

WE ARE DOMINO'S

Domino's Pizza Group plc
Annual Report & Accounts 2014

Registration Number 03853545

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OUR VISION IS TO BE THE

#1 PIZZA COMPANY

IN EVERY NEIGHBOURHOOD

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Highlights of the year

Our purpose is to feed the power of possible, one pizza at a time. We aim to inspire our customers through our actions, to consistently provide them with delicious hand-crafted pizzas and exceptional service all of the time. We believe in working together with our network of exceptional franchisees and rewarding hard work with opportunities for expansion and growth.

44

**NEW STORES
OPENED IN
THE YEAR***

76

MILLION

**PIZZAS SOLD
IN THE YEAR**

- System sales¹ increased by 14.6% to £766.6m (2013: £668.8m)
- Underlying² profit before tax, of £54.8m, up 15.1% (2013: £47.6m)
- Like-for-like sales³ growth of 11.3% in 724 UK mature stores (2013: 7.0% in 670 mature stores)
- Underlying profit before tax for UK & ROI increased by 14.3% to £63.1m (2013: £55.2m)
- Underlying earnings per share:
 - Diluted earnings per share up 10.5% to 26.4p (2013: 23.9p)
 - Basic earnings per share up 10.8% to 26.6p (2013: 24.0p)
- Statutory operating profit up at £54.0m (2013: £20.4m)
- Statutory basic earnings per share 25.9p (2013: 10.7p)
- Final dividend increased by 10.1% to 9.69p per share (2013: 8.80p)
- 44 new stores opened in the year (2013: 57 stores) with eight closures (2012: four) resulting in a total of 894 stores in four countries as at 28 December 2014
- UK & ROI online system sales increased by 30.2% to £440.0m (2013: £338.0m) with online sales accounting for 69.4% of UK and Ireland delivered sales (2013: 61.5%). Of this, 44.2% of online sales were taken through a mobile device (2013: 30.9%)
- Strong balance sheet with an adjusted net cash⁴ position of £11.0m (2013: adjusted net debt⁴ of £13.6m)

* New stores in the UK, Republic of Ireland, Germany and Switzerland.

1 Total sales made by all franchisee and corporate stores in the UK, Republic of Ireland, Germany and Switzerland to the public. It is not revenue attributable to Domino's as it is derived mainly from stores owned by franchisees.

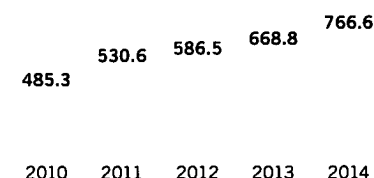
2 Underlying is defined as excluding amounts in relation to onerous leases, impairments, acquisition of joint ventures, associates and subsidiaries, and other restructuring and one-off items, as reconciled on the income statement.

3 Like-for-like sales are sales in UK stores that were open before 2013 compared to the corresponding 52 week period in the prior year.

4 Excludes Domino's Leasing Limited and the non-controlling shareholder loan in Germany in 2013.

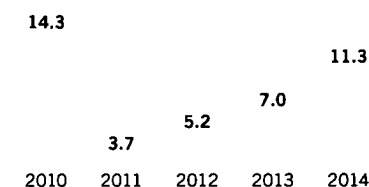
SYSTEM SALES¹ £m

£766.6m



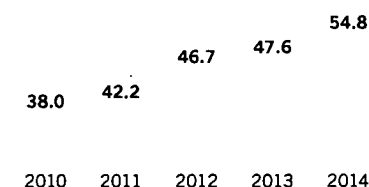
UK LIKE-FOR-LIKE SALES GROWTH³ %

11.3%



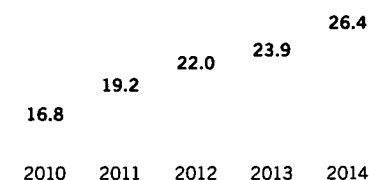
UNDERLYING PROFIT BEFORE TAX² £m

£54.8m



UNDERLYING DILUTED EPS p

26.4p



Financial review
page 25

Key Performance Indicators
page 18

Chief Executive Officer's statement
page 6

Group at a glance

Our mission is to be the number one pizza company in the UK, the Republic of Ireland, Germany and Switzerland. In 2014, we opened 44 new stores and sold 76.3 million pizzas – an average of over 1.4 million pizzas per week.

The Group in numbers

100

NUMBER OF
FRANCHISEES

8.7

AVERAGE NUMBER OF
STORES PER FRANCHISEE

44

NUMBER OF
NEW STORES

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 for Domino's globally, remaining among the highest ranking in relation to standards of excellence throughout Domino's worldwide.

STORES	
894	
UK	811
Republic of Ireland	48
Germany	22
Switzerland	11
Mobile unit	2

REVENUE £m	
294.4	
UK	257.6
Republic of Ireland	21.5
Germany	5.7
Switzerland	9.6

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.

Our business model
page 10

Our markets
page 12

What makes us different

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.

- 4,000 tonnes of fresh, sun-ripened tomatoes are harvested for us each day at peak season
- 1,700 tonnes of our thicker cut pepperoni are made to a secret, authentic recipe and smoked over beech wood chips for a richer flavour
- we only use 100% mozzarella cheese on our pizzas, all made in the UK from milk farmed in north west Wales

SERVICE

We are obsessed with time. That is, the time it takes to make, cook and deliver a pizza. We measure and record every step of the process to ensure we always deliver a piping hot, fresh tasting pizza within 30 minutes. A number of companies may claim to make great pizza, and a number of companies may deliver to a customer's door, but we know that to do both well takes rigorous in-store operations, procedures, hard work, dedication and commitment, or as we like to say "hustle on our feet not on the street".

- heightened time awareness touch-points in-store that are monitored via real time statistics
- patented heatwave technology used to ensure products stay hot on delivery
- customers can track their order via the pizza tracker

IMAGE

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

- broadcast sponsorship of programmes like Hollyoaks (the #1 tea-time TV programme in the UK), and The Big Big Movie on Saturday nights in ROI
- all new stores opened in the new store design, with over 25% of the estate now re-imaged
- greatness campaign provides an umbrella and focus to all marketing communications

TECHNOLOGY

We have long abided by the guiding principles of product, service and image, but have now added a fourth, 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 90s, 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.

- development of new e-commerce platform
- increased investment in digital marketing to make ordering a pizza even easier, as evidenced by our sponsorship of the X Factor app
- launch of new ordering platform on Xbox one

Chairman's statement

STEPHEN HEMSLEY CHAIRMAN

IN SUMMARY

- System sales increased by 14.6% to £766.6m (2013: £668.8m)
- Underlying profit before tax, of £54.8m, up 15.1% (2013: £47.6m)
- Underlying earnings per share: diluted earnings per share up 10.5% to 26.4p (2013: 23.9p)
- Final dividend increased by 10.1% to 9.69p per share (2013: 8.80p) bringing the total dividend for the year to 17.50p per share up 10.1% (2013: 15.90p)

This is another set of excellent financial results, the Group have achieved record sales and profit growth together with strong cash flow. The Group has delivered very solid underlying profit before tax of £54.8m, representing excellent growth in the core markets of the UK and Republic of Ireland which are up 14.3% against last year, but partially offset by losses in Germany of £7.3m.

