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 (or from April 2014 £500) 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 Sharesave option granted in 2013 was 142.51p (2012: 68.8p).

Share schemes

As at 29 December 2013, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 30 December 2012 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 29 December 2013 No.
Domino's Pizza (unapproved) Scheme						
15 December 2005	107.03p	119,279	–	(71,020)	–	48,259
30 March 2007	210.00p	131,773	–	(28,008)	–	103,765
3 April 2008	209.00p	159,714	–	(57,082)	–	102,632
		410,766	–	(156,110)	–	254,656
Domino's Pizza CSOP (unapproved) Scheme						
29 May 2009	205.50p	58,157	–	(27,449)	–	30,708
13 April 2010	341.00p	196,691	–	(111,122)	–	85,569
26 July 2011	482.40p	132,499	–	–	–	132,499
9 August 2011	386.80p	1,000,000	–	–	(1,000,000)	–
2 April 2012	431.60p	287,303	–	–	–	287,303
2 April 2012	398.00p	1,000,000	–	–	(1,000,000)	–
		2,674,650	–	(138,571)	(2,000,000)	536,079
Domino's Pizza CSOP (approved) Scheme						
29 May 2009	205.50p	270,171	–	(107,284)	–	162,887
13 April 2010	341.00p	468,701	–	(350,146)	(7,704)	110,851
26 July 2011	482.40p	288,419	–	(369)	(622)	287,428
2 April 2012	431.60p	338,619	–	–	(715)	337,904
		1,365,910	–	(457,799)	(9,041)	899,070
EMI Scheme						
23 March 2004	64.53p	40,837	–	(31,237)	–	9,600
Sharesave Scheme						
1 March 2010	237.92p	40,032	–	(39,651)	(305)	76
1 March 2011	426.00p	48,108	–	(1,232)	(17,818)	29,058
1 March 2012	352.64p	128,021	–	–	(31,225)	96,796
1 March 2013	352.64p		148,403	–	–	148,403
		216,161	148,403	(40,883)	(49,348)	274,333
		4,708,324	148,403	(824,600)	(2,058,389)	1,973,738
Weighted average exercise price		361.9p	352.6p	269.9p	391.9p	341.9p

32. Share-based payments (continued)

Share schemes (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
		720,770	–	(310,004)	–	410,766
Domino's Pizza CSOP (unapproved) Scheme						
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
		1,592,729	1,317,077	(133,624)	(101,532)	2,674,650
Domino's Pizza CSOP (approved) Scheme						
29 May 2009	205.50p	881,050	–	(572,880)	(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	(605,999)	(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
		4,503,409	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

The weighted average remaining contractual life of the options outstanding at 29 December 2013 is 6.07 years (2012: 7.8 years). The weighted average share price for options exercised during 2013 was 613.7p (2012: 490.9p).

Notes to the Group financial statements continued

32. Share-based payments (continued)

Share schemes (continued)

The following share options were exercisable at the period end:

	At 29 December 2013 No.	At 30 December 2012 No.
Domino's Pizza (unapproved) Scheme		
15 December 2005	48,259	119,279
30 March 2007	103,765	131,773
3 April 2008	102,632	159,714
	254,656	410,766
Domino's Pizza CSOP (unapproved) Scheme		
29 May 2009	30,708	58,157
13 April 2010	85,569	–
	116,277	58,157
Domino's Pizza CSOP (approved) Scheme		
29 May 2009	162,887	270,171
13 April 2010	110,851	–
	116,277	58,157
EMI Scheme		
23 March 2004	9,600	40,837
	654,271	779,931
Weighted average exercise price	238.1p	184.5p

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.

As no options were granted during the period to 29 December 2013 no fair value calculations have been required.

33. Additional cash flow information

Analysis of Group net debt

	At 30 December 2012 £000	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 29 December 2013 £000
Cash and cash equivalents	21,975	9,158	464	–	31,597
Bank revolving facility	(29,737)	–	–	(77)	(29,814)
Bank loans	(12,035)	(965)	–	–	(13,000)
Finance leases	(228)	–	(1)	95	(134)
Other loans	(2,939)	726	–	–	(2,213)
Adjusted net debt	(22,964)	8,919	463	18	(13,564)
Non-recourse loans	(2,604)	2,604	–	–	–
Other loans	(2,050)	–	(40)	–	(2,090)
Net debt	(27,618)	11,523	423	18	(15,654)

	At 25 December 2011 £000	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)

34. Capital commitments

At 29 December 2013, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2012: £92,000) 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.

