



# LEADING THE WAY

Domino's Pizza Group plc  
Annual Report & Accounts 2015



# THE UK'S LEADING PIZZA COMPANY



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## Highlights of the year

# 65

NEW STORES  
OPENED IN  
THE YEAR

# 84.9m

PIZZAS SOLD  
IN THE YEAR

# 67.4%

OF UK TRANSACTIONS  
THROUGH  
E-COMMERCE

**“2015 was a terrific year for Domino's Pizza Group; the UK performance was outstanding, reflecting continued investment in our e-commerce platform. This underpins both our like-for-like results and the success of our new store programme. Our cash conversion is strong.”**

David Wild, Chief Executive Officer

- UK performance continues to underpin growth with nine successive quarters of double-digit like-for-like ('LFL') sales
- Continued success of digital investment programmes in the UK
  - E-commerce system sales ahead by more than 30%
  - App-based sales now represent the largest distribution channel, driving 48.6% of online sales
  - In the UK, e-commerce sales now represent 77.7% of all delivered sales
- Record new store opening programme in the UK
  - 61 (2014: 40) stores opened in the year
  - New store average weekly unit sales ('AWUS') 15% ahead of last year
- Further increase in franchisee profitability
  - Store EBITDA<sup>5</sup> performance up from 13.6% to 15.5%, driven by lower food prices
- Improving performance in international businesses
  - Economic recovery and operational improvements continue in the ROI
  - Strategic joint venture in Germany, which has acquired the largest pizza delivery chain in the German market
  - Continued progress being made in Switzerland
- Group underlying operating profit from continuing operations up by 16.6% and earnings per share (EPS) up by 18.6%
- Strong net cash flow of £29.4m and cash conversion of in excess of 100% – net cash of £40.4m and ready to resume share buy backs
- Statutory revenue<sup>4</sup> from continuing operations up 9.7% on last year

1 System sales represent the sum of all sales made by both Franchisee and Corporate stores in the United Kingdom, ROI and Switzerland to consumers.

2 Like-for-like sales are defined as sales from stores that were opened before 29 December 2013, compared to the corresponding 52 week period in the prior year.

3 Underlying is defined as excluding amounts in relation to onerous lease provisions, impairments, costs of acquisition of joint ventures, associates and subsidiaries, restructuring and one-off items.

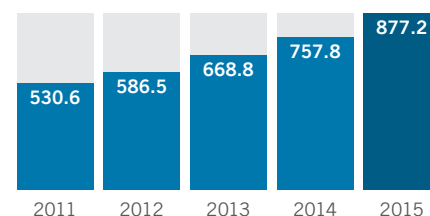
4 Statutory revenues represent revenues directly attributable to DPG, being derived from monies paid by franchisees for foodstuffs together with royalty payments for use of the Domino's brand, rental income from freehold and leasehold property and corporate store sales in Switzerland.

5 Franchisee data submissions to end of December 2015 based on stores opened before 31 December 2013.

6 2015 from continuing operations (2014 restated). 2011–2013 not restated.

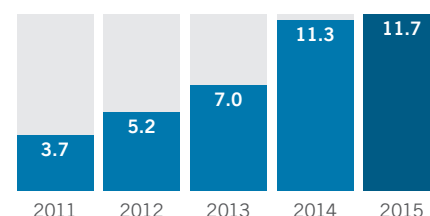
### SYSTEM SALES<sup>1,6</sup> £m

## £877.2m



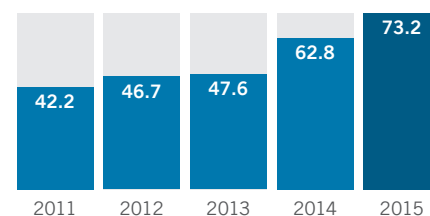
### UK LIKE-FOR-LIKE SALES<sup>2</sup> GROWTH<sup>6</sup> %

## 11.7%



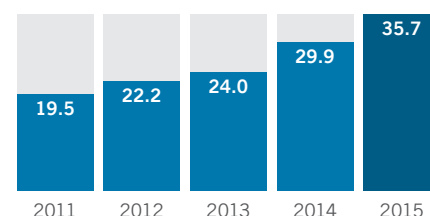
### UNDERLYING<sup>3</sup> OPERATING PROFIT<sup>6</sup> £m

## £73.2m



### UNDERLYING BASIC EPS<sup>6</sup> p

## 35.7p



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## Group at a glance

We are driven day in, day out by our brand purpose:

# TO FEED THE POWER OF POSSIBLE ONE PIZZA AT A TIME

This inspires and motivates us on three levels:

### 1 ENTREPRENEURIAL SPIRIT

It taps into the entrepreneurial spirit embodied by our franchisees. It recognises the opportunity the brand has afforded to people to pursue their own dream of business ownership, populating our company culture with stories of 'driver to manager to single store franchisee to multi-store business owner'.

### 2 DEDICATED TO INNOVATION

It aligns with our desire never to stand still and innovate continually to improve our product, service, image and increasingly our use of technology. Innovation is in the DNA of the brand, be that from the invention of the 'spoodle', our patented heatwave technology, or the development of online and mobile ordering platforms.

### 3 KEEPING OUR PROMISES

It inspires us to commit relentlessly to delivering one pizza at a time. We know that downtime is precious, we know that money is still tight, and we understand that delivered food cannot be a disappointment. We know that we have to deliver a hot, fresh, tasty pizza when we say we will.

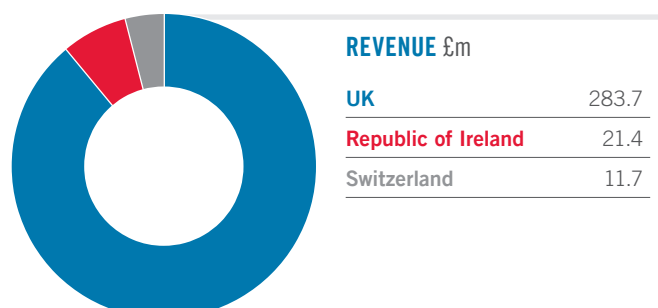
## How we operate:

### SUPPLY CHAIN

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. Our Supply Chain Centres continue to lead the way in relation to standards of excellence throughout Domino's worldwide.

### FRANCHISEES

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. It is our job to support our franchisees in their efforts to run profitable businesses and to ensure that high brand standards are achieved in all stores.





## Leading the way in:



### PRODUCT

We take great pride in the quality of our products and we work hard with our suppliers to make sure that each 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.

**100%**  
MOZZARELLA  
CHEESE



### TECHNOLOGY

We have made the transition from a bricks-and-mortar retailer to a genuine e-commerce retailer. We constantly strive to be at the cutting edge of technological innovation, as demonstrated by our initial commitment to online ordering in the 1990s, or the more recent development of our mobile app platforms. We are relentless in our pursuit of using technology to make our customers' lives that little bit easier.

**10m**  
APP DOWNLOADS



### ENGAGEMENT

We take pride in the image we portray to customers. We invest our national advertising fund to help build the profile of the brand amongst our target audience. We have recently refreshed our store design to better celebrate the theatre of making fresh pizza. Our new store design reflects the freshness of the ingredients and provides customers with a window into the world of pizza making, showcasing that every one of our pizzas is made fresh to order.

**1m**  
FACEBOOK FANS



### PERFORMANCE

We are driven, day in, day out by our brand purpose 'to feed the power of possible, one pizza at a time'. This desire to never stand still and push forward, be it in terms of store openings, technological and product innovation, customer service and the support for our franchisees underpins our performance.

**11.7%**  
LFL SALES  
GROWTH

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## Chairman's statement

### **IN SUMMARY**

- **System sales increased by 15.8% to £877.2m (2014: £757.8m)**
- **Underlying operating profit of £73.2m, up 16.6% (2014: £62.8m)**
- **Underlying earnings per share: basic earnings per share up 19.4% to 35.7p (2014: 29.9p)**
- **Final dividend increased by 21.3% to 11.75p per share (2014: 9.69p) bringing the total dividend for the year to 20.75p per share, up 18.6% (2014: 17.50p)**

We celebrated our 30<sup>th</sup> anniversary in 2015 and I am very proud that the Group has produced another excellent set of results. We continue to deliver as one of the strongest franchises across the Domino's network worldwide and we are proud of our achievement as the number one pizza company in the UK and Republic of Ireland.

In the UK and ROI, our success in 2015 is rooted in revenue-driven profit growth based on continued investment in e-commerce initiatives and record levels of new store openings, underpinned by improving franchisee profitability.

I am encouraged by the signs of progress we are seeing in Switzerland, where the mature store portfolio delivered improved profitability and where we continue to invest in new stores.

Towards the end of the year, we announced our intention to form a joint venture with Domino's Pizza Enterprises Limited in order to acquire Joey's Pizza, Germany's largest pizza delivery chain, which will give us the opportunity to participate in a larger scale business in this market.

The Group's business model continues to be highly cash generative and will allow us to resume share buy backs.

#### **Dividend**

The Board recommends a final dividend for 2015 of 11.75p (2014: 9.69p) per share, being a 21.3% increase on the final dividend for the prior year. Together with the interim dividend of 9.00p per share paid on 4 September 2015, the total dividend for the year will be 20.75p per share, representing an increase of 18.6% on the dividend paid for the prior year (2014: 17.5p). The full year dividend is 1.7 times covered by underlying profits after tax (2014: 1.5 times). Subject to receiving shareholder approval at the Annual General Meeting on 20 April 2016, the final dividend will be paid on 25 April 2016 to shareholders on the register at the close of business on 11 March 2016.



**STEPHEN HEMSLEY**  
CHAIRMAN



2015 HAS BEEN ANOTHER YEAR OF EXCELLENT PROGRESS.

# I CONTINUE TO BE DELIGHTED WITH THE MOMENTUM ACROSS THE BUSINESS.

## Our people

Our business relies on a network of entrepreneurial, diligent and driven franchisees who serve our customers day and night. Every year, I continue to be amazed by their ability to improve our business, for our mutual benefit. This year is no exception and I would like to place on record my thanks for all of their hard work and commitment, which continues to be the lifeblood of the business. Their willingness to invest in new stores and to explore other means of growth gives the Board continued confidence for the future.

Our franchisees in turn depend on Domino's employees, and I want to thank them for their ongoing commitment and contribution, helping to keep us as the number one pizza company in every neighbourhood in which we operate, despite ever-increasing competitive pressures.

## Board changes

During the year, we have focused on consolidating the significant changes we made to the Board in 2014, but also addressed two recruitment challenges.

Michael Shallow had served for slightly more than nine years as a non-executive Director when he retired from the Board on 31 July 2015. I would like to thank Michael for his stalwart contribution to the Board of Domino's, most recently as our Senior Independent Director, and we wish him well for the future.

In readiness for this event, Steve Barber joined the Board on 1 July 2015 as a non-executive Director and as chairman-designate of the Audit Committee. He brings over 40 years' experience in accountancy and finance to our Board, both from an audit and corporate perspective and also has strong general management experience.

In my report last year, I noted that we were seeking a new Chief Financial Officer. On 8 June 2015, Paul Doughty joined the Board and was appointed as our CFO. Paul has more than 20 years' commercial finance experience including 10 years as CFO with Moneysupermarket.com Group. Unfortunately, this appointment did not work out as either we or Paul would have liked, and he subsequently resigned as a Director and left the Board on 31 December 2015. A selection process is currently underway as we continue to search for the best possible candidate.

## Conclusion

In summing up, 2015 has been another year of excellent progress. I continue to be delighted with the momentum across the business and the entire team can be very proud of their efforts. Our focus is now on 2016 and I look forward with optimism to our continued progress in the next phase of the Group's development.

## Stephen Hemsley

Non-executive Chairman



# Chief Executive Officer's statement

## IN SUMMARY

- **The Group opened 65 stores and now operates 931 stores across our three markets**
- **In the UK in 2015, 60% of total orders were made by customers online, up from 53.3% in 2014**
- **The UK business achieved system sales growth of 16.8% including 11.7% like-for-like**
- **We have now seen two years of growth in ROI and the Dublin market is demonstrably stronger than the rest of the country**

### Overview

2015 was another very successful year for the Group with double-digit system sales growth, and I am particularly pleased with the strong performance of new stores in the UK, where we achieved a record number of openings. This excellent performance is the result of a relentless focus on driving our digital offering through investment and innovation, ambitious targets for new store openings and focusing on franchisee profitability.

We had a good year in the Republic of Ireland despite currency headwinds, with growth driven by improved performance from digital channels.

Internationally, we have ceased operating directly in the German market, having entered into a strategic joint venture arrangement, which acquired the largest pizza delivery chain in the country. I am also encouraged by our continued progress in Switzerland.

Our strategy remains simple and clear. We aim to be the number one pizza company in each neighbourhood in which we operate, through a commitment to offering the best product, service and quality to our customers.

### UK and ROI

#### UK

The UK business delivered an impressive set of results from the 869 stores that were trading at the year-end (2014: 813). System sales were 16.8% ahead, driven by strong like-for-like performance with growth of 11.7%. Like-for-like order volumes were ahead by 9% whilst average order value grew by 2.4%, helped by an increased proportion of bundle deals offering value for money.

We believe that our continued focus on the three priorities set out in our preliminary announcement last year remains fundamental to our success in the UK:

- **e-commerce:** We have continued to increase investment in our digital offering, driving a higher number of customer visits, improved conversion rates and larger order values.
- **New store openings:** The rate of openings accelerated in the period with a record number of 61 new stores in the UK in 2015; these continue to perform well, providing a foundation for future growth and confirming our long-term opportunity.
- **Franchisee profitability:** The Group has maintained its focus on franchisee profitability by continuing to pass on cost savings, therefore increasing the appetite for further investment by franchisees.



**DAVID WILD**

**CHIEF EXECUTIVE OFFICER**





**DURING THE FOURTH QUARTER WE INTRODUCED THE ONE-TOUCH ORDER BUTTON.**

# MORE ENHANCEMENTS ARE PLANNED FOR THE YEAR AHEAD.

## e-commerce

The Group's investment in e-commerce software development increased significantly in 2015 and it is expected to rise further in 2016, reflecting our continued commitment to providing the business, our customers and franchisees with a best-in-class digital platform. In the UK, e-commerce sales now represent 77.7% of all delivered sales, up from 70.8% in 2014, with app-based sales accounting for 48.6% of online sales. Being digitally enabled allows us to drive further growth in the UK business.

Digital channels deliver a number of benefits for both the consumer and our franchisees. From a consumer perspective, promotional offers are more easily accessed, ensuring that consumers get the best value. Franchisees benefit through store labour efficiencies and being better able to target local marketing campaigns, particularly through customer relationship management.

As a result of this strategy online orders in the UK were 28.6% ahead and average order value was 1.7% ahead of last year. App-based orders were 41.1% ahead and order value was 2.0% ahead. 11.5m customers have downloaded the app.

Despite these strong results we are striving to deliver further digital innovation in order to improve our customer experience even more.



In July 2015 we launched our mobile responsive website which adapts and responds to the mobile device that the customer is using. Enhanced customer usability ultimately drives sales and profitability through improved engagement and conversion rates. During the fourth quarter we introduced the one-touch order button, which allows for credit card details and favourite baskets to be saved for future use, making the experience even more convenient. More enhancements are planned for the year ahead.

## Brand

2015 saw our 30th anniversary in the UK as we concentrate on building our brand image. The success of our app downloads has enabled us to switch some advertising spend from digital to conventional, and we commenced sponsorship of the TV show 'Hollyoaks' in January 2015, which reaches 10 million viewers in the 16-34 age group. This has generated a media value of almost £12.0m, and has helped to drive spontaneous awareness of Domino's to 73% and improve brand recognition among teens and families. Our sponsorship of the X-Factor app ensures brand salience during the key weekend evening slots (2015 downloads: 2.4m). We launched our 'Pizza Legends' initiative, where customers can 'create their own' pizza, with great success across all channels, with almost 0.4m creations to date. The Channel 4 documentary 'A Slice of Life' demonstrated the truly extraordinary passion that our team members have, with over one million views resulting in a significant increase in recruitment applications.

## Product

We continue to innovate, refresh and improve our product range to respond to changing customer demand: in terms of pizza development we saw the introduction of the Tikka Pizza and we reintroduced the hot dog stuffed crust. In stores we slowed oven speeds to allow for a longer cook time and to increase the quality of our finished product across the range.

The 'basket' composition has continued to evolve in the UK, as the Group has focused on providing value oriented, full meal solutions through bundle offers. On a like-for-like basis, pizza volumes are 8.1% ahead, side orders are 12.1% ahead, while dessert and drink volumes are 14.8% and 32.7% ahead of 2014 respectively.

## Chief Executive Officer's statement continued



## 2015 SAW RECORD STORE OPENINGS OF 61 IN THE UK.



### UK and ROI continued

#### UK continued

##### New stores

2015 saw record store openings of 61 in the UK, bringing the total portfolio to 869 (2014: 813). The performance of these new stores has been excellent with average weekly unit sales ('AWUS') 14.5% ahead of similar openings in 2014. These include both virgin territories and those existing areas which have been 'split', increasing density, improving service for customers, and increasing sales and profitability for franchisees. 26 of the 61 stores opened were splits. We provide incentive packages to franchisees to encourage proactive opening of stores in areas that meet our strategic requirements for the estate, including lower address counts and splits. Depending on the nature of the incentive these may be spread over the life of the lease. The total incentives cost in 2015, including the impact from previous years, was £1.7m. Five stores were closed in 2015. Four of these were non-traditional formats, which had initially been launched as a trial in 2013 but did not generate sufficient volumes to make them viable. A full provision was made in 2014 for the costs associated with closing these stores.

#### Franchisees

Our franchisees sit at the heart of everything we do. They have both driven and shared in our success. The Group is committed to ensuring that they are successful, and in 2015 profitability improved year on year, primarily as a result of the benign food price environment combined with the Group's purchasing power. In 2015, we passed on savings of £11m from lower food costs, primarily from cheese and dough. The outlook remains favourable for 2016.

#### Supply chain

We are particularly proud of our supply chain in the UK, which is one of the most sophisticated and efficient across the Domino's global network. Our main facility is located at West Ashland, Milton Keynes, with a secondary plant in the North-west in Penrith, and we opened a satellite base in Livingston, Scotland, during the year. We have commenced our building project for a new main facility in Warrington which is due to open in early 2018, and are also opening a further satellite base in the South-west. Although the supply chain handled record volumes in 2015, it did so whilst improving on already excellent service levels to stores, with delivered-on-time-to stores measures increasing to 99.8%.

It is our commitment to franchisees that we provide them with high quality product at low cost. Our philosophy is based on establishing long-term relationships and we are able to leverage the system's buying power to secure the most competitive deals with quality suppliers.

#### ROI

ROI delivered a good set of results despite currency headwinds, with system sales of €56.0m (2014: €51.7m) in local currency, with a sterling value of £40.7m (2014: £41.8m). In local currency sales were ahead by 8.3%, but in sterling they were 2.7% behind, reflecting the relative strength of sterling against the euro. We now operate 47 stores across the ROI with the Dublin stores performing well and benefiting from the continued economic recovery. We are looking at upgrading and relocating our supply chain centre.

Our digital channels continue to improve in ROI. Online sales were 30.4% ahead of 2014 and now represent 51.7% of delivered sales, up from 44.3% last year. App-based growth continues to drive digital adoption and now accounts for 60.2% of online sales, up from 46.9% in 2014.

## Switzerland

We made good progress in Switzerland with three relocations and four new store openings, resulting in 15 stores at the end of 2015 (2014: 11), all of which are under corporate ownership and operation. Despite the pressures within the Swiss economy, on retail sales in particular, following the upwards revaluation of the Swiss Franc at the beginning of 2015, our business managed to generate an increase in system sales of 18.4% in local currency to CHF17.0m (sterling: 21.0% and £11.7m). Like-for-like sales were 5.4% ahead of last year in local currency, with the mature store portfolio significantly improving profitability, although the country experienced a very hot summer with a negative impact on sales.

Underlying operating losses for the year were £1.3m (2014: £1.0m) with the increase reflecting the costs of training, food and labour costs associated with opening new stores. The increased profitability of the existing store portfolio gives us a solid base which allows us to continue building up the store network.

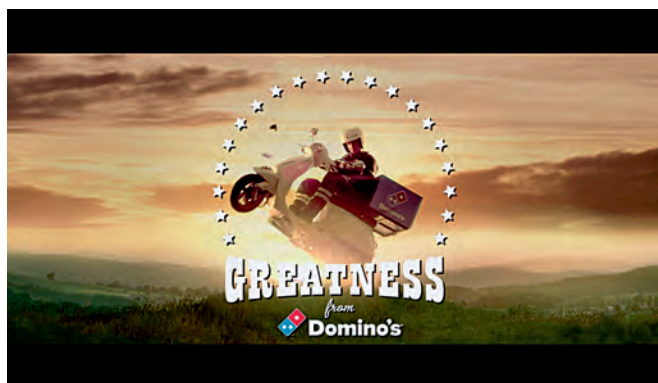
## Germany

We announced in December 2015 that the Group has entered a strategic joint venture in Germany which has acquired the largest German pizza delivery chain. As a result of the transaction, the Group is no longer a direct operator in the German market. The transaction completed on 1 February 2016 and we are excited by the prospects that a larger scale business in this market can generate.

Most of our existing operations in Germany have been sold into the new joint venture. The remainder of the business has either closed down already or been earmarked for closure. The total result for Germany, which is shown as discontinued operations, is a loss of £9.6m, which includes underlying trading losses of £3.3m (2014: £7.3m).

## Our People

I would like to thank the Domino's team for their hard work. I also want to pay tribute to our franchisees whose tireless endeavours ensure that our customers continue to enjoy great pizzas at great prices every day – whether ordered online or by phone, delivered to the door or collected in store.



## Outlook

Despite the volatile macroeconomic environment, 2015 has been a record year for system sales, and also saw us entering into a landmark joint venture transaction to transform our activities in Germany. In Switzerland, we are seeing encouraging signs of progress and have completed a programme of store refurbishments which are already showing some of the intended improvements. The UK and ROI business continues to set sales records, and we sold 82.4m pizzas in the year, averaging over 230,000 per day. We continue to exploit the opportunities of new technology to the full, with e-commerce now being the source of over two thirds of our total sales. This robust base gives us confidence for the future, and during 2016 we expect to be opening around 65 new stores and will be investing in additional supply chain centres in the UK and ROI. We have opened six stores in the UK and one store in Switzerland in 2016 already and we believe that significant growth remains possible in the core UK and ROI business for many years to come.

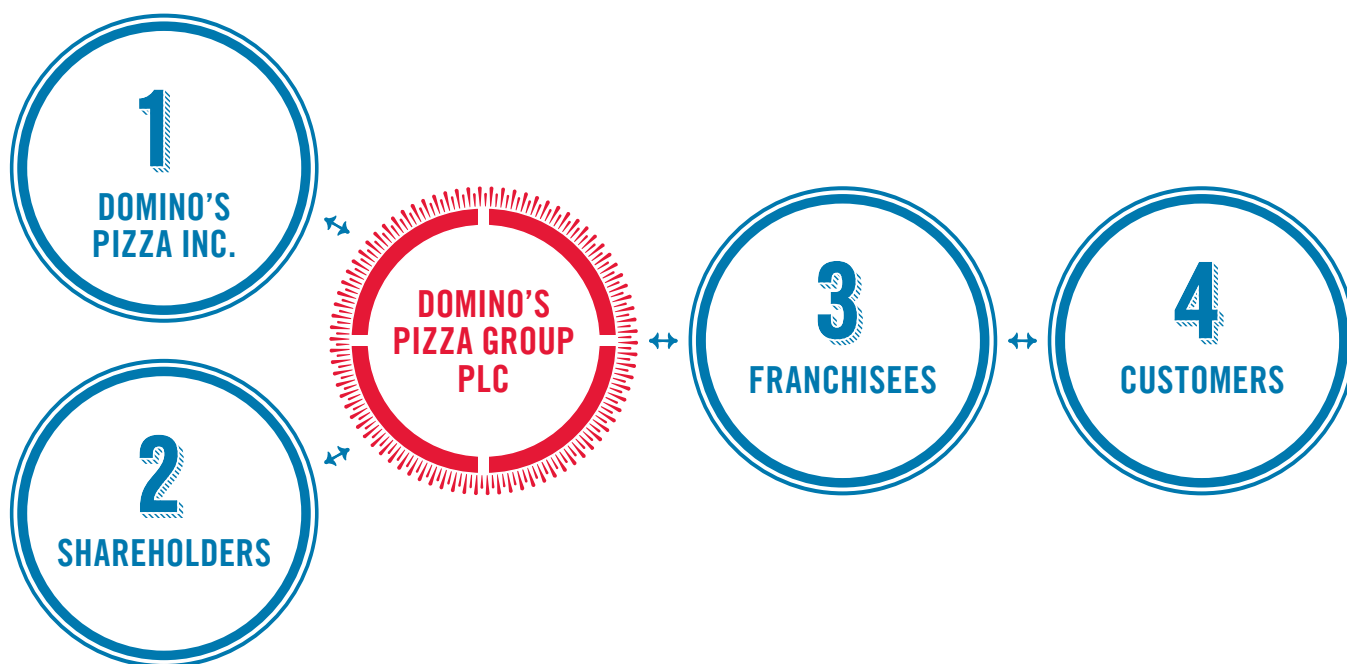
We have made a good start to 2016, although we are conscious of increasingly tough comparatives for the rest of the year.

## David Wild

Chief Executive Officer  
2 March 2016



## Our business structure



1

### DOMINO'S PIZZA INTERNATIONAL FRANCHISING INC.

One of the Group's key relationships is with Domino's Pizza International Franchising Inc. ('DPIF'), the master franchisor of Domino's Pizza across the globe. We have two Master Franchise Agreements in place with DPIF, relating to the territories in which the Group sub-franchises in UK and ROI; and Switzerland, Liechtenstein and Luxembourg.

2

### SHAREHOLDERS

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

3

### FRANCHISEES

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

Franchisees enter into a standard franchise agreement in respect of each store for an initial term of 10 years, with an option to renew for a further 10 years.

4

### CUSTOMERS

Our goal is to be the number one pizza company in each neighbourhood in which we operate. Customers can order online, by phone or in store.

## Our business model

In this section, we lift the lid on how we create and preserve value for our shareholders. Everything we do is rooted in our vision and determination to be the number one pizza company in every neighbourhood in which we operate.

We operate one brand, with one tightly defined set of products delivered by a small number of carefully chosen franchisee partners.

Our business is built on relationships. There are four cornerstones to our business model, all underpinned by the great people we and our franchisees employ:

### FRANCHISEES

- We choose our franchisees carefully, as it is their commitment and entrepreneurial approach that drive the growth of the business. Each franchisee signs up to a Standard Franchise Agreement ('SFA') and pays royalties to us for the use of the brand.
- We work with franchisees to choose the right sites. We enter into head leases and sub-let to the franchisee, which means we can grow our network of pizza stores without committing significant amounts of capital. Sub-letting our sites to franchisees means that if the franchisee chooses to leave the system, we still control the site.
- We agree business growth opportunities and objectives with the franchisees, support them in delivering these and enforce our brand standards.
- Franchisees buy the fresh dough we manufacture, and also pay us for the topping ingredients and other goods we source from third-party suppliers under long-term contracts, or direct from other approved suppliers.

### PRODUCTS

- Quality – our customers tell us they would rather spend a little bit more on a hot, fresh meal made with superior ingredients.
- Speed of delivery – customers trust us to deliver a high quality product on time.
- Value – customers are increasingly sophisticated in seeking value for money and expect offers and deals tailored to their needs.
- Ease of ordering – over 75% of our delivered orders are now placed via digital channels. Customers value the ease of ordering we offer, especially through our phone and tablet apps which now make up about half of our digital orders.

### BRAND

- The Domino's brand is owned by DPIF and is highly respected globally – customers know that it is the sign of consistently great pizzas and other products.
- In each territory, we hold an exclusive 10 year Master Franchise Agreement, with the option to extend for a further 10 years, for which we pay royalties to DPIF. Provided we are in good standing, we have the legal right to renew each of these MFAs in perpetuity.
- Access to the brand also includes significant know-how and other intellectual property, which we can build on with our knowledge of the territories in which we operate.
- We review the opportunities that arise from time to time for international growth within the Domino's system.

### SUPPORT

- Our goals are to drive like-for-like sales from our existing stores, and to seek and exploit every opportunity to grow our store portfolio.
- We monitor market trends and customer feedback and use this to drive continual improvement, new product development and to identify market opportunities.
- Our franchisees all contribute to the National Advertising Fund, which we deploy wisely for mutual benefit on a range of advertising and promotions.
- We invest heavily in our digital business – we are proud to be seen as the market leader in digital ordering but continue to seek new ways to create ever-easier ordering systems.

DOMINO'S  
PIZZA GROUP  
PLC

### PEOPLE

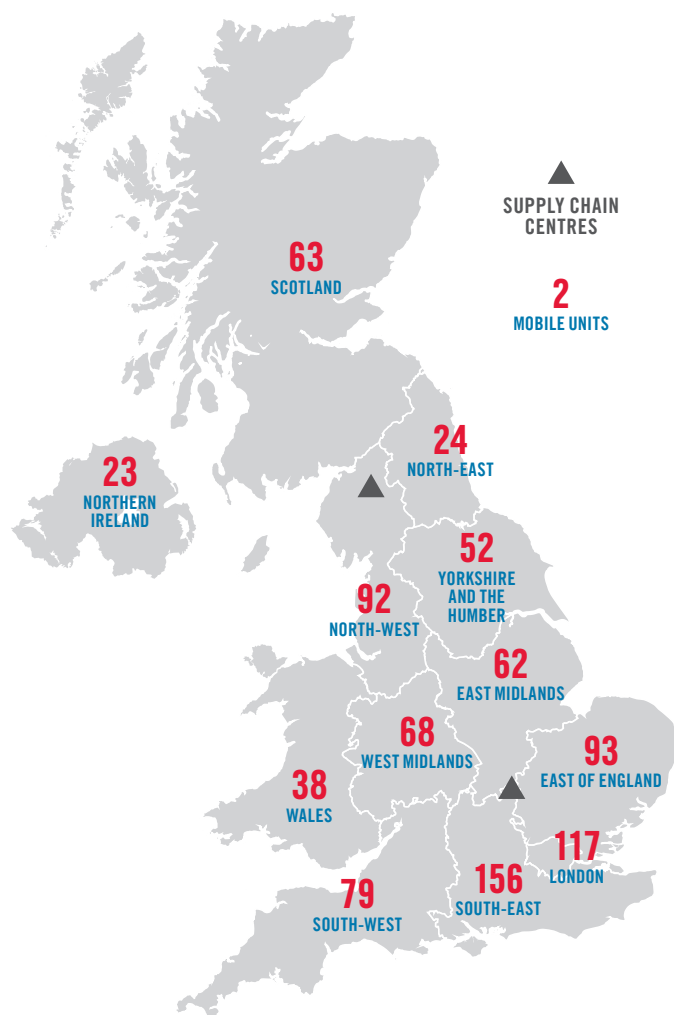
- In the UK and ROI people working in stores are employees of the franchisee who owns and operates that store, in Switzerland store staff are employed by the Group. The Group also employs staff at its Head Office in Milton Keynes, the Swiss office in Zurich and Supply Chain Centres in the United Kingdom, ROI and Switzerland.

- 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 develop them.
- We put safeguards in place to require that our franchisees treat their staff with respect and in accordance with brand standards. We continually strive to update and train our staff on a regular basis, and encourage franchisees to invest in their people on the same basis.

## Our markets

### UK

We remain very confident about the macroeconomic environment in the UK.



A prolonged period of growth in gross domestic product, low interest rate levels, the longer term trend of customer confidence, and a decline in unemployment rates to their lowest levels since 2005 have all contributed to a meaningful increase in disposable income.

The eating out market has benefited from the improving economy. The market is now seeing growth across times of day, driven by more people eating out, more frequently, and now also spending more at each visit.

We believe that the increase in the living wage will have a positive impact on the category and contribute towards an increase in disposable income amongst customers, though our franchisees' costs may rise. One of the biggest challenges for companies in our category is the attraction and retention of quality team members in what is an increasingly competitive labour market.

Whilst the brand operates in a very benign food cost environment, the positive economic outlook is making its presence felt in increased property costs and demand for good quality locations.

Domino's has been well positioned to take advantage of a number of favourable tailwinds within the eating out market. The trend from independents to brands, from full service to quick service restaurants, and the trend towards delivery, all of which we expect to continue.

The UK remains one of the most dynamic food markets in the world, as it continues to become a nation of 'foodies', with new food trends and concepts emerging all the time. The overriding trend has to be the more demanding customer requiring quality, freshness and value.

Domino's has positioned itself at the forefront of technology. We now live in a truly 'on demand' society, driven by millennials' demand for convenience. Within the UK, e-commerce is now very much the mainstream, with mobile the most dominant of multi channel platforms, with mobile payments starting to gain traction. The much anticipated Internet of Things is starting to have an impact on customers' lives, with products like smart TVs and internet enabled watches and thermostats growing in popularity. Click and collect has emerged as a new digital channel. Increasingly digital technology will be applied to personalise consumer communication.

At the time of writing, there remains much speculation about the potential impact of any Government initiatives on Domino's trading environment. We remain committed to providing clear information on the nutritional content of our food, providing customers with choice alongside a programme of product development to meet customers' increasing demand for healthier options.



**THE UK REMAINS ONE OF THE MOST DYNAMIC FOOD MARKETS IN THE WORLD,**  
AS IT CONTINUES TO BECOME A NATION OF 'FOODIES'.



## Ireland

We are very optimistic about the impact the continued economic recovery will have on our business in Ireland.



**THERE IS ALSO A MORE PRONOUNCED  
TREND FOR LOCAL PROVENANCE**

**OF INGREDIENTS.**

The continued growth in gross domestic product, low levels of inflation and national unemployment rates at its lowest since 2009 continue to drive a recovery in customer confidence.

One of the most striking trends recently has been the two-tier nature of the recovery, being felt mostly in Dublin but less so in more rural areas. The Dublin economy continues to be fuelled by increased foreign investment, driving unemployment rates down; simultaneously driving rapid rises in the rental market in commuter belt areas. In rural areas, unemployment rates remain higher, with many people in negative equity and therefore spending remains far more cautious.

It is encouraging that in general younger consumers are not burdened by negative equity, don't have families to support and therefore have higher disposable income, although their spending habits are far more cautious than previous generations. We are now seeing less emigration from these well educated younger age groups than we did through tougher economic times.

As in the UK, the overriding trend within the delivery/takeaway market is one of freshness, health and value for money. There is also a more pronounced trend for local provenance of ingredients and a trend towards delivery and convenience.

Smartphone penetration continues to drive the Irish e-commerce market, with over 70% of the Irish adult population now claiming to own a smartphone.

## Switzerland

Whilst Swiss economic performance has been relatively soft, we believe the underlying factors point to a positive trading environment.



**CONSUMER TRENDS AFFECTING CONSUMPTION  
OF DELIVERY/TAKEAWAY FOOD CONTINUE TO**

**LOOK POSITIVE.**

Gross domestic product has been flat, unemployment rates have increased marginally, (albeit from a very low base), and inflation rates have remained very low. Consumer prices are tumbling, with the notable exception of rents. However, it is expected that with improvements in the international economy there should be a gradual improvement in the Swiss economy.

Consumer trends affecting consumption of delivery/takeaway food continue to look positive. Longer working hours, an increase in single person households and demands for more convenient meal solutions ordered via digital platforms bode well for the growth of the category.

The delivery/takeaway market continues to be dominated by independents that have not really focused on delivery. The market has more recently been invigorated by the growth of branded pizza delivery chains such as Domino's.

We have a tremendous opportunity to demonstrate the quality of our food, invite people to experience our store theatre, drive e-commerce and focus our marketing on delivery strengths.



**869**  
UK  
STORES

**47**  
IRELAND  
STORES

**15**  
SWITZERLAND  
STORES



## Our strategy



### ACCELERATE SALES GROWTH IN THE UK

#### STRATEGIC OBJECTIVES

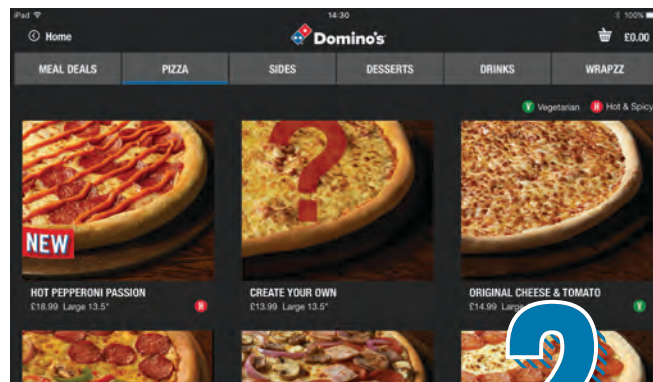
- Grow like-for-like sales driven predominantly by an increase in like-for-like order count.
- Open new stores in existing and virgin territories.
- Improve marketing spend effectiveness.

#### PERFORMANCE IN 2015

- We successfully grew like-for-like sales by 11.7% fuelled by like-for-like order count growth of 9.0%. On a two-year basis, our like-for-like sales performance stands at 19.1% and our two-year like-for-like order count growth at 18.1%. Our three-year like-for-like sales performance stands at 33.0% and our three-year like-for-like order count growth at 22.9%, which gives us confidence that the business has momentum.
- We opened 61 new stores across a balance of existing and virgin territories and saw sales from new store openings hit record levels at an average of £15.5k. Sales from immature stores rose by 3% on 2014, giving us further confidence about future sales performance from new store openings.
- Independent econometric analysis has demonstrated we have increased return on investment from national marketing spend, as a larger store footprint benefits better from national advertising activity, and the digitalisation of the business enables us to attribute more sales directly from digital marketing spend.

#### FOCUS FOR 2016

- Continue to grow sales at the midweek and weekend dinner occasions by providing the best quality and the most convenient complete meal solutions.
- Continue to optimise marketing spend effectiveness through the optimal combination of broadcast and digital marketing channels.
- Convert a healthy pipeline of new store targets and franchisee interest into new store openings and continue our store re-image programme.



### ACCELERATE LEADERSHIP IN DIGITAL AND MOBILE

#### STRATEGIC OBJECTIVES

- Increase incidence of sales from online and mobile.
- Improve commercial performance of online and mobile platforms.
- Innovate in digital to ensure the brand remains top of mind, places customers in control of the ordering process and gives them confidence that their order is on its way.

#### PERFORMANCE IN 2015

- We accelerated UK sales from online from 60.2% to 67.4% and from 44.1% to 48.6% in mobile, demonstrating how the business has become a genuine e-commerce retailer. We have seen UK online sales increase by 30.8% and mobile sales increase by 51.0%.
- We have increased conversion on website and average basket spend.
- Our commitment to innovate in this space has been demonstrated by the launch of our mobile responsive website in July 2015, as well as the introduction of the one-touch order button to make the experience even more convenient.

#### FOCUS FOR 2016

- Continue to improve performance of our key performance metrics of conversion rate, basket abandonment rate, bounce rate and basket spend.
- Drive a step change in performance from our mobile platforms.
- Increase e-commerce development resource to accelerate development of a number of software initiatives to improve the customer experience online and on mobile.



### ACCELERATE IMPROVEMENT IN FRANCHISEE PROFITABILITY

#### STRATEGIC OBJECTIVES

- Improve franchisee profitability year-on-year.
- Ensure lowest food cost supply.
- Reward volume growth.

#### PERFORMANCE IN 2015

- We successfully improved franchisee profitability per store with store EBITDA performance up from 13.6% to 15.5% in 2015.
- As a consequence of the benign food cost environment and some good work from our procurement teams, we have passed on £11m of food cost savings.
- We paid £6.7m in rebates to franchisees, which is a 14% increase on 2014.

#### FOCUS FOR 2016

- Increase marketing investment to grow sales per store to leverage store-level profitability – grow the top line to grow the bottom line.
- Continue to work with suppliers in long-term partnership to ensure consistently high food quality and lowest food cost supply with better rewards for volume growth.
- Improve business partner resource to help franchisees find opportunities to improve profitability through a greater focus on labour and non-food items within the store profit and loss account.



### GROW INTERNATIONAL MARKETS PROFITABLY

#### STRATEGIC OBJECTIVES

- Drive sales growth in ROI as the economy recovers.
- Grow sales and open new corporate stores in Switzerland.

#### PERFORMANCE IN 2015

- We have been encouraged by the like-for-like sales growth in ROI, (2014: 4.3%, 2013: 6.0%, 2012: -0.3%) and the adoption rates of our e-commerce platforms.
- Progress made in Switzerland has been solid and focused on improving the operational gearing in this corporate market. Our mature store portfolio doubled in profitability.
- We entered into a landmark joint venture transaction to transform our activities in Germany.

#### FOCUS FOR 2016

- Drive like-for-like sales growth in ROI through a combination of new product, new value and new technological initiatives.
- Drive like-for-like sales in Switzerland through improved e-commerce platforms and opening of new corporate stores.

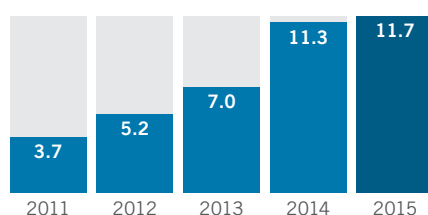


## Key performance indicators

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.

### UK LIKE-FOR-LIKE SALES GROWTH<sup>1</sup> %

# 11.7%



### DESCRIPTION

Like-for-like sales growth represents a very useful barometer of organic growth and is an accepted measure of performance across all retailing sectors.