In 2015, we celebrate 30 years since the Company opened its first store in the UK, and we are proud to be recognised as one of the leading territories in the Domino's worldwide system, having continuously exceeded UK growth expectations and new store openings year after year.

At the heart of the Group's story in 2014 is some very powerful growth in our core UK market, where like-for-like sales growth accelerated to 11.3% (2013: 7.0%), confirming our status as one of the strongest growth stories on the UK high street. This strong performance was driven by a broad mix of activities, including investment into digital sales, innovative new product development and targeted incentives for franchisees to accelerate their order counts.

I am delighted to report that the Republic of Ireland ('ROI') has had a sustained recovery. After the economic crisis, we have now seen eight

consecutive quarters of sales growth and are encouraged by the progress made. During the year, like-for-like sales were up 4.3% with all regions showing positive sales growth. Mobile sales have more than doubled in the last two years and now represent almost 50% of online sales.

Our German business has continued to have a difficult year with like-for-like sales down 4.9% as we change our operating framework and focus on developing a store-level economic model that is attractive to franchisees. During the year, we rationalised our overhead spend, reduced local marketing spend to more appropriate levels and lowered food costs. We have also focused on our financial reporting to ensure that we have better oversight of business performance. Due to poor performance, we closed four stores, but opened three new stores which are all performing well.

Switzerland's like-for-like sales were up 4.7% (2013: 5.4%) with total system sales up 8.0% (2013: -5.0%) in local currency. During the year, we opened one new store, relocated one store in Zurich, and strengthened the management team. In the final quarter of 2014, the business in Switzerland broke even and is well positioned to become a valuable contributor to Group profits going forward.

We have decided not to renew our option to acquire the master franchise agreement for Austria.

Dividend

The Board recommends a final dividend for 2014 of 9.69p (2013: 8.80p) per share. This is a 10.1% increase on the final dividend for the prior year. Together with the interim dividend of 7.81p per share paid on 5 September 2014, the total dividend for the year will be 17.50p per share, representing an increase of 10.1% on the dividend paid for the prior year (2013: 15.9p). The full year dividend is 1.5 times covered by underlying profits after tax (2013: 1.5 times). Subject to receiving shareholder approval at the Annual General Meeting on 21 April 2015, the final dividend will be paid on 27 April 2015 to shareholders on the register at the close of business on 6 March 2015.

Our people

I continue to praise our franchisees who are at the heart of everything we do. I am delighted to see so many of our long-standing franchisees thriving with increased profitability and continuing to open new stores.

**WITH THE IMPROVING
STRENGTH OF E-COMMERCE,
MOBILE TECHNOLOGY AND
ONLINE PENETRATION, WE
REGULARLY BREAK INTERNAL
WEEKLY SALES RECORDS, AND
THE BUSINESS HAS NEVER
LOOKED IN BETTER HEALTH.**

Day and night they are out there, focused on product, service and image, always seeking to ensure customers get what they want, and I am grateful to them all.

I would also like to thank our employees for their hard work and dedication to help make us the number one pizza company in every neighbourhood in which we operate.

Board changes

The Board has undergone significant change in 2014 in pursuit of creating a Board structure that has the skills and experience to positively drive the business forward.

Chief Executive Officer David Wild joined the Board in November 2013, initially as a non-executive Director. In January 2014, he was appointed as Interim Chief Executive Officer following the resignation of Lance Batchelor who stood down as Chief Executive Officer in March 2014. David Wild was appointed as Chief Executive Officer in April 2014 and brings with him a wealth of experience having previously been CEO of Halfords Group plc, and served on the board of Premier Foods plc.

Sean Wilkins was appointed as Chief Financial Officer (Designate) in November 2013 and took over as Chief Financial Officer on 2 April 2014 when Lee Ginsberg stepped down from this role. Sean Wilkins held this role until he resigned on 20 January 2015, and during his time he helped David Wild drive the growth of the business by delivering a strong increase in our UK like-for-likes. The process for finding a new Chief Financial Officer is well advanced and the Board looks forward to updating the market in the near future.

Non-executive Directors John Hodson and Nigel Wray both stepped down from the Board on 29 July 2014 having served for 15 years and nine years respectively as non-executive Directors of the Company. On 20 September 2014, Syl Saller stepped down from her position as non-executive Director of the Company, so that she could focus her attention on her executive duties at Diageo plc. I would like to thank John, Nigel and Syl for their contribution to the Board during the time that they each served on the Board. On 8 September 2014, we announced the appointment of Kevin Higgins as a new independent non-executive Director; he has a proven track record in the consumer food industry and has added strength to the existing skills on our Board.

Paul Waters was appointed as Company Secretary on 1 August 2014 and replaced Mark Millar.

We also announced changes to the roles and responsibilities of three of our non-executive Directors. On 22 September 2014, I took over as Chairman of the Nomination Committee; Kevin Higgins was appointed as Chairman of the Remuneration Committee to take over the vacated role following John Hodson's departure, and he was appointed as a member of the Audit Committee. At the same time, Helen Keays was also appointed as a member of the Remuneration Committee.

We are committed to developing both our Board and executive governance structures in order to maintain high standards of conduct, good governance and transparency.

Outlook

2014 was a year of great progress and achievement. During the year, the UK and ROI sold, on average, over 1.4 million pizzas each week. With the improving strength of e-commerce, mobile technology and online penetration, we regularly break internal weekly sales records, and together with our aim to further expand the number of UK based stores, the business has never looked in better health. We therefore look forward to seeing continued Group growth for many more years to come.

Stephen Hemsley
Non-executive Chairman
25 February 2015

Chief Executive Officer's statement

DAVID WILD CHIEF EXECUTIVE OFFICER

IN SUMMARY

- The Group opened 44 stores and now operates 894 stores across our four markets
- In the UK in 2014, 53.3% of total orders were made by customers online, up from 47.2% in 2013
- The UK business achieved system sales growth of 16.0% including 11.3% 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
- 2014 was a year of change in Germany as we implemented a new strategy

I am delighted to present my first Chief Executive Officer's statement since being appointed in April 2014.

2014 was an excellent year for the Company, building on our established platforms for growth and benefiting from the economic recovery in our core UK market. A recognition that franchisee profitability is a critical component of our success and a renewed focus to enhance this, has been a feature of the way in which the business has been managed in the past 12 months.

Alongside the focus on franchisee profitability, 2014 has also been marked by the ongoing rapid growth of e-commerce within the business, as well as the strong performance of the new stores we are opening across the UK. These areas of growth, on which we will continue to focus, provide confidence that the momentum can be maintained into the future.

Strategy

The strategy for our business is 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.

We have a very strong network of franchisees who execute the strategy locally. We support them with:

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

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

Store network

The Group opened 44 stores and now operates 894 stores across our four markets. Our store numbers by country at the end of 2014 were: UK – 813; ROI – 48; Germany – 22; and Switzerland – 11.