The Group has, in previous periods, entered into loans with franchisees for the sole purpose of new store fit outs. In the period, the Group assisted in the refinancing of some of these loans with three major banks (Barclays Bank plc, HSBC Bank plc and National Westminster Bank plc). The Company has guaranteed the loans refinanced with Barclays Bank plc in the event of a default by the franchisee. The total amount of loans refinanced with Barclays bank plc in the period was £663,000.

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
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 Supply Chain Centre
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany Limited	England	75% ordinary	Operation of Supply Chain Centre and pizza delivery stores in Germany
Domino's Pizza Germany GmbH	Germany	75% ordinary	Investment
Domino's Pizza GmbH	Switzerland	100% ordinary	Operation of Supply Chain Centre 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

* American Pizza Company Limited and Livebait Limited have been struck off during the period to 29 December 2013

** Dominoid Limited and Mungo Park Limited were sold during the period

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 29 December (2012: 30 December) with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Related party		
Associates and joint ventures		
2013	16,707	689
2012	13,118	746

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 29 December 2013, the Group has made a provision of £1,460,000 for doubtful debts relating to amounts owed by related parties (2012: £nil).

Compensation of key management personnel (including directors)

	52 weeks ended 29 December 2013 £000	53 weeks ended 30 December 2012 £000
Short-term employee benefits	3,920	4,601
Post-employment benefits	324	200
Share-based payment	386	1,797
	4,630	6,598

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 £21,333 (2012: £62,333) to Saracens rugby club, in the normal course of business as part of its on-going marketing strategy. Nigel Wray has an interest in this entity, being Non-Executive Chairman of Saracens Limited. The transaction was paid at arm's length values under normal business terms.

37. Post balance sheet event

On 26 February 2014 the Group entered into an agreement to purchase the minority shareholding in relation to the German business. This involves the purchase of the remaining 25% shareholding from our non-controlling interest partner, Briskas Limited, for consideration of an option over 3,000,000 shares in Domino's at an amount of 577.7 pence per share, (equal to 25 pence above the average of the market value for a Domino's Share as derived from the Daily Official List for the five business days prior to the date of the Agreement). In addition, the contingently issuable shares (880,000) which formed part of the original acquisition arrangement, were issued at completion.

On 31 January 2014, the Group increased the existing £30,000,000 bank facility further to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan of £13,000,000. Interest charged on the additional facility is 1.10% per annum above LIBOR and the term loan matures on 31 January 2015. 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.

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 52 weeks ended 29 December 2013 which comprise the Company Balance Sheet and the related notes 1 to 9. 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 76, 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 and to identify any information that is apparently materially incorrect, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 29 December 2013;
- 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 Strategic report and 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 52 weeks ended 29 December 2013. That report includes the risks that we believe to have the greatest impact on our overall audit strategy and the allocation of resources in the audit and directing the efforts of the audit team. The risk of impairment in the carrying value of property, plant and equipment and intangible assets related to the business in Germany has also been of relevance to the parent company financial statements.

Simon O'Neill

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
28 February 2014

Company balance sheet

	Notes	At 29 December 2013 £000	At 30 December 2012 £000
Fixed assets			
Investment in subsidiary undertakings	3	14,099	22,206
Investment in associates and joint ventures	3	4,886	4,886
Total investments		18,985	27,092
Current assets			
Amounts owed by group undertakings	4	92,503	121,052
Other debtors		562	302
Cash and cash equivalents		55	848
		93,120	122,202
Creditors: amounts falling due within one year	5	(50,519)	(18,069)
Net current assets		42,601	104,133
Total assets less current liabilities		61,586	131,225
Creditors: amounts falling due after more than one year	6	(29,814)	(41,772)
		31,772	89,453
Shareholders' equity			
Called up share capital	7	2,570	2,557
Share premium account	9	20,156	17,932
Capital redemption reserve	9	425	425
Capital reserve – own shares	9	(1)	(9)
Other reserve	9	3,432	3,432
Profit and loss account	9	5,190	65,116
Equity shareholders' funds	9	31,772	89,453

Lee Ginsberg

Chief Financial Officer
28 February 2014

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The parent company financial statements of Domino's Pizza Group 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 substantively 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 costs. 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 8 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 relevant 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.