### CHANGE FROM 2014

# +40bps

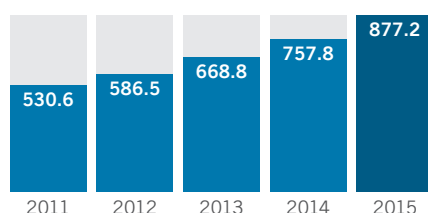
### PERFORMANCE IN 2015

Like-for-like sales in the 765 stores that were open in both periods being compared grew by 11.7% (2014: 11.3% growth in 724 stores). Over the last five years the average like-for-like growth was 7.8% (2014: 8.3%).

1 Like-for-like sales are sales in UK stores that were open before 2014 compared to the corresponding 52-week period in the prior year.

### SYSTEM SALES<sup>2,4</sup> £m

# £877.2m



### DESCRIPTION

System sales represents the most useful indicator of the overall strength of the Domino's brand in the UK, ROI and Switzerland. The Group measures the total sales of the Group's franchisee and corporate store system in the UK, ROI and Switzerland, to external customers, for the 52-week period, compared to the 52 week reporting period in 2011–2014.

### CHANGE FROM 2014

# +15.8%

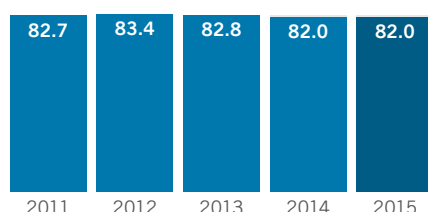
### PERFORMANCE IN 2015

In 2015, system sales grew by 15.8% to £877.2m (2014: £757.8m).

2 Total sales made by all franchisee and corporate stores in the UK, ROI and Switzerland to the public. It is not revenue attributable to Domino's as it is derived mainly for stores owned by franchisees.

### DELIVERED ON TIME %

# 82.0%



### DESCRIPTION

The UK and ROI's target is to safely deliver its product to its customer within 30 minutes of an order being placed.

### CHANGE FROM 2014

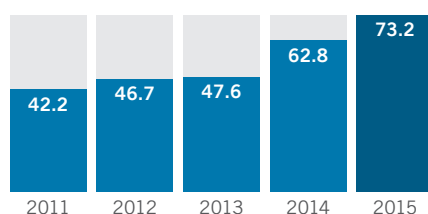
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### PERFORMANCE IN 2015

The percentage of orders that are delivered within 30 minutes remained steady at 82.0% (2014: 82.0%).

### UNDERLYING PROFIT BEFORE TAX<sup>3,4</sup> £m

# £73.2m



### DESCRIPTION

Underlying Group profit before tax ('underlying PBT') is a good indicator of the efficiency of the business model for the shareholders and franchisees alike. The Group measures underlying PBT compared to the 52-week reporting period in 2011–2014.

### CHANGE FROM 2014

# +16.6%

### PERFORMANCE IN 2015

Underlying PBT for the period was up 16.6% to £73.2m (2014: £62.8m).

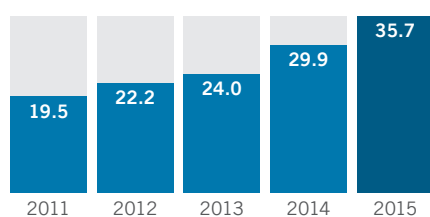
3 Underlying is defined as excluding amounts in relation to onerous lease provisions, impairments, restructuring and one-off items.

4 2015 from continuing operations (2014 restated). 2011–2013 not restated.

See more:

**14** Our strategy**18** Risk management**41** Directors' remuneration report**UNDERLYING BASIC EPS<sup>3,4</sup> p**

35.7p

**DESCRIPTION**

Underlying total earnings, divided by the total number of shares.

**PERFORMANCE IN 2015**

Underlying basic earnings per share for the period was up 19.4% to 35.7p (2014: 29.9p).

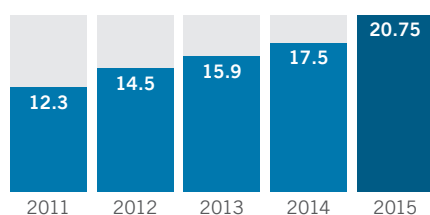
→ **Directors' remuneration report**  
page 41

3 Underlying is defined as excluding amounts in relation to onerous lease provisions, impairment, costs of acquisition of joint ventures, associates and subsidiaries, restructuring and one-off items.

CHANGE FROM 2014

**+19.4%****DIVIDEND PER SHARE p**

20.75p

**DESCRIPTION**

The interim dividend paid and the final dividend proposed divided by the number of shares eligible for dividends.

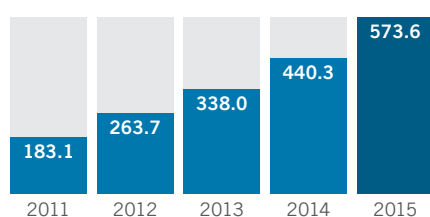
**PERFORMANCE IN 2015**

Dividend per share for the period was up 18.6% to 20.75p (2014: 17.50p).

CHANGE FROM 2014

**+18.6%****E-COMMERCE SALES £m**

£573.6m

**DESCRIPTION**

The focus on digitalisation of the business drives this measure.

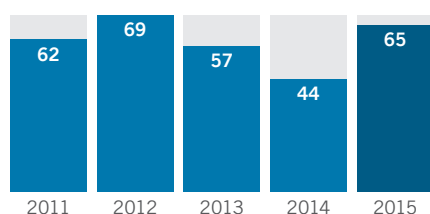
**PERFORMANCE IN 2015**

In 2015, the sales of the stores in the UK and ROI, to external customers, via the website (www.dominos.co.uk and www.dominos.ie), grew by 30.2% to £573.6m (2014: £440.3m).

CHANGE FROM 2014

**+30.2%****NEW STORE OPENINGS<sup>4</sup>**

65

**DESCRIPTION**

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

**PERFORMANCE IN 2015**

65 new stores were opened during the 52-week period ended 27 December 2015 (2014: 44 in 52-week period ended 28 December 2014).

CHANGE FROM 2014

**+21 stores**

## Risk management

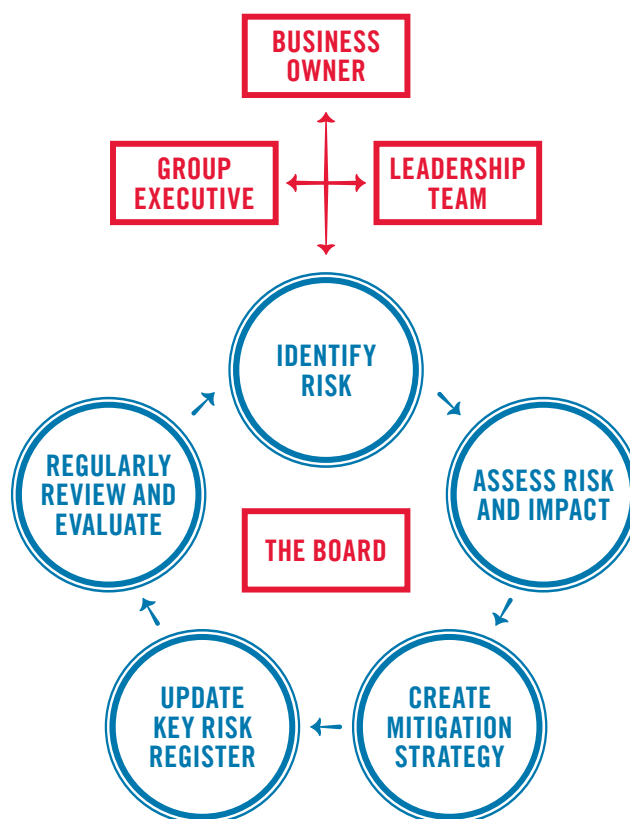
The Board has continued to identify, evaluate and monitor risks facing the Group and, during the year under review, a particular focus has been placed on assessing the likely impact that each identified risk could have on the business.

### Our approach

All businesses choose to take considered risks in the expectation of earning a return for their shareholders. The Board has determined its risk appetite, stating the risks it seeks to take (or is prepared to face) within the company's business model and the adopted strategy, and has also defined the risks it is not prepared to take. The latter are avoided or eliminated as far as possible, or transferred to insurers.

The Board is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Group. Importantly, we treat identifying and managing risk as an integral part of managing the business, and not as an additional bureaucratic chore. Risks are recorded in the Group's risk register and regularly reviewed and evaluated. Each risk has a business owner, responsible for managing that risk, implementing appropriate controls and mitigating actions and reporting on it to the Leadership Team. In turn, the principal risks are reported on to the Board.

As a sense-check on management's actions, the Board undertakes its own assessment of principal risks in each year, which is then integrated into the risk register. These known risks are taken into account in developing the Group's strategy and business plans.



### Principal risks and uncertainties

The business faces a wide range of risks on a daily basis. The Board has undertaken a robust assessment of what it believes are the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table overleaf summarises these principal risks and how they are being managed or mitigated.

The risks in this table have been assessed on a residual basis according to our current view of the potential severity (being the combination of impact and probability) and assume that existing controls are effective. The risks therefore represent a snapshot of what the Board believes are the principal risks and are not an exhaustive list of all risks the Company faces. We have linked the risks to the strategic pillars described on pages 14 and 15. The environment in which we operate is constantly evolving; new risks may arise, the potential impact of known risks may increase or decrease and/or our assessment of these risks may change.



## STRATEGIC RISKS

| People-related risks                                                                                                                                                                                                                                                                                                                                                                                                                             | Failure to respond to and overcome competitive pressures                                                                                                                                                                                                                      | Inability to react to changes in the health debate and public desire for healthier food                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Link to strategic pillars</b><br>1 and 2                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Link to strategic pillars</b><br>1, 2 and 3                                                                                                                                                                                                                                | <b>Link to strategic pillars</b><br>1 and 3                                                                                                                                                                                                                                                |
| <b>Risk</b><br>The business is overly dependent on key individuals (either at executive level or in relation to specialist skills), possibly exacerbated by a failure to attract or retain the skilled and experienced people it needs                                                                                                                                                                                                           | <b>Risk</b><br>The business faces strong competition from a range of players, including those exploiting emerging technologies or new food options and new entrants into the UK market                                                                                        | <b>Risk</b><br>As society's expectations evolve, and governmental acts on public health concerns, we may need to change the products we offer and our approach to marketing                                                                                                                |
| <b>Potential impact</b><br>Medium                                                                                                                                                                                                                                                                                                                                                                                                                | <b>Potential impact</b><br>High                                                                                                                                                                                                                                               | <b>Potential impact</b><br>Medium                                                                                                                                                                                                                                                          |
| <b>Probability</b><br>Medium                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Probability</b><br>Low                                                                                                                                                                                                                                                     | <b>Probability</b><br>High                                                                                                                                                                                                                                                                 |
| <b>Mitigation</b><br>The Board considers succession planning on a regular basis and has set the CEO a personal objective of developing multiple potential successors. Contingency plans are in place which could be implemented on a short-term basis should we suddenly lose a key executive. The business is considering whether to open a site away from Milton Keynes to assist in the recruitment and retention of specialist IT developers | <b>Mitigation</b><br>Management keeps the competitive landscape under continual review and the Board also monitors the markets in which it operates, as well as KPI data on the current business. Strategy is reviewed and developed by the Board on at least an annual basis | <b>Mitigation</b><br>Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these. We also engage, appropriately, with Government on the public health debate to ensure that our views are understood by policy makers and influencers |
| <b>Nature of threat</b><br>These risks could have some impact on future performance, for a limited time                                                                                                                                                                                                                                                                                                                                          | <b>Nature of threat</b><br>These risks have the potential to compromise our future performance or, in an extreme scenario even the business model                                                                                                                             | <b>Nature of threat</b><br>These risks have the potential to compromise our future performance or, in an extreme scenario even the business model                                                                                                                                          |
| <b>Change from 2014</b><br>↑                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Change from 2014</b><br>→                                                                                                                                                                                                                                                  | <b>Change from 2014</b><br>↑                                                                                                                                                                                                                                                               |
| <b>Commentary</b><br>This risk has increased in significance temporarily, following the loss of the CFO during the year                                                                                                                                                                                                                                                                                                                          | <b>Commentary</b><br>This risk has not changed materially during the year                                                                                                                                                                                                     | <b>Commentary</b><br>We are monitoring the Government's Childhood Obesity Strategy due to be published in early 2016. It is likely that this will have an impact on several areas of our business                                                                                          |

# Risk management continued

| STRATEGIC RISKS CONTINUED                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                              | OPERATIONAL RISKS                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Failure to achieve UK growth through new store openings</b>                                                                                                                                                                                                                                 | <b>Commercial leverage of large franchisees</b>                                                                                                                                                                                                                                                              | <b>Food safety</b>                                                                                                                                                                                                                                                                                                                 |
| <a href="#">Link to strategic pillars</a><br>1 and 3                                                                                                                                                                                                                                           | <a href="#">Link to strategic pillars</a><br>1                                                                                                                                                                                                                                                               | <a href="#">Link to strategic pillars</a><br>1, 3 and 4                                                                                                                                                                                                                                                                            |
| <b>Risk</b><br>Failure to meet store growth targets would be a breach of our Master Franchise Agreements. Our ability to open new stores depends on our ability to lease or buy suitable premises, obtain the necessary planning approvals and identify a suitable franchisee to run the store | <b>Risk</b><br>The Group has a number of franchisees whose businesses run large numbers of stores, and so enjoy some commercial leverage. The Group may be unable to persuade these franchisees to implement our preferred strategies, or to pass on cost increases in full or in part                       | <b>Risk</b><br>There is the risk of contamination in either the pre-proved dough we produce at the Group's Supply Chain Centres, or in the pizza topping ingredients we distribute to our franchisees' stores. In Switzerland, we operate corporate stores, and are responsible for finished products, which exacerbates this risk |
| <b>Potential impact</b><br>High                                                                                                                                                                                                                                                                | <b>Potential impact</b><br>High                                                                                                                                                                                                                                                                              | <b>Potential impact</b><br>High                                                                                                                                                                                                                                                                                                    |
| <b>Probability</b><br>Low                                                                                                                                                                                                                                                                      | <b>Probability</b><br>Medium                                                                                                                                                                                                                                                                                 | <b>Probability</b><br>Medium                                                                                                                                                                                                                                                                                                       |
| <b>Mitigation</b><br>Board approval is needed for the targets contained within the MFAs, and the Board monitors the pipeline of proposed store openings on a continual basis. Franchisee development programmes are run and we employ surveyors to identify and secure appropriate premises    | <b>Mitigation</b><br>Open and transparent relationships with multi-site franchisees are managed at senior levels of the Group. We also explain the profit-sharing model to all franchisees, so that they understand that success is mutual. Numbers of stores managed by the large franchisees are monitored | <b>Mitigation</b><br>The business has implemented a rigorous regime of standards and food safety checks, working with the appropriate Government regulator                                                                                                                                                                         |
| <b>Nature of threat</b><br>These risks could have an impact on future performance. In an extreme case an unremedied breach of the MFA could threaten the Company's business model and liquidity                                                                                                | <b>Nature of threat</b><br>These risks have the potential to compromise our future performance for a period of time                                                                                                                                                                                          | <b>Nature of threat</b><br>If this risk materialised, it could have a significant impact on future performance and potentially liquidity, for a limited time. The reputational impact could have a longer term effect on performance and, in an extreme case, threaten the business model                                          |
| <b>Change from 2014</b><br>↓                                                                                                                                                                                                                                                                   | <b>Change from 2014</b><br>→                                                                                                                                                                                                                                                                                 | <b>Change from 2014</b><br>→                                                                                                                                                                                                                                                                                                       |
| <b>Commentary</b><br>The growth achieved in 2015 demonstrates that we are able to meet challenging store opening targets. Despite the larger estate, we remain confident of our ability to continue opening new stores and believe that this risk has reduced in significance over the year    | <b>Commentary</b><br>This risk has not changed materially during the year                                                                                                                                                                                                                                    | <b>Commentary</b><br>Although the Group has grown in scale during the year, this risk has not changed materially since 2014                                                                                                                                                                                                        |

## Interruption of raw material supplies

**Link to strategic pillars**  
1, 3 and 4

### Risk

The business relies on a number of third-party suppliers for pizza toppings, some of whom provide the sole source of an ingredient. These suppliers must make a commercial return to stay in business and reinvest in their operations. The Group would be vulnerable if a supplier decided to cease trading, suffered a major interruption or food safety incident, or was responsible for an ethical breach of such severity that the Group would no longer trade with them

**Potential impact**  
High

**Probability**  
Low

### Mitigation

Suppliers who are selected through competitive tendering and appropriate due diligence processes, supply the Group under long-term contracts. The economics of their businesses are kept under review and their performance against their obligations monitored. We assess their compliance with acceptable business standards

### Nature of threat

These risks have the potential to compromise our future performance for a limited time

### Change from 2014



### Commentary

Although the Group has grown in scale during the year, this risk has not changed materially since 2014

## Supply Chain Centres are unable to supply the stores

**Link to strategic pillars**  
1, 3 and 4

### Risk

We distribute both the pre-proved dough we produce and third-party pizza toppings to our franchisees stores. In the event of physical damage to, or loss of, a Supply Chain Centre we would need to make urgent contingency arrangements wherever possible. However, the space required to hold dough whilst proving forms a critical constraint to our business

**Potential impact**  
High

**Probability**  
Medium

### Mitigation

In the event of the loss of a Supply Chain Centre, third-party ingredients could be delivered to stores direct, at an additional cost. The Group is considering developing additional dough proving facilities, which would mitigate this risk significantly. Loss of our dough production facilities would be more difficult to overcome, but contract production of dough would be possible, at an additional cost

### Nature of threat

These risks could have a significant impact on future performance and potentially liquidity, for a limited time

### Change from 2014



### Commentary

The growth in scale of the Group during the year means that we are nearing our current capacity for proving dough, so the potential impact of this risk has increased since 2014

## Failure of online ordering systems for a prolonged or critical period

**Link to strategic pillars**  
1, 2, 3 and 4

### Risk

Over 75% of delivered sales are now placed online, around half of which are using apps for mobile devices. As well as the reliance on data centres and our own software developed in-house, there is also a risk from malicious denial of service attacks

**Potential impact**  
High

**Probability**  
Medium

### Mitigation

Cyber-risk appears on the Board agenda on at least an annual basis and management reviews the performance of its IT infrastructure on a continual basis. Our systems are hosted by third-party specialists, with parallel processing across multiple sites and real-time replication and appropriate protection from malicious attempts to disrupt the availability of our sites. The business is considering whether to open a site away from Milton Keynes to assist in the recruitment and retention of specialist IT developers

### Nature of threat

These risks could have some impact on future performance, for a limited time

### Change from 2014



### Commentary

Since a greater proportion of pizza ordering is now online, this risk has increased in significance during the year

## Risk management continued

### OPERATIONAL RISKS CONTINUED

#### Loss of personal data relating to customers, employees or others; loss of corporate data

[Link to strategic pillars](#)  
2 and 3

##### Risk

For ease of use, our online ordering systems hold some customer data, the loss of which (whether accidental or following hacking) would cause disruption and cost to the Group. In addition, the Group's own data on employees and suppliers is exposed to the same risks of loss

**Potential impact**  
High

**Probability**  
Medium

##### Mitigation

Cyber-risk appears on the Board agenda on at least an annual basis and management keeps the security of data under its ownership or control under continual review. We do not hold customer credit card data on our systems. Franchisees are trained in their obligations in respect of personal data and are required to train their staff appropriately. Appropriate IT security is in place and kept under continual review

##### Nature of threat

These risks have the potential to compromise our future performance. In an extreme scenario, the reputational damage could possibly threaten the business model if we suffered a total loss of consumer confidence

**Change from 2014**  
→

##### Commentary

This risk has not changed materially during the year

#### Implementation of enterprise resource planning ('ERP') system

[Link to strategic pillars](#)  
1 and 4

##### Risk

The Group intends to implement an ERP system during 2016. While this is expected to improve the internal control environment, the transition from, and eventual removal of, legacy IT systems creates continuity risks. In addition, the design and implementation of new operating practices and culture needed to bring the ERP system into full effect creates further risk to the Group's business

**Potential impact**  
High

**Probability**  
Medium

##### Mitigation

The business has been planning the implementation of ERP for 2½ years and has selected a product with a good track record on ease of installation and an experienced consultancy to support the implementation. Company-side education sessions have already begun and those employees affected are being familiarised with the new software and operating practices

##### Nature of threat

These risks have the potential to compromise our future performance, for a limited time

**Change from 2014**  
→

##### Commentary

This risk has not changed since 2014, but will increase in significance as we implement the ERP system during 2016



## Longer term viability statement

### The Company's current position

The Group's business model, which is explained on page 11, has been shown to be robust over the thirty years since the business was formed. We operate under what is effectively a perpetual Master Franchise Agreement in each key territory, so our business model is long-term and effectively open-ended. The Group's strategy, which is explained on pages 14 and 15, is well-established and we have a market-leading position in the UK and ROI business and have successfully exploited the emergence of e-commerce as a sales channel. We continue to open new pizza stores and drive increases in like-for-like sales, and can demonstrate strong growth in system sales, and Group turnover and profitability, over many years. Our business is profitable and we successfully convert almost all of this into cash generation. At 27 December 2015, the Group has net cash at bank of £39.8m and a committed £30m five-year bank facility, which expires in August 2017.

The Board has considered its appetite for risk and there is a clearly articulated statement of this which forms the basis for the Group's risk management activities.

### Our strategic planning process

The CEO, supported by the leadership team, is responsible for the Group's strategic planning process. This is an annual review of the current strategy, informed by monitoring of market trends and developments and in-house analysis, supported where necessary by external market research. This results in a draft strategic plan, supported by detailed financial modelling, which is debated by the Board at its annual strategy away-day. The Board's role includes considering whether the plan appropriately factors in the changing external environment and whether the Group has access to the financial, technical and human resources necessary to implement it successfully.

The resulting agreed strategic plan is generally prepared on a five-year basis, but both management and Board are aware that we operate in a fast-moving environment. For example, a significant proportion of the Group's system sales are placed using mobile devices, some of which were only brought to market in the last five years. As a result, while the early years of that strategy form the business plan against which management will be held to account, the later years are an extrapolation of those early years and therefore subject to revision in the light of changing circumstances.

### The process of assessing our viability and key assumptions

The strategic plan reflects the directors' best estimate of the future prospects of the business, but we have also assessed the potential impact on the Group of a number of scenarios based on each of the principal risks and uncertainties described in this section of the annual report. Those risks are 'key' because they could prevent the Group from delivering on its strategy. Although our strategic plans have a five year horizon, we chose to model the impact of these risks over a period of three years in view of the dynamic nature of our business and the environment in which we operate, and also the inherent unreliability of some data when forecast five years in advance.

We have also explored the impact of 'severe but plausible' combinations of these risks, in circumstances that we believe the Group could experience, including:

- only managing to open half of the planned number of new pizza stores, while simultaneously suffering an assumed 20% increase in the costs of sourcing food ingredients; and
- the complete failure of our e-commerce ordering systems in the two busiest weeks of our trading year, while simultaneously suffering a breach of data security leading to additional costs and a 5% reduction in sales due to lost customer confidence.

The key assumptions in this modelling of our strategy and the impact of the principal risks include:

- while a number of industry commentators believe that there is a natural ceiling on the number of pizza stores we can open, the Group has consistently delivered growth ahead of these predictions. We continue to assume that the UK market, in particular, is capable of sustaining the growth in store numbers we anticipate; and
- that the bank facility, which expires in August 2017, can be renewed or replaced on terms acceptable to the Group.

The first of these key assumptions is one of the Group's principal risks and explained further in the risk management section. The second assumption is not, in itself, seen as a key risk as we believe that banks will be willing to lend to a profitable, cash generative company with a proven business model. However, the availability of working capital is essential to any business which may face short-term pressures on its cash flows.

The results of this modelling showed that, due to the inherent strength and stability of our business, the Group should be able to withstand the impact should any of these scenarios materialise over the three-year period.

We also investigated whether 'reverse stress-testing' would offer an alternative view. As we have net cash at bank and a committed bank facility, we could find no plausible scenario which had such an impact on the Group's future performance, solvency or liquidity that it would lead to the Group's financial failure. The most obvious risk which could have such an effect would be a breach of the Master Franchise Agreement, which is highly improbable.

### Longer term viability statement

Based on their assessment of prospects and viability above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to the end of December 2018.

## Financial review

### IN SUMMARY

- System sales increased by 15.8% to £877.2m (2014: £757.8m)
- Underlying operating profit of £73.2m, up 16.6% (2014: £62.8m)
- Underlying basic earnings per share: up 19.4% to 35.7p (2014: 29.9p)
- Final dividend increased by 21.3% to 11.75p per share (2014: 9.69p) bringing the total dividend for the year to 20.75p per share up 18.6% (2014: 17.50p)

The Group operates across a number of territories. The key performance indicators shown below relate to continuing operations. 2014 has been restated accordingly.

|                                                | 27 December 2015 | 28 December 2014 | Variance |
|------------------------------------------------|------------------|------------------|----------|
| <b>System sales (£m)</b>                       |                  |                  |          |
| UK and ROI                                     | <b>£865.6m</b>   | £748.2m          | 15.7%    |
| Switzerland                                    | <b>£11.7m</b>    | £9.6m            | 21.9%    |
| <b>Like-for-like sales growth</b>              |                  |                  |          |
| UK                                             | <b>11.7%</b>     | 11.3%            |          |
| ROI                                            | <b>8.6%</b>      | 4.3%             |          |
| Switzerland                                    | <b>5.4%</b>      | 4.7%             |          |
| <b>Statutory revenue (£m)</b>                  |                  |                  |          |
| UK                                             | <b>£283.7m</b>   | £257.6m          | 10.1%    |
| ROI                                            | <b>£21.4m</b>    | £21.5m           | (0.5)%   |
| Switzerland                                    | <b>£11.7m</b>    | £9.6m            | 21.9%    |
| <b>Underlying operating profit/(loss) (£m)</b> |                  |                  |          |
| UK and ROI                                     | <b>£74.5m</b>    | £63.8m           | 16.8%    |
| Switzerland                                    | <b>£(1.3)m</b>   | £(1.0)m          | (27.9)%  |
| <b>Underlying basic EPS (pence)</b>            | <b>35.7</b>      | 29.9             | 19.4%    |

#### Revenue

Group sales increased by £28.1m or 9.7% to £316.8m (2014: £288.7m). The increase in revenues is driven by a 15.8% increase in system sales. In the UK revenue saw a 10.1% increase to £283.7m (2014: £257.6m) and in Ireland revenue remained flat at £21.4m, owing to currency headwinds. In Switzerland revenue increased by 21.9% to £11.7m.

#### Commodity prices

During 2015, we and our franchisees enjoyed the benefits of a benign food price landscape with a record low cheese price, favourable wheat price and a fall in fuel costs. For the full year 2015 the average food basket in the UK saw a year-on-year decrease of 1.6% of store sales over 2014, which is a combination of the favourable food cost environment and the continued efforts of our supply chain procurement function to leverage the Group's buying power and secure the most competitive deals with quality suppliers. Food costs remain benign going into 2016.

## Underlying operating profit/(loss)

Underlying operating profit increased by 16.6% to £73.2m, higher than system sales, demonstrating the favourable operational gearing from our operating model.

In the UK and ROI, underlying operating profit increased by 16.8% to £74.5m (2014: £63.8m), compared with system sales growth of 15.7%. The share of profits from our investments in associates and joint ventures has increased to £1.7m, up from £1.0m in 2014. We continue to view these joint operations as an excellent value generator and the opportunity to share in the full value chain of the Domino's system.

In Switzerland the underlying operating loss increased to £1.3m (2014: £1.0m) as a result of the costs associated with the opening of new stores. Our mature store portfolio increased its profitability compared to 2014.

## Discontinued operations

As a result of the transaction to enter into a strategic joint venture in Germany in December 2015, which means that the Group ceased direct operations in this market, the German results are disclosed as discontinued operations. They comprise an underlying trading loss of £3.3m (2014: £7.3m) and non-underlying charges of £6.7m (2014: £1.0m), which comprise closure and exit related costs.

The tax impact of discontinued operations is a £0.4m credit (2014: £1.6m credit).

## Interest

Net interest expense for 2015 was £nil (2014: £1.4m), primarily comprising net external interest of £0.1m (2014: £0.8m), net impact of the unwinding of discounts relating to long-term provisions of £nil (2014: £0.5m), offset by foreign exchange impact on foreign currency loans of £0.1m (2014: £0.3m expense).

## Taxation

The underlying and statutory effective tax rate is 19.0% (2014: underlying: 20.1%; statutory: 20.6%), reflecting the impact of some prior year adjustments and the decrease in the UK corporation tax rate from 23% to 21% from 6 April 2014, and from 21% to 20% from 6 April 2015.

## Earnings per share

Underlying basic earnings per share for the period was 35.7p, representing 19.4% growth over last year (2014: 29.9p). Underlying diluted earnings per share for the period was 35.2p, up 18.5% on the prior year (2014: 29.7p).

Statutory basic earnings per share from continuing operations for the period was 35.7p, up 19.8% on the prior year (2014: 29.8p). Statutory diluted earnings per share from continuing operations for the period of 35.2p was up 18.9% on the prior year (2014: 29.6p).

Statutory basic and diluted earnings per share from continuing and discontinued operations for the year were 29.9p (2014: 25.9p) and 29.5p (2014: 25.8p) respectively.

## Cash flows and cash balance

The Group has a consistent record for strong cash generation. As at 27 December 2015, the Group had net cash of £40.4m (28 December 2014: net cash of £11.0m). Cash flow from operations was £80.4m (2014: £68.5m) with an EBITDA conversion rate of in excess of 100%. The main cash outflows related to dividends of £31.0m (2014: £27.5m), taxation of £11.4m (2014: £8.1m) and capital

expenditure of £12.0m (2014: £6.9m). Capital spend included IT related investments of £5.0m (2014: £2.5m) and supply chain maintenance and expansionary purchases of £1.5m (2014: £1.3m).

The Group continues to support franchisee investments in new store development through leasing arrangements through DP Capital Limited. After repayments the balance outstanding at the year-end on these leases was £2.0m (2014: £2.2m). These facilities are financed by a limited recourse facility and the amounts drawn down at the year-end stood at £1.9m (2014: £2.3m).

The Group has a revolving credit facility of £30m, of which £19.5m was undrawn, and also had £52.8m of cash. The facility attracts an interest rate of 135bps over LIBOR and expires in August 2017. The Directors are confident that the Group will continue to have sufficient liquidity and headroom and will look to refinance the facility during 2016, taking into account planned capital spend and shareholder returns.

## Capital employed and balance sheet

Non-current assets increased from £91.6m to £95.7m, primarily due to fixed assets additions, including software development of £5.0m and Swiss assets of £2.2m in relation to store expansion, offset by the depreciation charge, and a £0.8m increase in the investments in associates.

Current assets increased from £74.4m to £89.7m. This was due to an increase in cash and cash equivalents of £19.2m, offset by a reduction in trade receivables of £6.0m.

Current liabilities decreased from £78.3m to £71.3m due to the repayment of the Group's short-term facility of £15m in early 2015, primarily offset by an increase in trade and other payables of £5.4m and an increase in provisions of £4.8m.

Total provisions increased by £4.1m to £7.3m, which comprise closure costs for the German operation and provisions for onerous leases.

## 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 on a regular basis to ensure that it remains well within its targets and banking covenants.

In addition, the Group has invested in operations outside the UK 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.

The Strategic Report was approved by the Board on 2 March 2016 and signed on its behalf by:

## David Wild

Chief Executive Officer  
2 March 2016

## Corporate social responsibility report

Community values have always been at our heart. 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 corporate social responsibility ('CSR') strategy by analysing our current business practices and devising a plan for the years to come. We have a successful business, built on a simple business model – deliver hot, freshly made pizza to our customers as quickly as is safely possible.

We have a responsibility to uphold the solid reputation our business has formed since we arrived in the UK in 1985. To ensure we build a sustainable business for the future, we have developed a responsible delivery plan, our CSR strategy.



**ALL OUR PIZZA ARE FRESHLY MADE TO ORDER USING ON THE BEST  
INGREDIENTS WE CAN SOURCE.**

### FOOD

As 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.

#### Healthy eating and obesity

We follow the ongoing public debate about healthy eating and obesity very closely. While our pizzas are intended as occasional treats and seen this way by many of our customers, the possibility of Government action or a change in society's attitudes in relation to energy-rich foods such as pizza is a key risk that we face. Our response has been four-fold. We are entirely transparent about the calorie content of our products, we offer a choice of ingredients including low-fat alternatives, we focus on the provenance and quality of all our ingredients and we have maintained our long standing trend of eliminating unnecessary additives and preservatives.

#### Nutrition

We are proud to state that we have no trans-fats or artificial colourings or flavourings in any of our food. During 2015, we continued to work on the pledges we made as part of the Department of Health's Responsibility Deal. As a signatory to it, we have pledged to ensure that our products do not contain artificial trans-fats, reduce the amount of salt in our food and provide clear information.

We have continued to work closely with our suppliers to see where further reductions can be made to the amount of salt in our products. We will continue our work on this in the coming year.



#### Product sourcing

We continue to look at ways of reducing food miles, where possible, through local sourcing whilst maintaining the best quality products. We are proud that all of the mozzarella we use is sourced from north-west Wales using milk produced on farms no further than a 160-mile radius of the production plant.

During 2015, we will look for further opportunities to increase the sustainability credentials of the products we buy.

#### Objectives for 2016

- Further reduce the salt content of our products.
- Seek to increase the sustainability credentials of the products we buy.
- Engage with Government as its strategy becomes clearer.



**Read more online**  
[corporate.dominos.co.uk/csr](http://corporate.dominos.co.uk/csr)



# ENVIRONMENT

## Achievements in 2015

- Achieved certification to ISO 50001.
- 92% of our waste was either recycled or recovered.
- GHG emissions decrease by 23% in the past three years.

## Our commitment to energy efficiency

We are very proud to announce that, in November 2015, we achieved certification to the ISO 50001 energy management standard across our UK operations. The internationally recognised ISO 50001 standard requires organisations to put in place a comprehensive framework to monitor, manage and reduce energy consumption; this significantly helps us to identify opportunities to reduce our greenhouse gas ('GHG') emissions.

As part of the framework, we have established electricity reduction targets for our supply chain centres and fuel reduction targets for our fleet, which align with our overall objective to make a 25% reduction in our relative emissions intensity per tonne of dough produced, by 2018. Over the coming years, we will be implementing a whole range of energy efficiency measures across our operations to drive down our energy consumption.

## Striving for zero waste to landfill

We continue to strive towards reaching zero waste to landfill, with over 92% of our waste in the UK being either recycled or recovered.

## Greenhouse gas emissions

Our reporting period for GHG emissions is 1 October to 30 September<sup>1</sup> and the 2014/2015 GHG emissions inventory marks our third year of GHG emissions reporting. Our material GHG emissions from business activities in this period amount to 12,237 tonnes CO<sub>2</sub>e and are set out in the table below:

|                                                                                                                    | Emissions source            | Tonnes of CO <sub>2</sub> e <sup>2</sup><br>(baseline 2012/2013) | Tonnes of CO <sub>2</sub> e<br>(2013/2014) | Tonnes of CO <sub>2</sub> e<br>(2014/2015) | Percentage change<br>(from baseline) |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------|
| Scope 1: CO <sub>2</sub> e from the combustion of fuel and the operation of any facilities                         | Natural gas                 | 802                                                              | 710                                        | 646                                        | -19%                                 |
|                                                                                                                    | Kerosene                    | 99                                                               | 71                                         | 41                                         | -58%                                 |
|                                                                                                                    | Refrigerant                 | 189                                                              | 156                                        | 302                                        | 60%                                  |
|                                                                                                                    | Owned vehicles <sup>3</sup> | 6,726                                                            | 6,359                                      | 6,494                                      | -3%                                  |
| Scope 2: CO <sub>2</sub> e from the purchase of electricity, heat, steam or cooling by the company for its own use | Purchased electricity       | 4,500                                                            | 5,064                                      | 4,754                                      | 6%                                   |
| Total                                                                                                              | Total                       | 12,316                                                           | 12,360                                     | 12,237                                     | -1%                                  |

A more detailed view of our GHG emissions including our scope 3 emissions broken down by region can be found on our website as well as scope 2 dual reporting overview.



### Read more online

For more insight into our overall environmental performance, please access the Environment page on our corporate website [corporate.dominos.co.uk/csr](http://corporate.dominos.co.uk/csr)

### Notes:

- 1 Our financial reporting year is the calendar year; however, we have set our reporting period back by a quarter to facilitate data collection.
- 2 We report all material GHG emissions, using 'tonnes of CO<sub>2</sub>-equivalent' (tCO<sub>2</sub>e) 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). The only exception is for GHG emissions from electricity in ROI, Switzerland and Germany where the GHG emissions are reported in CO<sub>2</sub>.
- 3 Includes fuel consumed (petrol, diesel, red diesel) by our supply chain delivery fleet, our company cars and our corporate store delivery fleet.

## Intensity ratio

We continue to track GHG emissions over time against our dough production levels and we are becoming increasingly resource efficient: our intensity ratio for scope 1 and 2 for this reporting year is 0.34 tCO<sub>2</sub>e/tonne of dough produced (2014: 0.40 tCO<sub>2</sub>e/tonne) compared to our baseline figure of 0.45 tCO<sub>2</sub>e/tonne of dough produced. This has decreased by 24% putting us in a good position to meet our 25% relative reduction target by 2018.

## Methodology

Domino's reports on all emissions sources stipulated under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. 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; Defra's Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance (June 2013); and ISO 14064 – part 1.

We have adopted a financial control approach to define 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, ROI, Switzerland and Germany. Accountability for our overall environmental performance rests with our Executive Committee.

## Objectives for 2016

- Reduce our electricity consumption relative to tonne of dough produced at our Milton Keynes and Penrith Supply Chain Centres by 5% by 2017.
- Reduce our fuel consumption relative to tonnage delivered with our fleet by 5% by 2018.
- Invest in the procurement of energy efficient products and services where financially viable.

## Corporate social responsibility report continued



### EMPLOYEES

#### Achievements in 2015

- Increased employee 'Vitality' health reviews via PruHealth by 21.1%.
- Reintroduced head and shoulder massages at all sites.
- Celebrated success through regular pizza lunches, staff social events and experience vouchers.
- Developed an Employee Value Proposition that we will launch in 2016.
- Launch of the Domino's high performance programme.

In last year's Annual Report and Accounts, we set ourselves a number of goals and we have taken great strides in the year under review towards achieving these.

#### Engagement and wellbeing

Our employees continue to get healthier through the PruHealth 'Vitality' scheme. Participation rates continue to rise with an increase in Vitality points earned in 2015 up by 12.5%. Vitality status has increased by 116% above the Bronze status. This tool encourages and rewards healthy behaviour, nutrition and physical activity and provides help in achieving a positive work-life balance. We also continue to see an increased uptake of our Cycle to Work scheme.

We strive to provide a happy and safe environment for our employees and on an annual basis our Happiness at Work team undertakes an annual employee survey to understand what improvements we can make in our employee experience. In addition, it looks at work-life balance initiatives and provides opportunities for team colleagues to socialise through team days that encourage cross-team interaction, most recently with the Family Summer Barbecue and Christmas party.

#### Performance and development

We have recently launched a high performance programme into the business with the aim of building a high performance culture where people can thrive and do their best. The benefits to the business will include the retention and attraction of high performing people, more high performers ready to step up into bigger roles, people leaders more able to coach and develop their people. During 2016, we will embed high performance principles across the business through the entire employee lifecycle.

#### Attracting talent and succession planning

We will continue to develop our recruitment strategy to make the process rigorous but easier for managers and candidates.

We recognise the need to maintain our strength in depth and during 2016 we will formalise our succession planning process to enable the assessment of key roles, identification of key talent, and prepare, monitor and review development of that talent.

#### Objectives for 2016

- Continue to embed the corporate mission and high performance culture.
- Build a dedicated in-house recruitment function.
- Formalise our succession planning process in Head Office.
- Embed our Employee Value Proposition across our store, Head Office and supply chain populations.



Read more online  
[corporate.dominos.co.uk/csr](http://corporate.dominos.co.uk/csr)



WE STRIVE TO PROVIDE A

# HAPPY AND SAFE ENVIRONMENT FOR OUR EMPLOYEES.



WE CONSIDER OUR PLACE TO BE AT THE HEART OF THE LOCAL COMMUNITY

# AND SUPPORT A NUMBER OF CHARITIES WORKING NATIONALLY AND LOCALLY.



## COMMUNITY

### Achievements in 2015

- Raised over £811,000 for charity:
  - over £475,000 for Teenage Cancer Trust;
  - over £90,000 for Special Olympics Great Britain;
  - over £11,000 for Barretstown;
  - over £155,700 for Rays of Sunshine;
  - over £30,000 for Northern Ireland Children's Hospice; and
  - over £50,000 for Pennies.
- Boosted fundraising by strong engagement with Pennies through our apps.
- The average weekly donation total grew from £10,080 in 2014 to £14,814 in 2015.
- Our customers have raised over £1,600,000 since introducing Pennies in 2010 and in 2015 alone made over 4m micro-donations.
- Galvanised fundraising and awareness activity with our franchisees and team members.

### Every penny counts

We consider our place to be at the heart of the local community, not only providing quality products but also contributing to the surrounding area.

A crucial element in achieving this has been our charitable funding, where we support a number of charities working locally and nationally.

We have a long-running partnership with the charity Pennies. Its digital charity box has enabled customers using our website and apps to round up their orders to the nearest pound. 2015 was by far the most successful year to date and, on behalf of the charities, we would like to pass on a big 'thank you' to our customers who have embraced Pennies in their millions.