We are particularly pleased with the performance of our new UK stores; in 2014 we opened successfully in smaller territories and are confident that our model generates a profitable return for franchisees in lower address count communities. This gives further confidence that our long-term target of 1,200 UK outlets is achievable over the coming years.

Technology

High-quality information technology is key to running our business successfully, both in providing efficient systems for franchisees in the stores and e- and m-commerce platforms enable customers to order our pizzas easily. We have achieved significant progress in both areas in 2014, with an emphasis on accelerating our growth in online ordering. Our focus on this strategy has led to record sales, profits and cash

generation in 2014. In the UK in 2014, 53.3% of total orders were made by customers online, up from 47.2% in 2013. Expressed as a total of delivered orders, e-commerce customers represented 70.6%.

During 2014, we enhanced our mobile app and launched a new website. The changes, coupled with further diversion of marketing funds from conventional media into digital, drove significant growth in our online sales. Customers who shop online have a higher rate of conversion, buy from us more frequently, spend more per visit, hold the brand in high regard and are less costly for our franchisees to service.

By the end of 2014, 8.2m customers had downloaded our app, up from 3.2m at the start of the year.

One recent example of innovation in technology has been a joint project with Microsoft to enable gamers to order pizza from an Xbox console. This was groundbreaking in the UK and is an example of the business embracing new channels to make it easier for customers to buy whilst they are enjoying another activity.

The rapid progress we have made in e-commerce means that we are already the clear leader amongst quick service restaurant operators in digital. We plan an aggressive programme of further investment in 2015 to strengthen our position.

Supply chain

Our UK supply chain is one of the most sophisticated and efficient throughout the Domino's worldwide system. We operate two Supply Chain Centres, our main facility in Milton Keynes, where our Head Office is based, and a secondary plant in Penrith. Both of these handled record volumes in 2014, and we are now actively planning a third unit, which we expect to be located to the west of Manchester and plan to open in early 2017.

In ROI, we have a Supply Chain Centre in Naas, just outside Dublin. This services the stores in Northern Ireland, as well as those in ROI. Our German units are supplied from a Supply Chain Centre in Berlin, and in Switzerland, we have a long-term contract with a producer and distributor to service our growing network.

It is critical to our business that we provide excellent service to stores from these centres and we achieved record service levels in 2014.

Success in our Supply Chain Centres depends on our supplier partners providing us with consistent quality products. Our philosophy is to enter long-term relationships, which ensures that they benefit from our growth. The added bonus from this approach is that we are able to give our franchisees not only low food costs, but also medium-term certainty of pricing, enabling them to plan their businesses and pricing effectively. We are also able to compare prices and pool supply to guarantee that we are minimising costs in our smaller markets.

THE RAPID PROGRESS WE HAVE MADE IN E-COMMERCE MEANS THAT WE ARE ALREADY THE CLEAR LEADER AMONGST QUICK SERVICE RESTAURANT OPERATORS IN DIGITAL. WE PLAN AN AGGRESSIVE PROGRAMME OF FURTHER INVESTMENT IN 2015 TO STRENGTHEN OUR POSITION.

Chief Executive Officer's statement continued

DURING 2014, WE CONTINUED TO INNOVATE IN PIZZAS WITH THE CARNIVALE RANGE LAUNCHED IN LATE SPRING TO COINCIDE WITH THE INTEREST IN EVERYTHING BRAZILIAN DURING THE FOOTBALL WORLD CUP.

Marketing

We launched our "Greatness" campaign in September 2013. During 2014, this was the focus of our above-the-line investment, providing an umbrella to our advertising, whether it was strategic and brand-building or tactical to highlight our national promotion offers.

As mentioned earlier, more of our National Advertising Fund was deployed in digital in 2014. The information available from data analytics for online spend is a powerful tool in ensuring that investment is appropriately targeted. Equally, our website is always up to date with the latest offers and menu choices, which together with the appetising presentation of the product, makes selection easier.

Local store marketing continues to be an important component of our mix, allowing franchisees to respond to individual store or community opportunities effectively.

Our continued sponsorship of the X Factor app has been successful and ensures brand salience during the key weekend evening slots. The 2014 season was a successful one with a record 2.6m downloads of the app.

Product development

During 2014, we continued to innovate in pizzas with the Carnivale range launched in late spring to coincide with the interest in everything Brazilian during the football World Cup. We also launched a new Domino's Stuffed Crust product, using cheese and smoky bacon. In ROI, where Domino's Stuffed Crust has not been a success, we introduced a pan pizza product, learning from the impact that this had in the US.

We also launched some great new sides, most notably nachos, to reflect our increasing wish to broaden customers' menu options.

Finally, our Q4 launch was hot doughnuts, extending our dessert offer and providing a unique and popular choice for customers.

UK

The UK business achieved system sales growth of 16.0% including 11.3% like-for-like. This was a strong and pleasing performance, which reflects not only the strength of the business, but also the opportunity for further expansion.

During 2014, we opened 40 stores in the UK. These units performed very well, achieving average weekly unit sales ('AWUS') of £13,555, 6.9% better than those opened in the previous year. Equally encouraging was the performance of the immature stores opened in 2013. On average their AWUS was £13,279, 27.9% better than the 2012 cohort delivered the previous year.

Part of our success in 2014 can be attributed to the recovery in the UK economy, as well as the benefits of an effective football World Cup campaign. The sales growth was boosted especially by the continued stream of family meal bundles and the execution of our e-commerce programmes described above.

ROI

2014 was another year of recovery within our Irish business. The country was badly hit by the global economic crisis and the customers in ROI suffered a dramatic reduction in spending power and sales dropped sharply as a result. We have now seen two years of growth and the Dublin market is demonstrably stronger than the rest of the country.

We have dedicated programmes of activity in marketing and product development for ROI. This includes sponsorship of "the Big Big Movie" on RTE and the launch of pan pizza amongst other initiatives.

Online participation in ROI has been significantly lower than the UK, but the launch of a specially adapted version of the new UK website has led to a dramatic improvement in performance. Our mobile app has proved particularly popular with Irish customers.

We are optimistic that we will see new store opportunities in ROI in 2015.

Germany

2014 was a year of change in Germany as we implemented a new strategy. We opened three new stores and closed four underperforming outlets. We started the year believing that a transition from corporate stores to a franchise model was appropriate. It became clear, however, that until viable store-level economics are established, the losses associated with operating in this market are unsustainable for franchisees. Equally, it became evident that UK franchisees, accustomed to a more liberal and lower-cost labour environment, could not adjust their model to the German market and three left the network, leaving just one remaining. At the half-year, we reported a write-off against accounts receivable relating to underperforming franchisees of €2.5m. This was not repeated in the second half.

Overheads in Germany were reduced early in the year as we sought to focus on store-level economics rather than rapid expansion. Additionally, we leveraged capability from the core UK business to improve effectiveness in the key areas of marketing, supply chain, IT and finance.