Notes to the Company financial statements continued

1. Accounting policies (continued)

Share-based payment transactions (continued)

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. 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 £34,190,000 (2012: £744,000).

3. Investments

	Subsidiary undertakings £000	Associates and joint ventures £000	Total £000
Cost or valuation:			
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
Share options granted to subsidiary employees	918	–	918
Additions	–	–	–
Impairment of investment	(8,734)	–	(8,734)
Disposals	(291)	–	(291)
At 29 December 2013	14,099	4,886	18,985
Net book value at 29 December 2013	14,099	4,886	18,985
Net book value at 30 December 2012	22,206	4,886	27,092

As a result of the performance of the German corporate stores being below expectations and our decision to proceed more cautiously with our German expansion, opening fewer stores than originally expected, the Company has performed an impairment test at the year end in order to test the carrying value of its investment in Germany.

The Company performed a value in use calculation for the investment, using the most recent financial budgets approved by management for the next five years. Cash flows beyond the five year plan for the remaining term of the investment were extrapolated based on the long-term average growth rate for Germany of 1.4%, which does not exceed the long-term growth rate for this market.

The rate used to discount the forecast cash flows was 13%.

As a result of this analysis, the Company has recognised an impairment of the investment of £8,734,000.

In the period, the Company also struck off American Pizza Company Limited and Livebait Limited and recognised a disposal of £291,000.

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
DP Newcastle Limited	England	100% ordinary	Dormant
Livebait Limited*	England	100% ordinary	Dormant
DP Pizza Limited	Republic of Ireland	100% ordinary	Operation of Supply Chain Centre
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany Limited	England	75% ordinary	Operation of Supply Chain Centre and pizza delivery stores in Germany
Domino's Pizza Germany GmbH	Germany	75% ordinary	Investment
Domino's Pizza GmbH	Switzerland	100% ordinary	Operation of Supply Chain Centre 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

* American Pizza Company Limited and Livebait Limited have been struck off during the period to 29 December 2013

** Dominoid Limited and Mungo Park Limited were sold during the period

4. Debtors

	At 29 December 2013 £000	At 30 December 2012 £000
Amounts owed by Group undertakings	92,503	121,052

5. Creditors: amounts falling due within one year

	At 29 December 2013 £000	At 30 December 2012 £000
Amounts owed to Group undertakings	37,431	17,730
Other creditors	88	88
Accruals and deferred income	–	251
Bank revolving facility	13,000	–
	50,519	18,069

Notes to the Company financial statements continued

6. Creditors: amounts falling due after more than one year

Loans repayable are analysed as follows:

	At 29 December 2013 £000	At 30 December 2012 £000
Bank revolving facility	29,814	29,737
Bank loans – wholly repayable within five years	–	12,035
	29,814	41,772

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 29 December 2013 and has a five year term. The interest is charged at 1.35% (2012: 1.35%) 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 29 December 2013, amortisation of £117,000 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.

On 31 January 2014, the Group increased this facility further to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan as described below. Interest charged on the additional facility is 1.10% per annum above LIBOR and the term loan matures on 31 January 2015. 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 for its Employee Benefit Trust. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company.

At 29 December 2013 the balance due under these facilities was £13,000,000 of which all is in relation to the Employee Benefit Trust (2012: £12,035,000). The loans bear interest at 0.5% (2012: 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. On 31 January 2014, the Group repaid £13,000,000 facility by, as noted above, refinancing the existing revolving credit facility and increasing the existing facility to £45,000,000.