We are proud to have been the landmark partner for Pennies and have seen this trend of online donations grow considerably since it began in 2010.

In Great Britain, our 2015 beneficiaries were Teenage Cancer Trust (82.5% of donations) and Special Olympics Great Britain (10% of donations). In Northern Ireland, the Northern Ireland Children's Hospice received the full 92.5%.

Pennies receives 7.5% of all donations as a contribution to its charitable objectives and to drive the movement for the benefit of the charitable sector as a whole.

Following completion of the re-development of our ROI website we plan to implement Pennies in 2016, providing the opportunity to support the local charity, Barretstown.

### Our social impact

Teenage Cancer Trust was appointed as our charity partner of choice in 2015 and the money we raised over the year equates to 19,004 hours of expert care from a specialist nurse for a young person with cancer. This partnership has been embraced by our franchisees, store teams and support office employees, who all joined together to raise money.

- Young people and their families are at the heart of our business, so a partnership with a charity that supports this age group and their families through one of the most difficult times in their life made sense to us. We're helping Teenage Cancer Trust to deliver life-changing care and support so that no young person has to face cancer alone.
- Throughout 2015, Domino's employees took part in various fundraising challenges and customer-facing activities and provided pizza for 'Unit Pizza Nights'. In 2016 we are hoping to continue our support financially through various fundraising activities but also to offer work experience opportunities for those young people whose lives have been derailed by their cancer diagnosis.

### Charity objectives for 2016

- Evolve the charity programme in line with fresh business priorities.
- Increase overall giving, aided by the introduction of Pennies into ROI.



**Read more online**  
[corporate.dominos.co.uk/csr](http://corporate.dominos.co.uk/csr)

## Board of Directors



STEPHEN HEMSLEY

N



COLIN HALPERN



DAVID WILD



STEVE BARBER

A R



KEVIN HIGGINS

A R

- A** Audit Committee member
- N** Nomination Committee member
- R** Remuneration Committee member
- Committee Chairman



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HELEN KEAYS

A N R



## Stephen Hemsley

### Non-executive Chairman

Stephen joined the Board as Finance Director in 1998, was appointed as Chief Executive in 2001, as Executive Chairman in 2008 and finally became non-executive Chairman in March 2010. He also chairs the Nomination Committee. Stephen is also chairman of Franchise Brands Worldwide Limited and its subsidiary companies. He is a chartered accountant by profession.

## Colin Halpern

### Non-executive Vice-Chairman

Colin acquired the Domino's Pizza Master Franchise Agreement for the UK and ROI in 1993 through International Franchise Systems Inc. In 1999, with Colin as Chairman, the Company was taken public and listed on AIM and subsequently moved to the Main Market in 2008. Colin is the managing director of HS Real Company LLC, Dayenn Limited and non-executive director of several other companies.

## David Wild

### Chief Executive Officer

David was appointed to the Board as a non-executive Director in November 2013, became Interim Chief Executive Officer in January 2014 and was appointed as Chief Executive Officer on 30 April 2014. David is a non-executive director of the multi-channel consultancy Practicology and also Bankers' Investment Trust. Previously, David was chief executive officer of Halfords Group plc and held senior roles within Walmart Stores Inc., Tesco Stores plc and RHM Foods Limited.

## Steve Barber

### Non-executive Director

Steve was appointed to the Board as a non-executive Director in July 2015. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. He is currently a non-executive director of Next plc, where he also chairs the audit committee. He has almost 30 years' experience in accountancy, principally with PriceWaterhouseCoopers where he was a senior partner and also with Ernst & Young. He has also worked in industry, and was formerly the chief operating officer of Whitehead Mann and also the finance director of Mirror Group. He is also founder of The Objectivity Partnership, a member of the steering group of the Audit Quality Forum and Chairman of Design Objectives Worldwide.

## Kevin Higgins

### Non-executive Director

Kevin was appointed to the Board in September 2014. He is Chairman of the Remuneration Committee and a member of the Audit Committee. His career spans more than 20 years in branded consumer foods in both Europe and the United States. Kevin is non-executive chairman of Lunch Garden, a Belgian restaurant chain and has previously served as president of Burger King Europe, Middle East and Africa. Prior to his role with Burger King, Kevin served as general manager of Yum! Brands (Pizza Hut, KFC and Taco Bell) Europe and Russia Franchise Business Unit based in Switzerland. Earlier in his career he held executive roles with PepsiCo and Mars.

## Ebbe Jacobsen

### Non-executive Director

Ebbe was appointed to the Board in January 2014 and is a member of the Nomination Committee. He has wide experience of operating in Germany and other European countries, most recently with Delsey. He has been in retail all his working 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 chain Burger King into the Nordic countries in the 1970s 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.

## Helen Keays

### Non-executive Director

Helen was appointed to the Board in September 2011 and is a member of the Company's Audit, Nomination and Remuneration Committees. Helen has over 20 years' experience in travel, retail, consumer markets and telecoms. She is currently a non-executive director of Communis plc and a trustee of the Shakespeare Birthplace Trust and has held a number of other non-executive directorships, including most recently at Majestic Wine. The majority of her executive career was spent at GE Capital and Vodafone, where she held various senior marketing roles.

# Corporate governance



**STEPHEN HEMSLEY**  
CHAIRMAN

## CHAIRMAN'S INTRODUCTION

I am very pleased to introduce this section of the Annual Report. Corporate governance is a vital subject as it is the Board that directs and controls the Company, creating a framework within which the executive leadership team can conduct their day-to-day operational management of the business.

It is vital that the Board strikes the right balance between entrepreneurial leadership and the prudent and effective management of risk. Both are equally essential if we are to create and preserve value for shareholders. This report explains how we have sought to strike that balance during 2015, a year in which we not only delivered record results for shareholders but also made some strides in developing our governance framework.

### Stephen Hemsley

Non-executive Chairman  
2 March 2016

## Compliance with the UK Corporate Governance Code

Domino's Pizza Group plc ('the Company') is incorporated and has a premium listing in the UK. As a result, it is required to report on its compliance with the UK Corporate Governance Code ('the Code') or explain why it has chosen not to comply. For the year ended 27 December 2015, it was subject to the edition of the Code published by the Financial Reporting Council in September 2014, which is available from [www.frc.org.uk](http://www.frc.org.uk).

The Code contains 18 main principles, which are expanded on in supporting principles and detailed provisions. Together, these set out the key components of effective board practice, and we explain in this report how we have applied these during the year. Where appropriate, some explanations are contained in the Nomination Committee report, the Audit Committee report, the Directors' remuneration report and the Directors' report.

There are three Code provisions with which the Company has not complied fully throughout the year ended 27 December 2015:

|              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A.4.1</b> | <p><b>The Board should appoint one of the independent non-executive directors to be the senior independent director.</b></p> <p>Since the retirement of Michael Shallow on 31 July 2015, there has been no senior independent director formally appointed. In the light of other changes to the directorate in the year, the Board wishes to see how relationships and dynamics develop before making this important appointment. It is intended to nominate one of the independent Non-executive Directors as the SID in the first half of 2016.</p>                 |
| <b>B.2.1</b> | <p><b>A majority of members of the nomination committee should be independent non-executive directors.</b></p> <p>From the start of the year to 31 July 2015 there were two members, one of whom was an independent non-executive Director. From 1 August 2015 to 15 September 2015 there was only one member, the Chairman of the Board. On 16 September 2015, the first Board meeting following Michael Shallow's retirement, two independent non-executive Directors were appointed as members and the Nomination Committee composition became Code-compliant.</p> |
| <b>D.2.1</b> | <p><b>The Board should establish a remuneration committee of at least three independent non-executive directors.</b></p> <p>From 1 August 2015 to 15 September 2015 there were only two members, both of whom were independent non-executive Directors. On 16 September 2015, the first Board meeting following Michael Shallow's retirement, a further independent non-executive Director was appointed as a member and the Remuneration Committee composition became Code-compliant.</p>                                                                            |

The Board does not believe that this non-compliance created or creates risk for shareholders. The actual practices it follows are fully consistent with the principles espoused in the Code and do not hinder either good governance or the achievement of business objectives. Two of the non-compliance issues related to a relatively short period of time and, as noted above, the Board intends to resolve the one remaining non-compliance issue in the current financial year.

## Leadership – our governance framework

The Company is led by the Board, whose members are collectively responsible for the long-term success of the company. Day-to-day management of the business is delegated to management, led by the Chief Executive Officer. The role of the Board can be summarised as follows:

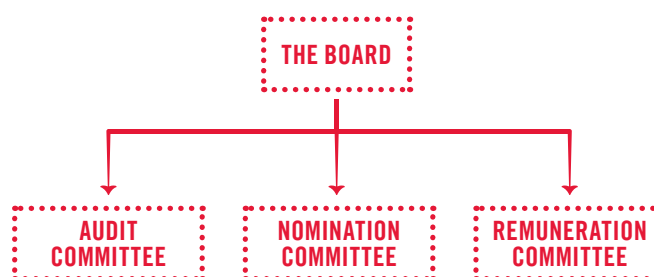


Within the delegation framework described above, the Board retains certain key decision-making responsibilities:

- setting and approving overall Group strategy;
- setting a risk appetite, within which management is required to operate;
- reviewing and approving business plans and budgets;
- reviewing and approving major business decisions;
- reviewing major risks and the implementation of mitigation strategies;
- reviewing the functioning of the internal control environment;
- monitoring operational and trading results against previously approved plans;
- reviewing and approving significant contractual and other commitments, including capital expenditure;
- reviewing corporate governance arrangements;
- reviewing succession plans for Board, Executive Director and senior management positions; and
- exercising its control by an annual review of 'matters reserved' for the Board's decision.

As noted above, the Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It also retains oversight of the risk management and internal control systems with the aim that these are sound and protect shareholders' interests.

The Board is supported in its work by three committees:



Terms of reference for these committees, which are regularly reviewed by the Board, are available on the Company's investor relations website ([corporate.dominos.co.uk](http://corporate.dominos.co.uk)) as is the formal schedule of matters reserved for the Board's decision.

## Corporate governance continued

### Leadership – our governance framework continued

#### Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the internal control environment and risk management systems, managing the relationship with the external auditor and monitoring the effectiveness and objectivity of the external and internal auditors.

#### Nomination Committee

The Nomination Committee oversees the recruitment of the Directors and senior management and advises on matters relating to the Board's membership and Committee appointments, including reviewing succession plans. The Nomination Committee also regularly reviews and monitors the overall skills and experience of the Board.

#### 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 aims to offer an appropriate balance of fixed and performance-related, immediate and deferred remuneration, but without overpaying or creating the risk of rewards for failure.

#### Board composition

The Board's preferred structure is to be led by a non-executive Chairman, have high calibre Executive Directors to drive the performance of the business under the leadership of a Chief Executive Officer, and a number of non-executive Directors drawn from a range of backgrounds, whose role is to provide constructive challenge. Our aim is that the independent non-executive Directors always constitute at least half of the Board. This structure and the integrity of the individual Directors should ensure 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 definition of success, the core strategic principles, and the understanding, alignment and mitigation of risk.

Non-executive Directors are appointed for three-year terms (subject to annual re-election by shareholders) and the offer of any further term of appointment after year six would be weighed carefully by the Nomination Committee, which keeps the need for progressive refreshing of the Board (particularly to maintain an appropriate balance of skills and experience) and orderly succession to key appointments under continual review.

#### Independence

The Board reviews the independence of its non-executive Directors annually. In assessing the independence of each Director, the Board considers whether each is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

### Board roles and responsibilities

There is a clear separation between the roles of the Chairman and the Chief Executive Officer, which is recorded in a document approved by the Board in September 2015 and summarised below. In essence, the Chairman manages the Board and the CEO manages the business. Importantly, no one individual has unfettered powers of decision.

The Chairman meets with the Chief Executive Officer at least once a month, including visits to pizza stores, and they are in contact between these occasions as required. The Chairman also has separate discussions with the non-executive Directors.

#### Chairman

The role of the Chairman is:

- providing leadership to and ensuring the effectiveness of the Board;
- ensuring that agendas emphasise strategic, rather than routine, issues and that the Directors receive accurate and clear information well ahead of the time when a decision is required;
- promoting a culture of openness and constructive debate, and facilitating an effective contribution by the non-executive Directors;
- arranging informal meetings of the Directors, including meetings of the non-executive Directors;
- 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; and
- taking the lead in providing a properly constructed, full, formal and tailored induction programme and ongoing development for new Directors.

#### Chief Executive Officer

The role of the Chief Executive Officer is:

- 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;
- overseeing 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 an Group leadership team; and
- ensuring the Chairman and the Board are alerted to forthcoming complex, contentious or sensitive issues affecting the Group.



## Senior Independent Director

The SID focuses on:

- meeting regularly with the independent non-executive Directors;
- providing a sounding board for the Chairman and acting as an intermediary for other Directors;
- being available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive Officer has failed to address or would be inappropriate; and
- holding annual meetings with non-executive Directors without the Chairman present.

## Non-executive Director

The role of a non-executive Director is:

- providing creative contribution to the Board by way of constructive criticism;
- bringing independence, impartiality, experience, specialist knowledge and a different perspective to the Board;
- providing guidance on matters of concern and strategy;
- overseeing risk management and internal control;
- protecting shareholder and stakeholder interests;
- constructively challenging the Executive Directors and monitoring Executive performance;
- supporting the Executive team in shaping and delivering the strategic goals of the business;
- optimising shareholder return and protection of shareholder assets; and
- ensuring the Board is able to work together effectively and make maximum use of its time.

## Diversity

The Board's policy on diversity is explained in the Nomination Committee report on page 38.

## Leadership in action

This section of the corporate governance report explains how the Board has fulfilled its duties and obligations during the year under review.

## Board membership

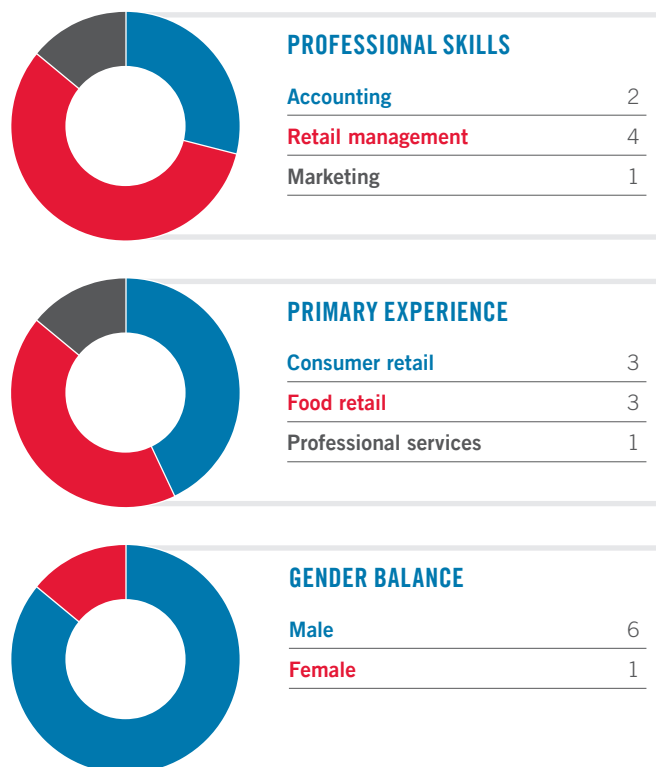
The Board currently comprises the non-executive Chairman, the CEO, a non-executive Vice-Chairman and four independent non-executive Directors. It is intended to recruit a Chief Financial Officer in the near future. The names and biographical details of the serving Directors, and the offices held by them, can be found on page 31.

In addition, Sean Wilkins served as a Director and Chief Financial Officer from the start of the year until 20 January 2015, Michael Shallow served as an independent non-executive Director from the start of the year until 31 July 2015 and Paul Doughty served as a Director and Chief Financial Officer from 8 June 2015 to the end of the year under review, but resigned from the Board with effect from 31 December 2015.

We believe that the Board is of sufficient size that the requirements of the business and good governance can be met and normal succession challenges managed, but is not so large as to be unwieldy.

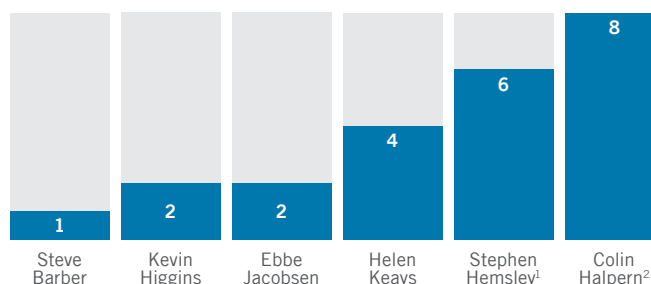
## Board composition

The seven continuing members of the Board on 27 December 2015 were drawn from a range of backgrounds, and gained their experience in a range of relevant industry sectors:



The current non-executive Directors' tenure reflects our approach of progressively refreshing the Board:

## CURRENT YEAR OF NON-EXECUTIVE TENURE, AT 27 DECEMBER 2015



- 1 Stephen Hemsley was appointed as non-executive Chairman in March 2010. However, he was first appointed to an Executive Director role in 1998 and as a Director of the Company on incorporation in 1999. Full details of Stephen's history with the Company can be found in the Directors' biographies on page 31.
- 2 Colin Halpern acquired the Domino's Pizza master franchise for the UK and Ireland in 1993 and has held a variety of senior executive roles within the Group. He became a non-executive Director in December 2007. Full details of Colin's history with the Company can be found in the Directors' biographies on page 31.

## Corporate governance continued

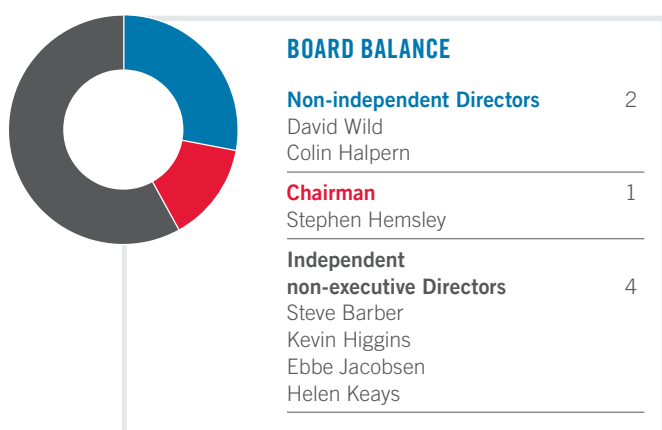
### Leadership in action continued

#### Independence

The Board has considered the independence of the current non-executive Directors, other than the Chairman. It does not believe that Colin Halpern is independent in view of his long service with the Company (including his former executive responsibilities) and the contractual relationship with the Group in which he is involved. Shortly before he retired from the Board, Michael Shallow reached the ninth anniversary of his appointment as a non-executive Director. The Board reviewed his character and judgement and concluded that it was appropriate to continue to regard him as being independent.

#### Board balance

The Board composition creates a majority of independent non-executive Directors, with the current position being:



#### Board committees

Membership of the three Board committees during the year ended 27 December 2015 was as follows:

|                              | Audit Committee                  | Nomination Committee | Remuneration Committee |
|------------------------------|----------------------------------|----------------------|------------------------|
| Stephen Hemsley              |                                  | Chairman             |                        |
| Colin Halpern                |                                  |                      |                        |
| David Wild                   |                                  |                      |                        |
| Paul Doughty                 |                                  |                      |                        |
| Kevin Higgins                | Member                           |                      | Chairman               |
| Steve Barber                 | Member/<br>Chairman <sup>1</sup> |                      | Member <sup>2</sup>    |
| Ebbe Jacobsen                |                                  | Member <sup>2</sup>  |                        |
| Helen Keays                  | Member                           | Member <sup>2</sup>  | Member                 |
| Michael Shallow <sup>3</sup> | Chairman                         | Member               | Member                 |

#### Notes:

- 1 Member from 1 July 2015 and Chairman from 1 August 2015.
- 2 Member from 16 September 2015.
- 3 All offices held to 31 July 2015, when he retired from the Board.

#### Senior Independent Director

Michael Shallow was the Senior Independent Director until his retirement from the Board on 31 July 2015. Since that date no Director has been formally appointed as SID, as noted on page 32.

### Attendance at Board and committee meetings

The Board is scheduled to meet seven times in each year. Additional meetings are arranged as necessary which do not necessarily require the full participation of all directors. Committees meet as necessary to discharge their duties. Attendance of individual Directors at meetings of the Board (including additional meetings) and its committees during the year ended 27 December 2015 was as follows:

|                 | Board  | Audit Committee | Nomination Committee | Remuneration Committee |
|-----------------|--------|-----------------|----------------------|------------------------|
| Stephen Hemsley | 9 of 9 |                 | 1 of 1               |                        |
| Colin Halpern   | 9 of 9 |                 |                      |                        |
| David Wild      | 9 of 9 |                 |                      |                        |
| Paul Doughty    | 5 of 6 |                 |                      |                        |
| Kevin Higgins   | 9 of 9 | 3 of 3          |                      | 4 of 4                 |
| Steve Barber    | 4 of 4 | 2 of 2          |                      | 1 of 1                 |
| Ebbe Jacobsen   | 9 of 9 |                 | 1 of 1               |                        |
| Helen Keays     | 9 of 9 | 2 of 3          | 1 of 1               | 4 of 4                 |
| Michael Shallow | 5 of 6 | 2 of 2          |                      | 3 of 3                 |

Each non-executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Any additional appointments they are contemplating taking on are discussed with the Chairman in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest. These matters are formally reviewed by the Board on an annual basis.

#### Meetings of non-executive Directors

The non-executive Directors, led by the Chairman, meet without the Executive Directors being present. In addition, the independent non-executive Directors, led by the SID, meet during the year as needed including to review the performance of the Chairman.

#### Board effectiveness

We believe that there are five key steps in creating an effective Board:

##### 1. Recruit the right people

We have a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, overseen by the Nomination Committee. For each appointment, we develop an objective brief summarising the role and the skills and experience required and use an appropriate head-hunting firm with proven expertise in the relevant field. As noted above, we take care to ensure that we recruit on merit, from the widest possible range of backgrounds, recognising the benefits of diversity, and the search firms we use are signatories to the Code of Conduct for executive search firms. Before confirming an appointment, we check whether the preferred individual can commit to the time expected including, in the case of an appointment to the Chairmanship, the need to be available in the event of a crisis.

##### 2. Make sure Directors have the right tools

All Directors go through a tailored, formal induction process on joining the Board, including the opportunity to meet major shareholders. The aim of this is to ensure that they understand the Company and its business model, our strategy, the drivers of value in the business and the key risks we face, and that they understand the legal and regulatory environment in which we operate and their own personal obligations. Directors are expected to update and refresh their skills and knowledge on an ongoing basis, and to continue to build their familiarity with the Company and its business throughout their tenure. The Company will provide the necessary resources for developing and updating its Directors' knowledge and capabilities, including access to our operations, staff and franchisees.

All Directors have access to the services of the Company Secretary, and the opportunity to seek independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors or as members of Board Committees. If Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they can require that their concerns are recorded in the Board minutes, or provide a written statement to the Chairman, for circulation to the Board.

The Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties effectively. This is provided in good time ahead of all meetings and decisions, and non-executive Directors are encouraged to seek clarification from management whenever they feel appropriate.

### 3. Identify and manage any conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. However, the Company's Articles of Association allow the Board to 'authorise' conflicts, where felt appropriate. Any Director who becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, is required to notify the Board in writing as soon as possible. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment.

No Director had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

Executive Directors are permitted, and where felt appropriate even encouraged, to hold non-executive directorships outside the Group. However, the Board would not agree to a full time Executive Director taking on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company.

### 4. Formally check on effectiveness

The Board undertakes a formal and rigorous annual evaluation of its own performance in each year. It also reviews the performance of the Board committees and the Nomination Committee reviews the performance of individual Directors. Board and Committee evaluation considers the balance of skills, experience (including familiarity with the Company and its business) and independence of the Group taken as a whole, and also the diversity, including gender, of the Directors. The process also examines how the Directors work together as a unit, and explores other factors relevant to effectiveness. The Chairman acts on the results of the performance evaluations as necessary including, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors.

Individual evaluation aims to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and any other duties).

An in-house process was run for the 2015 year, with structured questionnaires circulated to each Director and the responses analysed by the Company Secretary. The results were discussed with the Chairman and, subsequently, the Board. These identified a need for the independent non-executive Directors to develop further in-depth understanding of the Group's business through a structured programme of visits and briefings, for the Board to define its remit and delegation of authorities more tightly and for meeting agendas to then focus on matters falling within the Board's agreed mandate. Taken together, this will provide a greater opportunity for the independent non-executive Directors to influence the Group's development.

Reviews were also undertaken of the effectiveness of the Board committees, of each non-executive Director and of the Chairman's performance in that role. There were no material issues arising from any of those reviews.

The Board last used an external facilitator for its 2013 review. It is intended to retain an independent external party for the review to be undertaken in 2016 and a selection process will commence shortly.

### 5. Ask shareholders to confirm appointments

Ultimately, the Directors' main responsibility is to promote the long-term success of the Company, acting in shareholders' best interests. All of our Directors submit themselves for re-election at each AGM, and we provide shareholders with sufficient information in the meeting papers for them to decide whether their commitment and performance warrants a further year in office. At the 2015 AGM each serving Director was re-elected, with votes in favour exceeding 96% of those cast in all cases.

### Accountability to shareholders

The Board has established formal and transparent arrangements for considering how they apply the principles of sound corporate reporting, risk management and internal control and how the Company and Board maintains an appropriate relationship with the company's auditors. These responsibilities are overseen by the Audit Committee and are explained in its report from page 39 onwards.

The Board considers that the 2015 annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Details of how we do this are also explained in the Audit Committee's report.

### Remuneration

There are formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, which are overseen by the Remuneration Committee and are explained in its report from page 41 onwards. This report explains how Executive Directors' remuneration is designed to promote the long-term success of the Company and shows how the performance-related elements are transparent, stretching and rigorously applied.

### Relations with shareholders

We maintain a dialogue with shareholders throughout the year, which we intend to be based on a mutual understanding of objectives. The Chairman, the Chief Executive Officer, the Chief Financial Officer, and the Company Secretary all variously and routinely engage with analysts, institutional and retail shareholders and potential investors. Our aim is to ensure that there are strong relationships, through which we can understand those parties' views on material issues. Feedback is provided to the Board, particularly where there are issues or concerns and the Company's broker also provides independent feedback from investors. 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, the Chair of the Remuneration Committee and the Company Secretary meet with major shareholders, principally relating to remuneration and governance issues. The other non-executive Directors are available for meetings with shareholders on request to the Company Secretary.

The AGM is treated as an opportunity to communicate with all of our shareholders, and their participation is encouraged. The Chairs of all Board Committees attend the AGM and are available to answer questions. An explanatory circular containing the notice of meeting is sent to shareholders at least 20 working days beforehand, with separate votes being offered on each substantive issue. All proxy votes received are counted with the balance for and against and any votes withheld announced at the meeting and published on the Company's investor relations website after the meeting. This website, [corporate.dominos.co.uk](http://corporate.dominos.co.uk) also contains a host of up-to-date information on the Group.

# Nomination Committee report



**STEPHEN HEMSLEY**

**NOMINATION COMMITTEE CHAIRMAN**

## MEMBERS

- Stephen Hemsley (Chair);
- Michael Shallow (to 31 July 2015);
- Ebbe Jacobsen (appointed on 16 September 2015); and
- Helen Keays (appointed on 16 September 2015).

The Company Secretary attends meetings in his capacity as Secretary of the Nomination Committee and the Chief Executive is expected to attend whenever necessary.

The majority of members of the Nomination Committee are currently independent non-executive Directors. As noted on page 32, from the start of the year to 31 July 2015 there were two members, one of whom was an independent non-executive Director and from 1 August to 15 September 2015 there was only one member, the Chairman of the Board.

While the Chairman of the Board chairs the Nomination Committee in normal circumstances, he would stand down in matters relating to the appointment of a successor to the chairmanship.

The number of meetings held in the year and attendance at those meetings is shown on page 36.

## Purpose

The Nomination Committee has four principal duties:

- to ensure that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board;
- to lead the process for Board and committee appointments and make recommendations to the Board;
- where an external recruitment is required, to evaluate the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee would then oversee the selection process with the aim of ensuring that this results in an appointment made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender; and

- to undertake formal performance evaluation of non-executive Directors who are standing for re-election and to ascertain whether the individual's performance continues to be effective and they demonstrate sufficient commitment to the role.

The Terms of Reference of the Nomination Committee were reviewed by the Board in 2015, when it was concluded that they remained fit for purpose. These terms of reference are available on the Company's investor relations website.

## Chairman's overview

The principal purpose of the Nomination Committee is to ensure that the Company has the right leadership, both on the Board and in the ranks of senior management. This is a combination of continual review and monitoring, and also responding to specific situations as needed.

## Activities in 2015

Although the Nomination Committee met formally only once during the year, there have been four issues, including three important recruitment exercises, overseen by the Committee's members, and in particular its Chairman:

- the review of the performance of all the non-executive Directors seeking re-election at the 2015 AGM;
- the recruitment of a Chief Financial Officer. A brief was developed and the Nomination Committee retained Russell Reynolds, an executive search firm with no other connections to the Company, to manage the selection process. This resulted in the appointment of Paul Doughty to the Board on 8 June 2015;
- the recruitment of a new independent non-executive Director, with the specific requirement that he or she should have the relevant and recent financial experience necessary to chair the Audit Committee. A fuller brief was developed and the Committee retained Hanson Green, an executive search firm with no other connections to the Company, to manage the selection process. This resulted in the appointment of Steve Barber to the Board on 1 July 2015; and
- following the resignation of Paul Doughty, developing a further brief for the recruitment of a Chief Financial Officer (including implementing the points learned from that experience) and instructing Russell Reynolds to undertake a further search, which remains ongoing.

## Policy on diversity

It is important that the Directors have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. They play a key governance role in protecting shareholders' interests by ensuring that the Board and management are challenged, constructively and effectively, and it is important that they do so from a range of perspectives.

An important factor in achieving this effectiveness is drawing members from a range of backgrounds, which has been shown to help avoid 'group-think'. We are proud of the diversity in our business and we recruit and develop people regardless of their gender, race or any other characteristic. We are of the view that it is in the interests of the Company to recruit and develop the very best people, drawn from the widest pool of talent. The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. However, the Board seeks to achieve an appropriate balance of male and female members.



# Report of the Audit Committee



**STEVE BARBER**

**AUDIT COMMITTEE CHAIRMAN**

## MEMBERS

- Steve Barber (Chairman);
- Kevin Higgins; and
- Helen Keays.

In addition to the members listed above, Michael Shallow served as Committee Chairman from the start of the year until he retired from the Board on 31 July 2015. Steve Barber joined the Audit Committee on 1 July and became its Chairman on 1 August 2015.

Michael Shallow and Steve Barber are both chartered accountants with considerable experience and the Board has determined they both possess recent and relevant financial experience which qualifies them to chair the Audit Committee. Both Kevin Higgins and Helen Keays have considerable business experience which enables them to make a positive contribution to the Audit Committee.

Meetings of the Audit Committee have been attended by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the external auditor, the Company Secretary (as Secretary to the Audit Committee) and other Directors and members of management by invitation. The number of meetings held in the year and attendance at those meetings is shown on page 36.

The Audit Committee has direct access to members of management and the internal and external auditors. It is able to seek further professional advice at the Company's cost if appropriate.

## Significant accounting issues

The Audit Committee's reviews of the half and full year financial statements focused on the following areas of significance:

- **the accounting for the German business and the formation of the German joint venture** – the financial statements show a loss of £9.6m in respect of Germany as a discontinued business. This comprises trading losses of £3.3m and £6.3m in respect of exit costs in respect of the changes resulting from the cessation of direct operations in Germany, including tax provisions of £0.9m. In accordance with accounting standards, a credit to the profit and loss account will be recognised in the 2016 financial year in respect of the fair value of the consideration receivable from our joint venture partner;

- **consideration of the need to provide for a potentially significant employment tax liability that could arise from historic employee share schemes** (see note 1 to the accounts) – certain of the Group's historic share-based remuneration arrangements have received protective assessments from HMRC in prior years in relation to the employment tax treatment. The Group has received professional advice confirming that no provision is considered necessary and therefore, no provision has been made;
- **the appropriateness of assumptions in respect of accounting judgements** – this covered provisions for onerous leases, provisions against inventories, depreciation of fixed assets and the recoverability of receivables. The Audit Committee, following confirmations from management and the external auditor, satisfied itself as to the reasonableness and consistency of these assumptions;
- the carrying value of fixed assets (including intangibles) in respect of the Group's Swiss business – based on management's forecasts, no provision was considered necessary; and
- the Audit Committee is aware that the International Accounting Standards Board has issued a new standard for accounting for leases which will become effective for the year ending December 2019. Although this standard will have no cash flow impact and minimal profit impact, it will significantly change the composition of the consolidated balance sheet by bringing some £250m of previously unrecognised 'right to use' assets and corresponding lease obligations on to the balance sheet.

These issues were addressed at the planning stage of the external audit and there were no significant differences between management's and the external auditor's conclusions.

## Presentations from management and professional advisers

The Audit Committee received a number of presentations from management and professional advisers, including:

- **IT and cyber security** – the Group's system sales are highly dependent on its e-commerce IT systems, particularly apps for mobile devices. Although there can be no guarantee as to the resilience of the Group's systems to outside attack, the Audit Committee was assured as to the structure of the systems to minimise such impact;
- **internal audit, risks and controls** – in view of the Group's rapid growth over the past few years, it does not have a formalised internal audit function but has outsourced certain assurance activities to PricewaterhouseCoopers ('PwC'). PwC were also engaged to ensure that the Group complied with the new requirements of the UK Corporate Governance Code in relation to internal controls and risk management. The results of their work highlighted that the Group's internal control environment was informal and often undocumented. PwC were therefore engaged to improve documentation, working in collaboration with management. Their work was completed by the year-end and remedial action taken, but the documentation was not in place throughout the year. The Audit Committee is not aware of any fundamental weaknesses that would have jeopardised the Group and improved procedures are now in place to monitor risks and controls;

# Report of the Audit Committee continued

## Presentations from management and professional advisers continued

- **Enterprise Resource Planning ('ERP') system** – in order to accommodate the growth of the business, management is implementing a new ERP system during 2016. This will entail a complete review of each of the Group's processes but should achieve improved controls and efficiencies, although there are inherent risks in such a transformation. Third-party consultants have been engaged to assist in the process; and
- **taxation** – the Group has engaged FTI to assist in the management of its tax affairs and they reported on progress in improving the speed and accuracy of the Group's taxation returns.

## Internal audit

As mentioned above, the Group does not have a formal internal audit department and has outsourced certain services to PwC. This is a reflection of the small number of Group personnel and the rapid growth of the Group in recent years. However, the Group's operational auditors regularly audit franchisees to support compliance with franchise agreements and brand standards.

## Going concern and viability statement

On behalf of the Board, the Audit Committee reviewed the Group's projected cash flows, facilities and covenants as well as reviewing the assumptions underlying the viability statement and concluded that it could recommend to the Board that there are robust reasons for it to be able to make the relevant statements.

## External auditor

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditor, Ernst & Young LLP ('EY'), and considers that EY continues to possess the skills and experience required to fulfil its duties effectively and efficiently. The Audit Committee's review of the effectiveness of EY as the external auditor is based on discussions with the senior finance team, the robustness of the audit, the quality of reporting to the Audit Committee and reports published by the FRC.

EY has confirmed that in its professional judgement it is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

The Audit Committee has held meetings with the external auditor without management and there is regular dialogue with the audit partner.

EY has been the Group's auditor since 1997 and no competitive tender has been conducted during that time. The lead audit partner is rotated every five years, with the last change being after the 2013 audit. The Audit Committee has not deemed it necessary to hold a competitive tender this year but, in compliance with the CMA Statutory Audit Services Order, the Group will put the audit out for tender in the 2017 financial year so as to at least coincide with the rotation of the current audit partner. The Audit Committee believes that this is appropriate given recent and continuing Board changes. Accordingly, the Audit

Committee has recommended the reappointment of EY as external auditor to the Board, which has agreed to recommend this at the 2016 AGM.

The Audit Committee agrees the fees for the external auditor and has strict policies regarding the provision of non-audit services by the external auditor which can be found on the Company's website. These include specific pre-approvals for proposed work and fees, a prohibition on certain services and a restriction on total non-audit fees exceeding the total audit and audit-related services, except in exceptional circumstances.

During the year, the level of non-audit fees payable to EY for 2015 increased significantly, as set out below.

|                                              | £000 |
|----------------------------------------------|------|
| Total estimated audit and audit-related fees | 306  |
| Non-audit fees:                              |      |
| Corporate restructuring                      | 60   |
| Market survey                                | 175  |
| Due diligence for German joint venture       | 35   |
| Total non-audit services                     | 270  |

The market survey was performed by a newly acquired affiliate of EY who were best placed to perform that work. This affiliate, prior to its acquisition by EY, had performed similar work for Domino's Pizza International in the US and commissioning of the survey was a natural development of previous work.

The Audit Committee believes that the non-audit fees were appropriate in the circumstances, particularly as EY has considerable knowledge of the Group's business. In view of the new EU regulations and the Group's own policies, the Audit Committee intends that non-audit fees, which have averaged less than half of audit fees over the past three years, should not reach similarly high levels in future years.

## Fair, balanced and understandable reporting

The Audit Committee has provided advice to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Each Director was also asked to provide this confirmation. When doing so, both the Committee and the individual directors were provided with a set of questions designed to test the quality of reporting, and asked to satisfy themselves that the levels of disclosure were appropriate.

## Terms of reference

The terms of reference for the Audit Committee were reviewed by the Board during the year, which concluded that they remain fit for purpose.

# Directors' remuneration report



**KEVIN HIGGINS**

**REMUNERATION COMMITTEE CHAIRMAN**

## CHAIRMAN'S SUMMARY STATEMENT

### Dear shareholder

I am pleased to present, on behalf of the Board, the Directors' remuneration report for the year ended 27 December 2015. In this report, we review the Group's performance in the year and explain the pay which resulted for the Executive Directors, explain the fees we paid to the non-executive Directors and also set out our proposals for 2016 and beyond.

### Performance and remuneration for 2015

As described in the Strategic Report, 2015 was a highly successful year for Domino's. The Group achieved significant profit growth, driven by sustained double-digit like-for-like sales performance and supported by the opening of a record number of new stores. Our digital business continues to go from strength to strength and franchisee profitability has strengthened further. As the year concluded, we announced the formation of a strategic joint venture in Germany, which is now the market leading pizza delivery business in that country. Continued progress was also made in driving the Swiss business towards profitability, and we entered the 2016 financial year with good momentum in all of our markets.

Reflecting this strong performance, the PBT element of the CEO's annual bonus (being 70% of the total) was met in full and the Remuneration Committee assessed that he had met the majority of the personal performance objectives (being the balancing 30% of his bonus) so that overall he achieves a payment of 87.5% of the maximum. This will result in a bonus of £669,375 becoming payable to David Wild, to be settled 2/3 in cash and 1/3 in shares, the latter element being deferred for two years.

As he was only appointed in early 2014, none of his LTIP awards are yet due to vest - his first LTIP award will be capable of vesting in May 2017, based on performance up to the end of the 2016 financial year.

The Committee is satisfied that the remuneration outcomes for David for the 2015 financial year are fully justified, in the light of the business and individual performance during the year and were in the best interests of the Company and shareholders.

During the year, two other individuals served as Executive Directors, each for a relatively small proportion of the year. Neither was entitled to any performance-related pay in respect of their period of service. Sean Wilkins stepped down with effect from 20 January 2015, and his termination payments were set out in last year's report. Paul Doughty held office for approximately seven months but, because of his resignation, was not eligible for a bonus payment. He had not been granted any long-term incentive awards during his tenure, and received no payments on termination.

### Remuneration policy for 2016

Since our remuneration policy was approved by shareholders in 2014, the Company has made significant progress under David Wild's leadership as evidenced by the strong earnings growth and shareholder returns we have delivered.

Against this background of excellent corporate performance and strong strategic development, the Committee carried out a review of our remuneration policy. While keeping the remuneration principles which have served the Company well over recent years, we want to create a closer and sharper alignment between strategic delivery, shareholder returns and executive reward over the next five-year period. Following a comprehensive consultation with leading shareholders and their representative bodies, we are proposing to introduce a new remuneration policy for approval at the 2016 AGM. The new remuneration structure continues to keep fixed pay at relatively low levels but places a higher weighting on long-term performance, subject to achieving stretching performance targets.

The remuneration philosophy and KPIs underpinning the review remain unchanged and are as follows:

- fixed pay should be at or below comparable median benchmarks;
- there should be a focus on sustainable growth with a greater weighting on long-term, share-settled, performance-related pay;
- total remuneration should be competitive but not excessive against appropriate market comparators (in this case, the top half of the FTSE 250);
- there should be strong alignment with shareholders, with the delivery of upper quartile levels of reward only possible if shareholders have benefited from exceptional earnings growth, strong relative returns and a significant absolute total return; and
- EPS growth and total shareholder return should continue to be the Company's primary measures of performance.