A challenge in Germany has been the historic widening of delivery areas to boost sales. Whilst this is superficially attractive, the delivery and local marketing costs associated with this are punitive and, ultimately, pizza quality suffers. We have now rationalised and are servicing manageable territories and, in some stores, we have seen a sales impact.

At the end of 2014, there were 22 stores in Germany, of which 11 were corporate and 11 were franchised. We plan a modest opening programme in 2015 as we continue to focus on creating attractive store-level economics prior to a significant roll-out.

In preparation for the introduction of the national minimum wage in Germany, we raised remuneration for colleagues in corporate stores and have invested significantly in training. More work is required in this area and labour scheduling continues to be an opportunity.

Our menus have improved with new pizza toppings being regularly introduced. We have also launched a range of pasta in line with other German competitors.

Overall, sales performance in Germany has disappointed, albeit there was some modest improvement towards the end of the year.

The financial performance continues to be a concern, but losses narrowed sharply in the second half, compared to 2013 and we expect this trend to continue into 2015.

Switzerland

The integration of the Swiss master franchise, acquired in September 2012, continued in 2014. This is a corporate store market and we have no immediate plans to introduce sub-franchisees.

Switzerland had a slow start to 2014, in part due to mild weather which suppressed sales.

From Q2, however, we saw a steady improvement in inter-year sales growth.

The store network has been improved significantly, with one major remodel, two relocations, which have raised sales substantially, and one new store. In 2015, we plan a further two relocations and four new stores.

Revenue costs associated with the network improvements depressed profitability by CHF 0.2m and additional depreciation of CHF 0.2m was charged in the year, but the benefits associated with the enhancements will continue in the years ahead.

We have introduced a steady stream of new products in Switzerland, including mazubi pizza, which features a cream spinach base, developed in collaboration with Migros, Switzerland's most important retailer. We have also improved our salad quality and introduced single-serve desserts in the form of brownies, which were especially popular with carry-out customers.

A major initiative in the market was the introduction of e-scooters, which significantly reduce delivery costs and are more environmentally friendly. The scooters have been well received by the public officials in Switzerland because they have lower noise pollution, and we received a grant from the energy department to support the investment.

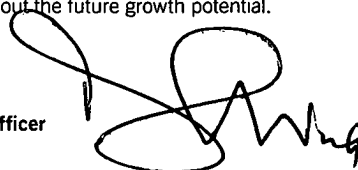
During the year, we seconded a very experienced UK operator to Switzerland to improve store-level execution. Through the implementation of new scheduling systems, we have shortened delivery times to customers and reduced store payroll. We also rationalised Head Office costs. We continue to seek benefits from closer management of our price lists, leveraging the power of purchasing from the UK and ensuring we are appropriately competitive.

We have been disappointed with our digital performance in Switzerland and plan to replace our current website later in 2015. Online participation in the market is very low compared to others and we see opportunity for material up-side in the future from this change.

Future prospects

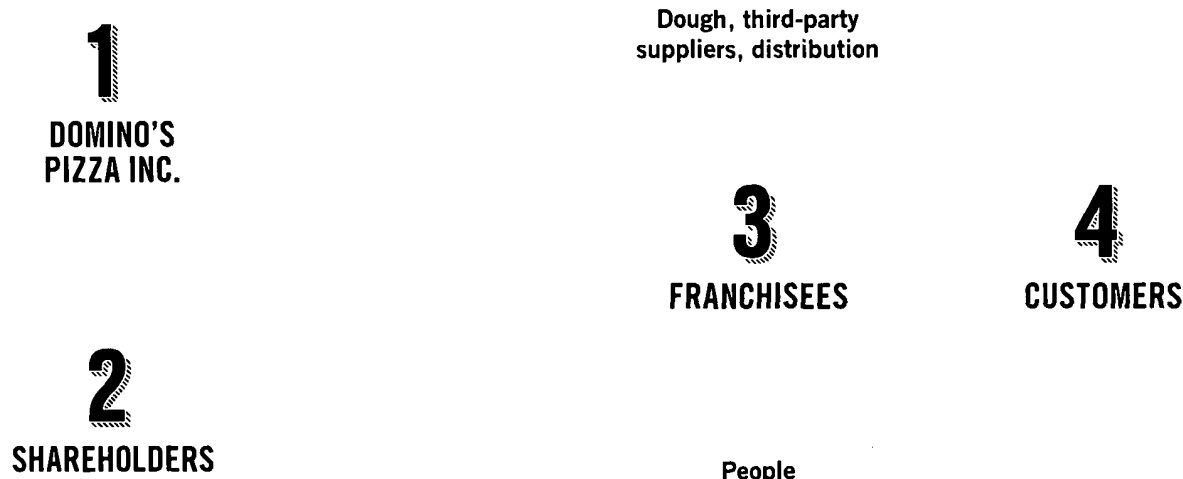
We have entered 2015 with a strong plan and a high degree of confidence around its successful outcome. The UK business is performing strongly and consistently ranks highly against other Domino's countries around the globe. Both the franchisees and my Head Office colleagues are proud to be the largest non-US market and are excited about the future growth potential.

David Wild
Chief Executive Officer
25 February 2015



**WE HAVE ENTERED 2015
WITH A STRONG PLAN
AND A HIGH DEGREE OF
CONFIDENCE AROUND ITS
SUCCESSFUL OUTCOME.**

Our business model



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 three Master Franchise Agreements in place with DPIF, relating to the territories in which the Group sub-franchises in (1) UK and ROI; (2) Germany; and (3) Switzerland, Liechtenstein and Luxembourg. The Company also purchased from DPIF the option to acquire the master franchise rights in relation to Austria on or before 31 December 2014, but the Board subsequently decided not to exercise this option.

2

SHAREHOLDERS

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

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 some corporate stores in Germany and all of the stores in Switzerland are corporate stores.

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

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.

Dough, third-party suppliers, distribution

We manufacture all the dough for our pizzas in our Supply Chain Centres, apart from thin crust and gluten-free bases, and supply all our stores with fresh, tasty dough and most other food products three times a week.

We have an extensive network of trusted third-party suppliers. In the UK and ROI we operate our own distribution but in Germany and Switzerland this is outsourced to local logistics providers, with whom we are building long-term relationships and aim to get the best commercial terms possible.

People

Most of the people that work in stores are employees of the franchisee that owns and operates that store. The Group employs staff at its Head Office in Milton Keynes, Düsseldorf and Zurich and Supply Chain Centres in the United Kingdom, ROI, Germany 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 how we develop them.

We put safeguards in place to ensure our franchisees treat their staff with respect and in accordance with brand standards. We continuously strive to update and train all staff on a regular basis.

OUR VISION IS TO BE THE #1 PIZZA COMPANY IN EVERY NEIGHBOURHOOD

Our strategy
page 15

14.6
% INCREASE IN
SYSTEM SALES

24.3
MILLION UK ONLINE
ORDERS IN 2014

Why do customers choose us?