7. Authorised and issued share capital

Authorised share capital

	At 29 December 2013	At 30 December 2012
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

	Number	At 29 December 2013 £	Number	At 30 December 2012 £
At 30 December 2012 and 25 December 2011	163,672,741	2,557,387	162,035,784	2,531,809
Issued on exercise of share options	824,600	12,884	2,386,957	37,296
Issued on acquisition	–	–	–	–
Share buybacks	–	–	(750,000)	(11,719)
At 29 December 2013 and 30 December 2012	164,497,341	2,570,270	163,672,741	2,557,386

During the period 824,600 (2012: 2,386,957) ordinary shares of 1.5625p each with a nominal value of £12,884 (2012: £37,296) were issued between 64.53p (2012: 64.53p) and 482.4p (2012: 482.4p) for a total cash consideration received of £2,237,000 (2012: £2,594,000) to satisfy the share options that were exercised.

During the period the Company did not buy back any shares (2012: 750,000 ordinary shares of 1.5625p each for a total value of £3,307,000, including costs of £47,000, at an average price of 434.67p per share).

Please refer to note 32 of the Group financial statements for details of outstanding share awards in relation to the Company.

8. Share-based payments

The total charge recognised for share-based payments in respect of employee services received during the 52 weeks ended 29 December 2013 is £613,000 (2012: £2,357,000). This all arises on equity-settled share-based payment transactions. Of this total, a credit of £305,000 (2012 charge of: £806,000) relates to employees of the Company (following the announcement of the Chief Executive Officer's resignation) and a charge of £918,000 (2012: 1,551,000) 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 of the Group financial statements.

9. 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	2,532	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
Proceeds from share issue	13	2,224	–	–	–	–	2,237
Share buybacks	–	–	–	–	–	–	–
Share transaction charges	–	–	–	–	–	(22)	(22)
Vesting of LTIP grants	–	–	–	8	–	(1,718)	(1,710)
Loss for the period	–	–	–	–	–	(34,190)	(34,190)
Share option and LTIP charge	–	–	–	–	–	918	918
Share options granted to subsidiary employees	–	–	–	–	–	(305)	(305)
Equity dividends paid	–	–	–	–	–	(24,609)	(24,609)
At 29 December 2013	2,570	20,156	425	(1)	3,432	5,190	31,772

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 29 December 2013, the Trust held 56,252 (2012: 505,370) shares, which had a historic cost of £879 (2012: £7,881). These shares had a market value at 29 December 2013 of £278,841 (2012: £2,483,894).

Other reserve

The other reserve relates to the contingent consideration payable for the acquisition of Domino's Germany. Please refer to note 37 of the Group financial statements for details of a post balance sheet event which will impact this reserve.

Five year financial summary

	29 December 2013	30 December 2012	25 December 2011	26 December 2010	27 December 2009
Trading weeks	52	53	52	52	52
System sales ¹ (£m)	668.8	598.6	530.6	485.3	406.9
Group revenue (£m)	268.9	240.5	209.9	188.1	155.0
Profit before tax (pre exceptional items) (£000s)	47,601	46,701	42,156	38,007	29,865
Profit before tax (post exceptional items) (£000s)	21,590	42,369	38,789	35,204	40,968
Basic earnings per share (pence)					
– Pre exceptional items	24.0	22.1	19.5	17.4	13.8 ³
– Post exceptional items	10.7	19.0	16.7	15.4	21.5 ³
Diluted earnings per share (pence)					
– Pre exceptional items	23.9	22.0	19.2	16.8	13.4 ³
– Post exceptional items	10.7	18.9	16.5	14.9	21.0 ³
Dividends per share (pence)	15.90	14.50	12.30	10.20	7.75
Earnings before interest, taxation, depreciation and amortisation (£000s)	53,714	47,894	42,646	38,467	30,995 ²
Adjusted net debt (£000s) ³	(13,564)	(22,964)	(15,297)	(8,639)	(15,741)
Adjusted gearing ratio	0.3	0.5	0.4	0.2	0.5
Stores at start of year	805	726	665	608	553
Stores opened	57	69	62	57	55
Stores acquired	–	12	2	–	–
Stores closed	(4)	(2)	(3)	–	–
Stores at year end	858	805	726	665	608
Corporate stores at year end	20	23	5	–	–
UK like-for-like sales growth (%)	7.0% ⁴	5.0% ⁴	3.7%	14.3%	9.6%

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 52 week period in the prior year.

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