## Directors' remuneration report continued

### Remuneration policy for 2016 continued

Mindful of the above objectives, the Committee proposes to restructure the CEO's remuneration package to drive behaviour that is in the long-term interests of the company and its shareholders. In summary, approval is sought for a new policy at the 2016 AGM which:

- freezes the CEO's base salary at £510,000 p.a. over the three-year life of the new policy (for market context, the median CEO salary in the top half of the FTSE 250 at the time of review was £575,000);
- reduces the annual bonus opportunity from 150% to 100% of salary for the life of the policy;
- continues with the current pension provision of up to 15% of salary, plus typical benefits in kind and insurance arrangements;
- increases the share ownership guideline, to be met by retaining shares from the vesting of options and awards (on an after-tax basis), from 150% to 200% of salary; and
- makes a single grant of 534,000 performance shares to the CEO, in lieu of three annual grants over the period 2016-2018:
  - the award will vest in equal tranches after three, four and five years (subject to performance over commensurate periods) and any vested awards must be held for five years from the date of grant;
  - Relative TSR targets will continue to apply for one-third of the awards, one-third will be linked to EPS growth and the final third on 'super stretch' EPS targets; and
  - once the vesting outcomes are determined, an underpin mechanism will apply to all awards which only permits the release of vested awards if TSR has increased in absolute terms over the measurement period. Awards which vest will only be released in full if our absolute total shareholder return has increased by 100%.

The Committee believes that this incentive structure, which converts the reduction in fixed pay and lower bonus opportunity into the prospect of greater longer term reward, is appropriate because it is aligned with the next stage of the Company's strategy and the Board's medium-term growth aspirations. Fixing the number of awards (based on a £10 share price at the time of the review) also provides greater certainty for the CEO and the Company as the long-term remuneration, in terms of number of awards and performance targets, is effectively fixed for the duration of the policy.

We are extremely conscious of investors' and society's continued focus on restraint in executive pay. The Remuneration Committee is satisfied that the above changes result in annualised remuneration at target levels of performance which is broadly equal to the median total target remuneration for a CEO in the top half of the FTSE 250. As further reassurance, the proposed arrangement results in lower total pay for

the CEO than our current practice until EPS has, in the case of Tranche 1 of the award, grown by a compound annual rate of more than c.17% p.a., the Company has delivered strong relative TSR performance and absolute TSR has grown by 100%. Therefore, the additional quantum of pay on offer will only be unlocked if performance has been truly exceptional.

In summary, the Committee believes the above changes to remuneration will result in a greater focus on long-term performance through a single grant of performance shares which vest after three, four and five years (but potentially up to seven years if absolute TSR has not doubled over that period). The stretching targets attached to these awards ensure that the additional long-term opportunity is only paid if performance has been truly exceptional. Overall, total target remuneration is approximately equal to mid-market UK levels and, therefore, the Committee is satisfied that overall amount of pay on offer is not excessive.

We have also been mindful of the need to balance returns with acceptable levels of risk taking. The Board will continue to oversee and approve all strategic developments, and will seek to avoid building excessive risk into the Group's strategy in the expectation of short-term gains.

### Shareholders' views

The Committee has carried out an extensive consultation exercise with key institutional shareholders and their representative bodies on the proposed arrangements and is pleased with the constructive feedback and the general level of support received. The decision to increase the share ownership guideline from 150% to 200% of salary for participants in the 2016 LTIP was taken in response to views expressed by a number of our major shareholders.

The Committee continues to take an active interest in shareholders' views and looks forward to maintaining an open and transparent dialogue in the future.

The new policy will be put to a binding shareholder vote at the 2016 AGM, alongside a separate resolution to approve the new Long Term Incentive Plan and the usual resolution to approve the Remuneration Report. I am grateful for the time that our major shareholders gave to the consultation exercise and hope that all investors will feel able to support our remuneration resolutions at our 2016 AGM.

### Kevin Higgins

Chairman of the Remuneration Committee

2 March 2016



## INTRODUCTION

This report sets out the Company's policy on Directors' remuneration as well as information on remuneration paid to Directors in the financial year ended 27 December 2015. 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 Code and the UK Listing Authority Listing Rules (the 'Listing Rules').

The report has been divided into two sections:

- Directors' remuneration policy report – the revised policy will be put to a binding shareholder vote at the 2016 AGM and there will be a separate resolution to vote on a new Long Term Incentive Plan. Subject to the policy being approved, it will become effective from the date of the AGM but in practice will be applied from the beginning of the 2016 financial year; and
- Annual report on remuneration – this will be subject to an advisory vote at the 2016 AGM and sets out the remuneration paid or payable in relation to the year ended 27 December 2015 and how we intend to implement the policy for the year ahead.

Those parts of the report which have been audited by Ernst & Young LLP are clearly identified.

## Remuneration policy report

This part of our Directors' remuneration report sets out the remuneration policy for the Company and, if approved by shareholders at the 2016 AGM, will apply for a period of three years.

### Policy overview

In setting the remuneration policy for the Executive Directors, the Remuneration Committee, consistent with the previous policy, 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 acting in the long-term interests of the Company but avoid paying more than is necessary;
- setting base salary at or below comparable market rates but weighting a significant proportion of total remuneration towards variable pay with an above-market incentive opportunity linked to the delivery of truly exceptional performance;
- having 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;
- creating a strong alignment between the interests of senior executives and the delivery of value to shareholders;
- avoiding creating excessive risks in the achievement of performance targets; and
- conducting periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies, taking into account their size, business complexity, international scope and relative performance.

The key changes to our policy for the CEO, David Wild are as follows:

- base salary will be fixed for the duration of the policy. From 2016, his base salary will be unchanged and frozen at £510,000 until 2019;
- annual bonus opportunity will be reduced from 150% of salary to 100% of salary (payable in cash); and
- a single grant of performance share awards will be made to him under the proposed 2016 LTIP covering grants over the period 2016–2018, vesting in 2019–2021. These awards will be subject to stretching performance criteria and continued employment. Performance measures will be relative TSR and growth in EPS, and the programme will be underpinned by a requirement for the total shareholder return of the Company to increase in absolute terms, with the full release of vested awards only achieved if TSR doubles.

If the resolution to approve the 2016 LTIP is not passed, the Company may make annual awards under the 2012 LTIP subject to the limits set out in the policy table and the rules of that plan. In addition, base salaries will not be fixed over the life of the policy and the annual bonus opportunity will revert to up to 150% of salary (of which 1/3 would be deferred and settled in shares).

# Directors' remuneration report continued

## Remuneration policy report continued

### Executive Director policy table

| Element and maximum                                | Purpose and link to strategy                                                                                                                                                                                                                                                                                                                                                                                                           | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Base salary</b>                                 | <ul style="list-style-type: none"> <li>→ Reflects the responsibility level and complexity of the role</li> <li>→ Reflects skills and experience over time</li> <li>→ Provides an appropriate level of basic fixed income avoiding excessive risk arising from over-reliance on variable income</li> </ul>                                                                                                                              | <ul style="list-style-type: none"> <li>→ Salaries will typically be reviewed annually with the exception of the CEO whose salary will be frozen at £510,000 until 2019 (for the three-year duration of the policy), subject to his participation in the 2016 LTIP</li> <li>→ Salary levels take periodic account of pay levels in companies with similar characteristics and sector comparators</li> <li>→ Set in the context of pay and employment conditions in the Group</li> <li>→ Salaries will typically be targeted at or below the relevant market rate</li> </ul>                                                       |
| <b>Pension</b>                                     | <ul style="list-style-type: none"> <li>→ Provides market-competitive, yet cost-effective retirement benefits</li> <li>→ Opportunity for Executives to contribute to their own retirement plan</li> </ul>                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>→ Defined contribution or cash supplement</li> <li>→ HMRC-approved salary sacrifice arrangement</li> <li>→ Salary sacrifice for employee contribution</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Other benefits</b>                              | <ul style="list-style-type: none"> <li>→ Provide cost-effective insured benefits to support the individual and their family</li> <li>→ Access to company car to facilitate effective travel</li> </ul>                                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>→ Benefits are provided through third-party providers and include medical and life insurance</li> <li>→ Company cars or cash equivalents provided</li> <li>→ The Committee may offer Executive Directors other employee benefits from time to time on broadly the same terms as provided to the wider workforce</li> </ul>                                                                                                                                                                                                                                                                |
| <b>Annual performance bonus</b>                    | <ul style="list-style-type: none"> <li>→ Incentivise annual delivery of financial and operational goals linked to the Company's strategy</li> </ul>                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>→ Up to two-thirds of the annual bonus is paid in cash and one-third deferred into shares that will vest after two years and are subject to forfeiture, with the exception of participants in the 2016 LTIP whose bonus will be settled entirely in cash</li> <li>→ Dividends which accrue on vested shares may be payable</li> <li>→ Not pensionable</li> <li>→ Clawback provisions apply</li> <li>→ Stretching targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends</li> </ul> |
| <b>2012 Long Term Incentive Plan ('2012 LTIP')</b> | <ul style="list-style-type: none"> <li>→ Participating in the 2016 LTIP will preclude eligibility for future grants under the 2012 LTIP, until 2019</li> <li>→ Aligned to main strategic objectives of delivering sustained profitable growth</li> <li>→ Aids retention of senior management</li> <li>→ Creates alignment with shareholders and provides focus on increasing the Company's share price over the medium term</li> </ul> | <ul style="list-style-type: none"> <li>→ Annual grant of market value options or performance shares</li> <li>→ Subject to performance conditions measured over three years</li> <li>→ Clawback provisions apply</li> <li>→ Dividends which accrue may be paid on vested shares</li> </ul>                                                                                                                                                                                                                                                                                                                                        |

| Maximum                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Performance targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>→ Salaries will typically be eligible for increases on an annual basis (except for David Wild, as explained in the Operation column) with the rate of increase (in percentage terms) typically linked to those of the wider workforce</li> <li>→ If there are 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</li> <li>→ If pay is set at a discount to the Company's normal policy on appointment, 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</li> </ul> | <ul style="list-style-type: none"> <li>→ n/a</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>→ Monthly employer contribution to a pension arrangement or payment of a cash allowance in lieu of a pension up to 15% of basic salary</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>→ n/a</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>→ Family level private medical insurance cover provided</li> <li>→ Life insurance cover of four times multiple of salary</li> <li>→ Company car or cash allowance in lieu</li> <li>→ The value of insured benefits will vary from year to year, based on the cost from third-party providers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>→ n/a</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>→ The maximum bonus opportunity is 150% of salary, but David Wild's bonus opportunity will be 100% of salary if he participates in the 2016 LTIP</li> <li>→ The CFO has a maximum bonus opportunity of 125% of salary</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>→ Bonuses will be subject to a combination of financial and strategic targets that are set by the Committee on an annual basis</li> <li>→ The majority of the bonus will be measured against financial metrics (e.g. underlying PBT) with a graduated scale set around the target</li> <li>→ A minority of the bonus may be set based on strategic targets which are aligned to the key objectives from year to year</li> <li>→ 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 any strategic or individual measures used, 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</li> <li>→ Details of the bonus measures and targets operated each year will be included in the relevant Directors' remuneration report</li> </ul> |
| <ul style="list-style-type: none"> <li>→ Maximum annual opportunity of 200% of salary in performance shares</li> <li>→ The normal policy is to grant annual awards of performance shares at up to 175% of salary to each Executive Director</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>→ 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 at its discretion</li> <li>→ Financial targets will determine vesting in relation to at least 50% of a performance share award</li> <li>→ A maximum of 15% of any award vests for achieving the threshold performance level with 100% of the awards being earned for maximum performance (there is graduated vesting between these points)</li> <li>→ The performance period for financial targets and relative TSR targets is not less than three financial years</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                      |

# Directors' remuneration report continued

## Remuneration policy report continued

### Executive Director policy table continued

| Element and maximum                                | Purpose and link to strategy                                                                                                                                                                                                                                                                                                            | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2016 Long Term Incentive Plan ('2016 LTIP')</b> | <ul style="list-style-type: none"> <li>→ Aligned to main strategic objectives of delivering sustained profitable long-term growth</li> <li>→ Aids retention of senior management</li> <li>→ Creates alignment with shareholders and provides focus on increasing earnings and the Company's share price over the medium term</li> </ul> | <ul style="list-style-type: none"> <li>→ Single grant of performance shares to cover three years of normal annual grants of performance shares in 2016, 2017 and 2018</li> <li>→ Awards vest in three tranches three, four and five years after the start of the performance period</li> <li>→ Subject to (i) performance conditions measured over three, four and five years and (ii) the absolute TSR underpin mechanism</li> <li>→ Clawback provisions apply</li> <li>→ Dividends which accrue may be paid on vested shares up to their vesting date and on vested shares that are subject to a holding period</li> <li>→ A holding period applies which prevents the sale of any vested shares before the fifth anniversary of the start of the performance period (except to fund tax or similar obligations)</li> </ul> |
| <b>Share ownership guidelines</b>                  | <ul style="list-style-type: none"> <li>→ To provide alignment between Executives and shareholders</li> <li>→ To encourage a focus on sustainable long-term performance</li> </ul>                                                                                                                                                       | <ul style="list-style-type: none"> <li>→ Executives are expected to retain shares from the vesting of options and awards (on an after-tax basis) to build and maintain a shareholding equivalent to the guideline multiple of salary within five years of joining</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### Non-executive Director policy table

| Element and maximum                | Purpose and link to strategy                                                                                                                                                          | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Non-executive Director fees</b> | <ul style="list-style-type: none"> <li>→ Reflects the value of the individual's skills and experience</li> <li>→ Recognises expected time commitments and responsibilities</li> </ul> | <ul style="list-style-type: none"> <li>→ Chairman's fee set by the Committee. Non-executive Directors' fees set by the Board</li> <li>→ Fees are normally reviewed biennially, effective 1 January</li> <li>→ Takes into account periodic external reviews against companies with similar characteristics and sector comparators</li> <li>→ Set in the context of time commitments and responsibilities</li> <li>→ A base fee is provided to all non-executive Directors with supplemental fees payable for chairing the sub-Committees and for holding the Senior Independent Director position</li> <li>→ Non-executive Directors do not participate in any annual bonus, share incentive plans, or pension arrangements</li> <li>→ Non-executive Directors shall be reimbursed for any expenses (on a gross of tax basis) incurred in the course of carrying out their role which are deemed to be taxable by HMRC (or equivalent body)</li> </ul> |



**Maximum**

- Individual limit of 534,000 performance shares covering the life of the policy

**Performance targets**

- One-third of each tranche will vest subject to a relative TSR condition measured against the FTSE 250 (excluding investment trusts). 15% of this element will vest for median performance rising up to full vesting for an upper quartile ranking or better
- One-third will be set against stretching EPS targets and the final third against super-stretch EPS targets all using 2015 EPS as the base year
- For threshold levels of performance, 10% of stretch EPS-linked awards and 0% of super-stretch EPS-linked awards will vest
- Once the potential vesting outcomes are known, an underpin mechanism will apply which only permits the release of vested awards in proportion to the extent that TSR has increased in absolute terms, up to a 100% absolute TSR target. Awards will only be released in full if our absolute TSR has increased by 100%. The underpin will be reviewed every six months over the seven-year life of the award

- At least 150% of salary holding for Executive Directors, with 200% for participants in the 2016 LTIP

- n/a

**Maximum**

- 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 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 over the above fee levels, if necessary to do so, to appoint a new Chairman or non-executive Director of an appropriate calibre

# Directors' remuneration report continued

## Remuneration policy report continued

### Operation of the annual bonus plan and LTIP policy

The Committee will operate the annual bonus plan, the 2012 LTIP and proposed 2016 LTIP schemes in accordance with their respective rules and in accordance with the Listing Rules and HMRC requirements where relevant.

Within these rules, the Remuneration 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 a material acquisition or the divestment of a Group business, the original performance conditions may no longer be appropriate. Therefore, the Remuneration 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 the revised circumstances 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, where appropriate, be the subject of prior consultation with the Company's major shareholders.

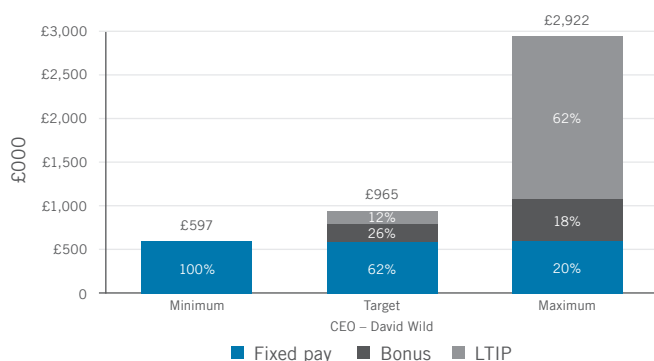
The outstanding share-settled incentive awards which are detailed on pages 57 to 58 and any arrangements agreed prior to the effective date of this policy will remain eligible to vest or pay out based on their original award terms. This includes any awards granted under the Deferred Share Bonus Plan ('DSBP') or the 2012 LTIP scheme. 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 performance-related elements of remuneration are dependent upon the achievement of outcomes that are important drivers of sustainable growth for the business and therefore the creation of value for shareholders. The remuneration package offered to Executive Directors by the Company is therefore more heavily performance-related than that operated in comparatively sized leisure companies and companies in the upper half of the FTSE 250 more generally, particularly at higher levels of performance.

### Illustration of remuneration scenarios

The chart below illustrates the total remuneration for the Chief Executive based on the proposed policy under three different scenarios – minimum, target and maximum. Given that the 2016 LTIP is expected to cover three grants, we have applied a value to each tranche to arrive at an annualised value.



### Assumptions

Minimum – comprises fixed pay using a £510,000 base salary, 15% pension contribution and the value of 2015 benefits.

Target – Minimum plus bonus of an assumed 50% of salary plus threshold vesting of Tranche 1 of the 2016 LTIP under the Relative TSR and stretch EPS parts of the 2016 LTIP. Assumes no vesting under the super stretch EPS targets. The absolute TSR underpin mechanism assumes 75% vesting is achieved.

Maximum – Minimum plus maximum bonus plus full vesting of Tranche 1 of the 2016 LTIP, including the super stretch element. The absolute TSR underpin mechanism assumes 100% vesting.

This has been modelled at a share price of 1020p, being that in force on the last day of the 2015 financial year. No account has been taken of any prospective share price increases.

### Choice of performance metrics

As detailed in the strategic report on pages 1 to 29, the Group seeks to accelerate sales growth in the UK, build on its leadership in digital and mobile ordering, drive further improvements in franchisee profitability and grow its international markets profitably. For incentive purposes, this results in underlying profit before tax being used as the primary performance metric in the annual bonus plan and a combination of relative TSR and growth in EPS being used as the performance metrics within the 2012 LTIP. For the 2016 LTIP, these metrics will be retained and supplemented with an absolute TSR underpin.

Underlying EPS measures the Company's success in delivering long-term profit growth, a key contributor to the Company's valuation, and is considered by the Committee to be the most appropriate measure of long-term financial performance. It is also used by the Board to determine success in executing our strategy.

Relative TSR helps align management's and shareholders' interests, since the executives will only be rewarded to the extent that the Company delivers a return to shareholders above the median company of comparable size, with full vesting on this measure requiring top quartile performance.

Absolute TSR helps address the issue of being the best performer in a falling market, by requiring that there has been a positive growth in TSR over the measurement period.

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 very modest amount being payable for threshold levels of performance.

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

### Choice of performance metrics continued

The Committee will review the continued appropriateness of the annual bonus (and, if applicable, 2012 LTIP) performance conditions on an annual basis to ensure that they remain aligned to the Company's strategy. 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.

### 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 updated 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 it is aware of how the total remuneration of the Executive Directors compares with the average total remuneration of employees generally.

The Committee does not formally or directly consult 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.

A lower aggregate level of incentive payment applies below Executive Director level, driven by market comparatives, internal relativities and the potential impact of the role. The vast majority of the Group's employees participate in an annual bonus plan, with the limits and performance conditions varying according to job grade.

The Committee believes that broad-based employee share ownership provides a key element in retention and motivation in the wider workforce. Long-term incentives are provided through the Group's discretionary share schemes to executives and managers in all territories in which Group companies operate. The Company also offers a HMRC-registered savings-related share option scheme for all UK-based employees with more than six months' service, including Executive Directors.

All newly appointed employees, including Executive Directors, are eligible to join a defined contribution pension plan, whereby they make a contribution to the nominated plan, with the Company typically contributing double the amount paid by the employee.

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

The Committee believes that the consideration and management of risk is important when formulating and then operating appropriate remuneration structures (notably the performance criteria) for senior management. All of the members of the Committee are also members of the Audit Committee, whose chairman is also a member of the Remuneration Committee. The Remuneration Committee has a good understanding of the key risks facing the business and the relevance of these to the remuneration strategy, most particularly when setting targets for performance-related pay.

In line with the Investment Association's Guidelines on Responsible Investment Disclosure, the Remuneration 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 and remuneration design can be flexed to address ESG issues when appropriate. The Committee has due regard to issues of general operational risk when structuring incentives.

The clawback provisions in respect of annual bonuses and long-term share plans also provide the Committee with a mechanism to recover monies in certain circumstances, for example, if a misstatement of results is identified. Share ownership guidelines and the design of the 2016 LTIP help to ensure that the Executive Directors have a strong personal focus on long-term sustainable performance, heavily driven by the relative and absolute returns delivered to shareholders.

### How shareholders' views are taken into account

The Committee considers shareholder feedback received around the AGM and analyses the votes cast on the relevant items of business. This feedback, plus views received during meetings with institutional shareholders and their representative bodies, is considered as part of the Company's annual review of remuneration policy. The Remuneration Committee also consults with its key shareholders whenever appropriate. A full consultation exercise was undertaken during early 2016 with shareholders' views being reflected in the revised policy proposed in this report.

The Committee values feedback from its shareholders and seeks to maintain a continued open dialogue. Investors who wish to discuss remuneration issues should contact the Company Secretary.

### 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 are normally entered into on a rolling basis, with notice periods given by the employing company limited to 12 months or less. Should notice be served by either party, the executive can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time the relevant Group 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, save for sums accrued up to the date of termination, on the occurrence of certain events of 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 unexpired notice period.

The policy for any new Executive Director would be based on terms that are consistent with these provisions but will also include the ability for the Company 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, subject to mitigation).

David Wild, the Chief Executive Officer has a rolling contract dated 30 April 2014, which is terminable on six months' notice from either party. Paul Doughty, who was serving as Chief Financial Officer at the end of the 2015 financial year has an equivalent rolling contract dated 8 June 2015, also terminable on six months' notice. Both of these contracts include payment in lieu of notice provisions as per the policy detailed above.

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.

# Directors' remuneration report continued

## Remuneration policy report continued

### Service contracts and policy on exit continued

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

| Provision                          | Detailed terms                                                                                                                                                                                                   |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Notice period</b>               | 12 months or less                                                                                                                                                                                                |
| <b>Maximum termination payment</b> | Base salary plus benefits and pension, subject to mitigation for new Directors                                                                                                                                   |
| <b>Remuneration entitlements</b>   | 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)<br>In all cases performance targets would apply |
| <b>Change of control</b>           | As on termination                                                                                                                                                                                                |

Any share-based entitlements granted to an Executive Director under the Company's LTIP schemes or bonus entitlement under the annual performance bonus 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:

| Remuneration element                         | '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                                                                                                                                                         |                                                                                                                                                                               | 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)<br><br>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                                                                                                                                                                                                 | 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 full vesting, based on performance tested over the full performance period (or to the date of cessation at the discretion of the Committee)<br><br>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<br><br>Where awards are granted as performance shares, awards will be subject to a pro rata reduction unless the Committee determines otherwise |
| Long-term incentive entitlements (2016 LTIP) | Lapse                                                                                                                                                                                                 |                                                                                                                                                                               | Awards will normally continue to be capable of vesting subject to performance measured at the normal calculation date (or until the absolute TSR condition has been satisfied prior to the award's expiry) and a pro rata reduction by reference to the proportion of the relevant three, four and five-year performance periods that have expired, unless the Remuneration Committee determines otherwise, on an exceptional basis                                                                                         |
| 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. With the exception of Colin Halpern, who is nominated to the Board pursuant to a contractual agreement, each of the Non-executive Directors is appointed for a fixed term of three years, renewable for a further three-year term if agreed 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 | 1 January 2008<br>(as Executive Chairman) | 30 March 2013<br>(as non-executive Chairman) | 30 March 2016                           |
| Colin Halpern   | 15 November 1999                          | Rolling annual                               | n/a                                     |
| Helen Keys      | 20 September 2011                         | 20 September 2014                            | 20 September 2017                       |
| Ebbe Jacobsen   | 31 January 2014                           | 31 January 2014                              | 31 January 2017                         |
| Kevin Higgins   | 8 September 2014                          | 8 September 2014                             | 8 September 2017                        |
| Steve Barber    | 1 July 2015                               | 1 July 2015                                  | 1 July 2018                             |

## 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<br><br>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<br><br>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<br><br>For a new joiner, the bonus would be pro rated for the period of service<br><br>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                 | Participation will be in accordance with the information set out in the policy table<br><br>Awards may be made shortly after an appointment, subject to prohibited periods<br><br>Any new appointment would be eligible to participate in the all-employee share options arrangements on the same terms as all other employees<br><br>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<br><br>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 forfeited<br><br>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                            |

## 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.



# Directors' remuneration report continued

## 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 executives. 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 relevant senior executives and, when appropriate, are invited by the Remuneration Committee to attend meetings but are not present when their own remuneration is considered.

The Company Secretary acts as secretary to the Remuneration Committee.

The role of the Remuneration Committee is set out in its terms of reference which are reviewed annually and can be found on the Group's website, corporate.dominos.co.uk. The Remuneration Committee normally meets up to four times in each year and additionally as circumstances dictate.

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

| Name                                    | Member since      | Attendance |
|-----------------------------------------|-------------------|------------|
| Kevin Higgins (Chairman)                | 22 September 2014 | 4 out of 4 |
| Helen Keays                             | 22 September 2014 | 4 out of 4 |
| Steve Barber (from 16 September 2015)   | 16 September 2015 | 1 out of 1 |
| Michael Shallow (resigned 31 July 2015) | 1 January 2006    | 3 out of 3 |

### External advisers

Throughout the year, New Bridge Street ('NBS'), a trading name of AON plc, was retained by the Remuneration Committee to provide it with relevant consultancy services. NBS were selected on an arm's length basis and appointed by the Remuneration Committee. NBS is a signatory to the Remuneration Consultants' Code of Conduct and 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 £80,634 excluding VAT. The Remuneration Committee reviews its relationship with external advisers on a regular basis and, noting that NBS does not provide any other services to the Group, continues to believe that there are no conflicts of interest.

### What has the Remuneration Committee done during the year?

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

#### A) Management of individual remuneration

- reviewed and approved Executive Directors' and senior management base salaries and benefits;
- reviewed year-end business performance and performance-linked reward in order to determine annual bonus payouts and vesting of long-term incentives;
- approved the termination payments made to Sean Wilkins;
- approved the terms of Paul Doughty's recruitment and monitored the implications of his subsequent resignation;
- approved long-term incentive awards made in 2015;
- reviewed the non-executive Chairman's fees; and
- carried out a comprehensive review of the remuneration policy for Executive Directors and senior management for the 2016 financial year, including performance measures for the annual performance bonus and 2016 share plan awards to ensure measures are aligned with strategy and that targets are appropriately stretching.

#### B) Governance of the remuneration programme

- reviewed and approved the Directors' remuneration report;
- monitored guidance and directional themes from institutional shareholder bodies in relation to new reporting requirements;
- reviewed 2015 AGM results and feedback from institutional shareholders;
- confirmed that the remuneration arrangements are not anticipated to inadvertently encourage any undue risk taking; and
- reviewed and approved a revised Directors' remuneration policy and the key terms of the 2016 Long Term Incentive Plan.

## Implementation of remuneration policy for 2016

As explained in the Chairman's annual statement, the Remuneration Committee's review concluded that, in respect of the CEO, a low salary positioning should be retained with the amount frozen over the life of the policy and a reduced annual bonus opportunity. Transferring this value to a greater long-term reward opportunity under the 2016 Long Term Incentive Plan will provide a far greater incentive. Overall, the Remuneration Committee is satisfied that:

- the CEO's total target remuneration on an annualised basis is broadly equivalent to a mid-market package for an equivalent position in similarly sized UK companies; and
- the maximum additional incentive opportunity will only be available if the super stretch EPS targets are achieved and the Company achieves a 100% TSR over the life of the award.

In addition, by setting the award quantum and performance targets, the executive and the Company each have greater clarity on the five-year growth and reward expectations. It also has the advantage of avoiding the need to set LTIP performance criteria on an annual basis.

### Base salary

If the 2016 Long Term Incentive Plan resolution is approved at the 2016 AGM, the salary for the Chief Executive Officer will be frozen at £510,000 until 2019. This salary is significantly below the median of companies of a similar size and reflects the higher weighting given to long-term variable pay through the introduction of the 2016 Long Term Incentive Plan.

### 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 level of performance below which no award is paid.

The performance conditions for the APB for the 2016 financial year will be based both on achieving and exceeding the Group's underlying PBT growth targets set by the Board (70% of bonus) and on achieving individual business objectives (30% of bonus) which support the business plan. The targets applying to the APB will operate on a banded scale commencing at 20%, with 50% of bonus payable at target levels of performance through to maximum performance levels. If the 2016 LTIP is approved, the maximum bonus opportunity for the CEO will be reduced from 150% to 100% of salary.

The underlying PBT measure is based on internally set targets and pays out 20% at threshold (95% of target) rising on a pro rata basis to 50% payout at target with full payment only due if we achieve 110% of target.

For 2016, strategic personal 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 underlying 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 2015 actual underlying PBT base point (which in itself was a substantial growth from 2014), the Committee believes these targets to be extremely challenging again this year.

The Committee considers that the performance targets in relation to the APB are commercially sensitive and therefore will not be disclosed on a prospective basis, but intends that the targets and outcomes are disclosed in the Directors' remuneration report once they are no longer considered sensitive, as has been its practice in recent years.

For 2016 LTIP participants, 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 time they remain subject to forfeiture. Dividend equivalents will be payable on vested shares. However, if the 2016 LTIP is approved at the 2016 AGM, the CEO will receive his annual bonus payment (from the 2016 financial year onwards) wholly in cash.

A clawback provision will continue to apply which will enable the Committee to recover any value which was overpaid in the event of a misstatement of the Company's accounts or other relevant measure of performance, either by withholding future incentive pay or asking for the net of tax overpayment to be repaid.

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

### Long-term incentives

If the 2016 LTIP is approved at the 2016 AGM, the awards to be granted in 2016 will be structured as nil-cost options or conditional awards which will vest in equal tranches after three, four and five years. A holding period will apply which requires any vested awards (net of tax) to be held for at least five years from the date of grant.

The Committee intends to make an award of 534,000 performance shares to the Chief Executive Officer in 2016. The value was arrived at by considering typical total target remuneration levels in similarly sized companies and addressing the shortfall in the package as a result of freezing base salary at below market levels for three years and reducing the annual bonus opportunity. Dividend equivalents may be payable on shares released up to their date of vesting or on vested shares subject to the holding period.

In terms of performance targets, the Remuneration Committee intends to apply two independent performance metrics, relative TSR and EPS. Once the vesting outcome for each tranche is determined, an absolute TSR underpin will also apply. If the 2012 LTIP is operated in 2016, then the same measures and targets will be used as applied in 2015.

# Directors' remuneration report continued

## Annual report on remuneration continued

### Implementation of remuneration policy for 2016 continued

#### Long-term incentives continued

##### Performance conditions

One-third of each tranche will vest subject to a relative TSR condition measured against the FTSE 250 (excluding investment trusts). 15% of this element will continue to vest for median performance rising up to full vesting for an upper quartile ranking or better, measured over three, four and five years as appropriate. The second one-third of each tranche will vest subject to stretching EPS targets and the final third will vest subject to exacting super-stretch EPS targets. Both EPS components will use actual 2015 EPS as the base year from which growth is measured.

Targets for each element across the various tranches are as follows:

| Weighting                        | Vesting of each tranche<br>(straight line between each point) | Tranche 1 –<br>performance to<br>end of year 3 | Tranche 2 –<br>performance to<br>end of year 4 | Tranche 3 –<br>performance to<br>end of year 5 |
|----------------------------------|---------------------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|
| One-third relative TSR targets   | 0%                                                            | Below median                                   | Below median                                   | Below median                                   |
|                                  | 15%                                                           | Median                                         | Median                                         | Median                                         |
|                                  | 100%                                                          | Upper quartile                                 | Upper quartile                                 | Upper quartile                                 |
| One-third stretch targets:       | 0%                                                            | <30%                                           | <40%                                           | <50%                                           |
| Cumulative growth in EPS         | 10%                                                           | 30%                                            | 40%                                            | 50%                                            |
|                                  | 45%                                                           | 40%                                            | 50%                                            | 60%                                            |
|                                  | 80%                                                           | 50%                                            | 60%                                            | 75%                                            |
|                                  | 100%                                                          | 60%                                            | 75%                                            | 90%                                            |
| One-third super stretch targets: | 0%                                                            | 60%                                            | 75%                                            | 90%                                            |
| Cumulative growth in EPS         | 50%                                                           | 70%                                            | 85%                                            | 105%                                           |
|                                  | 100%                                                          | 80%                                            | 100%                                           | 120%                                           |

At the end of the relevant performance periods, the provisional vesting outcome will be determined by reference to TSR and EPS performance. This will determine the maximum percentage of awards capable of vesting.

#### Absolute TSR underpin

Once the potential vesting outcomes are known for each tranche, an underpin mechanism will apply which only permits the release of vested awards if TSR has increased in absolute terms with awards released on a proportionate basis. For example, if the Company's TSR at the calculation date for a particular tranche is 75%, then only three-quarters of the awards capable of vesting under that tranche (having applied the EPS and relative TSR tests) will be released. Awards will only be released in full if our absolute TSR has increased by 100%. Progression towards the TSR doubling target will be assessed upon the completion of the relevant performance period and every six months thereafter until the expiry of the award shortly after its seventh anniversary of grant, in 2023.

This additional absolute TSR requirement provides further alignment between reward outcomes and shareholder returns.

The above underlying 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. Compared with the previous policy, the proposed remuneration for the CEO, based on Tranche 1, should be lower unless a compound annual growth in EPS growth of at least 17% p.a. and 100% TSR has been achieved.

In choosing underlying 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 (underlying EPS) and further aligning the Executives with shareholders through the introduction of a relative TSR condition. The absolute TSR underpin provides a requirement for delivering absolute shareholder returns through distributions and share price growth.

#### Clawback and malus

A recovery provision will apply to all awards made under the LTIP which will enable the Committee to recover any value which was overpaid in the event of a misstatement of the Company's accounts or other relevant measure of performance, either through withholding future incentive pay or through asking for the net of tax excess value received to be repaid.

#### Benefits and supplements

Benefits in kind provided for 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 Executive Directors and their 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 pension arrangements for Executive Directors to ensure that 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 base 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.

#### New appointments

The remuneration arrangements for any new appointments to the Board will be consistent with the Company's approved remuneration policy and policy table.

## Implementation of remuneration policy for 2016 continued

### Non-executive Directors' fees

Non-executive Directors' fees are reviewed biennially and the last review was carried out in February 2016. The fee structure for the Chairman and other non-executive Directors for 2016 and 2017 will be as follows:

- Chairman – £225,000;
- Non-executive Director base fee – £47,000;
- Audit Committee Chairman fee – £10,000;
- Remuneration Committee Chairman fee – £10,000;
- Nomination Committee Chairman fee – £5,000; and
- Senior Independent Director fee – £7,000.

The increases reflect the increasing demands and time commitment required in carrying out the various roles, and also recognise movements in market fee levels.

The fees for the non-executive Vice-Chairman are currently under review. These will continue to recognise his role as an international ambassador for the Company, but will be at a lower level than the £265,000 he received in 2015. Benefits will continue to be provided in addition to the fee.

### Statement of shareholding voting at AGM

At the AGM held on 21 April 2015 there was one item of remuneration-related business, the Directors' remuneration report, which received the following votes from shareholders:

|                                             | Annual report on remuneration |                 |
|---------------------------------------------|-------------------------------|-----------------|
|                                             | Total number of votes         | % of votes cast |
| For                                         | 122,205,423                   | 99.07%          |
| Against                                     | 1,153,053                     | 0.93%           |
| Total votes cast (for and against)          | 123,358,476                   | 100%            |
| Votes withheld*                             | 1,932,595                     | –               |
| Total votes cast (including withheld votes) | 125,291,071                   | –               |

\* 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 27 December 2015

| £000                         | Fixed pay    |                                       |           |              | Performance-related pay |                                |            | Total remuneration in 2015 |
|------------------------------|--------------|---------------------------------------|-----------|--------------|-------------------------|--------------------------------|------------|----------------------------|
|                              | Salary       | Benefits <sup>1</sup> and supplements | Pension   | Subtotal     | Bonus                   | Deferred interest/LTIP vesting | Subtotal   |                            |
| <b>Executives</b>            |              |                                       |           |              |                         |                                |            |                            |
| David Wild <sup>2</sup>      | 510          | 14                                    | 50        | 574          | 669                     | –                              | 669        | 1,243                      |
| Paul Doughty <sup>3</sup>    | 181          | 8                                     | 27        | 216          | –                       | –                              | –          | 216                        |
| <b>Former Executives</b>     |              |                                       |           |              |                         |                                |            |                            |
| Sean Wilkins <sup>4</sup>    | 24           | 1                                     | 2         | 27           | –                       | –                              | –          | 27                         |
| <b>Non-executives</b>        |              |                                       |           |              |                         |                                |            |                            |
| Stephen Hemsley              | 195          | 2                                     | –         | 197          | –                       | –                              | –          | 197                        |
| Colin Halpern <sup>5</sup>   | 265          | 31                                    | –         | 296          | –                       | –                              | –          | 296                        |
| Helen Keays                  | 41           | –                                     | –         | 41           | –                       | –                              | –          | 41                         |
| Ebbe Jacobsen                | 41           | –                                     | –         | 41           | –                       | –                              | –          | 41                         |
| Kevin Higgins                | 48           | –                                     | –         | 48           | –                       | –                              | –          | 48                         |
| Steve Barber <sup>6</sup>    | 21           | –                                     | –         | 21           | –                       | –                              | –          | 21                         |
| Michael Shallow <sup>7</sup> | 33           | –                                     | –         | 33           | –                       | –                              | –          | 33                         |
| <b>Total</b>                 | <b>1,359</b> | <b>56</b>                             | <b>79</b> | <b>1,494</b> | <b>669</b>              | <b>–</b>                       | <b>669</b> | <b>2,163</b>               |

# Directors' remuneration report continued

## Annual report on remuneration continued

### Implementation of remuneration policy for 2016 continued

#### Single total remuneration figure for each Director (audited) continued

52 weeks ended 28 December 2014

|                                               | Fixed pay |                                       |         |          | Performance-related pay |                                |          | Total remuneration in 2014 |
|-----------------------------------------------|-----------|---------------------------------------|---------|----------|-------------------------|--------------------------------|----------|----------------------------|
| £000                                          | Salary    | Benefits <sup>1</sup> and supplements | Pension | Subtotal | Bonus                   | Deferred interest/LTIP vesting | Subtotal |                            |
| <b>Executives</b>                             |           |                                       |         |          |                         |                                |          |                            |
| David Wild <sup>2</sup>                       | 528       | 10                                    | 33      | 571      | 293                     | –                              | 293      | 864                        |
| <b>Former Executives</b>                      |           |                                       |         |          |                         |                                |          |                            |
| Sean Wilkins <sup>4</sup>                     | 275       | 14                                    | 25      | 314      | –                       | –                              | –        | 314                        |
| <b>Non-executives</b>                         |           |                                       |         |          |                         |                                |          |                            |
| Stephen Hemsley <sup>8</sup>                  | 241       | 2                                     | –       | 243      | –                       | –                              | –        | 243                        |
| Colin Halpern <sup>5</sup>                    | 265       | 31                                    | –       | 296      | –                       | –                              | –        | 296                        |
| Michael Shallow                               | 51        | –                                     | –       | 51       | –                       | –                              | –        | 51                         |
| Helen Keays                                   | 39        | –                                     | –       | 39       | –                       | –                              | –        | 39                         |
| Ebbe Jacobsen <sup>9</sup>                    | 36        | –                                     | –       | 36       | –                       | –                              | –        | 36                         |
| Kevin Higgins <sup>10</sup>                   | 15        | –                                     | –       | 15       | –                       | –                              | –        | 15                         |
| <b>Total</b>                                  | 1,450     | 57                                    | 58      | 1,565    | 293                     | –                              | 293      | 1,858                      |
| <b>Prior year reported total<sup>11</sup></b> | 1,684     | 62                                    | 78      | 1,834    | 340                     | 148                            | 488      | 2,322                      |

#### Notes:

- The value of benefits relates primarily to the provision of a company car allowance and, if applicable, health cover.
- David Wild was appointed as Interim Chief Executive Officer on 31 January 2014 and Chief Executive Officer on 30 April 2014. Prior to his appointment as Interim Chief Executive Officer, he was a non-executive Director and thus received fees in relation to this role. During his time as Interim Chief Executive Officer he received a flat rate of £50,000 per month. This rate of pay had been set inclusive of benefits and pension. He was not eligible to participate in any of the Group's incentive plans given the interim nature of the appointment. On his permanent appointment to Chief Executive Officer his salary was set at £500,000 per annum, increased in 2015 by 2% in line with the workforce. David Wild was eligible to receive benefits and pension and participate in the incentive plans in line with the remuneration policy in force throughout the year.
- Paul Doughty took up the position of Chief Financial Officer with effect from 8 June 2015 on an annual salary of £325,000 and was eligible to receive benefits and pension and participate in the incentive plans in line with the prevailing remuneration policy. He tendered his resignation on 19 November 2015 and stepped down from the Board as Chief Financial Officer shortly after the financial year-end, on 31 December 2015. He was not eligible for a bonus and did not receive any awards under the LTIP scheme.
- Sean Wilkins was appointed as Chief Financial Officer in April 2014, on a salary of £275,000 and was eligible to receive benefits and pension and participate in the incentive plans in line with the remuneration policy. He stepped down from the Board as Chief Financial Officer with effect from 20 January 2015. Sean Wilkins was not eligible for a bonus in respect of 2015 performance.
- Colin Halpern is not remunerated by the Company and for the 2015 financial year a management fee of £265,000 was paid to HS Real Company LLC in the year in respect of his services. A further benefit of £31,000 relating to life insurance premiums was also paid to HS Real Company LLC during the year. The same structure of payment of fees operated in 2014.
- Steve Barber was appointed to the Board on 1 July 2015.
- Michael Shallow retired from the Board on 31 July 2015.
- The annualised fee of the Chairman, Stephen Hemsley, was enhanced from £195,000 to £390,000 between 1 February 2014 and 30 April 2014. This increase in fee reflected the additional time commitment required in recognition of his enhanced role supporting the Interim Chief Executive Officer.
- Ebbe Jacobsen was appointed to the Board on 31 January 2014.
- Kevin Higgins was appointed to the Board on 8 September 2014.
- As required by the Regulations, this row sets out the total reported in the remuneration report for the prior financial year.