Product quality

Our customers tell us that they would rather spend a little bit more on a hot, fresh meal made with superior ingredients, be that our fresh dough, our 100% mozzarella, our unique recipe tomato sauce or our thicker cut pepperoni.

Value for money

Customers are savvier than ever, claiming to shop 'on deal' more than they used to and are looking for offers tailored to their needs, whether that means family meals, social snacking or eating on the go.

Innovation

Whilst value and quality are important, consumers are also increasingly adventurous in their food preferences. They want to be enticed with new flavour choices and experiences, not just in core pizza offerings but also across a range of supporting side dishes and desserts that can turn a meal into an occasion.

Speed of delivery

Customers trust us to deliver a high-quality product on time, rather than opting for a cheaper alternative that means they end up with something cold, late and made from inferior ingredients.

Our markets
page 12

Our revenue model

We generate most of our revenues from three main streams:

Royalties, sales to franchisees and corporate store sales

This includes revenue from pizza sales in our corporate stores as well as revenue from sales of food, equipment and delivery charges to our franchisees. It also includes royalties generated from store sales to customers (referred to as 'system sales'), which our franchisees pay to us. We make margin on our sales of food and equipment, as well as royalties, whereas we seek to recover costs on the range of other services we provide to franchisees.

Rental income

This arises from leasehold properties, for which the Group holds the head lease, that are sub-let to franchisees.

Finance lease income

Interest income from financing provided to franchisees, associates and joint ventures in the form of finance leases for assets in new stores.

These revenue streams generate cash for the Group, which is collected on a regular basis from franchisees. The cash received is used to pay for the main costs to the Group, including food, salaries, rental and royalty payments. We invest in assets such as plant, property, equipment and IT systems.

Financial review
page 25

1.6
ORDERS PER
SECOND IN 2014

8.7
AVERAGE NUMBER
OF STORES PER
FRANCHISEE

Our markets

UK market overview

Macroeconomic environment

We continue to remain optimistic about the economic situation in the UK. However, we are mindful that the growth in gross domestic product, decline in unemployment, a prolonged period of low interest rates and a fall in inflation have been partially offset by continued stagnation in pay as wages have not recovered to pre-recessionary levels, impacting real disposable income and consumer confidence.

We believe that customers' value consciousness has changed forever as a consequence of the recession. We recognise that the recovery in the economy is not being recognised by everyone and that there is a polarisation in disposable income across the country, which our locally owned franchised model is ideally positioned to optimise. We also recognise that customers are still finding it hard to afford luxury items and are prioritising the essentials, and that customers are more willing to use vouchers, access discounts via online sites, and trade down to own label/discount brands.

Whilst the recent, much publicised, decline in the oil price does not have a major direct impact on the business model, it does contribute to a generally benign food environment which we believe will continue as a major trend in 2015, and contribute to overall low levels of inflation.

#1

IN THE UK FOR PIZZA
DELIVERY SALES

60.2%

OF OUR UK SALES
ARE ONLINE

Eating out market

We operate within the eating out market, that is, food that is not prepared at home for consumption. This broader definition of the market includes full service restaurants, pubs, bistros, quick service restaurants including delivery and takeaway restaurants as well as canteens and vending machines. It is comprised of international and national chains and independent operators, and encompasses a broad range of food types such as pizza, chicken, burgers, fish and chips, Indian, Chinese and Mexican.

UNITED KINGDOM

813

STORES

SUPPLY CHAIN
CENTRES

2

MOBILE UNITS

56
SCOTLAND

22
NORTHERN
IRELAND

23
NORTH-EAST

87
NORTH-WEST

46
YORKSHIRE
AND THE
HUMBER

56
EAST MIDLANDS

62
WEST MIDLANDS

95
EAST OF ENGLAND

36
WALES

70
SOUTH-WEST

144
SOUTH-EAST

114
LONDON

**THE UK HAS OUTPERFORMED THE
EATING OUT MARKET AND WAS
THE FASTEST GROWING CHAIN
TO DECEMBER 2014.**

40

NEW STORES OPENED
IN 2014

+2.9%

INCREASE IN
CONSUMER SPENDING

The UK eating out market is arguably one of the most competitive and vibrant in Europe, with a number of new food types, concepts and chains emerging, in stark contrast to countries that have more traditional and nationalistic approaches to food and cooking.

The recovery in the wider economy has been felt within the eating out market, with growth in the UK outstripping other parts of Europe. Quick service restaurants have outperformed full service restaurants, demonstrating the value conscious nature of the recovery and customers' willingness to trade down.

One of the hallmarks of the recession within the eating out market was consumers' willingness to retain their weekend but sacrifice their midweek eating out treats. Encouragingly, the market has seen growth in eating out occasions during the week and at the weekend. Similarly, consumers were willing to retain their dinner but sacrifice their lunchtime eating out treats. The market has seen growth in lunchtime and dinner occasions.

As in the wider retail environment, the provision of value for money is critical. However, something that is more unique to the eating out market is the customer's desire for improved quality and taste. Post-recession, customers are not willing to compromise on quality and taste for price – they want it all.

The UK has outperformed the eating out market and was the fastest growing chain to December 2014. Despite this market-leading performance, there is still tremendous opportunity for growth, as we only represented 14.7% of all pizza visits, 1.1% of all delivery/takeaway visits and 0.6% of all eating out visits over the year ended 28 December 2014 (source: NPD Crest).

Demographic

It is fair to say that the modern family unit is in flux with fewer people getting married or getting married and having children later. This gives rise to new, bigger household structures containing multiple generations, and challenging the traditional notion of mum as being the gatekeeper of the household. This, coupled with an ageing population, provides targeting and communications opportunities beyond traditional definitions of young adults and families.

Technological

One of the most remarkable social trends of our time is just how quickly technology is adopted. Whilst it took 50 years for 25% of the population to adopt the telephone, 22 years to adopt the television and seven years to adopt the internet, it only took two years for a social media channel such as Facebook to be adopted by 25% of the population. We have always embraced change and technological innovation; from our first foray into online ordering in 1999 to the development of mobile ordering platforms in 2010, this mindset has underpinned our market-leading performance and will continue to do so.

It is anticipated that 2015 will see smartphone penetration exceed broadband penetration in the UK for the first time, driving a mobile-first mentality and the need to enhance services and design via mobile platforms. Our understanding of how social media has become increasingly mobile was best epitomised by #pizzaonatrain.

We already live in a multi-device world, with each household in the UK having on average four connected devices. It is increasingly important to have a good understanding of how each device influences behaviour on the other and what that means for marketing messaging and e-commerce platform development. We are preparing for a post-PC world as younger generations are growing up increasingly familiar with tablet ownership. Our understanding of the connected home led to our partnership with Microsoft and the launch of the first ordering platform for the Xbox One.

Content marketing has increasingly been used by brands as advertising, as social media channels have developed. Our social media presence has had a positive impact on brand equity and behaviour, with customers now stating that social media channels are the third highest influencer of purchase behind the menu and TV advertising. In 2015, we will pay increased attention to what customers want to hear from the brand to guide conversation and response.