#### Defined contribution pensions (audited)

Executive Directors receive up to 15% of salary from the Company, either as contributions to a personal pension fund or in cash. In the year ended 27 December 2015 this totalled £50,000 for David Wild. Sean Wilkins and Paul Doughty received £2,000 and £27,000 respectively during their service as Executive Directors in the financial year.



## Details of variable pay earned in the year

### Annual bonus plan

The incentive for the financial year ended 27 December 2015 was in the form of a bonus based on performance against a combination of financial targets, specifically a significant increase in the Group's underlying PBT, and non-financial targets, incentivising a number of the Company's strategic priorities.

The CEO had a bonus opportunity of up to 150% of salary in respect of the 2015 financial year.

Of this opportunity, 70% was linked to Group underlying PBT and operated on a banded basis, commencing at 20% for threshold levels of profit performance, 50% of bonus at target, with the full 100% only payable at stretch performance levels, being materially in excess of budget.

2015 was a successful year for the Group, with the underlying PBT of £69.85m (including trading losses in the German business) exceeding the maximum performance hurdle of £69.41m, and so resulting in a maximum payment for this element as shown below:

| Performance hurdle                                                                                                                                               | Targets set for year (underlying PBT)                    | Actual performance achieved       | Resulting bonus out-turn | Resulting bonus payable |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------|--------------------------|-------------------------|
| Growth in underlying profit before tax of between 95% of target (20% payout) and 110% or more (full payout). Graduated scale operates between performance points | Threshold: £59.95m<br>Target: £63.1m<br>Maximum: £69.41m | Actual underlying PBT was £69.85m | 100% of maximum          | £535,500                |

The non-financial targets set for the CEO, which accounted for 30% of his bonus opportunity, related to a number of key strategic objectives for 2015 which included:

- Germany – reducing trading losses and deliver a strategic outcome;
- Switzerland – move the business to profitability, improve management and gain board agreement on a strategic plan; and
- succession – to build an executive team including potential CEO successors.

The Remuneration Committee's assessment of performance against the above objectives concluded that there was good progress with these strategically-linked personal objectives and 17.5% points of the 30% forming this part of the bonus should be paid, equating to £133,875.

Payment of the bonus is subject to reaching a threshold level of profitability, and this underpin was met. Accordingly, David Wild is entitled to receive a bonus in respect of 2015 performance amounting to £669,375, equating to 87.5% of the maximum opportunity and c.131% of salary. Consistent with our policy, two-thirds of the bonus is payable in cash and the remaining one-third will be deferred in shares that vest after two years.

The other Executive Directors who held office for part of the 2015 financial year, Sean Wilkins and Paul Doughty, were not eligible to receive a bonus in light of their respective resignations.

### Share awards granted during the year (audited)

#### Sharesave Plan

The Company operates an HMRC-registered Savings-Related Share Option Plan open to all UK employees with the required period of service. Under this arrangement, employees enter into a three-year savings contract for a fixed monthly amount and are granted an option, with the accumulated savings being used to fund the option exercise cost. As permitted by HMRC rules, a discount of 20% to the market price at the date of invitation is offered. Vesting of the option is subject only to continued service. An award was granted to David Wild during the year as follows:

| Executive  | Date of grant | Type of award | Number of shares | Option price | Face value | Vesting date |
|------------|---------------|---------------|------------------|--------------|------------|--------------|
| David Wild | 29/04/15      | Share option  | 2,816            | 639p         | £22,725    | 01/06/18     |

As explained above, the option price is at a 20% discount to the closing share price on 7 April 2015, the day before invitations to apply for options were issued. Face value is calculated using the closing mid-market price of the Company's shares on the date of grant of 807p.

#### Deferred Share Bonus Plan

Bonuses payable to Executive Directors are settled two thirds in cash and one third in shares, the receipt of the latter being deferred for two years. A prohibited period existing throughout 2015 because of ongoing negotiations in relation to the German business, the successful conclusion of which was announced to the market on 15 December 2015. As a result the share-settled deferred portion of the CEO's 2014 bonus could not be granted until December 2015. Given the delay caused by the prohibited period, the Remuneration Committee used discretions available to it under the rules of the DSBP to determine (a) that the strike price used to calculate the number of shares comprised in the award should be the closing mid-market quote of 730p for the Company's shares on 26 February 2015 and (b) that the Normal Vesting Date should be 27 February 2017; in each case this would have been the case if this award had been made as originally intended and at the first opportunity. The strike price was used to determine the face value in the table below.

| DSBP       | Basis of award      | Face value | Number of shares | Vesting date |
|------------|---------------------|------------|------------------|--------------|
| David Wild | 33.33% of ABP value | £97,572    | 13,366           | 27/02/17     |

This award, which is structured as a nil-cost option, vests subject to continuous employment and no other performance criteria. Dividend equivalents will become payable on exercise.

# Directors' remuneration report continued

## Annual report on remuneration continued

### Details of variable pay earned in the year continued

### Share awards granted during the year (audited) continued

#### LTIP awards

The 2015 grant of performance shares was also delayed by the prohibited period relating to the German transaction. Details of the LTIP grant made on 21 December 2015 are summarised below:

| Executive  | Date of grant | Type of award               | Number of awards granted | Face value of award* | Face value of award as % of salary | Vesting % at threshold | Performance period                      | Performance conditions       |
|------------|---------------|-----------------------------|--------------------------|----------------------|------------------------------------|------------------------|-----------------------------------------|------------------------------|
| David Wild | 21/12/15      | Conditional Award of shares | 75,893                   | £765,001             | 150%                               | 10%–15%                | Three financial years from 2014 to 2017 | 50%: EPS growth<br>50%: RTSR |

\* Based on a share price of 1008p per share averaged over 14-18 December 2015, the five dealing days preceding the date of grant.

Dividend equivalents will be payable on the number of awards that ultimately vest.

#### 50%: EPS performance

Half the awards may vest subject to growth in the Company's adjusted EPS on the following basis:

| 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

#### 50%: Relative TSR performance

The remaining half of awards may 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 median and upper quartile

### Awards held in the year (audited)

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

| Plan                    | Outstanding shares at 28 December 2014 | Granted/awarded in 2015 (number) | Exercised/vested (number) | Lapsed (number) | Outstanding shares at 27 December 2015 | Exercise price (pence) | Date of grant | Date from which exercisable/capable of vesting |
|-------------------------|----------------------------------------|----------------------------------|---------------------------|-----------------|----------------------------------------|------------------------|---------------|------------------------------------------------|
| <b>David Wild</b>       |                                        |                                  |                           |                 |                                        |                        |               |                                                |
| LTIP                    | 180,505                                | –                                | –                         | –               | 180,505                                | n/a                    | 30/05/14      | 30/05/17                                       |
| LTIP (additional award) | 135,379                                | –                                | –                         | –               | 135,379                                | n/a                    | 30/05/14      | 30/05/17                                       |
| Sharesave               | –                                      | 2,816                            | –                         | –               | 2,816                                  | 639                    | 29/04/15      | 01/06/18                                       |
| DSBP                    | –                                      | 13,366                           | –                         | –               | 13,366                                 | n/a                    | 21/12/15      | 27/02/17                                       |
| LTIP                    | –                                      | 75,893                           | –                         | –               | 75,893                                 | n/a                    | 21/12/15      | 21/12/18                                       |
| <b>Sean Wilkins</b>     |                                        |                                  |                           |                 |                                        |                        |               |                                                |
| LTIP                    | 99,277                                 | –                                | –                         | 99,277          | –                                      | n/a                    | 30/05/14      | 30/05/17                                       |
| LTIP (additional award) | 49,638                                 | –                                | –                         | 49,638          | –                                      | n/a                    | 30/05/14      | 30/05/17                                       |

Vesting of LTIP awards is subject to the achievement of performance conditions and continued employment. DSBP and Sharesave awards vest subject to continued employment only.

As outlined in the 2014 Directors' remuneration report, Sean Wilkins stepped down from the Board and ceased to be an employee of the Company on 20 January 2015, at which point his outstanding share awards lapsed in full. Throughout Paul Doughty's service as an Executive Director, the Company was in a prohibited period relating to the German transaction, which prevented any LTIP awards being granted to him.

## Details of variable pay earned in the year continued

### Dilution limits

The Company operates within best practice guidelines published by the Investment Association. These broadly provide that where new-issue shares are used to satisfy awards made under employee share schemes, the aggregate number of shares placed under award (disregarding any awards which have lapsed) across all such schemes operated by the Company should not exceed 10% of the Company's issued share capital in any 10-year rolling period.

### Termination payments (audited)

Sean Wilkins left the Company on 20 January 2015 and received a termination payment, as explained in the 2014 Directors' remuneration report.

Michael Shallow retired from the Board on 31 July 2015. As a Non-executive Director, he was not employed and no termination payments were made to him.

Shortly after the year-end, Paul Doughty resigned as an Executive Director and ceased to be an employee of the Company, both on 31 December 2015. He had been paid up to that date and no further payments were or are due to him. As explained elsewhere in this report, he was not eligible for a 2015 bonus payment and had not been granted any LTIP awards.

### Directors' shareholdings (audited)

To reinforce the linkage between senior executives and shareholders, the Company has adopted a shareholding policy that applies to Executive Directors under its long-term incentive arrangements. The Executive Directors are required to retain sufficient shares from the vesting of awards to build up and retain a personal shareholding worth an equivalent of a minimum of 150% of their 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 shareholding 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.

The Committee has decided that awards made under the DSBP shall count (assuming the sale of sufficient shares to fund the employee's tax and NI obligations) towards this target.

|                                | Legally owned<br>shares at<br>27 December 2015<br>(or earlier date of cessation) | Legally owned<br>shares at<br>28 December<br>2014 | Conditional shares<br>subject to<br>performance<br>conditions<br>(2012 LTIP) | Share options<br>not subject to<br>performance<br>conditions<br>(DSBP/Sharesave) | Market value<br>of shareholding<br>as a % of salary <sup>1</sup> |
|--------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------|
| <b>Executive Directors</b>     |                                                                                  |                                                   |                                                                              |                                                                                  |                                                                  |
| David Wild                     | 4,550                                                                            | 4,550                                             | 391,777                                                                      | 16,182                                                                           | 23%                                                              |
| <b>Non-executive Directors</b> |                                                                                  |                                                   |                                                                              |                                                                                  |                                                                  |
| Stephen Hemsley <sup>2</sup>   | 600,000                                                                          | 600,000                                           | —                                                                            | —                                                                                | n/a                                                              |
| Colin Halpern <sup>3</sup>     | 557,900                                                                          | 557,900                                           | —                                                                            | —                                                                                | n/a                                                              |
| Helen Keays                    | —                                                                                | —                                                 | —                                                                            | —                                                                                | n/a                                                              |
| Ebbe Jacobsen                  | —                                                                                | —                                                 | —                                                                            | —                                                                                | n/a                                                              |
| Kevin Higgins                  | —                                                                                | —                                                 | —                                                                            | —                                                                                | n/a                                                              |
| Steve Barber <sup>4</sup>      | —                                                                                | n/a                                               | —                                                                            | —                                                                                | n/a                                                              |
| <b>Former Directors</b>        |                                                                                  |                                                   |                                                                              |                                                                                  |                                                                  |
| Sean Wilkins <sup>5</sup>      | —                                                                                | —                                                 | —                                                                            | —                                                                                | —                                                                |
| Paul Doughty <sup>6</sup>      | —                                                                                | n/a                                               | —                                                                            | —                                                                                | —                                                                |
| Michael Shallow <sup>5</sup>   | 48,000                                                                           | 48,000                                            | —                                                                            | —                                                                                | n/a                                                              |

#### Notes:

- 1 Based on share price of 1020p prevailing at end of the financial year, the number of shares in which the Director has a beneficial interest and calculated on the salary paid in the year.
- 2 600,000 ordinary shares (2014: 600,000) are held by The Stephen Hemsley Trusts No. 5, discretionary trust of which Stephen Hemsley and his family are potential beneficiaries.
- 3 557,900 ordinary shares (2014: 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.
- 4 Steve Barber was appointed as a Director on 1 July 2015.
- 5 Sean Wilkins and Michael Shallow left the Board on 20 January 2015 and 31 July 2015 respectively.
- 6 Paul Doughty had resigned as an employee during the financial year, and resigned as a Director subsequent to the year-end on 31 December 2015.

# Directors' remuneration report continued

## Annual report on remuneration continued

### Details of variable pay earned in the year continued

#### CEO remuneration

| Year ended        | Chief Executive Officer | Total remuneration<br>£000 | Annual bonus<br>(% of max) | LTIP vesting<br>(% of max) |
|-------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| 27 December 2015  | David Wild              | 1,243                      | 87.5%                      | —                          |
| 28 December 2014  | David Wild              | 864                        | 58.6%                      | —                          |
| 29 December 2013* | Lance Batchelor         | 532                        | 0%                         | —                          |
| 30 December 2012  | Lance Batchelor         | 852                        | 50%                        | —                          |
| 25 December 2011  | Lance Batchelor         | 256                        | 60%                        | —                          |
| 25 December 2011  | Chris Moore             | 630                        | 60%                        | 100%                       |
| 26 December 2010  | Chris Moore             | 809                        | 100%                       | 100%                       |
| 27 December 2009  | Chris Moore             | 672                        | 100%                       | 100%                       |

\* Lance Batchelor resigned as CEO on 16 March 2014. David Wild assumed the position of Interim CEO on 31 January 2014 and his appointment as the Group's CEO was formally confirmed on 30 April 2014. For comparative purposes the total remuneration shown for the year ended 28 December 2014 includes remuneration received in both roles.

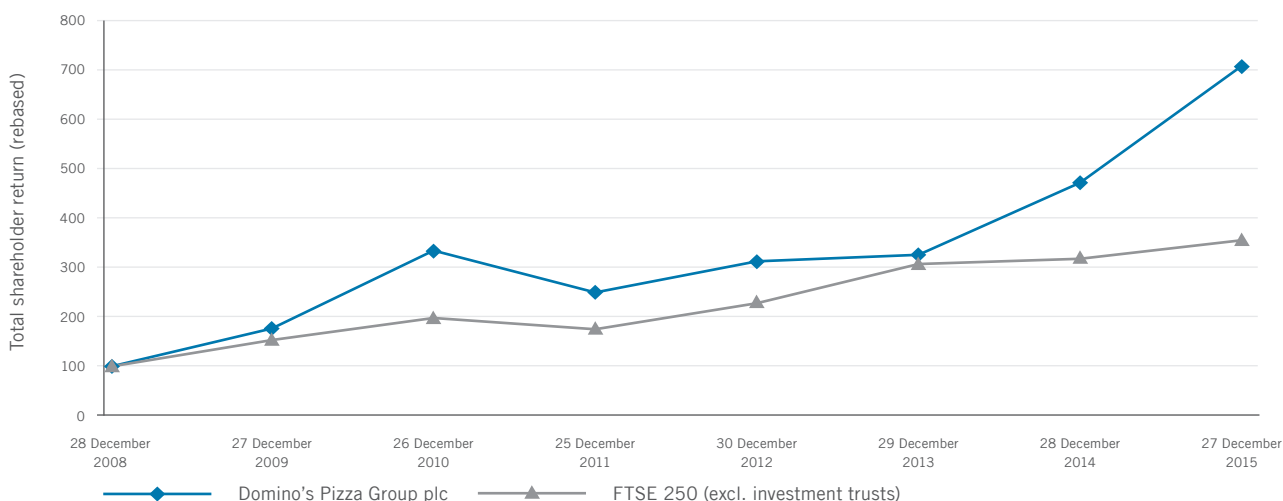
Given that the CEO was appointed in the 2014 financial year, he did not have any long-term incentive awards vesting based on performance periods ending during the 2015 financial year. The first LTIP awards were granted to him in 2014 and these are expected to vest in the 2017 financial year.

#### Total shareholder return

The graph below illustrates the Company's TSR performance over the seven financial years to 27 December 2015, plotted against the TSR performance of the FTSE 250 Index (excluding investment trusts) over the same period.

TSR reflects movements in the share price, adjusted for capital events and assuming all dividends are reinvested on the ex-dividend date. The FTSE 250 Index (excluding investment trusts) has been selected for this comparison because (i) this is the index in which the Company's shares have been quoted since admission to the Official List and (ii) it forms the comparator group for the TSR performance condition used in the Group's 2012 LTIP.

The graph shows the value, at 27 December 2015, 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 the relevant financial year-ends.

## Details of variable pay earned in the year continued

### Percentage increase in the remuneration of the Chief Executive Officer

|                                                 | 2015<br>% |
|-------------------------------------------------|-----------|
| <b>Chief Executive Officer</b>                  |           |
| Salary                                          | 2.0       |
| Benefits                                        | 40.0      |
| Bonus                                           | 128.0     |
| <b>Average employee (on a per capita basis)</b> |           |
| Salary                                          | 0.1       |
| Benefits                                        | 0.1       |
| Bonus                                           | 29.8      |

The table above shows the percentage change in salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year, and compares this to the equivalent year-on-year changes averaged across all Group employees and expressed on a per capita basis, which includes the impact of a 15% increase in headcount during the year. Pay for Group employees includes material proportions paid in Euros and Swiss Francs, and the translation into Pounds for the purposes of this year-on-year comparison includes exchange effects.

The apparent increase in the value of David Wild's benefits year-on-year is skewed as he did not receive normal contractual benefits for the whole of 2014 since he served as Interim CEO for four months of that year.

The year-on-year change in David Wild's bonus reflects the fact that the Company's profit performance in 2014 fell short of target, whereas in 2015 it exceeded the maximum level specified in the bonus plan.

### Relative importance of spend on pay

|                                   | 2015 | 2014<br>(restated where necessary) | % change |
|-----------------------------------|------|------------------------------------|----------|
| Staff costs (£m)                  | 39.3 | 34.9                               | 12.6     |
| of which Directors' pay (£m)      | 2.2  | 2.3                                | (4.3)    |
| Dividends and share buybacks (£m) | 31.0 | 29.7                               | 4.3      |
| Underlying PBT (£m)               | 73.2 | 62.1                               | 17.9     |

Underlying PBT was chosen as a comparator as it reflects the profit generated by the Group's continuing operations, virtually the whole of which leads to cash generation. This therefore creates the opportunity for the Board to reinvest in the Group's business, or make distributions to shareholders, or both. It is the same comparator as used in prior years' remuneration reports.

On behalf of the Board

### Kevin Higgins

Chairman of the Remuneration Committee

2 March 2016



# Directors' report

The Directors have pleasure in presenting the statutory financial statements for the Group for the 52 weeks ended 27 December 2015.

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosure of likely future developments in the Strategic report (on pages 1 to 29), which includes the following:

- Chairman's statement on pages 4 and 5;
- Chief Executive Officer's statement on pages 6 to 9;
- Description of the business structure, model, markets and strategy on pages 10 to 15;
- the key performance indicators on pages 16 and 17;
- the discussion of risk management, the table of principal risks and uncertainties and longer-term viability statement on pages 18 to 23;
- the financial review on pages 24 to 25; and
- the corporate social responsibility report on pages 26 to 29.

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

Details of the Group's policy on addressing financial risks and details about financial instruments are shown in note 28 to the Group financial statements on pages 104 to 106.

The sections of the Annual Report dealing with corporate governance, the reports of the Nomination Committee and Audit Committee and the Directors' remuneration report set out on pages 32 to 61 inclusive are hereby incorporated by reference into this Directors' report.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the strategic report and Directors' report including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

| Section Topic                                                | Location                |
|--------------------------------------------------------------|-------------------------|
| (1) Interest capitalised                                     | Note 16 to the accounts |
| (2) Publication of unaudited financial information           | Not applicable          |
| (4) Details of long-term incentive schemes                   | Remuneration report     |
| (5) Waiver of emoluments by a Director                       | Not applicable          |
| (6) Waiver of future emoluments by a Director                | Not applicable          |
| (7) Non pre-emptive issues of equity for cash                | Not applicable          |
| (8) Item (7) in relation to major subsidiary undertakings    | Not applicable          |
| (9) Parent participation in a placing by a listed subsidiary | Not applicable          |
| (10) Contracts of significance                               | Directors' report       |
| (11) Provision of services by a controlling shareholder      | Not applicable          |
| (12) Shareholder waivers of dividends                        | Directors' report       |
| (13) Shareholder waivers of future dividends                 | Directors' report       |
| (14) Agreements with controlling shareholders                | Not applicable          |

All the information cross-referenced above is hereby incorporated by reference into this Directors' report.

## Group results

The Group profit for the period from continuing operations after taxation was £59.3m (2014: £49.4m (restated)). This is after a taxation charge of £13.9m (2014: £12.7m (restated)) representing an effective tax rate of 19.0% (2014: 20.4% (restated)). The financial statements setting out the results of the Group for the period ended 27 December 2015 are shown on pages 73 to 119.

## Dividends

The Directors recommend the payment of a final dividend of 11.75p per Ordinary share, to be paid on 25 April 2016 to members on the Register at the close of business on 11 March 2016 (ex-dividend date 10 March 2016), subject to shareholder approval. Together with the interim dividend of 9.00p per Ordinary share paid on 4 September 2015, the total dividend in respect of the period will be 20.75p compared with 17.50p for the previous year, an increase of 18.6%.

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. Therefore, the amount recognised in the 2015 accounts, as described in note 14 on page 94, comprises the 2014 final dividend and the 2015 interim dividend.

## Share capital

As at 27 December 2015, the Company's authorised share capital was £4,000,000 divided into a single class of 256,000,000 Ordinary shares of 1.5625p each and there were 166,802,688 Ordinary shares in issue. All issued Ordinary shares are fully paid up. 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 who are entitled to attend general meetings and to exercise voting rights.

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 reflects the position in the Shareholders' Rights Regulations 2009 which amended the Companies Act 2006. 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 Articles specify 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 the Articles, law or regulation and pursuant to the Listing Rules whereby certain Directors, officers and employees require approval to deal in Ordinary shares of the Company. 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 Elian Fiduciary Services (Jersey) Limited. As at 27 December 2015, the EBT held 56,252 shares, which are used to satisfy awards under employee share schemes. The voting rights in relation to these shares are exercisable by the trustee; however, in accordance with best practice guidance, the trustee abstains from voting.

## Shares held by employee share trusts continued

### Dividend waivers

A dividend waiver is in force in relation to shares in the Company held by the EBT (see previous paragraph), which relates to a total of 56,252 shares.

### Purchase of own shares

At the 2015 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 for the year under review. The Company engages in share buybacks to create value for shareholders when cash flows permit and there is no immediate alternative investment use for the funds.

No buybacks were undertaken in 2015 as the Company was in a prohibited period caused by the transaction in relation to its German business, for most of that year.

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, to be held on 20 April 2016.

### Substantial shareholdings

As at 26 February 2016, the Company has been notified of the following interests in 3% or more of the total voting rights of the Company:

|                               | % of total voting rights* |
|-------------------------------|---------------------------|
| Wasatch Advisors              | 3.03                      |
| Montanaro Investment Managers | 3.01                      |

\* Using the total voting rights figure applicable at 31 January 2016 of 166,424,830. Except for the above, the Group is not aware of any 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 26 February 2016.

### Directors and their interests

The Directors in service at 27 December 2015 were Stephen Hemsley, David Wild, Paul Doughty, Colin Halpern, Helen Keays, Ebbe Jacobsen, Kevin Higgins and Steve Barber.

Sean Wilkins and Paul Doughty resigned as Executive Directors on 20 January 2015 and on 31 December 2015 respectively. After 10 years, Michael Shallow retired as an independent non-executive Director on 31 July 2015.

On 1 July 2015, Steve Barber was appointed as an independent non-executive Director of the Company. The biographical details of the present Directors are set out on page 31 of this Annual Report.

The appointment and replacement of Directors is governed by the Articles of the Company, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Subject to the Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board which 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 options and awards held by Executive Directors, are contained in the Directors' remuneration report set out on pages 41 to 61. Should any Ordinary shares be required to satisfy awards over shares, these may be provided by the EBT.

There have been no changes in the interests of the Directors, including share options and awards, in the share capital of the Company between the year-end and 26 February 2016. No Directors have a beneficial interest in the shares of any subsidiary.

In line with the Companies Act 2006, 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 Companies Act 2006), was in force during the year ended 27 December 2015 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 that Directors or officers are found to have acted fraudulently or dishonestly. No indemnity is provided for the Group's auditor.

### Employees

#### UK and ROI

In the UK and ROI, the Group employed 555 people as at 27 December 2015 (2014: 504).

|                                   |     |
|-----------------------------------|-----|
| Head Office – United Kingdom      | 186 |
| Milton Keynes Supply Chain Centre | 261 |
| Penrith Supply Chain Centre       | 69  |
| Naas Supply Chain Centre          | 39  |

#### Germany

In Germany, the Group employed 306 people as at 27 December 2015 (2014: 196).

|                            |     |
|----------------------------|-----|
| German Head Office         | 21  |
| German Supply Chain Centre | 10  |
| German corporate stores    | 275 |

#### Switzerland

In Switzerland, the Group employed 296 people as at 27 December 2015 (2014: 242).

|                        |     |
|------------------------|-----|
| Swiss Head Office      | 11  |
| Swiss corporate stores | 285 |

For further details please refer to note 8 on page 89.

### 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 and 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 28.

## Directors' report continued

### General information

#### Annual General Meeting

The notice convening the AGM to be held at 12 noon on 20 April 2016 at the Company's Supply Chain Centre, 1 Thornbury, West Ashland, Milton Keynes MK6 4BB is contained in a separate shareholder circular. Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of 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 Group judges that the only significant agreements in relation to its business are the UK and ROI Master Franchise Agreement, the Know How Licence Agreement and the Switzerland, Luxembourg and Liechtenstein Master Franchise Agreement (and, throughout 2015, the Germany Master Franchise Agreement), pursuant to which certain of the Group's companies are granted the right to franchise stores and operate commissaries in the territories by DPIF.

The Group's 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 employee share schemes may cause options and awards granted to employees, including Directors to vest on a change of control. 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 Articles of Association remained unchanged during the 2015 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 2015.

#### Environmental and social responsibility and GHG 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 on pages 26 to 29.

#### Political donations

The Company made no political donations in the year (2014: £nil).

#### Key performance indicators ('KPIs')

Details of the Group's KPIs can be found on pages 16 and 17.

#### Auditor

EY has signified its willingness to continue in office as auditor to the Company and the Group is satisfied that EY is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to re-appoint EY as the Company's auditor will be proposed at the 2016 AGM.

### Directors' statement of disclosure of information to auditor

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 auditor is 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 auditor is 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 report on pages 1 to 29. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 24 to 25. In addition, notes 28 and 29 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

On 1 February 2016, the Group completed a transaction to form a joint venture with Domino's Pizza Enterprises ('DPE') (the 'JV') and for the JV to acquire Germany's largest pizza delivery business Joey's Pizza for consideration of up to €79m. In the context of this transaction, the Group has now either sold its existing German operations to the JV or has earmarked these for closure. The Group is required to provide certain transitional support services to the JV during the period immediately following the sale. The Group owns a one-third stake in the JV.

### Cautionary statement

This Annual Report and Accounts 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 Accounts 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

### Rob Bellhouse

Company Secretary

2 March 2016

# Statement of Directors' responsibilities

## Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts, the Directors' remuneration report 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 as adopted by the European Union ('IFRS') 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 Accounts 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 30 and 31, confirms that, to the best of their 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's and Group's performance, business model and strategy.

Signed on behalf of the Board

**David Wild**

**Chief Executive Officer**

2 March 2016

# Independent auditor's report

## to the members of Domino's Pizza Group plc

### What we have audited

Domino's Pizza Group plc's financial statements comprise:

| Group                                                                            | Parent company                                                   |
|----------------------------------------------------------------------------------|------------------------------------------------------------------|
| Consolidated balance sheet as at 27 December 2015                                | Balance sheet as at 27 December 2015                             |
| Consolidated income statement for the 52 week period then ended                  |                                                                  |
| Consolidated statement of comprehensive income for the 52 week period then ended |                                                                  |
| Consolidated statement of changes in equity for the 52 week period then ended    | Statement of changes in equity for the 52 week period then ended |
| Consolidated cash flow statement for the 52 week period then ended               |                                                                  |
| Related notes 1 to 37 to the financial statements                                | Related notes 1 to 9 to the financial statements                 |

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 27 December 2015 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### Overview of our audit approach

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>                    | → Overall Group materiality of £3.7m which represents 5% of Profit before taxation from continuing operations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Audit scope</b>                    | <ul style="list-style-type: none"> <li>→ We performed an audit of the complete financial information of 6 components and audit procedures on specific balances for a further 4 components.</li> <li>→ The components where we performed full or specific audit procedures accounted for 99% of Profit before tax from continuing operations, 99% of Revenue and 97% of Total assets.</li> <li>→ The components subject to review scope covered the remainder (less than 1% of Profit before taxation from continuing operations/Revenue and 1% total assets).</li> </ul>                                                                                                                      |
| <b>Risks of material misstatement</b> | <ul style="list-style-type: none"> <li>→ Classification of discontinued operations and completeness of restructuring provisions in respect of the exit from the German business.</li> <li>→ Adequacy of disclosure of tax treatment of reversionary interest share-based compensation schemes.</li> <li>→ Susceptibility to management override in recharging expenditure incurred by the Group to the National Advertising Fund.</li> <li>→ Recognition of revenue in incorrect periods and susceptibility to management override through manual journals.</li> <li>→ Impairment of property, plant and equipment, goodwill and intangible assets of the business in Switzerland.</li> </ul> |

### 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 and 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 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.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

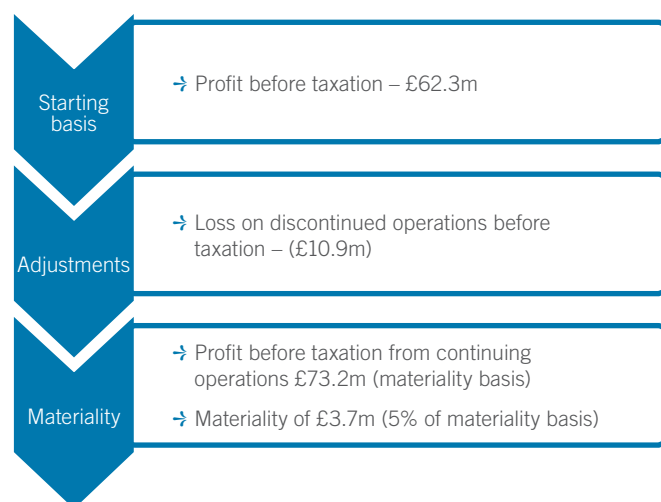


## Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures (ISA 320).*

We determined initial materiality for the Group to be £3.4m (2014: £2.7m), which was 5% (2014: 5%) of profit before taxation. During the course of our audit, we reassessed initial materiality. Following the announcement in December 2015 of the discontinuance of the operations in Germany, we revised our materiality basis from profit before taxation to profit before taxation from continuing operations and from £3.4m to £3.7m.

We use profit before taxation from continuing operations as reported by the Group to exclude the impact of discontinued operations which do not reflect the underlying trading performance of the group. This avoids inappropriate variations in our materiality as a result of non-recurring items.



## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality (ISA 320).*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at 50% (2014: 50%) of our planning materiality, namely £1.8m (2014: £1.4m). We have maintained performance materiality at 50% reflecting the results of our testing of the Group's systems and processes and historical audit findings.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of material misstatement at each component. In the current year, the range of performance materiality allocated to components was £0.4m to £1.8m (2014: £0.3m to £1.2m).

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial (ISA 450).*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.16m (2014: £0.1m), which was set at 5% of initial planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## The scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In determining audit scope we take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as findings from third party assurance reviews when assessing the level of work to be performed at each component.

The Group manages its operations from a single location in the UK and has common financial systems, processes and controls covering all significant components. The audit of all in-scope components is performed by one audit team. The audit team includes tax specialists and valuation specialists.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the fifteen reporting components of the Group, we selected ten components covering entities within the UK, Ireland, Switzerland and Germany which represent the principal business units within the Group.

Of the ten components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining four components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

|                                              | Reporting components where we performed audit procedures | Full scope | Specific scope | Other procedures |
|----------------------------------------------|----------------------------------------------------------|------------|----------------|------------------|
| Revenue                                      | 99%<br>(2014: 97%)                                       | 96%        | 3.5%           | 0.5%             |
| Profit before tax from continuing operations | 99%<br>(2014: 101%)                                      | 102%       | (3%)           | 5%               |
| Total assets                                 | 97%                                                      | 92%        | 5%             | 3%               |

The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 6 components that together represent 1% of the Group's Profit before tax from continuing operations; none are individually greater than 1% of the Group's Profit before tax from continuing operations. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to potential risks of material misstatement to the Group financial statements.

## Changes from the prior year

There were no changes to our scoping strategy from the prior year.

# Independent auditor's report continued

## to the members of Domino's Pizza Group plc

### Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | What we concluded to the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New Risk This Year</b><br><br><b>Classification of discontinued operations and completeness of related restructuring provisions in respect of the exit from the German business</b><br><br><i>Refer to the Audit Committee Report (page 39); Accounting policies (page 78); and Note 12 of the Consolidated Financial Statements (page 92).</i><br><br>In December 2015, the Group announced it was exiting the German market. The Group entered into agreements to; acquire a non-controlling interest in a new company, controlled by Domino's Pizza Enterprises Limited, and to terminate its operations in Germany through disposal of stores and closure of residual infrastructure. The transaction completed on 1 February 2016.<br><br>The substance of the arrangements entered into required judgement in determining the classification of results as discontinued operations and assets and liabilities as held for sale.<br><br>The recognition of the provisions for restructuring costs associated with the termination of operations involved estimates based on future outcomes of commercial negotiations. | <p>We inspected each of the sale and purchase contracts entered into by the Group to understand the substance of the arrangements. We examined these contracts to assess the degree of influence retained by the Group in the new investment to establish that the control of the German business had passed to the new entity.</p> <p>We have evaluated the appropriateness of the proposed presentation of the German business as a discontinued operation, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.</p> <p>We examined management's project plans to validate the commitment to terminate the business and the completeness of restructuring provisions. We tied through the losses for the year presented as discontinued operations to the German trial balance and consolidation adjustments to ensure they were complete.</p> <p>We tested the corporate tax presented within discontinued operations to validate the appropriate calculation of tax had been recorded.</p> <p>In respect of the restructuring provisions, we tested the provisions for redundancy costs by checking a sample of payments to redundancy contracts and cash disbursements.</p> <p>We examined a sample of property leases to corroborate the estimates of future rental commitments used in the estimate of onerous lease provisions.</p> <p>We challenged the recognition of provisions in respect of future operating losses.</p> <p>We tested the valuation of a sample of assets to validate the completeness of the provisions for irrecoverable debtors.</p> | <p>The accounting for the impact of the transaction has been appropriately reflected in the financial statements with the German operations presented as discontinued during the year.</p> <p>Assets held for sale at the balance sheet date represent those stores where the sale was considered highly probable.</p> <p>The provisions for restructuring costs reflect conservative estimates of the Group's liabilities arising from management's action before the year-end.</p> |

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | What we concluded to the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>New Risk This Year</b></p> <p><b>Reversionary interest share-based compensation schemes</b></p> <p><i>Refer to the Audit Committee Report (page 39); Accounting policies (page 79).</i></p> <p>Certain of the Group's historic share-based compensation arrangements dating from 2003 to 2010 involved the use of employee benefit trusts which provided award recipients with reversionary interests in the form of share appreciation rights. Significant judgement is required to determine the treatment of such compensation from an employment tax perspective.</p> <p>There is a risk that if HMRC were to reach a different judgement on the employment tax treatment of the compensation arrangements, this may give rise to material adverse income statement and/or cash flow variances.</p> <p>The introduction of the extension of HMRC's Advance Penalty Notice to now cover National Insurance Contributions, together with the perceived increase in HMRC's focus on compensation schemes involving employee benefit trusts has led us to view this area as one of increased risk.</p>          | <p>We have inspected a sample of the compensation contracts to gain an understanding of the commercial purpose of the awards.</p> <p>We have inspected professional advice in respect of the effectiveness of indemnity arrangements provided to the Group from award recipients to understand the impact of such agreements on the Group's position.</p> <p>We examined historic correspondence between HMRC and the Group to understand the latest views of HMRC on management's tax treatment of the awards.</p> <p>We have involved our remuneration tax specialists to support us in corroborating the advice provided to the Group by the Group's tax advisers with regard to the effectiveness of the design and implementation of the schemes. We corroborated our understanding of the advice given to the Group by interviewing the Group's tax advisers.</p> <p>We have considered the disclosure presented in the notes to the accounts to ensure that it is consistent with management's judgements in respect of the tax treatment of the schemes.</p> | <p>Until the Group receives confirmation of HMRC's position regarding the non-taxable treatment of the schemes there remains uncertainty as to the extent, if any, of the Group's exposure to employment taxes in respect of the schemes.</p> <p>The disclosure of the significant judgement within the accounting policies note is consistent with the advice provided to the Group by its advisers and existing market practice.</p> |
| <p><b>New Risk This Year</b></p> <p><b>National Advertising Fund expenditure</b></p> <p><i>Refer to the Accounting policies (page 83); and Note 23 of the Consolidated Financial Statements (page 101).</i></p> <p>Franchisees pay contributions which are collected by the Group for specific use within the National Advertising Fund ('NAF'). The fund is operated by the Group on behalf of franchisees with the objective of driving revenues for their stores. Total contributions made to the NAF for the 52 week period amounted to £41.8m and the NAF balance at 27 December 2015 was a creditor of £0.3m (2014: net debtor of £1.6m).</p> <p>The NAF is governed by a framework. The description of activities to be expensed against the fund is such that judgement is required to determine the appropriateness of the nature and extent of costs to be recharged from the Group to the fund. The recharging of expenditure incurred by the Group on behalf of the NAF is susceptible to management override through inappropriate expenditure being charged to the National Advertising Fund (NAF).</p> | <p>We inspected the franchise agreement framework to determine the extent of influence that the Group has over the use of the resources held by the NAF to determine whether it should be consolidated with the Group's accounts.</p> <p>We performed testing to confirm that costs charged to the fund are permitted costs under the fund rules by selecting a sample of expenses and corroborating to supporting documentation.</p> <p>We identified manual journals posted to the NAF fund, and where significant, understood the rationale for the journal entry and agreed the journals to relevant supporting documentation.</p> <p>We performed a proof in total of credits to the NAF based upon a fixed percentage of system sales. System sales were substantively tested by selecting a sample of items to test to supporting documentation.</p>                                                                                                                                                                                                          | <p>The franchisees' ability to control the use of the resources in the NAF supports the Group's judgement not to consolidate the income and expenditure of the NAF.</p> <p>Due to the existing agreement being a framework, judgement is required for all items that are recharged to the NAF. We did not identify expenses which had been inappropriately expensed against the NAF.</p>                                               |

# Independent auditor's report continued

## to the members of Domino's Pizza Group plc

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | What we concluded to the Audit Committee                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Revenue recognition</b></p> <p><i>Refer to the Accounting policies (page 84); and Note 3 of the Consolidated Financial Statements (page 86).</i></p> <p>Total Group revenue is £316.9m (2014: £288.7m). The Group's significant revenue streams include royalties, corporate store sales, sales to franchisees and rental income.</p> <p>We continue to assess revenue recognition as an area of audit risk which has a significant effect on our audit strategy and our allocation of resources.</p> <p>There is a risk of misstatement of revenue through cut off errors at the year-end arising from the recording of transactions in incorrect periods and susceptibility to management override through recording of inappropriate manual journals.</p> | <p>We performed detailed testing over revenue recognition as follows:</p> <p>Through the execution of our testing procedures we have ensured that revenue across each of the Group's significant revenue streams was appropriately recognised in accordance with IFRS.</p> <p>We performed detailed testing on a sample of sales transactions across the year and across each significant revenue stream tracing from origination through to the general ledger to ensure that the revenue was appropriately recorded and to address the risk of cut off.</p> <p>We performed data analysis techniques to understand the flow of revenue transactions in the general ledger. In addition, we performed substantive analytical procedures using the inter-relationship of system sales, royalty income and sales to franchisees to analyse movements in revenue year on year.</p> <p>We performed specific cut off procedures to test transactions around the year-end and verified to originating documentation that the sales transactions and franchisee incentives were recorded in the correct period.</p> <p>We performed procedures to understand the nature of key franchisee incentives. We tested a sample of incentives in respect of rebates and rent-free periods by confirming the calculation and payment was in line with the respective franchisee incentive agreement. In addition, we performed franchisee circularisation to confirm the completeness of provisions for rebates at the year-end.</p> <p>We performed full and specific scope audit procedures over this risk area in 7 locations, which covered 99% of the risk amount.</p> | <p>Revenue was recognised in accordance with the Group's accounting policies and no matters in respect of cut off around the year-end were identified.</p> <p>In addition, there were no matters identified in respect of inappropriate manual journals impacting revenue.</p> |

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | What we concluded to the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Risk of Impairment in Switzerland</b></p> <p><i>Refer to the Audit Committee Report (page 39); Accounting policies (page 82); and Note 15 of the Consolidated Financial Statements (page 95).</i></p> <p>Given the continued losses made by the Swiss business, there is an increased risk of impairment. There is a high degree of management judgement in assessing the potential impairment of the goodwill and assets relating to the Switzerland business.</p> <p>Goodwill and Intangibles of £3.9m (2014: £3.9m) is included in the consolidated balance sheet in respect of the Swiss business. In addition, property, plant and equipment with a carrying value of £5.4m (2014: £2.6m) relate to the operations in Switzerland.</p> | <p>We obtained the impairment analysis performed by management and compared the consistency of the current year methodology to prior year.</p> <p>We performed testing over the impairment analysis for logical and arithmetic accuracy and to ensure that it has been prepared in line with the guidance provided in IAS36.</p> <p>We performed a retrospective review of forecasts in order to identify bias within management's assumptions. In addition we performed an assessment of historic performance against budgets to gain assurance over the accuracy of management's forecasting process.</p> <p>We performed procedures to obtain an understanding of the underlying assumptions made in the forecasts and corroborated the appropriateness of these assumptions with evidence.</p> <p>The key assumptions included:</p> <ul style="list-style-type: none"> <li>→ Discount rate</li> <li>→ Long-term growth rate</li> </ul> <p>The reasonableness of these key assumptions were tested through challenging the Group's detailed calculations. In respect of the discount rate, an independent assessment was made by our experts based on general market indicators. We performed sensitivity analysis over the key assumptions within the impairment model.</p> | <p>The cash flow projections prepared by management support the carrying value of the goodwill and intangible assets held in respect of Domino's Swiss business. The headroom in the value in use model has decreased compared to the prior year.</p> <p>In performing sensitivity testing over the key assumptions we concluded there to be sufficient headroom.</p> <p>The CGU's for the purposes of assessing impairment over property, plant and equipment were assessed at the individual store level, consistent with prior periods. The cash flow projections prepared by management supported the carrying values of the stores with one immaterial exception.</p> |

In the prior year, our auditor's report included a risk of material misstatement in relation to manipulation of reported earnings with particular focus on the areas of judgement over property-related and other provisions and the classification of exceptional items in determining non-GAAP measures of profitability. In the current year, no risk over the classification of exceptional items was identified as no such items were reported in the current year. No risk of material misstatement in relation to property-related and other procedures was identified as the amounts were not considered material to the financial statements to meet the definition of a significant risk.

In the prior year, the risk of misstatement relating to revenue recognition specified, in addition to cut off errors, the risk of inappropriate accounting for deductions from revenue related to franchisee incentives, such as rebates, rent-free periods and variable credit terms. There is not a high degree of estimation in the calculation of these items and based on historical audit findings and our current audit work, we no longer consider it an area of significant risk.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the 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 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.

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.

### 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 financial statements.



# Independent auditor's report continued

to the members of Domino's Pizza Group plc

## Matters on which we are required to report by exception

|                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                          |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>ISAs (UK and Ireland) reporting</b>                                                                                           | <p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>→ materially inconsistent with the information in the audited financial statements; or</li> <li>→ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>→ otherwise misleading.</li> </ul> <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.</p>                                                                                                                                                                                                                                                                                                                                                                                                          | We have no exceptions to report.                         |
| <b>Companies Act 2006 reporting</b>                                                                                              | <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>→ 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</li> <li>→ 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</li> <li>→ certain disclosures of directors' remuneration specified by law are not made; or</li> <li>→ we have not received all the information and explanations we require for our audit.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | We have no exceptions to report.                         |
| <b>Listing Rules review requirements</b>                                                                                         | <p>We are required to review:</p> <ul style="list-style-type: none"> <li>→ the directors' statement in relation to going concern, set out on page 64, and longer-term viability, set out on page 23; and</li> <li>→ the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | We have no exceptions to report.                         |
| <b>Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                          |
| <b>ISAs (UK and Ireland) reporting</b>                                                                                           | <p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> <li>→ the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;</li> <li>→ the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;</li> <li>→ the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and</li> <li>→ the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul> | We have nothing material to add or to draw attention to. |

## Christopher Voogd (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham  
2 March 2016

# Group income statement

52 weeks ended 27 December 2015

|                                                            | Notes | 52 weeks ended<br>27 December<br>2015<br>Total<br>£000 | 52 weeks ended<br>28 December<br>2014<br>Total<br>(restated)<br>£000 |
|------------------------------------------------------------|-------|--------------------------------------------------------|----------------------------------------------------------------------|
| <b>Continuing operations</b>                               |       |                                                        |                                                                      |
| <b>Revenue</b>                                             | 3     | <b>316,788</b>                                         | 288,691                                                              |
| Cost of sales                                              |       | (193,171)                                              | (180,202)                                                            |
| <b>Gross profit</b>                                        |       | <b>123,617</b>                                         | 108,489                                                              |
| Distribution costs                                         |       | (18,949)                                               | (16,021)                                                             |
| Administrative costs                                       |       | (33,211)                                               | (31,184)                                                             |
|                                                            |       | <b>71,457</b>                                          | 61,284                                                               |
| Share of post-tax profits of associates and joint ventures |       | 1,724                                                  | 1,047                                                                |
| <b>Operating profit</b>                                    | 5     | <b>73,181</b>                                          | 62,331                                                               |
| Other gains and losses                                     | 7     | –                                                      | 1,147                                                                |
| <b>Profit before interest and taxation</b>                 |       | <b>73,181</b>                                          | 63,478                                                               |
| Finance income                                             | 9     | 362                                                    | 620                                                                  |
| Finance expense                                            | 10    | (380)                                                  | (1,996)                                                              |
| <b>Profit before taxation</b>                              |       | <b>73,163</b>                                          | 62,102                                                               |
| Taxation                                                   | 11    | (13,874)                                               | (12,745)                                                             |
| <b>Profit for the period from continuing operations</b>    |       | <b>59,289</b>                                          | 49,357                                                               |
| Discontinued operations                                    |       |                                                        |                                                                      |
| Loss for the period from discontinued operations           |       | (9,626)                                                | (6,619)                                                              |
| <b>Profit for the year attributable to the Company</b>     |       | <b>49,663</b>                                          | 42,738                                                               |
| <b>Earnings per share</b>                                  |       |                                                        |                                                                      |
| From continuing operations                                 |       |                                                        |                                                                      |
| – Basic (pence)                                            | 13    | 35.7                                                   | 29.8                                                                 |
| – Diluted (pence)                                          | 13    | 35.2                                                   | 29.6                                                                 |
| From continuing and discontinued operations                |       |                                                        |                                                                      |
| – Basic (pence)                                            | 13    | 29.9                                                   | 25.9                                                                 |
| – Diluted (pence)                                          | 13    | 29.5                                                   | 25.8                                                                 |

# Group statement of comprehensive income

52 weeks ended 27 December 2015

|                                                                                                                   | 52 weeks ended<br>27 December<br>2015<br>Total<br>£000 | 52 weeks ended<br>28 December<br>2014<br>Total<br>£000 |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| <b>Profit for the period</b>                                                                                      | <b>49,663</b>                                          | 42,738                                                 |
| <b>Other comprehensive expense:</b>                                                                               |                                                        |                                                        |
| Exchange differences on retranslation of foreign operations                                                       | (852)                                                  | (188)                                                  |
| Other comprehensive expense for the period, net of tax to be reclassified to profit or loss in subsequent periods | (852)                                                  | (188)                                                  |
| <b>Total comprehensive income for the period</b>                                                                  | <b>48,811</b>                                          | 42,550                                                 |
| Total comprehensive income for the year attributable to:                                                          |                                                        |                                                        |
| Owners of the parent                                                                                              | 48,811                                                 | 42,750                                                 |
| Non-controlling interests                                                                                         | –                                                      | (200)                                                  |
|                                                                                                                   | <b>48,811</b>                                          | 42,550                                                 |

# Group balance sheet

at 27 December 2015

|                                              | Notes | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>(restated)<br>£000 |
|----------------------------------------------|-------|-----------------------------------|-------------------------------------------------|
| <b>Non-current assets</b>                    |       |                                   |                                                 |
| Intangible assets                            | 15    | 12,000                            | 10,561                                          |
| Property, plant and equipment                | 16    | 58,566                            | 57,374                                          |
| Prepaid operating lease charges              | 17    | 1,010                             | 1,072                                           |
| Trade and other receivables                  | 18    | 7,107                             | 5,618                                           |
| Net investment in finance leases             | 19    | 1,209                             | 1,285                                           |
| Investments in associates and joint ventures | 20    | 7,985                             | 7,170                                           |
| Deferred tax asset                           | 11    | 7,851                             | 8,507                                           |
|                                              |       | <b>95,728</b>                     | <b>91,587</b>                                   |
| <b>Current assets</b>                        |       |                                   |                                                 |
| Inventories                                  | 21    | 6,208                             | 4,826                                           |
| Prepaid operating lease charges              | 17    | 194                               | 198                                             |
| Trade and other receivables                  | 18    | 28,747                            | 34,735                                          |
| Net investment in finance leases             | 19    | 774                               | 900                                             |
| Cash and cash equivalents                    | 22    | 52,860                            | 33,743                                          |
| Assets classified as held for sale           | 12    | 935                               | –                                               |
|                                              |       | <b>89,718</b>                     | <b>74,402</b>                                   |
| <b>Total assets</b>                          |       | <b>185,446</b>                    | <b>165,989</b>                                  |
| <b>Current liabilities</b>                   |       |                                   |                                                 |
| Trade and other payables                     | 23    | (52,912)                          | (47,523)                                        |
| Deferred income                              |       | (4,312)                           | (4,584)                                         |
| Financial liabilities                        | 24    | (988)                             | (16,054)                                        |
| Deferred and contingent consideration        | 25    | (2,865)                           | (3,841)                                         |
| Current tax liabilities                      |       | (4,151)                           | (5,072)                                         |
| Provisions                                   | 27    | (6,113)                           | (1,270)                                         |
|                                              |       | <b>(71,341)</b>                   | <b>(78,344)</b>                                 |
| <b>Non-current liabilities</b>               |       |                                   |                                                 |
| Trade and other payables                     | 23    | (316)                             | –                                               |
| Financial liabilities                        | 24    | (11,450)                          | (6,731)                                         |
| Deferred income                              |       | (3,334)                           | (2,938)                                         |
| Deferred and contingent consideration        | 25    | –                                 | (2,483)                                         |
| Deferred tax liabilities                     | 11    | (115)                             | (95)                                            |
| Provisions                                   | 27    | (1,215)                           | (2,000)                                         |
|                                              |       | <b>(87,771)</b>                   | <b>(92,591)</b>                                 |
| <b>Total liabilities</b>                     |       | <b>(87,771)</b>                   | <b>(92,591)</b>                                 |
| <b>Net assets</b>                            |       | <b>97,675</b>                     | <b>73,398</b>                                   |
| <b>Shareholders' equity</b>                  |       |                                   |                                                 |
| Called up share capital                      | 30    | 2,606                             | 2,592                                           |
| Share premium account                        |       | 29,155                            | 25,597                                          |
| Capital redemption reserve                   |       | 425                               | 425                                             |
| Capital reserve – own shares                 |       | (2,238)                           | (2,238)                                         |
| Currency translation reserve                 |       | (280)                             | 572                                             |
| Retained earnings                            |       | 68,007                            | 46,450                                          |
| <b>Total equity shareholders' funds</b>      |       | <b>97,675</b>                     | <b>73,398</b>                                   |

**David Wild**

Director

2 March 2016

# Group statement of changes in equity

52 weeks ended 27 December 2015

|                                                                     | Share capital<br>£000 | Share premium account<br>£000 | Capital redemption reserve<br>£000 | Capital reserve – own shares<br>£000 | Currency translation reserve<br>£000 | Other reserve<br>£000 | Retained earnings<br>£000 | Equity shareholders' funds<br>£000 | Non-controlling interests<br>£000 | Total equity<br>£000 |
|---------------------------------------------------------------------|-----------------------|-------------------------------|------------------------------------|--------------------------------------|--------------------------------------|-----------------------|---------------------------|------------------------------------|-----------------------------------|----------------------|
| <b>At 29 December 2013</b>                                          | 2,570                 | 20,156                        | 425                                | (1)                                  | 760                                  | 3,432                 | 37,236                    | 64,578                             | (4,424)                           | 60,154               |
| Profit for the period                                               | –                     | –                             | –                                  | –                                    | –                                    | –                     | 42,938                    | 42,938                             | (200)                             | 42,738               |
| Other comprehensive expense – exchange differences                  | –                     | –                             | –                                  | –                                    | (188)                                | –                     | –                         | (188)                              | –                                 | (188)                |
| Total comprehensive (expense)/income for the period                 | –                     | –                             | –                                  | –                                    | (188)                                | –                     | 42,938                    | 42,750                             | (200)                             | 42,550               |
| Proceeds from share issues                                          | 8                     | 2,023                         | –                                  | –                                    | –                                    | –                     | –                         | 2,031                              | –                                 | 2,031                |
| Issue of ordinary shares on acquisition of non-controlling interest | 14                    | 3,418                         | –                                  | –                                    | –                                    | (3,432)               | –                         | –                                  | –                                 | –                    |
| Purchase of own shares                                              | –                     | –                             | –                                  | (2,237)                              | –                                    | –                     | –                         | (2,237)                            | –                                 | (2,237)              |
| Share transaction charges                                           | –                     | –                             | –                                  | –                                    | –                                    | –                     | (142)                     | (142)                              | –                                 | (142)                |
| Vesting of LTIP grants                                              | –                     | –                             | –                                  | –                                    | –                                    | –                     | (2,769)                   | (2,769)                            | –                                 | (2,769)              |
| Tax on employee share options                                       | –                     | –                             | –                                  | –                                    | –                                    | –                     | 392                       | 392                                | –                                 | 392                  |
| Share options and LTIP charge                                       | –                     | –                             | –                                  | –                                    | –                                    | –                     | 899                       | 899                                | –                                 | 899                  |
| Equity dividends paid                                               | –                     | –                             | –                                  | –                                    | –                                    | –                     | (27,480)                  | (27,480)                           | –                                 | (27,480)             |
| Acquisition of non-controlling interest                             | –                     | –                             | –                                  | –                                    | –                                    | –                     | (4,624)                   | (4,624)                            | 4,624                             | –                    |
| <b>At 28 December 2014</b>                                          | 2,592                 | 25,597                        | 425                                | (2,238)                              | 572                                  | –                     | 46,450                    | 73,398                             | –                                 | 73,398               |
| Profit for the period                                               | –                     | –                             | –                                  | –                                    | –                                    | –                     | 49,663                    | 49,663                             | –                                 | 49,663               |
| Other comprehensive expense – exchange differences                  | –                     | –                             | –                                  | –                                    | (852)                                | –                     | –                         | (852)                              | –                                 | (852)                |
| Total comprehensive (expense)/income for the period                 | –                     | –                             | –                                  | –                                    | (852)                                | –                     | 49,663                    | 48,811                             | –                                 | 48,811               |
| Proceeds from share issues                                          | 14                    | 3,558                         | –                                  | –                                    | –                                    | –                     | –                         | 3,572                              | –                                 | 3,572                |
| Share transaction charges                                           | –                     | –                             | –                                  | –                                    | –                                    | –                     | (8)                       | (8)                                | –                                 | (8)                  |
| Tax on employee share options                                       | –                     | –                             | –                                  | –                                    | –                                    | –                     | 1,580                     | 1,580                              | –                                 | 1,580                |
| Share options and LTIP charge                                       | –                     | –                             | –                                  | –                                    | –                                    | –                     | 1,328                     | 1,328                              | –                                 | 1,328                |
| Equity dividends paid                                               | –                     | –                             | –                                  | –                                    | –                                    | –                     | (31,006)                  | (31,006)                           | –                                 | (31,006)             |
| <b>At 27 December 2015</b>                                          | <b>2,606</b>          | <b>29,155</b>                 | <b>425</b>                         | <b>(2,238)</b>                       | <b>(280)</b>                         | <b>–</b>              | <b>68,007</b>             | <b>97,675</b>                      | <b>–</b>                          | <b>97,675</b>        |



# Group cash flow statement

52 weeks ended 27 December 2015

|                                                     | Notes    | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>(restated)<br>£000 |
|-----------------------------------------------------|----------|-----------------------------------------------|-------------------------------------------------------------|
| <b>Cash flows from operating activities</b>         |          |                                               |                                                             |
| Profit for the period                               |          | 49,663                                        | 42,738                                                      |
| Income tax expense                                  |          | 13,501                                        | 11,059                                                      |
| Net finance costs                                   |          | 17                                            | 1,375                                                       |
| Share of post-tax profits of associates             | 20       | (1,724)                                       | (1,047)                                                     |
| Amortisation and depreciation                       | 15,16,17 | 6,779                                         | 5,824                                                       |
| Impairment                                          |          | 326                                           | 1,036                                                       |
| Loss/(profit) on disposal of non-current assets     |          | 84                                            | (1,147)                                                     |
| Share option and LTIP charge                        |          | 1,328                                         | 899                                                         |
| Increase in inventories                             |          | (1,402)                                       | (616)                                                       |
| Decrease/(increase) in receivables                  |          | 1,804                                         | (1,626)                                                     |
| Increase in payables                                |          | 5,775                                         | 11,447                                                      |
| Increase/(decrease) in deferred income              |          | 131                                           | (339)                                                       |
| Increase/(decrease) in provisions                   |          | 4,091                                         | (1,100)                                                     |
| <b>Cash generated from operations</b>               |          | <b>80,373</b>                                 | <b>68,503</b>                                               |
| UK corporation tax paid                             |          | (10,922)                                      | (7,499)                                                     |
| Overseas corporation tax paid                       |          | (476)                                         | (612)                                                       |
| <b>Net cash generated by operating activities</b>   |          | <b>68,975</b>                                 | <b>60,392</b>                                               |
| <b>Cash flows from investing activities</b>         |          |                                               |                                                             |
| Interest received                                   |          | 191                                           | 186                                                         |
| Dividends received from associates                  |          | 490                                           | 45                                                          |
| Decrease in loans to associates and joint ventures  |          | 542                                           | 582                                                         |
| Decrease in loans to franchisees                    |          | 2,174                                         | 3,275                                                       |
| Payments to acquire finance lease assets            |          | (93)                                          | (741)                                                       |
| Receipts from repayment of franchisee leases        |          | 1,288                                         | 1,121                                                       |
| Purchase of property, plant and equipment           | 16       | (6,763)                                       | (4,412)                                                     |
| Deferred consideration for Domino's Leasing Limited | 25       | (3,517)                                       | (1,208)                                                     |
| Purchase of other non-current assets                |          | (5,267)                                       | (2,532)                                                     |
| Receipts from the sale of other non-current assets  |          | –                                             | 1,059                                                       |
| Settlement of deferred consideration                |          | –                                             | (132)                                                       |
| <b>Net cash used by investing activities</b>        |          | <b>(10,955)</b>                               | <b>(2,757)</b>                                              |
| <b>Cash inflow before financing</b>                 |          | <b>58,020</b>                                 | <b>57,635</b>                                               |
| <b>Cash flow from financing activities</b>          |          |                                               |                                                             |
| Interest paid                                       |          | (278)                                         | (807)                                                       |
| Issue of ordinary share capital                     |          | 3,572                                         | 2,038                                                       |
| Purchase of own shares                              |          | –                                             | (2,243)                                                     |
| Payments under LTIP schemes                         |          | (8)                                           | (2,914)                                                     |
| New bank loans and facilities draw down             |          | 5,657                                         | 31,912                                                      |
| Repayment of borrowings                             |          | (16,329)                                      | (56,253)                                                    |
| Equity dividends paid                               |          | (31,006)                                      | (27,480)                                                    |
| <b>Net cash used by financing activities</b>        |          | <b>(38,392)</b>                               | <b>(55,747)</b>                                             |
| <b>Net increase in cash and cash equivalents</b>    |          | <b>19,628</b>                                 | <b>1,888</b>                                                |
| Cash and cash equivalents at beginning of period    |          | 33,743                                        | 31,597                                                      |
| Foreign exchange gain on cash and cash equivalents  |          | (511)                                         | 258                                                         |
| <b>Cash and cash equivalents at end of period</b>   |          | <b>52,860</b>                                 | <b>33,743</b>                                               |

# Notes to the Group financial statements

52 weeks ended 27 December 2015

## 1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of the Group for the 52 weeks ended 27 December 2015 were authorised for issue by the Board of Directors on 2 March 2016 and the balance sheet was signed on the Board's behalf by David Wild. The Company is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes MK6 4BB. The Company's Ordinary shares are listed on the Official List of the FCA and traded on the main market of the 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 27 December 2015.

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 IFRSs as adopted by the European Union as they apply to the financial statements of the Group for the 52 weeks ended 27 December 2015 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 27 December 2015.

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.

### Amounts reclassified

As at 28 December 2014, quarterly rent in advance received from franchisees of £4,548,000 has been reclassified within current deferred income to better represent the nature of the liability, having previously been disclosed as part of accruals within current trade and other payables.

As at 28 December 2014, some credit balances in respect of rent-free periods received from landlords and payable to franchisees have been reclassified, resulting in an increase of £1,039,000 in non-current deferred income and £247,000 in current deferred income; previously £1,039,000 of these amounts were netted within non-current trade and other receivables and £247,000 in current trade and other receivables. These adjustments had no effect on the income statement of the respective periods.

### Discontinued operations

In the Group's financial statements, the results and cash flows of discontinued operations are presented separately from those of continuing operations. An operation is classified as discontinued if it is a component of the Group that (i) has been disposed of, or meets the criteria to be classified as held for sale, and (ii) represents a separate major line of business or geographic area of operations or will be disposed of as part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations.

### Adoption of new and revised standards

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

- IFRS 12 Disclosure of involvement with other entities: The new standard covers the disclosures that were previously required in consolidated financial statements under IAS 27 consolidated and separate financial statements as well as those included in IAS 31 Interests in joint ventures and IAS 28 Investments in associates. A number of additional disclosures are required by this new standard in respect of the Group's associates and joint ventures. See note 20 for further information;
- IFRS 10 Consolidated financial statements: The new standard provides additional guidance to assist in the determination of which entities are controlled and are required to be consolidated. This standard replaces the portion of IAS 27 Consolidated and separate financial statements that addresses the accounting for consolidated financial statements. The new standard did not have an impact on the financial position or performance of the Group;
- IFRS 11 Joint arrangements: The new standard replaces IAS 31 Interests in joint ventures and SIC 13 Jointly-controlled entities – non-monetary contributions by ventures. The standard defines contractually agreed sharing of control of an arrangement and the accounting for joint operations and joint ventures. The new standard did not have an impact on the financial position or performance of the Group;
- IAS 28 Investments in Associates and Joint Ventures: As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The new standard did not have an impact on the financial position or performance of the Group;
- amendment to IAS 32 Offsetting Assets and Liabilities (effective 1 January 2014): These amendments clarify the meaning of 'currently legally enforceable right to set-off' to reinforce that a right to setoff must not be contingent on any future event, including counterparty default or bankruptcy. The Group does not have any significant offsetting financial instruments;
- IFRIC Interpretation 21 Levies (effective 1 January 2014): The interpretation clarifies when an entity recognises a liability for a levy imposed by Government in accordance with legislation (other than taxes and fines or other penalties). The adoption of the amendment has no impact on the Group's consolidated financial statements; and
- amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014): This amendment clarifies the need for recoverable amount disclosures to impaired non-financial assets only rather than all non-financial assets. The adoption of the amendment has no significant impact on the Group's consolidated financial results.

## 2. Accounting policies continued

### Judgments 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:

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

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

- A key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the estimation of share-based payment costs. The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.
- 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.
- Certain of the Group's historic share-based compensation arrangements dating from 2003 to 2010 necessarily involve a degree of estimation and judgement in respect of their employment tax treatment. The Group has received advice from its tax advisers reconfirming the support for the non-taxable accounting treatment of these arrangements following HMRC's protective assessments in prior years relating to these historic schemes. The beneficiaries of the arrangements, which amongst others include certain current and former directors, have provided the Group with indemnities to settle potential future personal tax liabilities should they crystallise. This uncertainty may give rise to material income statement and/or cash flow variances. It is not possible to make a reliable estimate of the potential impact on the financial statements.
- The restructuring provision and asset impairments for the closure of the Germany operations are of uncertain timing and amount and therefore in making a reliable estimate of the quantum and timing of liabilities, judgement has been applied. At 27 December 2015 provisions of £6,786,000 and impairments of £2,192,000 are recognised for the closure and wind up of the German operations.
- The classification of £935,000 of assets relating to the discontinued German operation as assets classified as held for sale and liabilities directly associated with assets classified as held for sale is subject to some degree of estimation due to the estimation of the final level of assets and liabilities to be sold to the new associated operation.

### Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up on a 52 week basis (2012: 53 weeks; 2017: 53 weeks) to a Sunday either end of 31 December each year. The interim results are prepared for the first 26 weeks of the relevant full period.

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. Where necessary adjustments are made to the financial statements of subsidiaries to align with the Group accounting policies. All intercompany transactions and balances between Group entities, including unrealised profits arising from them, are eliminated upon consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and are 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.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 2. Accounting policies continued

### 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 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 and share of rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence on joint control are similar to those necessary to determine control over subsidiaries. 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 is 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.

### Foreign currencies

The functional currency of each company in the Group is that of the primary economic environment in which the entity operates. The Group's most significant functional currency is sterling. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the income statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are taken directly to a translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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).

### Business combinations and goodwill

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. 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.

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 remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and, where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the 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 criteria 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.

## 2. Accounting policies continued

### Business combinations and goodwill continued

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination 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.

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.

### 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 cost incurred to acquire and bring into use the specific software. Internally developed computer software programmes are capitalised to the extent that costs can be separately identified and attributed to particular software programmes, 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.

#### Master franchise fees

Master franchise fees are fees paid towards the acquisition of the master franchise for the markets in which the Group operates. 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 MFA 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 five to 10 years      |
| → Supply Chain Centre equipment | Over three 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 10 years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

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

### Prepaid short leasehold costs

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

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met if a sale is expected to materialise within 12 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.



# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 2. Accounting policies continued

### Leases

#### Group as lessee

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

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

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

#### Group as lessor

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

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 cash flows if the impact of discounting is material.

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

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

### Inventories

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

## 2. Accounting policies continued

### Trade and other receivables

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

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

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

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

### Derecognition of financial assets and liabilities

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

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

### Pensions

The Group contributes to the personal pension plans of certain staff with defined contribution schemes. 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.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 2. Accounting policies continued

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns, rebates and value-added taxes. Franchisee rebates are recognised as an expense within revenue on an accruals basis on the expected entitlement which has been earned up to the balance sheet date.

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

#### Sale of goods

Revenue from pizza delivery, Supply Chain Centres 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.

### 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 commences 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.

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.

### 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 Hoadley model. 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.

## 2. Accounting policies continued

### Share-based payments continued

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 apart from IFRS 16 on leases for which the Group is still determining the exact impact after its recent publication on 13 January 2016.

Effective date

#### International Financial Reporting Standards ('IFRSs')

|                                                                                     |                |
|-------------------------------------------------------------------------------------|----------------|
| IFRS 16 Leases                                                                      | 1 January 2019 |
| IFRS 9 Financial Instruments: Classification and Measurement                        | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers                                       | 1 January 2018 |
| Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |

#### International Accounting Standards ('IAS')

|                                                                                                      |                |
|------------------------------------------------------------------------------------------------------|----------------|
| Amendments to IAS 27 Equity Method in Separate Financial Statements                                  | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to IAS 1 Disclosure Initiative                                                            | 1 January 2017 |
| Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses                        | 1 January 2017 |
| Amendments to IAS 7 Disclosure Initiative                                                            | 1 January 2017 |

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 3. Revenue

Revenue recognised in the income statement is analysed as follows:

|                                                           | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>£000 |
|-----------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Continuing operations                                     |                                               |                                               |
| Royalties, corporate store sales and sales to franchisees | 300,162                                       | 271,757                                       |
| Rental income on leasehold and freehold property          | 16,491                                        | 16,806                                        |
| Finance lease income                                      | 135                                           | 128                                           |
|                                                           | 316,788                                       | 288,691                                       |
| Discontinued operations                                   |                                               |                                               |
| Royalties, corporate store sales and sales to franchisees | 5,846                                         | 5,548                                         |
| Rental income on leasehold and freehold property          | 35                                            | 139                                           |
|                                                           | 322,669                                       | 294,378                                       |

## 4. Segmental information

For management purposes, the Group is organised into three geographical business units, based on the territories governed by the MFA: the UK, Ireland 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 ROI 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.

In December 2015, the Group publicly announced that it had agreed to sell its German operations. As the German business represented a separate major geographic area of operations we have classed this segment as a discontinued operation in the 52 weeks ended 27 December 2015. The segmental information on the following pages exclude the discontinued operation and so present the results of the Group split across the three remaining segments of the UK, Ireland and Switzerland, reflecting the basis on which the CODM will monitor the Group's results going forward.

|                                                   | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|---------------------------------------------------|-----------------------------------|-----------------------------------|
| Deferred tax asset                                | 7,851                             | 8,507                             |
| Cash and cash equivalents                         | 52,860                            | 33,743                            |
| <b>Unallocated assets</b>                         | <b>60,711</b>                     | <b>42,250</b>                     |
| Deferred consideration – Domino's Leasing Limited | 2,865                             | 6,324                             |
| Current tax liabilities                           | 4,151                             | 5,072                             |
| Deferred tax liabilities                          | 115                               | 95                                |
| Bank revolving facility                           | 10,485                            | 5,447                             |
| Bank loans                                        | –                                 | 15,000                            |
| <b>Unallocated liabilities</b>                    | <b>17,616</b>                     | <b>31,938</b>                     |



#### 4. Segmental information continued

##### Operating segments

|                                                      | 52 weeks ended 27 December 2015 |                 |                |                | 52 weeks ended 28 December 2014 |                 |                |                |
|------------------------------------------------------|---------------------------------|-----------------|----------------|----------------|---------------------------------|-----------------|----------------|----------------|
|                                                      | Switzerland<br>£000             | Ireland<br>£000 | UK<br>£000     | Total<br>£000  | Switzerland<br>£000             | Ireland<br>£000 | UK<br>£000     | Total<br>£000  |
| <b>Segment revenue</b>                               |                                 |                 |                |                |                                 |                 |                |                |
| Sales to external customers                          | 11,698                          | 21,381          | 283,709        | 316,788        | 9,590                           | 21,461          | 257,640        | 288,691        |
| <b>Results</b>                                       |                                 |                 |                |                |                                 |                 |                |                |
| Segment result                                       | (1,303)                         | 5,035           | 67,725         | 71,457         | (1,019)                         | 5,034           | 57,738         | 61,753         |
| Non-underlying items                                 | –                               | –               | –              | –              | –                               | (863)           | 394            | (469)          |
| Share of profit of associates                        | –                               | –               | 1,724          | 1,724          | –                               | –               | 1,047          | 1,047          |
| <b>Group operating profit</b>                        | <b>(1,303)</b>                  | <b>5,035</b>    | <b>69,449</b>  | <b>73,181</b>  | <b>(1,019)</b>                  | <b>4,171</b>    | <b>59,179</b>  | <b>62,331</b>  |
| Other gains and losses                               | –                               | –               | –              | –              | 949                             | –               | 198            | 1,147          |
|                                                      | (1,303)                         | 5,035           | 69,449         | 73,181         | (70)                            | 4,171           | 59,377         | 63,478         |
| Net finance costs                                    |                                 |                 |                | (18)           |                                 |                 |                | (1,376)        |
| <b>Profit before tax</b>                             |                                 |                 |                | <b>73,163</b>  |                                 |                 |                | <b>62,102</b>  |
| Taxation                                             |                                 |                 |                | (13,874)       |                                 |                 |                | (12,745)       |
| Loss for the period from discontinued operations     |                                 |                 |                | (9,626)        |                                 |                 |                | (6,619)        |
| <b>Profit before tax and discontinued operations</b> |                                 |                 |                | <b>49,663</b>  |                                 |                 |                | <b>42,738</b>  |
| <b>Other segment information</b>                     |                                 |                 |                |                |                                 |                 |                |                |
| Depreciation                                         | 707                             | 105             | 2,482          | 3,294          | 222                             | 87              | 2,523          | 2,832          |
| Amortisation                                         | 302                             | 16              | 2,714          | 3,032          | 159                             | 19              | 2,814          | 2,992          |
| Share-based payment charge                           | 45                              | –               | 1,218          | 1,263          | 17                              | –               | 856            | 873            |
| Unwinding of discount                                | –                               | 35              | (40)           | (5)            | –                               | 45              | 226            | 271            |
| <b>Entity-wide disclosures</b>                       |                                 |                 |                |                |                                 |                 |                |                |
| Royalties, corporate store sales                     | 11,698                          | 20,675          | 267,777        | 300,150        | 9,590                           | 20,628          | 242,211        | 272,429        |
| Rental income on leasehold and freehold property     | –                               | 705             | 15,786         | 16,491         | –                               | 833             | 15,301         | 16,134         |
| Finance lease income                                 | –                               | –               | 147            | 147            | –                               | –               | 128            | 128            |
|                                                      | 11,698                          | 21,380          | 283,710        | 316,788        | 9,590                           | 21,461          | 257,640        | 288,691        |
| <b>Assets</b>                                        |                                 |                 |                |                |                                 |                 |                |                |
| Segment current assets                               | 901                             | 1,132           | 33,839         | 35,872         | 782                             | 1,271           | 36,794         | 38,847         |
| Segment non-current assets                           | 9,672                           | 1,960           | 68,160         | 79,792         | 7,295                           | 2,124           | 66,363         | 75,782         |
| Equity accounted investments                         | –                               | –               | 7,985          | 7,985          | –                               | –               | 7,170          | 7,170          |
| <b>Total segment assets</b>                          | <b>10,573</b>                   | <b>3,092</b>    | <b>109,984</b> | <b>123,649</b> | <b>8,077</b>                    | <b>3,395</b>    | <b>110,327</b> | <b>121,799</b> |
| Unallocated assets                                   |                                 |                 |                | 60,711         |                                 |                 |                | 42,250         |
| Assets relating to discontinued operations           |                                 |                 |                | 1,086          |                                 |                 |                | 1,940          |
| <b>Total assets</b>                                  | <b>10,573</b>                   | <b>3,092</b>    | <b>109,984</b> | <b>185,446</b> | <b>8,077</b>                    | <b>3,395</b>    | <b>110,327</b> | <b>165,989</b> |
| <b>Liabilities</b>                                   |                                 |                 |                |                |                                 |                 |                |                |
| Segment liabilities                                  | 1,615                           | 1,612           | 60,253         | 63,480         | 1,532                           | 1,706           | 52,723         | 55,961         |
| Unallocated liabilities                              |                                 |                 |                | 17,616         |                                 |                 |                | 31,938         |
| Liabilities relating to discontinued operations      |                                 |                 |                | 6,675          |                                 |                 |                | 4,692          |
| <b>Total liabilities</b>                             | <b>1,615</b>                    | <b>1,612</b>    | <b>60,253</b>  | <b>87,771</b>  | <b>1,532</b>                    | <b>1,706</b>    | <b>52,723</b>  | <b>92,591</b>  |
| <b>Additions to non-current assets</b>               |                                 |                 |                |                |                                 |                 |                |                |
| Property, plant and equipment                        | 3,482                           | 100             | 1,963          | 5,545          | 1,952                           | 64              | 2,081          | 4,097          |
| Intangible assets                                    | 87                              | –               | 4,956          | 5,043          | 231                             | –               | 2,226          | 2,457          |
| Prepaid operating lease charges                      | –                               | –               | 156            | 156            | –                               | –               | 80             | 80             |
|                                                      | 3,569                           | 100             | 7,075          | 10,744         | 2,183                           | 64              | 4,387          | 6,634          |

##### Major customers

Annual revenue from two franchisees amounted to £50,153,104 (2014: £43,680,000) and £54,864,463 (2014: £44,705,000) respectively, arising from sales reported in the United Kingdom segment.

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

**5. Group operating profit**

This is stated after charging:

|                                                                   | Continuing operations                   |                                         | Discontinued operations                 |                                         | Total                                   |                                         |
|-------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                   | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 |
| Depreciation of property, plant and equipment                     | 3,362                                   | 2,832                                   | 65                                      | –                                       | 3,427                                   | 2,832                                   |
| Amortisation of prepaid lease charges                             | 196                                     | 198                                     | –                                       | –                                       | 196                                     | 198                                     |
| Amortisation of intangible assets                                 | 3,151                                   | 2,794                                   | 5                                       | –                                       | 3,156                                   | 2,794                                   |
| Total depreciation and amortisation expense                       | 6,709                                   | 5,824                                   | 70                                      | –                                       | 6,779                                   | 5,824                                   |
| Operating lease payments (minimum lease payments)                 |                                         |                                         |                                         |                                         |                                         |                                         |
| – land and buildings                                              | 18,094                                  | 17,067                                  | 258                                     | 871                                     | 18,352                                  | 17,938                                  |
| – plant, machinery and vehicles                                   | 2,851                                   | 2,842                                   | 110                                     | 94                                      | 2,961                                   | 2,936                                   |
| Total operating lease payments recognised in the income statement | 20,945                                  | 19,909                                  | 368                                     | 965                                     | 21,313                                  | 20,874                                  |
| Impairment loss/(reversal) recognised on non-current assets       | 333                                     | 292                                     | (7)                                     | 744                                     | 326                                     | 1,036                                   |
| Net foreign currency (gain)/loss                                  | (177)                                   | 102                                     | –                                       | –                                       | (177)                                   | 102                                     |
| Cost of inventories recognised as an expense                      | 137,045                                 | 129,571                                 | 2,097                                   | 2,514                                   | 139,870                                 | 132,085                                 |

**6. Auditor's remuneration**

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Group:

|                                                                                             | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 |
|---------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Fees payable to the Group's auditor for the audit of the Group and Company annual accounts* | 167                                     | 151                                     |
| Fees payable to the Company's auditor and its associates for other services:                |                                         |                                         |
| Audit of the accounts of subsidiaries                                                       | 109                                     | 88                                      |
| Total audit fees                                                                            | 276                                     | 239                                     |
| Audit-related assurance services                                                            | 30                                      | 51                                      |
| Other assurance services                                                                    | 60                                      | –                                       |
| Other services                                                                              | 210                                     | –                                       |
| Total audit and non-audit fees                                                              | 576                                     | 290                                     |

\* Of which £2,000 (2014: £2,000) relates to the Company.

**7. Items excluded from non-GAAP measure: underlying profit before tax****(a) Included within operating profit**

|                | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 |
|----------------|-----------------------------------------|-----------------------------------------|
| Onerous leases | –                                       | 177                                     |
| Impairments    | –                                       | 292                                     |
|                | –                                       | 469                                     |

**Onerous leases and impairments**

In 2014 an onerous lease charge of £0.2m and impairments of £0.3m were made in respect of unsuccessful concept stores in the UK.

**(b) Included below operating profit****Other gains and losses**

In 2014 this included a £0.9m credit in relation to the release of contingent consideration in respect of Domino's Pizza Switzerland following final settlement with the vendor and a £0.2m credit in respect of the sale of UK store assets.

In 2014 a charge of £0.7m has been recognised in respect of discount unwind on items included in finance expense.

## 8. Employee benefits and Directors' remuneration

### (a) Employee benefits expense

|                            | 52 weeks<br>ended<br>27 December<br>2015<br>£000 | 52 weeks<br>ended<br>28 December<br>2014<br>£000 |
|----------------------------|--------------------------------------------------|--------------------------------------------------|
| Wages and salaries         | 34,456                                           | 29,941                                           |
| Social security costs      | 2,945                                            | 3,214                                            |
| Other pension costs        | 559                                              | 797                                              |
| Share-based payment charge | 1,328                                            | 899                                              |
|                            | <b>39,288</b>                                    | <b>34,851</b>                                    |

Of the above employee costs £36,081 (2014: £31,763) relates to continuing operations.

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

|                             | 52 weeks<br>ended<br>27 December<br>2015 | 52 weeks<br>ended<br>28 December<br>2014 |
|-----------------------------|------------------------------------------|------------------------------------------|
| Administration              | 270                                      | 267                                      |
| Production and distribution | 277                                      | 284                                      |
| Corporate stores            | 536                                      | 392                                      |
|                             | <b>1,083</b>                             | <b>942</b>                               |
| Continuing operations       | <b>773</b>                               | <b>746</b>                               |
| Discontinued operations     | <b>310</b>                               | <b>196</b>                               |
|                             | <b>1,083</b>                             | <b>942</b>                               |

### (b) Directors' remuneration

|                                                                 | 52 weeks<br>ended<br>27 December<br>2015<br>£000 | 52 weeks<br>ended<br>28 December<br>2014<br>£000 |
|-----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Directors' remuneration                                         | 2,163                                            | 2,395                                            |
| Aggregate contributions to defined contribution pension schemes | 79                                               | 78                                               |
| Number of Directors accruing benefits under:                    |                                                  |                                                  |
| – defined contribution schemes                                  | 3                                                | 4                                                |

Additional information regarding Directors' remuneration is included in the Directors' remuneration report on pages 41 to 61. Included in Directors' remuneration above are termination payments totalling £nil (2014: £194,000).