The digitalisation of traditional media channels has continued in 2014. Having become a predominantly e-commerce retailer, we have positioned ourselves well to take advantage of this. To us, digital is not another channel but an integrated part of our media mix as demonstrated with some of our award-winning work with our sponsorship of the X Factor app. We have developed strong relationships with UK media owners and have been at the forefront of testing and integrating data to improve our single view of the customer and fuel new targeting strategies.

Our markets continued

WE ARE ENCOURAGED BY THE RECOVERY SEEN IN THE IRISH ECONOMY AND HAVE A POSITIVE OUTLOOK.

Ireland market overview

We are encouraged by the recovery seen in the Irish economy and have a positive outlook. There has been an increase in gross domestic product for the first time since 2008, inflation levels remain low and unemployment rates are down and there is also encouraging sentiment from customers with more people claiming to have more disposable income than a year ago.

However, we are conscious of the urbanisation of the country, with more people living in urban areas than rural areas than in pre-recessionary times. Alongside this we are also conscious that the economic recovery is being felt most significantly in Dublin and that the recovery in rural Ireland is lagging behind.

The delivery/take-away market is an established category within Ireland; one of the interesting dynamics of the market is the presence of established national chains. Whilst Chinese remains one of the most popular food types for delivery/take-away, it is fair to say that generally speaking there are fewer types of food available for delivery/take-away compared to the UK eating out market.

The digitalisation of ROI continues to excite us. Broadband penetration is increasing as speeds are improving, driving an increase in online shopping, on which we are well positioned to capitalise. One of the unique aspects of the digital market in ROI has been the higher incidence of m-commerce as a consequence of historically poor broadband connection alongside the more rapid adoption of smart-phone technology.

ROI
48
STORES

Germany market overview

With a population greater than that of the UK, a disposable income 28% higher than the OECD average, and a take-away delivery sector that is still dominated by independents, the opportunity to establish a sizeable presence is great.

Economic performance has been weak and we expect it to continue to be sluggish.

Encouragingly, the eating out market has shown growth with overall visits up on the previous year. This growth has been outstripped by visits to pizza places, whilst growth in visits to take-away/delivery focused outlets has grown even faster – as Germans are typically working longer hours, increasingly time poor and starting to embrace “eating out at home”.

Historically, the relatively high cost of labour and delivery has proven a barrier to growth in the delivery market and, as a consequence, German customers have been underserved. The increase in minimum wage is likely to put low-priced independents under more pressure and provide a premium-branded proposition like ours with a great opportunity to reset customers' expectations of pizza delivery.

Internet penetration is high in Germany and e-commerce is in growth. Our m-commerce platforms and infrastructure are well positioned to take advantage of this.

GERMANY
22
STORES

Switzerland market overview

With a population greater than Ireland, a robust economy, and a relatively narrow wealth divide we remain confident that we can build a sizeable and profitable business in Switzerland.

Consumer confidence remains strong and so too do employment levels, which are driving a higher propensity to buy. Alongside this, the combination of longer working hours and the rise of single parent households is increasing the demand for convenient meal solutions.

This has been demonstrated by the growth in the delivery and take-away category. Growth in visits to the delivery and take-away category has outstripped growth in visits to pizza places, which has also outstripped growth in visits to the general eating out market.

The delivery and take-away category is dominated by independents, with 90% of outlets independently run, accounting for 79% of sales. The quality and image of these independents is poor and their focus on delivery has been limited.

Switzerland is an expensive market; however the relative price of our pizzas to other local products demonstrates that customers believe we offer value for money. We have an opportunity to demonstrate better the quality of our food and the modernity of our store image, and embrace e-commerce in a market that has an internet usage as high as the UK, and further leverage our delivery credentials.

SWITZERLAND
11
STORES

Our strategy – UK

Domino's global vision is to become the number one pizza company in the world and in every neighbourhood.

We set ourselves big, bold and audacious targets. We have reframed our competitive set and recognise that the opportunity is beyond delivered pizza. We have broadened our horizons to every pizza eating occasion in the UK. We will open up new store opportunities that were previously believed to be unviable. We will be better connected with our customers in our neighbourhoods and communities. Domino's is not a big, corporate faceless brand, but one that is made up of local business owners who provide employment and opportunity to tens of thousands of team members across the country.

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. First, 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'. Second, it aligns with our desire to never stand still and continuously innovate 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, the launch of 'pizza tracker' or the development of online and mobile ordering platforms. Finally, it inspires us to relentlessly commit 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, whenever we say we will.

We will continue to grow like-for-like sales by continuing to grow sales at the midweek and weekend dinner occasion. We will continue to deliver the best tasting pizzas in the UK pizza delivery market; create and maintain a product offering that provides a complete meal experience; deliver value for money, and we are driven to create a stronger emotional connection in consumers lives – we know we're not saving lives, but we are making them that little bit better. In 2015, we look forward to bringing customers some exciting new products, new promotions and new technology. In 2015, we will increase investment in marketing significantly (a virtue of having outperformed against our expectations in 2014); we have already seen the impact of this investment with our long-term partnership with Hollyoaks. We will continue to optimise the return on investment from our national advertising fund to demonstrate value to our franchisees and continue to increase investment in digital channels to further optimise sales attribution. We are excited about the launch of a new customer satisfaction survey which will provide us with more quantitative data on customer satisfaction will help us and our franchisees to improve their operations and demonstrate to customers that we listen and act upon their feedback.

We will open more new stores in 2015. We are confident of opening up more sites in virgin territories and we are committed to working with franchisees to find the right location to build a second store within a trade-zone or to relocate. Our new store opening pipeline, which details target locations and allocated sites, has never looked healthier. As well as opening more new stores in 2015, we and our franchisees are committed to reimagining more stores than ever before. Our store image has been well received by customers as it creates a far more welcoming experience and makes them feel part of the theatre of making a pizza.

WE WILL CONTINUE TO GROW LIKE-FOR-LIKE SALES BY CONTINUING TO GROW SALES AT THE MIDWEEK AND WEEKEND DINNER OCCASION.

The digitalisation of our business has been truly remarkable. In just 15 years we have gone from being a bricks-and-mortar outfit to a genuine omni-channel retailer. Our ambitions are to grow these channels even faster. The work completed in 2013 on the engines that sit behind our platforms created a more secure and reliable foundation to build our new customer-facing platform on in 2014. We have been encouraged by the traction we have seen across our critical e-commerce performance indicators, with improvements across the board on conversion rate, bounce rate, basket abandonment rate and spend, following the roll-out of this new site. We will increase investment in development of our e-commerce platforms and have built a back-log of work to action. In 2015, we will optimise and drive commercial performance across our platforms; we will innovate and develop the platforms to ensure that we are at the forefront of our customers' mind and give them confidence that their order is on its way, putting them in control of the ordering process.