## 9. Finance income

|                          | Continuing operations                            |                                                  |
|--------------------------|--------------------------------------------------|--------------------------------------------------|
|                          | 52 weeks<br>ended<br>27 December<br>2015<br>£000 | 52 weeks<br>ended<br>28 December<br>2014<br>£000 |
| Bank interest receivable | 40                                               | 107                                              |
| Franchisee loans         | 52                                               | 111                                              |
| Foreign exchange         | 94                                               | –                                                |
| Other interest           | 48                                               | 163                                              |
| Unwinding of discount    | 128                                              | 239                                              |
| Total finance income     | <b>362</b>                                       | <b>620</b>                                       |

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 10. Finance expense

|                                                 | Continuing operations                   |                                         |
|-------------------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                 | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 |
| Bank loan                                       | –                                       | 10                                      |
| Bank revolving credit facility interest payable | 182                                     | 853                                     |
| Other interest payable                          | 74                                      | 79                                      |
| Foreign exchange                                | –                                       | 329                                     |
| Unwinding of discount                           | 124                                     | 725                                     |
| <b>Total finance expense</b>                    | <b>380</b>                              | <b>1,996</b>                            |

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 £511,000 (2014: £1,894,000).

## 11. Taxation

## (a) Tax on profit on ordinary activities

|                                                                                            | Continuing operations                   |                                         | Discontinued operations                 |                                         | Total                                   |                                         |
|--------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|                                                                                            | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 | 52 weeks ended 27 December 2015<br>£000 | 52 weeks ended 28 December 2014<br>£000 |
| <b>Tax charged in the income statement</b>                                                 |                                         |                                         |                                         |                                         |                                         |                                         |
| Current income tax:                                                                        |                                         |                                         |                                         |                                         |                                         |                                         |
| UK corporation tax:                                                                        |                                         |                                         |                                         |                                         |                                         |                                         |
| – current period                                                                           | 13,026                                  | 11,406                                  | (986)                                   | (1,626)                                 | 12,040                                  | 9,780                                   |
| – adjustment in respect of prior periods                                                   | (546)                                   | (152)                                   | (1,015)                                 | –                                       | (1,561)                                 | (152)                                   |
|                                                                                            | 12,480                                  | 11,254                                  | (2,001)                                 | (1,626)                                 | 10,479                                  | 9,628                                   |
| Income tax of overseas operations on profits for the period                                | 430                                     | 415                                     | 919                                     | –                                       | 1,349                                   | 415                                     |
| <b>Total current income tax charge/(credit)</b>                                            | <b>12,910</b>                           | <b>11,669</b>                           | <b>(1,082)</b>                          | <b>(1,626)</b>                          | <b>11,828</b>                           | <b>10,043</b>                           |
| Deferred tax:                                                                              |                                         |                                         |                                         |                                         |                                         |                                         |
| Origination and reversal of temporary differences                                          | 994                                     | 1,796                                   | 23                                      | 6                                       | 1,017                                   | 1,802                                   |
| Effect of change in tax rate                                                               | 375                                     | –                                       | 62                                      | –                                       | 437                                     | –                                       |
| Adjustment in respect of prior periods                                                     | (405)                                   | (720)                                   | 624                                     | (66)                                    | 219                                     | (786)                                   |
| <b>Total deferred tax</b>                                                                  | <b>964</b>                              | <b>1,076</b>                            | <b>709</b>                              | <b>(60)</b>                             | <b>1,673</b>                            | <b>1,016</b>                            |
| <b>Tax charge/(credit) in the income statement</b>                                         | <b>13,874</b>                           | <b>12,745</b>                           | <b>(373)</b>                            | <b>(1,686)</b>                          | <b>13,501</b>                           | <b>11,059</b>                           |
| The tax charge/(credit) in the income statement is disclosed as follows:                   |                                         |                                         |                                         |                                         |                                         |                                         |
| Income tax expense/(credit)                                                                | 13,874                                  | 12,745                                  | (373)                                   | (1,686)                                 | 13,501                                  | 11,059                                  |
| <b>Tax relating to items credited/(charged) to equity</b>                                  |                                         |                                         |                                         |                                         |                                         |                                         |
| Reduction in current tax liability as a result of the exercise of share options            | 584                                     | 214                                     | –                                       | –                                       | 584                                     | 214                                     |
| Origination and reversal of temporary differences in relation to unexercised share options | 996                                     | 178                                     | –                                       | –                                       | 996                                     | 178                                     |
| <b>Tax credit in the Group statement of changes in equity</b>                              | <b>1,580</b>                            | <b>392</b>                              | <b>–</b>                                | <b>–</b>                                | <b>1,580</b>                            | <b>392</b>                              |

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

## 11. Taxation continued

### (b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 27 December 2015 is lower than the statutory corporation tax rate of 20.25% (2014: 21.50%). The differences are reconciled below:

|                                                                                                   | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>£000 |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Profit before taxation on continuing operations                                                   | 73,163                                        | 62,102                                        |
| Loss before taxation on discontinued operations                                                   | (10,917)                                      | (8,305)                                       |
| Profit before taxation                                                                            | 62,246                                        | 53,797                                        |
| Accounting profit multiplied by the UK statutory rate of corporation tax of 20.25% (2014: 21.50%) | 12,605                                        | 11,566                                        |
| Expenses not deductible for tax purposes                                                          | 1,871                                         | 633                                           |
| Accounting depreciation not eligible for tax purposes                                             | 170                                           | 310                                           |
| Adjustments relating to prior years                                                               | (423)                                         | (909)                                         |
| Impact of change in UK tax rate                                                                   | 437                                           | (232)                                         |
| Impact of other tax reliefs                                                                       | (832)                                         | –                                             |
| Other                                                                                             | 3                                             | 18                                            |
| Tax rate differences                                                                              | (330)                                         | (327)                                         |
| Total tax expense reported in the income statement                                                | 13,501                                        | 11,059                                        |
| Income tax attributable to continuing operations                                                  | 13,874                                        | 12,745                                        |
| Income tax attributable to a discontinued operation                                               | (373)                                         | (1,686)                                       |
|                                                                                                   | 13,501                                        | 11,059                                        |
| Effective tax rate – continuing and discontinued operations (%)                                   | 21.7                                          | 20.6                                          |
| Underlying effective tax rate – continuing operations (%)                                         | 19.0                                          | 20.1                                          |

In the Summer Budget on 8 July 2015, 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 reductions to the standard rate of corporation tax, with the rate set to be reduced to 19%, effective 1 April 2017. A further reduction to 18% effective 1 April 2020 was also announced. As a result, the relevant deferred tax balances have been remeasured as appropriate.

### (c) Temporary differences associated with Group investments

At 27 December 2015, there was no recognised deferred tax liability (2014: £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 27 December<br>2015<br>£000 | At 28 December<br>2014<br>£000 |
|------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Deferred tax arising in the UK on non-capital items                                | 7,404                          | 8,203                          |
| Deferred tax arising in the UK and ROI on capital gains                            | (83)                           | (65)                           |
| Deferred tax arising on other overseas subsidiaries                                | 415                            | 274                            |
| Deferred tax on continuing and discontinued operations                             | 7,736                          | 8,412                          |
| Less deferred tax arising in the UK on non-capital items – discontinued operations | (481)                          | –                              |
| Deferred tax on continuing operations                                              | 7,255                          | 8,412                          |
|                                                                                    | At 27 December<br>2015<br>£000 | At 28 December<br>2014<br>£000 |
| <b>Gross movement in the deferred income tax account</b>                           |                                |                                |
| Opening balance                                                                    | 8,412                          | 9,250                          |
| Tax credit to equity                                                               | 997                            | 178                            |
| Income statement charge                                                            | (1,673)                        | (1,016)                        |
| Closing balance                                                                    | 7,736                          | 8,412                          |

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 11. Taxation continued

## (d) Deferred tax continued

Deferred tax arising in the UK on non-capital items

|                            | Share-based<br>payments<br>£000 | Accelerated<br>capital<br>allowances<br>£000 | Lease<br>inducements<br>£000 | Goodwill and<br>amortisation<br>£000 | Provisions<br>£000 | Total<br>£000 |
|----------------------------|---------------------------------|----------------------------------------------|------------------------------|--------------------------------------|--------------------|---------------|
| At 29 December 2013        | 454                             | 7,892                                        | 166                          | (13)                                 | 695                | 9,194         |
| Credit to equity           | 178                             | –                                            | –                            | –                                    | –                  | 178           |
| (Charge)/credit to income  | (23)                            | (1,289)                                      | (15)                         | –                                    | 158                | (1,169)       |
| At 28 December 2014        | 609                             | 6,603                                        | 151                          | (13)                                 | 853                | 8,203         |
| Credit to equity           | 996                             | –                                            | –                            | –                                    | –                  | 996           |
| Credit/(charge) to income  | 298                             | (1,453)                                      | 26                           | –                                    | (666)              | (1,795)       |
| <b>At 27 December 2015</b> | <b>1,903</b>                    | <b>5,150</b>                                 | <b>177</b>                   | <b>(13)</b>                          | <b>187</b>         | <b>7,404</b>  |

A deferred tax asset of £7,404,000 (2014: £8,412,000) has been recognised on continuing operations 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 £5.6m (2014: £4.6m) which arose in relation to the Swiss business and are available to offset against future taxable profits in Switzerland. A deferred tax asset of £0.4m (2014: £0.3m) has been recognised in relation to these taxable losses in Switzerland on the basis they are expected to be recovered in the foreseeable future.

In addition on discontinued operations there are £nil of losses (2014: £901,000) that have arisen in Germany in current and prior periods which are available for offset against future taxable profits in these jurisdictions. Taxable losses that have arisen in the period in the German branch of Domino's Pizza Germany Limited are available to surrender as Group relief to the UK Group and have been fully utilised.

## 12. Discontinued operations

In December 2015, the Group agreed terms to dispose of their existing German operations and to enter a strategic associate arrangement with Domino's Pizza Enterprises ('DPE'), by setting up a new entity, Daytona Germany GmbH ('Daytona') to be owned one third by Domino's and two thirds by DPE. The deal completed on 1 February 2016. As part of the agreement Domino's have agreed to sell up to 15 of their 20 German stores to Daytona with the remainder being closed. As a result of the transaction, the commissary in Berlin and the head office in Germany will also close. Daytona have acquired the Master Franchise rights for the Domino's brand in Germany from the Group and have also acquired an existing German Pizza chain, Joey's.

Consideration for the disposal will be a combination of £0.9m received on completion plus a Market Access Fee of up to £18.2m. The Market Access Fee is payable in instalments, which become due annually up to 6 years from the date of the agreement. The payment of each instalment is determined by reference to Daytona achieving defined performance levels each calendar year.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

|                                                                                          | 52 weeks<br>ended<br>27 December<br>2015<br>£000 | 52 weeks<br>ended<br>28 December<br>2014<br>£000 |
|------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Revenue                                                                                  | 5,881                                            | 5,687                                            |
| Expenses – underlying                                                                    | (9,192)                                          | (13,035)                                         |
| Underlying loss before tax                                                               | (3,311)                                          | (7,348)                                          |
| Expenses – non-underlying                                                                | (6,688)                                          | (957)                                            |
| Loss before tax                                                                          | (9,999)                                          | (8,305)                                          |
| Attributable tax credit                                                                  | 373                                              | 1,686                                            |
| Net loss attributable to discontinued operations (attributable to owners of the Company) | (9,626)                                          | (6,619)                                          |

Non-underlying expenses comprise redundancy costs of £0.7m and closure costs of £6.0m.

During the year, the German segment reduced the Group's net cash flows by £3,540,000 (2014: £4,674,000), paying £792,000 (2014: £363,000) in respect of investing activities and £nil (2014: £2,054,000) in respect of financing activities.

Certain assets of the German operations have been classified as a disposal group held for sale and presented separately on the balance sheet.



## 12. Discontinued operations continued

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

|                                                                                                 | 52 weeks ended<br>27 December<br>2015<br>£000 |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Property, plant and equipment                                                                   | 935                                           |
| Total classified as held for sale                                                               | 935                                           |
| Total liabilities associated with assets classified as held for sale (trade and other payables) | –                                             |
| Net assets of disposal group                                                                    | 935                                           |

## 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.

### Earnings

|                                                                                        | Notes | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>£000 |
|----------------------------------------------------------------------------------------|-------|-----------------------------------------------|-----------------------------------------------|
| <b>Continuing operations</b>                                                           |       |                                               |                                               |
| Profit attributable to owners of the parent                                            |       | 59,289                                        | 49,357                                        |
| Amounts excluded from underlying profit – attributable to equity holders of the parent |       | –                                             | 91                                            |
| Amounts included in operating profit                                                   | 7     | –                                             | 469                                           |
| Other gains and losses                                                                 | 7     | –                                             | (1,147)                                       |
| Discount unwind                                                                        | 7     | –                                             | 722                                           |
| Taxation impact                                                                        |       | –                                             | 47                                            |
| Underlying profit attributable to owners of the parent                                 |       | 59,289                                        | 49,448                                        |
| <b>Continuing and discontinued operations</b>                                          |       |                                               |                                               |
| Continuing operations profit attributable to owners of the parent                      |       | 59,289                                        | 49,357                                        |
| Discontinued operations loss attributable to owners of the parent                      |       | (9,626)                                       | (6,619)                                       |
| Total profit attributable to owners of the parent                                      |       | 49,663                                        | 42,738                                        |

### Weighted average number of shares

|                                                                     | At<br>27 December<br>2015<br>Number | At<br>28 December<br>2014<br>Number |
|---------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Basic weighted average number of shares (excluding treasury shares) | 166,068,239                         | 165,471,079                         |
| Dilutive effect of share options and awards                         | 2,133,293                           | 1,130,827                           |
| Diluted weighted average number of shares                           | 168,201,532                         | 166,601,906                         |

The performance conditions relating to share options granted over 631,562 shares (2014: 1,087,596) have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end have not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2014: 3,000,000). See note 31 for further information on reversionary interests and share options.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 13. Earnings per share continued

### Earnings per share

|                                               | 52 weeks ended<br>27 December<br>2015 | 52 weeks ended<br>28 December<br>2014 |
|-----------------------------------------------|---------------------------------------|---------------------------------------|
| <b>Continuing operations</b>                  |                                       |                                       |
| Basic earnings per share                      | 35.7p                                 | 29.8p                                 |
| Diluted earnings per share                    | 35.2p                                 | 29.6p                                 |
| Underlying earnings per share:                |                                       |                                       |
| Basic earnings per share                      | 35.7p                                 | 29.9p                                 |
| Diluted earnings per share                    | 35.2p                                 | 29.7p                                 |
| <b>Discontinued operations</b>                |                                       |                                       |
| Basic losses per share                        | (5.8p)                                | (4.0p)                                |
| Diluted losses per share                      | (5.7p)                                | (3.9p)                                |
| <b>Continuing and discontinued operations</b> |                                       |                                       |
| Basic earnings per share                      | 29.9p                                 | 25.9p                                 |
| Diluted earnings per share                    | 29.5p                                 | 25.8p                                 |

## 14. Dividends paid and proposed

|                                                                                                                          | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>£000 |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Declared and paid during the year:                                                                                       |                                               |                                               |
| Equity dividends on Ordinary shares:                                                                                     |                                               |                                               |
| Final dividend for 2014: 9.69p (2013: 8.80p)                                                                             | 16,039                                        | 14,551                                        |
| Interim dividend for 2015: 9.00p (2014: 7.81p)                                                                           | 14,967                                        | 12,929                                        |
| Dividends paid                                                                                                           | 31,006                                        | 27,480                                        |
| Proposed for approval by shareholders at the AGM (not recognised as a liability at 27 December 2015 or 28 December 2014) |                                               |                                               |
| Final dividend for 2015: 11.75p (2014: 9.69p)                                                                            | 19,513                                        | 16,034                                        |

## 15. Intangible assets

|                                           | Goodwill<br>£000 | Franchise<br>fees<br>£000 | Software<br>£000 | Other<br>£000 | Total<br>£000 |
|-------------------------------------------|------------------|---------------------------|------------------|---------------|---------------|
| <b>Cost or valuation</b>                  |                  |                           |                  |               |               |
| At 29 December 2013                       | 4,576            | 14,187                    | 11,022           | 513           | 30,298        |
| Additions                                 | –                | –                         | 2,479            | –             | 2,479         |
| Foreign exchange on translation           | (71)             | (190)                     | (50)             | (10)          | (321)         |
| At 28 December 2014                       | 4,505            | 13,997                    | 13,451           | 503           | 32,456        |
| Additions                                 | 54               | 6                         | 5,048            | –             | 5,108         |
| Disposals                                 | –                | (67)                      | (43)             | (3)           | (113)         |
| Foreign exchange on translation           | 67               | (193)                     | (18)             | –             | (144)         |
| Reclassified as assets held for sale      | (2,983)          | (50)                      | (510)            | –             | (3,543)       |
| <b>At 27 December 2015</b>                | <b>1,643</b>     | <b>13,693</b>             | <b>17,928</b>    | <b>500</b>    | <b>33,764</b> |
| <b>Depreciation and impairment</b>        |                  |                           |                  |               |               |
| At 29 December 2013                       | 2,928            | 10,998                    | 5,065            | 80            | 19,071        |
| Provided during the year                  | –                | 130                       | 2,614            | 50            | 2,794         |
| Impairment                                | –                | –                         | 86               | –             | 86            |
| Foreign exchange on translation           | –                | (14)                      | (44)             | –             | (58)          |
| At 28 December 2014                       | 2,928            | 11,114                    | 7,721            | 130           | 21,893        |
| Provided during the year                  | –                | 252                       | 2,854            | 50            | 3,156         |
| Disposals                                 | –                | (67)                      | –                | –             | (67)          |
| Impairment                                | 55               | 5                         | 220              | –             | 280           |
| Foreign exchange on translation           | –                | 71                        | (26)             | –             | 45            |
| Reclassified as assets held for sale      | (2,983)          | (50)                      | (510)            | –             | (3,543)       |
| <b>At 27 December 2015</b>                | <b>–</b>         | <b>11,325</b>             | <b>10,259</b>    | <b>180</b>    | <b>21,764</b> |
| <b>Net book value at 27 December 2015</b> | <b>1,643</b>     | <b>2,368</b>              | <b>7,669</b>     | <b>320</b>    | <b>12,000</b> |
| Net book value at 28 December 2014        | 1,577            | 2,881                     | 5,730            | 373           | 10,561        |

The carrying amount of goodwill has been allocated as follows:

|             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-------------|-----------------------------------|-----------------------------------|
| Switzerland | 1,643                             | 1,577                             |
|             | <b>1,643</b>                      | <b>1,577</b>                      |

### Goodwill

The Group is obliged to test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired, due to the goodwill 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. The recoverable amounts of the CGU are determined from a value in use calculation. The key assumptions for the valuation 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 CGU. 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 MFA based on the average long-term growth rate of 1.5% for Switzerland, which do not exceed the average long-term growth rate for the relevant market. The rate used to discount the forecast cash flows from the Swiss CGU is 10.6%.

The Group also has conducted a sensitivity analysis on the impairment test of the CGU carrying value including reducing sales level and changing discount rates. In respect of the Swiss CGU, no reasonably expected change would give rise to an impairment charge.

### Master franchise fees

Master franchise fees consist of costs relating to the MFA for the UK, ROI, Germany and Switzerland. The UK and ROI MFA runs into perpetuity, with a development clause that is renewable on a 10 year basis. The German and Swiss MFAs have terms of 30 years.

Included above are intangible assets with a carrying value of £320,000 (2014: £373,000) 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.

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 16. Property, plant and equipment

|                                           | Freehold<br>land and<br>buildings<br>£000 | Assets<br>under<br>construction<br>£000 | Leasehold<br>improvements<br>£000 | Fixtures<br>and<br>fittings<br>£000 | Supply Chain<br>Centre<br>equipment<br>£000 | Total<br>£000 |
|-------------------------------------------|-------------------------------------------|-----------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------------|---------------|
| <b>Cost or valuation</b>                  |                                           |                                         |                                   |                                     |                                             |               |
| At 29 December 2013                       | 33,459                                    | 2,630                                   | 280                               | 11,473                              | 32,311                                      | 80,153        |
| Additions                                 | 42                                        | 1,770                                   | 212                               | 1,008                               | 1,380                                       | 4,412         |
| Reclassification of assets                | –                                         | (3,310)                                 | –                                 | 1,015                               | 2,295                                       | –             |
| Disposals                                 | –                                         | (14)                                    | (4)                               | (782)                               | –                                           | (800)         |
| Foreign exchange on translation           | (94)                                      | (34)                                    | (14)                              | (406)                               | (214)                                       | (762)         |
| At 28 December 2014                       | 33,407                                    | 1,042                                   | 474                               | 12,308                              | 35,772                                      | 83,003        |
| Additions                                 | 89                                        | 3,110                                   | 571                               | 1,997                               | 996                                         | 6,763         |
| Reclassification of assets                | –                                         | (2,395)                                 | 4,573                             | (1,865)                             | (1,201)                                     | (888)         |
| Reclassification to assets held for sale  | –                                         | –                                       | (128)                             | (5,921)                             | (1,621)                                     | (7,670)       |
| Disposals                                 | –                                         | –                                       | (25)                              | (206)                               | (862)                                       | (1,093)       |
| Foreign exchange on translation           | (90)                                      | 45                                      | 21                                | (283)                               | (211)                                       | (518)         |
| <b>At 27 December 2015</b>                | <b>33,406</b>                             | <b>1,802</b>                            | <b>5,486</b>                      | <b>6,030</b>                        | <b>32,873</b>                               | <b>79,597</b> |
| <b>Depreciation and impairment</b>        |                                           |                                         |                                   |                                     |                                             |               |
| At 29 December 2013                       | 4,606                                     | 1,676                                   | 84                                | 7,258                               | 9,021                                       | 22,645        |
| Reclassification of assets                | –                                         | (1,676)                                 | –                                 | –                                   | 1,676                                       | –             |
| Provided during the year                  | 497                                       | –                                       | 47                                | 896                                 | 1,392                                       | 2,832         |
| Impairment                                | –                                         | 116                                     | –                                 | 532                                 | –                                           | 648           |
| Disposals                                 | –                                         | –                                       | –                                 | –                                   | –                                           | –             |
| Foreign exchange on translation           | (15)                                      | 2                                       | (4)                               | (322)                               | (157)                                       | (496)         |
| At 28 December 2014                       | 5,088                                     | 118                                     | 127                               | 8,364                               | 11,932                                      | 25,629        |
| Reclassification of assets                | –                                         | (118)                                   | 67                                | 172                                 | 118                                         | 239           |
| Provided during the year                  | 562                                       | –                                       | 465                               | 930                                 | 1,470                                       | 3,427         |
| Impairment                                | –                                         | 20                                      | 128                               | (151)                               | 32                                          | 29            |
| Reclassification to assets held for sale  | –                                         | –                                       | (128)                             | (4,986)                             | (1,621)                                     | (6,735)       |
| Disposals                                 | –                                         | –                                       | –                                 | (203)                               | (860)                                       | (1,063)       |
| Foreign exchange on translation           | (15)                                      | –                                       | 5                                 | (329)                               | (156)                                       | (495)         |
| <b>At 27 December 2015</b>                | <b>5,635</b>                              | <b>20</b>                               | <b>664</b>                        | <b>3,797</b>                        | <b>10,915</b>                               | <b>21,031</b> |
| <b>Net book value at 27 December 2015</b> | <b>27,771</b>                             | <b>1,782</b>                            | <b>4,822</b>                      | <b>2,233</b>                        | <b>21,958</b>                               | <b>58,566</b> |
| Net book value at 28 December 2014        | 28,319                                    | 924                                     | 347                               | 3,944                               | 23,840                                      | 57,374        |

Assets with a net book value of £649,000 have been reclassified to other receivables during the year. These represent lease assets for improved presentation.

**Freehold land and buildings**

Included within freehold land and buildings is an amount of £4,689,000 (2014: £4,689,000) in respect of land which is not depreciated.

**Capitalised financing costs**

Included within freehold land and buildings is an amount of £972,000 (2014: £1,156,000) of capitalised financing costs relating 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 24.

## 17. Prepaid operating lease charges

|                                        | Note | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|----------------------------------------|------|-----------------------------------|-----------------------------------|
| Balance at the beginning of the period |      | 1,270                             | 1,514                             |
| Additions                              |      | 159                               | 80                                |
| Refunded                               |      | (6)                               | –                                 |
| Impairment                             | 7    | –                                 | (144)                             |
| Foreign exchange on translation        |      | (23)                              | 18                                |
| Amortisation                           |      | (196)                             | (198)                             |
| Balance at the end of the period       |      | 1,204                             | 1,270                             |
| Analysed as follows:                   |      |                                   |                                   |
| Non-current assets                     |      | 1,010                             | 1,072                             |
| Current assets                         |      | 194                               | 198                               |
|                                        |      | 1,204                             | 1,270                             |

## 18. Trade and other receivables

Included in non-current assets:

|                                                | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>(restated)<br>£000 |
|------------------------------------------------|-----------------------------------|-------------------------------------------------|
| Amounts owed by associates and joint ventures* | 355                               | 1,387                                           |
| Loans to franchisees*                          | 717                               | 1,957                                           |
| Other receivables*                             | 6,035                             | 2,274                                           |
|                                                | 7,107                             | 5,618                                           |

\* Financial assets at amortised cost.

The restated figure for non-current other receivables is £1,039,000 higher as at 28 December 2014; refer to note 2 for further details.

Included in current assets:

|                                                | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>(restated)<br>£000 |
|------------------------------------------------|-----------------------------------|-------------------------------------------------|
| Trade receivables*                             | 7,956                             | 9,908                                           |
| Amounts owed by associates and joint ventures* | 1,878                             | 1,995                                           |
| Loans to franchisees*                          | 1,836                             | 2,505                                           |
| Other receivables*                             | 4,966                             | 6,485                                           |
| Prepayments and accrued income                 | 12,111                            | 13,842                                          |
|                                                | 28,747                            | 34,735                                          |

\* Financial assets at amortised cost.

The restated figure for current other receivables is £247,000 higher as at 28 December 2014; refer to note 2 for further details.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 18. Trade and other receivables continued

### Trade receivables

Trade receivables are denominated in the following currencies:

|             | At 27 December 2015<br>£000 | At 28 December 2014<br>£000 |
|-------------|-----------------------------|-----------------------------|
| Sterling    | 7,439                       | 7,995                       |
| Euro        | 502                         | 1,887                       |
| Swiss franc | 15                          | 26                          |
|             | <b>7,956</b>                | <b>9,908</b>                |

The euro-denominated receivables relate to franchisee receivables within the Group's Irish operations (2014: Irish and German operations), the functional currency of which is the euro.

Trade receivables are non-interest bearing and are generally on 7 to 28 days' terms. As at 27 December 2015, trade receivables at nominal value of £169,584 (2014: £2,472,000) were provided for.

The ageing analysis of trade receivables is as follows:

|                               | Total<br>£000 | Neither<br>past<br>due nor<br>impaired<br>£000 | Past due but not impaired |                   |
|-------------------------------|---------------|------------------------------------------------|---------------------------|-------------------|
|                               |               |                                                | < 30 days<br>£000         | > 30 days<br>£000 |
| <b>As at 27 December 2015</b> | <b>7,956</b>  | <b>7,191</b>                                   | <b>329</b>                | <b>436</b>        |
| As at 28 December 2014        | 9,908         | 6,234                                          | 1,385                     | 2,289             |

### Loans to franchisees

Loans to franchisees are repayable within one to five 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.

### Amounts owed by associates and joint ventures

|                                | At 27 December 2015<br>£000 | At 28 December 2014<br>£000 |
|--------------------------------|-----------------------------|-----------------------------|
| Amounts owed by associates     | 1,238                       | 2,270                       |
| Amounts owed by joint ventures | 995                         | 1,112                       |
|                                | <b>2,233</b>                | <b>3,382</b>                |

Included within the balance due from associates are loan balances totalling £642,000 (2014: £1,083,000) due from Full House Restaurants Holdings Limited. Included within the balance due from joint ventures are loan balances of £446,000 due from DP Shayban Limited (2014: £477,000) and £300,000 due from Domino's Pizza West Country Limited (2014: £378,000). 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<br>balance<br>£000 | Loan<br>balance<br>£000 | Total<br>£000 |
|-----------------------------|----------------------------|-------------------------|---------------|
| At 29 December 2013         | 689                        | 2,516                   | 3,205         |
| Movement in trading balance | 756                        | –                       | 756           |
| Repayment of loan balance   | –                          | (734)                   | (734)         |
| Increase in loan balance    | –                          | 155                     | 155           |
| At 28 December 2014         | 1,445                      | 1,937                   | 3,382         |
| Movement in trading balance | (601)                      | –                       | (601)         |
| Repayment of loan balance   | –                          | (548)                   | (548)         |
| <b>At 27 December 2015</b>  | <b>844</b>                 | <b>1,389</b>            | <b>2,233</b>  |

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 £nil (2014: £1,558,000) due to the difference in timing between cash flows of the marketing activities committed to by the fund and contributions received from franchisees. The balance in the current period is a net creditor, please refer to note 23 for further details. The outstanding balance of the NAF bears interest at 4.5% above Barclays Bank plc base rate.



## 19. Finance leases

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 6.2% (2014: 5.7%).

|                                                     | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|
| Net investment in finance leases                    | 1,983                             | 2,185                             |
| <b>Analysis of net investment in finance leases</b> |                                   |                                   |
| Current                                             | 774                               | 900                               |
| Non-current                                         | 1,209                             | 1,285                             |
|                                                     | 1,983                             | 2,185                             |
| Future minimum payments receivable:                 |                                   |                                   |
|                                                     | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
| Not later than one year                             | 866                               | 997                               |
| After one year but not more than five years         | 1,291                             | 1,363                             |
|                                                     | 2,157                             | 2,360                             |
| Less: finance income allocated to future periods    | (174)                             | (175)                             |
|                                                     | 1,983                             | 2,185                             |

## 20. Investments in associates and joint ventures

|                              | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|------------------------------|-----------------------------------|-----------------------------------|
| Investment in associates     | 1,919                             | 1,381                             |
| Investment in joint ventures | 6,066                             | 5,789                             |
|                              | 7,985                             | 7,170                             |

### (a) Investment in associates

The Group has a 41% interest in Full House Restaurants Holdings Limited, a private company that manages pizza delivery stores in the UK. This interest is accounted for as an associate, using the equity method in the consolidated financial statements, as the Group has significant influence but does not control the entity or have joint control.

Summarised financial information for the associate is set out below:

|                                             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|---------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Summary of associate's balance sheet</b> |                                   |                                   |
| Current assets                              | 2,998                             | 3,917                             |
| Non-current assets                          | 11,646                            | 4,083                             |
| Current liabilities                         | (3,931)                           | (2,915)                           |
| Non-current liabilities                     | (6,032)                           | (1,717)                           |
| Equity                                      | 4,681                             | 3,368                             |
| Group's carrying amount of the investment   | 1,919                             | 1,381                             |

The associate had no contingent liabilities or capital commitments at 27 December 2015 or at 28 December 2014. The associate requires the parent's consent to distribute its profits.

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 20. Investments in associates and joint ventures continued

## (a) Investment in associates continued

|                                                       | 52 weeks ended<br>27 December<br>2015<br>£000 | 52 weeks ended<br>28 December<br>2014<br>£000 |
|-------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Summary of associate's revenue and profit</b>      |                                               |                                               |
| Revenue                                               | 33,787                                        | 29,556                                        |
| Profit after tax for the year                         | 1,938                                         | 1,022                                         |
| Total comprehensive income for the year               | 1,938                                         | 1,022                                         |
| Group's share of profit for the year                  | 794                                           | 419                                           |
| Dividends received from the associate during the year | 205                                           | 45                                            |

## (b) Investment in joint ventures

The Group has two 50% 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 using the equity method in the consolidated financial statements 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.

Summary financial information of the joint ventures based on their IFRS financial statements is set out below:

|                                                   | At 27 December 2015 |                      |               | At 28 December 2014 |                      |               |
|---------------------------------------------------|---------------------|----------------------|---------------|---------------------|----------------------|---------------|
|                                                   | DP Shayban<br>£000  | West Country<br>£000 | Total<br>£000 | DP Shayban<br>£000  | West Country<br>£000 | Total<br>£000 |
| <b>Summary of joint ventures' balance sheets</b>  |                     |                      |               |                     |                      |               |
| Current assets                                    | 1,282               | 2,391                | 3,673         | 4,040               | 1,550                | 5,590         |
| Non-current assets                                | 7,418               | 6,266                | 13,684        | 4,036               | 6,214                | 10,250        |
| Current liabilities                               | (1,122)             | (1,506)              | (2,628)       | (3,568)             | (512)                | (4,080)       |
| Non-current liabilities                           | (2,597)             | –                    | (2,597)       | (38)                | (144)                | (182)         |
| Equity                                            | 4,981               | 7,151                | 12,132        | 4,470               | 7,108                | 11,578        |
| Group's carrying amount of the investment         | 2,490               | 3,576                | 6,066         | 2,235               | 3,554                | 5,789         |
| Within gross balance sheets:                      |                     |                      |               |                     |                      |               |
| Current assets includes cash and cash equivalents | 1,161               | 2,178                | 3,339         | 714                 | 1,456                | 2,170         |
| Current financial liabilities                     | (502)               | –                    | (502)         | (538)               | –                    | (538)         |
| Non-current financial liabilities                 | (2,597)             | –                    | (2,597)       | (3,200)             | –                    | (3,200)       |

|                                                               | 52 weeks ended 27 December 2015 |                      |               | 52 weeks ended 28 December 2014 |                      |               |
|---------------------------------------------------------------|---------------------------------|----------------------|---------------|---------------------------------|----------------------|---------------|
|                                                               | DP Shayban<br>£000              | West Country<br>£000 | Total<br>£000 | DP Shayban<br>£000              | West Country<br>£000 | Total<br>£000 |
| <b>Summary of joint ventures' statement of profit or loss</b> |                                 |                      |               |                                 |                      |               |
| Revenue                                                       | 14,915                          | 10,951               | 25,866        | 14,705                          | 9,466                | 24,171        |
| Profit after tax for the year                                 | 507                             | 1,352                | 1,859         | 632                             | 624                  | 1,256         |
| Total comprehensive income for the year                       | 507                             | 1,352                | 1,859         | 632                             | 624                  | 1,256         |
| Group's share of profit for the year                          | 254                             | 676                  | 930           | 316                             | 312                  | 628           |
| Dividends received                                            | –                               | 285                  | 285           | –                               | 160                  | 160           |
| Profit after tax for the year includes:                       |                                 |                      |               |                                 |                      |               |
| Depreciation and amortisation                                 | 690                             | 389                  | 1,079         | 424                             | 354                  | 778           |
| Interest income                                               | –                               | –                    | –             | 86                              | 10                   | 96            |
| Interest expense                                              | 88                              | 12                   | 100           | 104                             | 16                   | 120           |
| Income tax expense                                            | 255                             | 250                  | 505           | 176                             | 212                  | 388           |

The joint ventures had no contingent liabilities or capital commitments as at 27 December 2015 and 28 December 2014. Both joint ventures cannot distribute their profits without the consent from the two venture partners.

## 21. Inventories

|                                                                      | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|----------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Raw materials                                                        | 330                               | 220                               |
| Finished goods and goods for sale                                    | 5,878                             | 4,606                             |
| Total inventories at lower of cost or estimated net realisable value | 6,208                             | 4,826                             |

## 22. Cash and cash equivalents

|                          | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|--------------------------|-----------------------------------|-----------------------------------|
| Cash at bank and in hand | 52,860                            | 33,743                            |

Cash is denominated in the following currencies:

|             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-------------|-----------------------------------|-----------------------------------|
| Sterling    | 49,355                            | 28,019                            |
| Euro        | 2,882                             | 5,231                             |
| Swiss franc | 609                               | 482                               |
| Thai baht   | 14                                | 11                                |
|             | 52,860                            | 33,743                            |

## 23. Trade and other payables

|                                             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>(restated)<br>£000 |
|---------------------------------------------|-----------------------------------|-------------------------------------------------|
| Included in current liabilities:            |                                   |                                                 |
| Trade payables*                             | 9,500                             | 15,482                                          |
| Other taxes and social security costs       | 4,056                             | 3,922                                           |
| Other payables*                             | 1,013                             | 4,348                                           |
| Accruals                                    | 38,343                            | 23,771                                          |
|                                             | 52,912                            | 47,523                                          |
| <b>Included in non-current liabilities:</b> |                                   |                                                 |
| Other payables*                             | 316                               | —                                               |

\* Financial liabilities at amortised cost.

Accruals has been restated lower by £4,548,000 as at 28 December 2014; refer to note 2 for further details.

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing and are normally settled on seven to 30 days' terms; and
- other payables are non-interest bearing and have an average term of six months.

Included in the current element of other payables is the National Advertising Fund ('NAF') balance of £316,000 (2014: £nil) due to the difference in timing between cash flows 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 27 December 2015 were £41,819,000 (2014: £32,030,000). The balance in the previous period was a net debtor, please refer to note 18 for further details.

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 24. Financial liabilities

|                                               | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-----------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Current</b>                                |                                   |                                   |
| Bank revolving facility                       | –                                 | 5                                 |
| Current instalments due on bank loans         | –                                 | 15,000                            |
| Current instalments due on other loans        | 943                               | 1,005                             |
| Current instalments due on finance leases     | 45                                | 44                                |
|                                               | <b>988</b>                        | <b>16,054</b>                     |
| <b>Non-current</b>                            |                                   |                                   |
| Bank revolving facility                       | 10,485                            | 5,442                             |
| Non-current instalments due on other loans    | 965                               | 1,273                             |
| Non-current instalments due on finance leases | –                                 | 16                                |
|                                               | <b>11,450</b>                     | <b>6,731</b>                      |

## Banking facilities

Cash at bank earns interest at floating rates based on daily deposit rates. The fair value of cash and cash equivalents is £52,860,000 (2014: £33,473,000). At 27 December 2015 the Group had a total of £35,000,000 (2014: £50,000,000) of banking facilities, of which £22,562,000 (2014: £27,275,000) was undrawn.

## Bank revolving facility

Interest charged on the term loan was 1.10% per annum above LIBOR. The term loan matured on 31 January 2015 on which date facilities reduced back to £30,000,000. Interest charged on the revolving credit facility is 1.35% per annum above LIBOR in addition to a 0.5% utilisation fee. The facility expires on 10 August 2017. Arrangement fees of £111,659 (2014: £372,000) directly incurred in relation to the facility are included in the carrying value of the facility and are being amortised over the term of the facility. The facility is secured by an unlimited cross-guarantee between the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

## Other loans

Other loans include loans entered into to acquire assets which are then leased onto franchisees under finance lease agreements. The Group has an asset finance facility of £5,000,000 (2014: £5,000,000) with a term of five years. The balance drawn down on this facility and held within 'other loans' as at 27 December 2015 is £1,908,000 (2014: £2,278,000). 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 5.7% (2014: 5.5%).

## Finance leases

The Group has a number of finance leases for corporate store equipment and vehicles in Switzerland and Germany. The average lease term is 2.4 years. During the period the average effective borrowing rate was 1.8% (2014: 3.2%). 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 27 December 2015 the leased assets have a carrying value of £45,000 (2014: £60,000). No further disclosures have been included due to the immateriality of the lease liabilities to the Group's balance sheet.

## 25. Deferred and contingent consideration

|                            | Deferred<br>£000 | Contingent<br>£000 | Total<br>£000 |
|----------------------------|------------------|--------------------|---------------|
| At 29 December 2013        | 7,326            | 1,129              | 8,455         |
| Paid during the period     | (1,208)          | (132)              | (1,340)       |
| Released during the period | –                | (947)              | (947)         |
| Unwinding of discount      | 206              | –                  | 206           |
| Foreign exchange movements | –                | (50)               | (50)          |
| At 28 December 2014        | 6,324            | –                  | 6,324         |
| Paid during the period     | (3,517)          | –                  | (3,517)       |
| Unwinding of discount      | 58               | –                  | 58            |
| <b>At 27 December 2015</b> | <b>2,865</b>     | <b>–</b>           | <b>2,865</b>  |

|              | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|--------------|-----------------------------------|-----------------------------------|
| Current      | 2,865                             | 3,841                             |
| Non-current  | –                                 | 2,483                             |
| <b>Total</b> | <b>2,865</b>                      | <b>6,324</b>                      |

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 provided 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 ongoing 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.

During the period the Group has utilised £7,032,000 (2014: £8,532,000) of the capital allowances which were acquired with Domino's Leasing Limited. 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 was payable. The fair value of contingent consideration at the time of acquisition was estimated to be £1,087,000. In 2014, the amount payable crystallised at £134,000 and the unutilised provision for contingent consideration was released to the profit and loss.

## 26. 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.

Future minimum rentals payable under non-cancellable operating leases are as follows:

|                                             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|---------------------------------------------|-----------------------------------|-----------------------------------|
| Not later than one year                     | 20,386                            | 19,696                            |
| After one year but not more than five years | 71,954                            | 72,060                            |
| After five years                            | 128,865                           | 140,770                           |
|                                             | <b>221,205</b>                    | <b>232,526</b>                    |

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 26. Obligations under leases and hire purchase contracts continued

### Operating lease rentals where the Group is lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

|                                             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|---------------------------------------------|-----------------------------------|-----------------------------------|
| Not later than one year                     | 17,291                            | 16,960                            |
| After one year but not more than five years | 55,443                            | 56,019                            |
| After five years                            | 50,413                            | 36,770                            |
|                                             | 123,147                           | 109,748                           |

## 27. Provisions

|                                 | Onerous lease<br>provisions<br>£000 | Restructuring<br>provisions<br>£000 | Total<br>£000 |
|---------------------------------|-------------------------------------|-------------------------------------|---------------|
| At 28 December 2014             | 2,005                               | 1,266                               | 3,271         |
| Arising during the period       | 2,901                               | 2,946                               | 5,847         |
| Utilised during the period      | (287)                               | (981)                               | (1,268)       |
| Released during the period      | (329)                               | (96)                                | (425)         |
| Impact of discounting           | 69                                  | (28)                                | 41            |
| Foreign exchange on translation | (95)                                | 43                                  | (138)         |
| <b>At 27 December 2015</b>      | <b>4,264</b>                        | <b>3,064</b>                        | <b>7,328</b>  |

|             | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-------------|-----------------------------------|-----------------------------------|
| Current     | 6,113                             | 1,270                             |
| Non-current | 1,215                             | 2,000                             |
|             | 7,328                             | 3,270                             |

### Onerous lease provision

The onerous lease provision relates to the outstanding rent obligation for properties in the UK, ROI and Germany. These properties include sublets 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 one and 24 years. Of the amount arising in the year £2,486,000 relates to amounts provided in Germany due to discontinuation of operations.

### Restructuring provisions

£2,918,000 of the provision relates to the discontinuation of Germany operations and relates to closure costs of the head office and some stores. The remaining restructuring provision arose upon acquisition of Domino's Switzerland and relates to outstanding rent obligations for three stores which were being closed and relocated as well as other commitments arising from the restructuring plan such as relocation costs. The total restructuring provision will be utilised within three years.

## 28. 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, 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 2015 and 2014, 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 net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA').

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.



## 28. Financial risk management objectives and policies continued

### Foreign currency risk

The Group has invested in operations in ROI, 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/<br>decrease<br>in sterling vs<br>euro rate % | Effect<br>on profit<br>before tax<br>£000 |
|-------------|--------------------------------------------------------|-------------------------------------------|
| <b>2015</b> | <b>+25</b>                                             | <b>37</b>                                 |
|             | <b>-25</b>                                             | <b>(54)</b>                               |
| 2014        | +25                                                    | 29                                        |
|             | -25                                                    | (43)                                      |

### 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.

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.

### 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 fundraising.

The table below summarises the maturity profile of the Group's financial liabilities at 27 December 2015 and 28 December 2014 based on contractual undiscounted payments.

|                                         | On demand<br>£000 | Less than<br>3 months<br>£000 | 3 to<br>12 months<br>£000 | 1 to<br>5 years<br>£000 | Total<br>£000 |
|-----------------------------------------|-------------------|-------------------------------|---------------------------|-------------------------|---------------|
| <b>Period ended 27 December 2015</b>    |                   |                               |                           |                         |               |
| <i>Floating rate borrowings</i>         |                   |                               |                           |                         |               |
| Bank loan                               | –                 | –                             | –                         | –                       | –             |
| Bank revolving facility                 | –                 | 16                            | 49                        | 10,534                  | 10,599        |
| <i>Fixed rate borrowings</i>            |                   |                               |                           |                         |               |
| Other loans                             | –                 | 284                           | 725                       | 1,051                   | 2,060         |
| Finance leases                          | –                 | 4                             | 11                        | 30                      | 45            |
| <i>Non-interest bearing</i>             |                   |                               |                           |                         |               |
| Trade and other payables                | –                 | 48,855                        | –                         | 316                     | 49,171        |
| Deferred consideration – amortised cost | –                 | 1,442                         | 1,423                     | –                       | 2,865         |
|                                         | <b>–</b>          | <b>50,601</b>                 | <b>2,208</b>              | <b>11,931</b>           | <b>64,740</b> |

## Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 28. Financial risk management objectives and policies continued

## Liquidity risk continued

|                                         | On demand<br>£000 | Less than<br>3 months<br>£000 | 3 to<br>12 months<br>£000 | 1 to<br>5 years<br>£000 | Total<br>£000 |
|-----------------------------------------|-------------------|-------------------------------|---------------------------|-------------------------|---------------|
| <b>Period ended 28 December 2014</b>    |                   |                               |                           |                         |               |
| <i>Floating rate borrowings</i>         |                   |                               |                           |                         |               |
| Bank loan                               | –                 | 15,138                        | –                         | –                       | 15,138        |
| Bank revolving facility                 | –                 | 39                            | 116                       | 5,874                   | 6,029         |
| <i>Fixed rate borrowings</i>            |                   |                               |                           |                         |               |
| Other loans                             | –                 | 271                           | 747                       | 1,426                   | 2,444         |
| Finance leases                          | –                 | 6                             | 19                        | 34                      | 60            |
| <i>Non-interest bearing</i>             |                   |                               |                           |                         |               |
| Trade and other payables                | –                 | 47,121                        | –                         | –                       | 47,121        |
| Deferred consideration – amortised cost | –                 | 310                           | 3,199                     | 2,637                   | 6,146         |
|                                         | –                 | 62,885                        | 4,081                     | 9,971                   | 76,937        |

## 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% higher/lower and all other variables were held constant, the Group's profit for the 52-week period ended 27 December 2015 would decrease/increase by £214,000 (2014: £56,000). 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.

## Capital management

The primary objective of the Group's capital management is to ensure that it retains 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 27 December 2015 and 28 December 2014. At the AGM in 2014, 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. During 2014 (up to and including 28 December 2014) the Company purchased 380,000 Ordinary shares with a nominal value of 1.5625p under this authority at a total cost of £2,220,395 with those Ordinary shares currently held in treasury. This represents 0.2% of the Company's called up share capital as at 28 December 2014. The Company engages in share buybacks to create value for shareholders when cash flows permit and there is no immediate alternative investment use for the funds. No share buybacks occurred in 2015.

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 Germany non-controlling interest loan.

|                                              | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|----------------------------------------------|-----------------------------------|-----------------------------------|
| Bank loan                                    | –                                 | 15,000                            |
| Other loans                                  | 1,908                             | 2,278                             |
| Finance leases                               | 45                                | 60                                |
| Bank revolving facilities                    | 10,485                            | 5,447                             |
| Less: cash and cash equivalents              | (52,860)                          | (33,743)                          |
| Net cash                                     | (40,422)                          | (10,958)                          |
| Underlying EBITDA from continuing operations | 79,891                            | 61,275                            |
| Adjusted gearing ratio                       | (0.5)                             | (0.2)                             |

For further commentary on cash flow, net debt and gearing see the Strategic Report.

## 29. 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<br>value<br>2015<br>£000 | Carrying<br>value<br>2014<br>£000 | Fair<br>value<br>2015<br>£000 | Fair<br>value<br>2014<br>£000 |
|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>          |                                   |                                   |                               |                               |
| Net investment in finance leases | 1,983                             | 2,184                             | 1,907                         | 2,058                         |
| <b>Financial liabilities</b>     |                                   |                                   |                               |                               |
| Bank revolving facilities        | 10,485                            | 5,447                             | 10,485                        | 5,447                         |
| Bank loan EBT                    | –                                 | 15,000                            | –                             | 15,000                        |
| Fixed rate borrowings            | 1,908                             | 2,278                             | 2,011                         | 2,374                         |
| Finance lease liabilities        | 45                                | 60                                | 45                            | 60                            |

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.

Management have determined that the fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturity of these instruments.

The fair value of bank revolving facilities, bank loans, fixed rate borrowings, finance lease liabilities and floating rate borrowings are determined using a rate that reflects the entity's borrowing rate as at the end of the reporting period. The inputs use in these discounted cash flow calculations are at level 2 in the hierarchy.

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.

## 30. Share capital and reserves

### Authorised share capital

|                                  | At<br>27 December<br>2015 | At<br>28 December<br>2014 |
|----------------------------------|---------------------------|---------------------------|
| 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 27 December 2015 |           | At 28 December 2014 |           |
|------------------------------------------|---------------------|-----------|---------------------|-----------|
|                                          | Number              | £         | Number              | £         |
| At 28 December 2014 and 29 December 2013 | 165,909,532         | 2,592,335 | 164,497,341         | 2,570,270 |
| Issued on exercise of share options      | 893,156             | 13,951    | 532,191             | 8,315     |
| Issued on acquisition                    | –                   | –         | 880,000             | 13,750    |
| At 27 December 2015 and 28 December 2014 | 166,802,688         | 2,606,286 | 165,909,532         | 2,592,335 |

During the period 893,156 (2014: 532,782) Ordinary shares of 1.5625p each with a nominal value of £13,951 (2014: £8,315) were issued between 107.03p (2014: 64.53p) and 534.5p (2014: 482.4p) for a total cash consideration received of £3,572,000 (2014: £2,038,000) to satisfy the share options that were exercised. In addition, during the prior period the company issued 880,000 shares on purchasing the remaining 25% shareholding of DP Cyco Limited from its non-controlling interest partner, Briskas Limited ('Briskas'). Briskas also holds an option over 3 million shares with an exercise price of 5.777 pence 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.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 30. Share capital and reserves continued

### Nature and purpose of reserves continued

#### 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 and shares held by the Company as 'treasury shares'. The shares held by the EBT were purchased in order to satisfy potential awards under the Reversionary LTIP. At 27 December 2015, the Trust held 56,252 (2014: 56,252) shares, which had a historic cost of £879 (2014: £879). These shares had a market value at 27 December 2015 of £573,770 (2014: £393,764).

During the period the Company did not acquire any of its own shares (2014: £380,000 of its own shares of 1.5625p each for a total consideration of £2,237,000). The shares are held as 'treasury shares'. The Company has the right to reissue these shares at later date.

The EBT has waived its entitlement to dividends. The Group will meet the expenses of the EBT as and when they fall due.

#### 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

In 2013, the other reserve related to the contingent consideration payable for the acquisition of DP Cyco Ltd, being 880,000 Ordinary shares on the opening of the 35th Domino's store in Germany. In 2014, the 25% shareholding of DP Cyco Ltd was purchased from its non-controlling interest partner, Briskas Limited.

## 31. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 27 December 2015 was £1,328,000 (2014: £899,000). This all arises on equity-settled share-based payment transactions.

### 2012 Long Term Incentive Plan (2012 LTIP)

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 338,880 awards were granted (2014: 1,394,715). At 27 December 2015, there were 2012 LTIP awards over 1,492,013 (2014: 2,009,525) shares in Domino's Pizza Group plc.

The weighted average remaining contractual life of the options outstanding at 27 December 2015 was 6.3 years (2014: 6.7 years). The weighted average share price for options exercised during 2015 was 398.92p (2014: 419.06p).

The fair value of options granted is estimated at the date of granting using Stochastic and Black-Scholes models, taking into account the terms and conditions upon which they were granted. Total shareholder return (TSR) is generated for the Company and the comparator group at the end of the three-year performance period. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The following table lists the inputs to the model used for the period ended 27 December 2015:

| 52 weeks ended 27 December 2015 |             |
|---------------------------------|-------------|
| Weighted average fair value     | 588.00p     |
| Weighted average share price    | 911.0p      |
| Weighted average exercise price | 0.00p       |
| Expected dividend yield         | 0%–2.07%    |
| Risk-free rates                 | 0.79%–1.52% |
| Expected volatility             | 23.6%–27.5% |

Further information on the Company's 2012 LTIP awards are given in the Executive Director policy table on page 44 of the Directors' remuneration report.

### 31. Share-based payments continued

#### Employee share options

On 23 March 2004, the Company established the Domino's Pizza Group plc Enterprise Management Incentive Scheme ('EMI Scheme').

All employees are eligible for grants of options under this scheme, which is approved by the Board. Prior to 2011, the options vested 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 Prices 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 27 December 2015 (2014: nil).

#### Sharesave scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company at a 20% discount.

Employees have the option to save an amount per month up to a maximum of £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 option granted in 2015 was 186.47p (2014: 71.0p).

#### Share schemes

As at 27 December 2015, the following share options were outstanding:

| Scheme                                 | Exercise price     | Outstanding at 28 December 2014 Number | Granted during the period Number | Exercised during the period Number | Forfeited during the period Number | Outstanding at 27 December 2015 Number | Exercisable at 27 December 2015 Number |
|----------------------------------------|--------------------|----------------------------------------|----------------------------------|------------------------------------|------------------------------------|----------------------------------------|----------------------------------------|
| 2012 Long Term Incentive Plan          | 0.00p to 540.50p   | 2,009,525                              | 338,880                          | (286,420)                          | (569,972)                          | 1,492,013                              | 86,712                                 |
| Dominos Pizza (Unapproved) Scheme      | 107.03p to 210.00p | 168,763                                | –                                | (72,432)                           | (27,667)                           | 68,664                                 | 68,664                                 |
| Dominos Pizza CSOP (Unapproved) Scheme | 205.50p to 482.40p | 293,218                                | –                                | (123,744)                          | (89,851)                           | 79,623                                 | 79,623                                 |
| Dominos Pizza CSOP (Approved) Scheme   | 205.50p to 482.40p | 482,608                                | –                                | (314,449)                          | (7,194)                            | 160,965                                | 160,965                                |
| Sharesave scheme                       | 237.92p to 639.00p | 389,979                                | 162,545                          | (95,816)                           | (40,075)                           | 416,633                                | –                                      |
|                                        |                    | 3,344,093                              | 501,425                          | (892,861)                          | (734,759)                          | 2,217,896                              | 395,964                                |
| Weighted average exercise price        |                    | 333.07p                                | 207.14p                          | 398.92p                            | 400.87p                            | 255.63p                                | 345.27p                                |

As at 28 December 2014, the following share options were outstanding:

| Scheme                                         | Exercise price     | Outstanding at 29 December 2013 Number | Granted during the period Number | Exercised during the period Number | Forfeited during the period Number | Outstanding at 28 December 2014 Number | Exercisable at 28 December 2014 Number |
|------------------------------------------------|--------------------|----------------------------------------|----------------------------------|------------------------------------|------------------------------------|----------------------------------------|----------------------------------------|
| Reversionary Interest Long Term Incentive Plan | 437.10p            | 2,287,920                              | –                                | (1,832,917)                        | (455,003)                          | –                                      | –                                      |
| 2012 Long Term Incentive Plan                  | 0.00p to 540.50p   | 1,021,684                              | 1,394,715                        | –                                  | (406,873)                          | 2,009,525                              | –                                      |
| Dominos Pizza (unapproved) Scheme              | 107.03p to 210.00p | 262,137                                | –                                | (93,375)                           | –                                  | 168,763                                | 168,763                                |
| Dominos Pizza CSOP (unapproved) Scheme         | 205.50p to 482.40p | 536,079                                | –                                | (154,839)                          | (88,022)                           | 293,218                                | 55,716                                 |
| Dominos Pizza CSOP (approved) Scheme           | 205.50p to 482.40p | 899,070                                | –                                | (280,926)                          | (135,536)                          | 482,608                                | 152,456                                |
| EMI Scheme                                     | 64.53p             | 9,600                                  | –                                | (9,600)                            | –                                  | –                                      | –                                      |
| Sharesave scheme                               | 237.92p to 434.00p | 307,094                                | 184,549                          | (46,557)                           | (55,107)                           | 389,979                                | –                                      |
|                                                |                    | 5,323,585                              | 1,579,264                        | (2,418,214)                        | (1,140,541)                        | 3,344,093                              | 376,935                                |
| Weighted average exercise price                |                    | 410.20p                                | 225.63p                          | 419.06p                            | 361.98p                            | 333.07p                                | 233.74p                                |

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 32. Additional cash flow information

### Analysis of Group net debt

|                           | At<br>28 December<br>2014<br>£000 | Cash<br>flow<br>£000 | Exchange<br>differences<br>£000 | Non-cash<br>movements<br>£000 | At<br>27 December<br>2015<br>£000 |
|---------------------------|-----------------------------------|----------------------|---------------------------------|-------------------------------|-----------------------------------|
| Cash and cash equivalents | 33,743                            | 19,628               | (511)                           | –                             | 52,860                            |
| Bank revolving facility   | (5,447)                           | (4,698)              | (287)                           | (53)                          | (10,485)                          |
| Bank loans                | (15,000)                          | 15,000               | –                               | –                             | –                                 |
| Finance leases            | (60)                              | 13                   | 2                               | –                             | (45)                              |
| Other loans               | (2,278)                           | 370                  | –                               | –                             | (1,908)                           |
| Adjusted net cash/(debt)  | 10,958                            | 30,313               | (769)                           | (53)                          | 40,422                            |
| Other loans               | –                                 | –                    | –                               | –                             | –                                 |
| Net cash/(debt)           | 10,958                            | 30,313               | (769)                           | (53)                          | 40,422                            |

|                           | At 29 December<br>2013<br>£000 | Cash<br>flow<br>£000 | Exchange<br>differences<br>£000 | Non-cash<br>movements<br>£000 | At 28 December<br>2014<br>£000 |
|---------------------------|--------------------------------|----------------------|---------------------------------|-------------------------------|--------------------------------|
| Cash and cash equivalents | 31,597                         | 1,888                | 258                             | –                             | 33,743                         |
| Bank revolving facility   | (29,814)                       | 24,494               | 41                              | (168)                         | (5,447)                        |
| Bank loans                | (13,000)                       | (2,000)              | –                               | –                             | (15,000)                       |
| Finance leases            | (134)                          | 71                   | 3                               | –                             | (60)                           |
| Other loans               | (2,213)                        | (65)                 | –                               | –                             | (2,278)                        |
| Adjusted net (debt)/cash  | (13,564)                       | 24,388               | 302                             | (168)                         | 10,958                         |
| Other loans               | (2,090)                        | 2,059                | 31                              | –                             | –                              |
| Net (debt)/cash           | (15,654)                       | 26,447               | 333                             | (168)                         | 10,958                         |

## 33. Capital commitments

At 27 December 2015, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £861,000 (2014: £nil) for the Group.

## 34. 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 in section 7, Companies (Amendment) Act 1986 of the ROI.



### 35. Related party transactions

The financial statements include the financial statements of Domino's Pizza Group plc and the subsidiary and associated undertakings listed below.

| Name of company                                                   | Country of incorporation | Proportion of voting rights and shares held | Nature of business                                                        |
|-------------------------------------------------------------------|--------------------------|---------------------------------------------|---------------------------------------------------------------------------|
| <b>Directly held subsidiary undertakings</b>                      |                          |                                             |                                                                           |
| 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                                                |
| DP Cyco Limited                                                   | Cyprus                   | 100% Ordinary                               | Operation and management of franchise business in Germany                 |
| DP Cyco Switzerland Limited                                       | Cyprus                   | 100% Ordinary                               | Operation and management of franchise business in Switzerland             |
| <b>Indirectly held subsidiary undertakings</b>                    |                          |                                             |                                                                           |
| Domino's Pizza UK & Ireland Limited                               | England                  | 100% Ordinary                               | Operation and management of franchise business and Supply Chain Centre    |
| DP Newcastle Limited                                              | England                  | 100% Ordinary                               | Dormant                                                                   |
| DP Pizza Limited                                                  | ROI                      | 100% Ordinary                               | Operation of Supply Chain Centre                                          |
| Domino's Leasing Limited                                          | England                  | 100% Ordinary                               | Leasing                                                                   |
| Domino's Pizza Germany Limited                                    | England                  | 100% Ordinary                               | Operation of Supply Chain Centre and pizza delivery stores in Germany     |
| Domino's Pizza Germany GmbH                                       | Germany                  | 100% Ordinary                               | Investment                                                                |
| Domino's Pizza GmbH                                               | Switzerland              | 100% Ordinary                               | Operation of Supply Chain Centre and pizza delivery stores in Switzerland |
| Deutsche Dominoid GmbH                                            | Germany                  | 100% Ordinary                               | Management of pizza delivery stores                                       |
| HJS Pizza Deutschland GmbH*                                       | Germany                  | 100% Ordinary                               | Management of pizza delivery stores                                       |
| Domino's Pizza (Isle of Man) Limited                              | Isle of Man              | 100% Ordinary                               | Property management                                                       |
| Domino's Pizza Germany (Holdings) Limited                         | Germany                  | 100% Ordinary                               | Investment                                                                |
| DP Realty Deutschland GmbH                                        | Germany                  | 100% Ordinary                               | Property management                                                       |
| <b>Associate undertakings</b>                                     |                          |                                             |                                                                           |
| Full House Restaurants Holdings Limited                           | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| <b>Indirectly held subsidiaries of associate undertakings</b>     |                          |                                             |                                                                           |
| Classic Crust Limited                                             | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| Sherston Limited                                                  | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| BN Sandy (Cannock) Limited                                        | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| Full House Restaurants Limited                                    | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| Surrey Pizzas Limited                                             | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| Dancing Tiger Limited                                             | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| BN Sandy (Newcastle) Limited                                      | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| House Special Limited                                             | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| The Woodpecker Inn Ltd                                            | England                  | 41% Ordinary                                | Management of pizza delivery stores                                       |
| Freshname 845 Limited                                             | England                  | 41% Ordinary                                | Management of takeaway food shops                                         |
| Bristol Curry Limited                                             | England                  | 41% Ordinary                                | Dormant                                                                   |
| <b>Joint venture undertakings</b>                                 |                          |                                             |                                                                           |
| 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                                       |
| <b>Indirectly held subsidiaries of joint venture undertakings</b> |                          |                                             |                                                                           |
| MLS Limited                                                       | England                  | 50% Ordinary                                | Dormant                                                                   |
| DA Hall Trading Limited                                           | England                  | 50% Ordinary                                | Dormant                                                                   |
| DAHT Limited                                                      | England                  | 50% Ordinary                                | Dormant                                                                   |
| DP Beach A Limited                                                | England                  | 50% Ordinary                                | Dormant                                                                   |
| DP Beach B Limited                                                | England                  | 50% Ordinary                                | Dormant                                                                   |
| Mesan Limited                                                     | England                  | 50% Ordinary                                | Dormant                                                                   |
| Zens Limited                                                      | England                  | 50% Ordinary                                | Dormant                                                                   |
| Dijla Newport Limited                                             | England                  | 50% Ordinary                                | Dormant                                                                   |
| AKS Partners Limited                                              | England                  | 50% Ordinary                                | Management of pizza delivery stores                                       |

\* The Group acquired the 60% of the remaining shareholding of HJS Pizza Deutschland GmbH during 2015.

# Notes to the Group financial statements continued

52 weeks ended 27 December 2015

## 35. 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 18. Transactions entered into, and trading balances outstanding with related parties, are as follows:

|                               | Sales to related party<br>£000 | Amounts owed by related party<br>£000 |
|-------------------------------|--------------------------------|---------------------------------------|
| <b>Related party</b>          |                                |                                       |
| Associates and joint ventures |                                |                                       |
| <b>27 December 2015</b>       | <b>24,390</b>                  | <b>845</b>                            |
| 28 December 2014              | 19,157                         | 1,445                                 |

## 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 and 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 27 December 2015, the Group has made a provision of £nil for doubtful debts relating to amounts owed by related parties (2014: £754,000).

## Compensation of key management personnel (including Directors)

|                              | 52 weeks ended<br>27 December 2015<br>£000 | 52 weeks ended<br>28 December 2014<br>£000 |
|------------------------------|--------------------------------------------|--------------------------------------------|
| Short-term employee benefits | 3,632                                      | 4,447                                      |
| Post-employment benefits     | 147                                        | 257                                        |
| Share-based payment          | 866                                        | 493                                        |
|                              | <b>4,304</b>                               | <b>5,878</b>                               |

The table above includes the remuneration costs of the Directors of the Company and the Directors of Domino's Pizza UK & Ireland Limited, Domino's Pizza Germany Limited and Domino's Pizza GmbH. Included in short-term employee benefits above are termination payments totalling £179,000 (2014: £194,000).

## 36. Acquisition of additional interest in DP Cyco Limited

On 26 February 2014, the Group acquired an additional 25.0% interest in the voting shares of DP Cyco Limited from our non-controlling interest partner, Briskas Limited, increasing the Group's ownership interest to 100.0%. Consideration in the form 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) was provided to Briskas Limited. In addition, the contingently issuable shares (880,000) which formed part of the original acquisition arrangement were issued at completion. The carrying value of the net liabilities of DP Cyco Limited at the acquisition date was £1,967,403 (£2,388,862), and the carrying value of the additional interest acquired was £491,851 (£597,216). The difference of £1,095,647 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

## 37. Subsequent events

On 1 February 2016 the Group completed the set up of the new German strategic associate arrangement and acquisition of Joey's Pizza in Germany, with Domino's Pizza Enterprises Limited ('DPE') through the formation of newly incorporated company, Daytona Germany GmbH ('Daytona'), to be owned one third by the Group and two thirds by DPE.

Daytona has agreed to: (i) acquire the master franchise rights for the Domino's brand in Germany; and (ii) acquire up to 15 Group stores in Germany (the 'Transaction') from the Group. The Group will receive a fee of up to €25m (£18.2m) from DPE which will be payable in six annual instalments, dependent upon Daytona achieving various levels of profitability. The Group will have representation on the board of Daytona and also other minority protections.

In addition, Daytona has agreed to acquire Joey's Pizza ('Joey's'), the leading pizza delivery business in Germany, for an initial consideration of €45m (£32.8m), with further payments taking the aggregate up to €79m (£57.6m), based on satisfying certain specified earn-out criteria (the 'Acquisition').

The Group and DPE will initially invest a total of €58m (£42.3m) in Daytona to part-fund the Acquisition, the acquisition of Group stores and associated costs, of which the Group's share is €19m (£13.8m).

The Group has a put option over its interest in Daytona which can be exercised at any time after the financial year ending 31 December 2019 and DPE has a call option over the Group's interest which can be exercised at any time after the financial year ending 31 December 2021. The consideration payable upon exercise of either the put option or the call option will be based on an enterprise value determined from the capitalisation of future adjusted underlying EBITDA at an agreed multiple of between 10 and 12 times.

# Company balance sheet

52 weeks ended 27 December 2015

|                                                                | Notes | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|----------------------------------------------------------------|-------|-----------------------------------|-----------------------------------|
| <b>Fixed assets</b>                                            |       |                                   |                                   |
| Investment in subsidiary undertakings                          | 3     | 15,416                            | 14,423                            |
| Investment in associates and joint ventures                    | 3     | 4,886                             | 4,886                             |
| Total investments                                              |       | 20,302                            | 19,309                            |
| <b>Current assets</b>                                          |       |                                   |                                   |
| Amounts owed by Group undertakings                             | 4     | 96,355                            | 106,532                           |
| Other debtors                                                  |       | 698                               | 562                               |
| Cash and cash equivalents                                      |       | 39,480                            | 5,275                             |
|                                                                |       | 136,533                           | 112,369                           |
| <b>Creditors: amounts falling due within one year</b>          | 5     | (79,892)                          | (68,426)                          |
| <b>Net current assets</b>                                      |       | 56,641                            | 43,943                            |
| <b>Total assets less current liabilities</b>                   |       | 76,943                            | 63,252                            |
| <b>Creditors: amounts falling due after more than one year</b> | 6     | –                                 | (14,836)                          |
|                                                                |       | 76,943                            | 48,416                            |
| <b>Shareholders' equity</b>                                    |       |                                   |                                   |
| Called up share capital                                        | 7     | 2,606                             | 2,592                             |
| Share premium account                                          | 9     | 29,155                            | 25,597                            |
| Capital redemption reserve                                     | 9     | 425                               | 425                               |
| Capital reserve – own shares                                   | 9     | (2,238)                           | (2,238)                           |
| Other reserve                                                  | 9     | –                                 | –                                 |
| Profit and loss account                                        | 9     | 46,995                            | 22,039                            |
| <b>Equity shareholders' funds</b>                              | 9     | 76,943                            | 48,416                            |

**David Wild**

Director

2 March 2016

# Notes to the Company financial statements

52 weeks ended 27 December 2015

## 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 FRS 29 Financial Instruments: Disclosures and not disclosed information required by that standard, as the Group's publicly available consolidated 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 cost. No gain or loss is recognised on the purchase or sale of such shares.

### 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 the Directors' remuneration report 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 the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry into equity.

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

## 1. Accounting policies continued

### Share-based payment transactions continued

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

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 Company 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. Profit attributable to members of the parent company

The profit within the financial statements of the parent company is £54,643,000 (2014: £40,888,000).

## 3. Investments

|                                               | Subsidiary<br>undertakings<br>£000 | Associates<br>and joint<br>ventures<br>£000 | Total<br>£000 |
|-----------------------------------------------|------------------------------------|---------------------------------------------|---------------|
| <b>Cost or valuation</b>                      |                                    |                                             |               |
| At 29 December 2013                           | 14,099                             | 4,886                                       | 18,985        |
| Share options granted to subsidiary employees | 324                                | –                                           | 324           |
| At 28 December 2014                           | 14,423                             | 4,886                                       | 19,309        |
| Share options granted to subsidiary employees | 993                                | –                                           | 993           |
| <b>At 27 December 2015</b>                    | <b>15,416</b>                      | <b>4,886</b>                                | <b>20,302</b> |
| <b>Net book value at 27 December 2015</b>     | <b>15,416</b>                      | <b>4,886</b>                                | <b>20,302</b> |
| Net book value at 28 December 2014            | 14,423                             | 4,886                                       | 19,309        |

# Notes to the Company financial statements continued

52 weeks ended 27 December 2015

## 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 detailed in note 35 of the Group section.

During the period, the Company acquired the remaining shareholding of its joint venture in Germany, HJS Pizza Deutschland Limited.

## 4. Debtors

|                                    | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Amounts owed by Group undertakings | 96,355                            | 106,532                           |

## 5. Creditors: amounts falling due within one year

|                                    | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Amounts owed to Group undertakings | 78,471                            | 68,158                            |
| Other creditors                    | 88                                | 88                                |
| Accruals and deferred income       | 1,333                             | 180                               |
|                                    | 79,892                            | 68,426                            |

## 6. Creditors: amounts falling due after more than one year

Loans repayable are analysed as follows:

|                                                 | At<br>27 December<br>2015<br>£000 | At<br>28 December<br>2014<br>£000 |
|-------------------------------------------------|-----------------------------------|-----------------------------------|
| Bank revolving facility                         | —                                 | 14,836                            |
| Bank loans – wholly repayable within five years | —                                 | —                                 |
|                                                 | —                                 | 14,836                            |

### Bank revolving facility

Interest charged on the term loan was 1.10% per annum above LIBOR. The term loan matured on 31 January 2015 on which date facilities reduced to £30,000,000. Interest charged on the revolving credit facility is 1.35% per annum above LIBOR in addition to a 0.5% utilisation fee. The facility expires on 10 August 2017. Arrangement fees of £111,659 (2014: £372,000) directly incurred in relation to the facility are included in the carrying value of the facility and are being amortised over the term 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.



## 7. Authorised and issued share capital

### Authorised share capital

|                                  | At<br>27 December<br>2015 | At<br>28 December<br>2014 |
|----------------------------------|---------------------------|---------------------------|
| 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 27 December     |                  | At 28 December |           |
|-------------------------------------------------|--------------------|------------------|----------------|-----------|
|                                                 | Number             | 2015<br>£        | Number         | 2014<br>£ |
| At 28 December 2014 and 29 December 2013        | 165,909,532        | 2,592,335        | 164,497,341    | 2,570,270 |
| Issued on exercise of share options             | 893,156            | 13,951           | 532,191        | 8,315     |
| Issued on acquisition                           | –                  | –                | 880,000        | 13,750    |
| <b>At 27 December 2015 and 28 December 2014</b> | <b>166,802,688</b> | <b>2,606,286</b> | 165,909,532    | 2,592,335 |

During the period 893,156 (2014: 532,782) Ordinary shares of 1.5625p each with a nominal value of £13,951 (2014: £8,315) were issued between 107.03p (2014: 64.53p) and 534.5p (2014: 482.4p) for a total cash consideration received of £3,572,253 (2014: £2,031,000) to satisfy the share options that were exercised.

In addition during the prior period the company issued 880,000 shares on purchasing the remaining 25% shareholding of DP Cyco Limited from its non-controlling interest partner, Briskas Limited.

## 8. Share-based payments

The total charge recognised for share-based payments in respect of employee services received during the 52 weeks ended 27 December 2015 was £1,328,000 (2014: £899,000). This all arises on equity-settled share-based payment transactions. Of this total, a charge of £335,000 (2014: charge of £579,000) relates to employees of the Company and a charge of £993,000 (2014: £324,000) 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 31 of the Group financial statements.

## Notes to the Company financial statements continued

52 weeks ended 27 December 2015

## 9. Reconciliation of shareholders' funds and movements on reserves

|                                                                 | Share capital<br>£000 | Share premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Capital<br>reserve –<br>own shares<br>£000 | Other<br>reserve<br>£000 | Profit<br>and loss<br>account<br>£000 | Equity<br>shareholders'<br>funds<br>£000 |
|-----------------------------------------------------------------|-----------------------|----------------------------------|------------------------------------------|--------------------------------------------|--------------------------|---------------------------------------|------------------------------------------|
| At 29 December 2013                                             | 2,570                 | 20,156                           | 425                                      | (1)                                        | 3,432                    | 5,190                                 | 31,772                                   |
| Proceeds from share issue                                       | 8                     | 2,023                            | –                                        | –                                          | –                        | –                                     | 2,031                                    |
| Issue of ordinary shares on<br>acquisition of minority interest | 14                    | 3,418                            | –                                        | –                                          | (3,432)                  | –                                     | –                                        |
| Share buybacks                                                  | –                     | –                                | –                                        | (2,237)                                    | –                        | –                                     | (2,237)                                  |
| Share transaction charges                                       | –                     | –                                | –                                        | –                                          | –                        | (142)                                 | (142)                                    |
| Vesting of LTIP grants                                          | –                     | –                                | –                                        | –                                          | –                        | (2,769)                               | (2,769)                                  |
| Profit for the period                                           | –                     | –                                | –                                        | –                                          | –                        | 40,888                                | 40,888                                   |
| Share option and LTIP charge                                    | –                     | –                                | –                                        | –                                          | –                        | 6,027                                 | 6,027                                    |
| Share options granted<br>to subsidiary employees                | –                     | –                                | –                                        | –                                          | –                        | 324                                   | 324                                      |
| Equity dividends paid                                           | –                     | –                                | –                                        | –                                          | –                        | (27,480)                              | (27,480)                                 |
| At 28 December 2014                                             | 2,592                 | 25,597                           | 425                                      | (2,238)                                    | –                        | 22,039                                | 48,416                                   |
| Proceeds from share issue                                       | 14                    | 3,558                            | –                                        | –                                          | –                        | –                                     | 3,572                                    |
| Share transaction charges                                       | –                     | –                                | –                                        | –                                          | –                        | (8)                                   | (8)                                      |
| Profit for the period                                           | –                     | –                                | –                                        | –                                          | –                        | 54,643                                | 54,643                                   |
| Share option and LTIP charge                                    | –                     | –                                | –                                        | –                                          | –                        | 335                                   | 335                                      |
| Share options granted to<br>subsidiary employees                | –                     | –                                | –                                        | –                                          | –                        | 993                                   | 993                                      |
| Equity dividends paid                                           | –                     | –                                | –                                        | –                                          | –                        | (31,006)                              | (31,006)                                 |
| <b>At 27 December 2015</b>                                      | <b>2,606</b>          | <b>29,155</b>                    | <b>425</b>                               | <b>(2,238)</b>                             | <b>–</b>                 | <b>46,995</b>                         | <b>76,943</b>                            |

## Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT and shares held by the Company as 'treasury shares'. 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 27 December 2015, the Trust held 56,252 (2014: 56,252) shares, which had a historic cost of £879 (2014: £879). These shares had a market value at 27 December 2015 of £573,770 (2014: £393,764). The EBT has waived its entitlement to dividends.

During the period the Company did not acquire any of its own shares (2014: 380,000 of its own shares of 1.5625p each for a total consideration of £2,237,000). The shares are held as 'treasury shares'. The Company has the right to reissue these shares at later date.

## Other reserve

In 2013, the other reserve related 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. During the period ended 28 December 2014, the Company purchased the remaining 25% shareholding of DP Cyco Ltd from its non-controlling interest partner, Briskas Limited.

## Profit and loss account

During 2015 the company received dividend income of £60m which has been recognised as part of distributable reserves.

## Five-year financial summary

52 weeks ended 27 December 2015

|                                                                                     | 27 December<br>2015 | 28 December<br>2014<br>(restated) | 29 December<br>2013 | 30 December<br>2012 | 25 December<br>2011 |
|-------------------------------------------------------------------------------------|---------------------|-----------------------------------|---------------------|---------------------|---------------------|
| Trading weeks                                                                       | 52                  | 52                                | 52                  | 53                  | 52                  |
| System sales (£m) <sup>1</sup>                                                      | 877.2               | 757.8                             | 668.8               | 598.6               | 530.6               |
| Group revenue (£m)                                                                  | 316.8               | 288.7                             | 268.9               | 240.5               | 209.9               |
| Underlying profit before tax (£000)                                                 | 73,163              | 62,146                            | 47,601              | 46,701              | 42,156              |
| Statutory profit before tax (£000)                                                  | 73,163              | 62,102                            | 21,590              | 42,369              | 38,789              |
| Basic earnings per share (pence)                                                    |                     |                                   |                     |                     |                     |
| – Statutory                                                                         | 35.7                | 29.8                              | 24.0                | 22.1                | 19.5                |
| – Underlying                                                                        | 35.7                | 29.9                              | 10.7                | 19.0                | 16.7                |
| Diluted earnings per share (pence)                                                  |                     |                                   |                     |                     |                     |
| – Statutory                                                                         | 35.3                | 29.6                              | 23.9                | 22.0                | 19.2                |
| – Underlying                                                                        | 35.3                | 29.7                              | 10.7                | 18.9                | 16.5                |
| Dividends per share (pence)                                                         | 20.75               | 17.50                             | 15.90               | 14.50               | 12.30               |
| Underlying earnings before interest, taxation, depreciation and amortisation (£000) | 79,890              | 68,624                            | 53,714              | 47,894              | 42,646              |
| Adjusted net cash/(debt) (£000) <sup>2</sup>                                        | 40,422              | 10,958                            | (13,564)            | (22,964)            | (15,297)            |
| Adjusted gearing ratio                                                              | (0.5)               | (0.2)                             | 0.3                 | 0.5                 | 0.4                 |
| Stores at start of year                                                             | 872                 | 835                               | 805                 | 726                 | 665                 |
| Stores opened                                                                       | 65                  | 41                                | 57                  | 69                  | 62                  |
| Stores acquired                                                                     | –                   | –                                 | –                   | 12                  | 2                   |
| Stores closed                                                                       | (6)                 | (4)                               | (4)                 | (2)                 | (3)                 |
| Stores at year-end                                                                  | 931                 | 872                               | 858                 | 805                 | 726                 |
| Corporate stores at year-end                                                        | 15                  | 11                                | 20                  | 23                  | 5                   |
| UK like-for-like sales growth (%)                                                   | 11.7%               | 11.3%                             | 7.0% <sup>3</sup>   | 5.0% <sup>3</sup>   | 3.7%                |

1 Sales from all stores in the UK, ROI, Germany and Switzerland to the public. Continuing operations exclude Germany – see footnote 4.

2 Excludes non-recourse loans, Germany non-controlling interest loan and share buyback obligation.

3 Compared to the comparable 52-week period in the prior year.

4 2015 from continuing operations (2014 restated); 2011-2013 not restated.

# Shareholder information

## Advisers and principal service providers

### Registered office

1 Thornbury  
West Ashland  
Milton Keynes  
MK6 4BB  
01908 580000  
Investor website: [corporate.dominos.co.uk](http://corporate.dominos.co.uk)

### Broker and corporate finance advisers

#### Numis Securities Limited

The London Stock Exchange  
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London  
EC4M 7LT

### Auditor

#### Ernst & Young LLP

No.1 Colmore Square  
Birmingham  
B4 6HQ

### Bankers

#### Barclays Bank plc

Ashton House  
497 Silbury Boulevard  
Milton Keynes  
MK9 2LD

### Solicitors

#### Norton Rose Fulbright LLP

More London Riverside  
London  
SE1 2AQ

### Registrars

#### Equiniti Limited

Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, please contact the registrars:

- Callers in the UK: 0371 384 2895  
(calls cost 8p per minute plus network charges).
- Callers from outside the UK: +44 121 415 0926.

Lines are open from 8:30 am to 5:30 pm Monday to Friday (excluding UK Bank Holidays).

Shareholders can also access details of their holding and other information on the registrars' website, [www.shareview.co.uk](http://www.shareview.co.uk).

The registrars provide an online share dealing service for those who are not seeking advice on buying or selling, available at [www.selftrade.co.uk](http://www.selftrade.co.uk).

The registrars also offer a range of other dealing and investment services, which are explained on their website, [www.shareview.co.uk](http://www.shareview.co.uk).

### Handle with care...

Shareholders tell us that they sometimes receive unsolicited approaches, normally by telephone, inviting them to undertake a transaction in shares they own.

If you do not know the source of the call, check the details against the FCA website below and, if you have any specific information, report it to the FCA using the Consumer Helpline or the Online Reporting Form.

If you have any concerns whatsoever, do not take any action and do not part with any money without being certain that:

- you fully understand the transaction;
- you know who you are dealing with and that they are registered with and authorised by the FCA; and
- you have consulted a financial adviser if you have any doubts. Remember, if it sounds too good to be true, it almost certainly is. You run the risk of losing any money you part with.

If you are worried that you may already have been a victim of fraud, report the facts immediately using the Action Fraud Helpline. Should you want any more information about 'boiler room' and other investment-based fraud, this can be found on two websites:

#### Action Fraud Helpline

0300 123 2040

#### Action Fraud Website

[www.actionfraud.police.uk](http://www.actionfraud.police.uk)

#### FCA Consumer Helpline

0845 606 1234

#### FCA Scams & Swindles Website

[www.fca.org.uk/scams](http://www.fca.org.uk/scams)





**Domino's Pizza Group plc**

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