Franchisee profitability has and always will be at the core of our business model. We will continue to drive top-line sales with world-class marketing and e-commerce support and have committed a number of price reductions to franchisees already for 2015. This is, in part, driven by a benign food environment but also by the great work completed by our procurement teams and supply chain centre division, which are working in partnership with our suppliers on driving efficiencies within our supply chain. We remain committed to growing franchisee profitability year on year.

As a consequence of such strong sales growth we are working closely with franchisees to understand and remove any operational bottle-necks at a store level. This work is essential in future proofing the operational performance of the estate.

Our strategic objectives
page 16

Key Performance Indicators
page 18

Risk management
page 20

Our strategy

1

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 2014

- We successfully grew like-for-like sales by 11.3% fuelled by like-for-like order count growth of 8.3%. On a two-year basis, our like-for-like sales performance stands at 19.0% and our two-year like-for-like order count growth at 12.8%. Our three-year like-for-like sales performance stands at 25.2% and our three-year like-for-like order count growth at 13.4%, which gives us confidence that the business has momentum.
- We opened 40 new stores across a balance of existing and virgin territories and saw sales from new store openings hit record levels at an average of £13.6k. Sales from immature stores rose by 27.9% on 2013, 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 digitisation of the business enables us to attribute more sales directly from digital marketing spend.

FOCUS FOR 2015

- 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 a combination of broadcast and digital marketing channels. Our recent broadcast sponsorship of Hollyoaks on Channel 4 has seen us access the number one tea-time TV programme in the UK affordably.
- Convert a healthy pipeline of new store targets and franchisee interest into new store openings and accelerate our store re-image programme.

2

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 2014

- We accelerated UK sales from online from 53.0% to 60.2% and from 31.0% to 44.1% in mobile, demonstrating how the business has become a genuine e-commerce retailer. We have seen UK online sales increase by 30.6% and mobile sales increase by 94.0%.
- We launched new performance engines behind all of our e-commerce platforms which have improved reliability and security of these platforms. A new customer-facing interface rolled out in 2014 has already significantly increased performance of our key performance indicators of conversion rate, average value per basket and basket spend.
- We have continued to increase allocation of national marketing spend across digital channels and seen improvements in efficiency of driving orders. Our commitment to innovate in this space has been demonstrated by our award-winning sponsorship of the X Factor companion app and our partnership with Microsoft which has seen us achieve a global first with the launch of the first-ever ordering platform on the Xbox One platform.

FOCUS FOR 2015

- Continue to improve performance of our key performance metrics of conversion rate, basket abandonment rate, bounce rate and basket spend from desktop and tablet platforms.
- 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.

3 ACCELERATE IMPROVEMENT IN FRANCHISEE PROFITABILITY

STRATEGIC OBJECTIVES

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

PERFORMANCE IN 2014

- We successfully improved franchisee profitability per store from £102k per annum in 2013 to £129k per annum in 2014.
- As a consequence of the benign food environment and some good work from our procurement teams we have successfully lowered food costs to franchisees by 0.6% in 2014.
- We paid £5.9m in rebates to franchisees, which increased by 37% in 2014.

FOCUS FOR 2015

- 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.

4 GROW INTERNATIONAL MARKETS PROFITABLY

STRATEGIC OBJECTIVES

- Drive sales growth in ROI as the economy starts to recover.
- Establish store-level profitability in Germany.
- Grow sales and open new corporate stores in Switzerland.

PERFORMANCE IN 2014

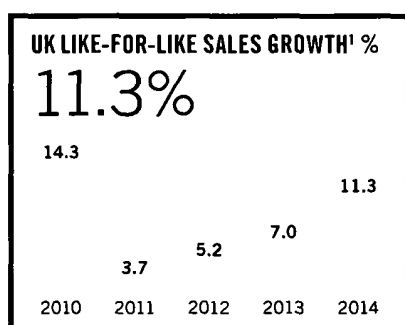
- We have been encouraged by the like-for-like sales growth in ROI, (2014: 4.3%, 2013: 6.0%, 2012: -0.3%) and the adoption rates of our e-commerce platforms. We are acutely aware that this level of sales growth has not been witnessed across the country and that Dublin is leading the charge.
- In Germany, we have spent the majority of our time focused on store manager level and on store training to improve operational performance. We are now more confident of our store-level operation delivering the premium delivery service the brand is famous for the world over.
- Progress made in Switzerland has been solid and focused on improving the operational gearing in this corporate market. We are now in a position to grow this business.

FOCUS FOR 2015

- Drive like-for-like sales growth in ROI through a combination of new product, new value and new technological initiatives.
- Sustain improvement in store-level operations and delivery of marketing/communications plans in Germany that drive sales to unlock store-level profitability in existing stores and open new stores in territories that complement our existing footprint.
- 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.



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.

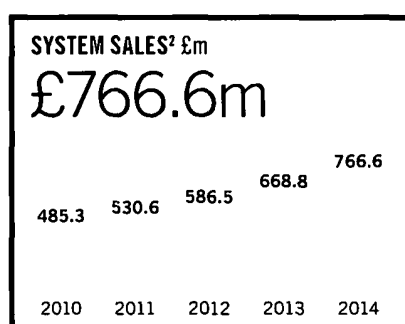
CHANGE FROM 2013

+430bps

PERFORMANCE IN 2014

Like-for-like sales in the 724 stores that were open in both periods being compared grew by 11.3% (2013: 7.0% growth in 670 stores). Over the last five years the average like-for-like growth was 8.3% (2013: 7.9%).

¹ Like-for-like sales are sales in UK stores that were open before 2013 compared to the corresponding 52 week period in the prior year.



DESCRIPTION

System sales represents the most useful indicator of the overall strength of the Domino's brand in the UK, ROI, Germany and Switzerland. The Group measures the total sales of the Group's franchisee and corporate store system in the UK, ROI, Germany and Switzerland, to external customers, for the 52 week period, compared to the 52/53-week reporting period in 2010–2013¹.

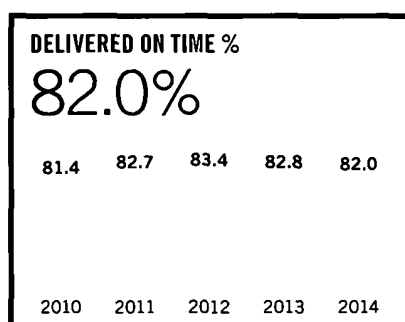
CHANGE FROM 2013

+14.6%

PERFORMANCE IN 2014

In 2014, system sales grew by 14.6% (2013¹: 14.0%) to £766.6m (2013¹: £668.8m).

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



DESCRIPTION

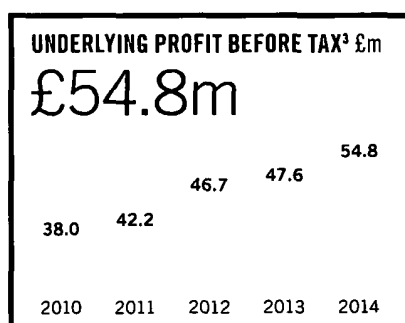
The UK and ROI's target is to safely deliver its product to its customer within 30 minutes of an order being placed.

CHANGE FROM 2013

-80bps

PERFORMANCE IN 2014

The percentage of orders that are delivered within 30 minutes remained steady at 82.0% (2013: 82.8%).



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 52/53-week reporting period in 2010–2013.

CHANGE FROM 2013

+15.1%

PERFORMANCE IN 2014

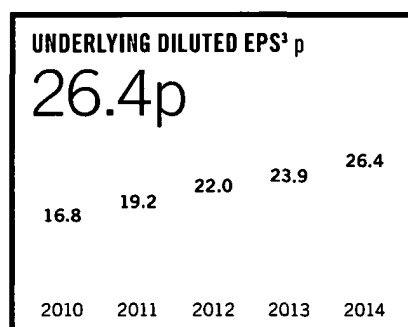
Underlying PBT for the period was up 15.1% to £54.8m (2013: £47.6m).

³ Underlying is defined as excluding amounts in relation to onerous leases, impairments, acquisition of joint ventures, associates and subsidiaries, and other restructuring and one-off items, as reconciled on the income statement.

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Directors' remuneration report
page 44



DESCRIPTION

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

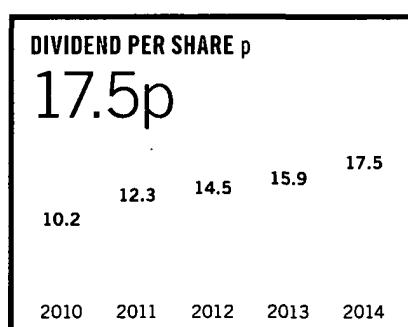
PERFORMANCE IN 2014

Underlying diluted earnings per share for the period was up 10.5% to 26.4p (2013: 23.9p).

Directors' remuneration report
page 44

³ Underlying is defined as excluding amounts in relation to onerous leases, impairment, acquisition of joint ventures, associates and subsidiaries and other restructuring and one-off items as reconciled on the income statement.

CHANGE FROM 2013
+10.5%



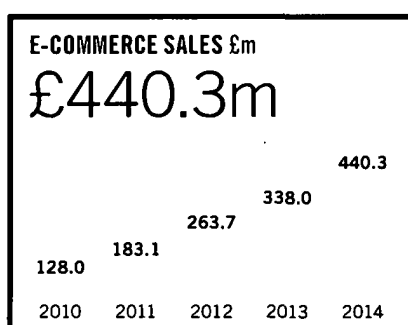
DESCRIPTION

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

PERFORMANCE IN 2014

Dividend per share for the period was up 10.1% to 17.50p (2013: 15.90p).

CHANGE FROM 2013
+10.1%



DESCRIPTION

The focus on digitalisation of the business drives this measure.

PERFORMANCE IN 2014

In 2014, 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 30.3% to £440.3m (2013: £338.0m).

CHANGE FROM 2013
+30.3%



DESCRIPTION

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

PERFORMANCE IN 2014

44 new stores were opened during the 52-week period ended 28 December 2014 (2013: 57 in 52-week period ended 29 December 2013).

CHANGE FROM 2013
-13 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 identifying the likely impact that each identified risk could have on the business.

Our approach

The Board has identified risks facing the Group and assessed the likely impact that each identified risk could have. This has allowed the Board to prioritise and target those risks deemed likely to have the most detrimental impact on the business, were the risk to materialise.

Each identified risk has a business owner who manages and reports on that particular risk to the Group Executive. Each business owner assists the Board in the review of the risk management processes and takes responsibility for designing the appropriate internal controls and policies. The risk will also be added to the Group's risk register and regularly reviewed and evaluated.

The Board can then incorporate identified risks into the formulation and management of the Group's strategic objectives and determine which risks are primary or secondary in terms of likelihood and impact.

Audit Committee report
page 42



Principal risks and uncertainties

As with any business, risks are present on a daily basis. However, below and on the following pages are the risks that the Board considers to be of most significance to the future performance, growth and development of the Group.

RISK	IMPACT	MANAGEMENT AND MITIGATION
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BUSINESS STRATEGY

Strategic direction

The risk of implementing a strategy in newer markets such as Germany, Switzerland, Liechtenstein and Luxembourg that does not achieve the desired outcomes.

- Targets may not be achieved, profits could suffer and share price could drop.
- As a worst case scenario, we fail and have to exit from one of our newer markets.
- Diversification and pursuit of growth in new markets in accordance with strategy plans set by the Board and executed by the local teams under the leadership of the Group Executive.
- The Group Executive submits strategy plans to the Board for regular approval.
- The Group Executive meets regularly which permits senior management to identify any challenges or failures quickly and to implement or revise strategy promptly.

RISK**IMPACT****MANAGEMENT AND MITIGATION****BUSINESS STRATEGY CONTINUED****Appointment of new Chief Financial Officer**

The Chief Financial Officer announced his resignation from the Company on 20 January 2015. As a result the Board and the Nomination Committee are focusing on finding a replacement.

- Potentially, there could be a lack of leadership and guidance in the absence of a permanent Chief Financial Officer.
- There could also be a delay before appointing a permanent Chief Financial Officer.
- The Nomination Committee is dedicated to sourcing and recruiting the right replacement for the Chief Financial Officer.
- The Company is working closely alongside an external recruitment agency to ensure the right candidate is found.
- An interim Chief Financial Officer may be recruited to provide cover for a period between the current exiting Chief Financial Officer and the new Chief Financial Officer.

Germany

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

- Failure to succeed in the German market could result in further losses to the Group.
- Long-term failure to break even in Germany could result in an exit from the German market.
- The Group Executive, which currently overseas all markets, is dedicated to running the German market and sharing knowledge across all markets.
- The German stores' performance and results are scrutinised and analysed weekly which allows for fast-paced strategic decisions to be made.

FOOD PRODUCTION, STORAGE AND SUPPLIERS**Failure of a critical supplier**

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

- Should a major supplier cease trading, we may be temporarily unable to produce certain food products or be forced to obtain supply from a different, more expensive source.
- Core suppliers are routinely put through a risk assessment to determine the likelihood of continued source and supply of goods.
- Contingency plans are put in place to deal with the scenario of a supplier stopping supply.
- We maintain a close relationship with suppliers and have regular reviews and meetings.

Food safety and compliance

The Supply Chain Centres must comply with applicable food safety rules and regulations and our franchisees must ensure that all stores are also compliant.

- The Supply Chain Centres or a store could be closed down in the event of a serious food safety risk or issue.
- Brand reputation could be seriously damaged if a food safety scare occurs.
- Dedicated health and safety and food regulatory teams constantly review and monitor food safety and compliance and mentor franchisees and store managers to ensure that standards are maintained at all times.
- Controls are in place to deal with product integrity, approval and management of stores, emerging issues and any changes to regulatory standards.
- Supplier assurance programme in place and Supply Chain Centres are regularly audited by independent third parties to the BRC Global Standard for food safety.

Risk management continued

RISK

IMPACT

MANAGEMENT AND MITIGATION

FOOD PRODUCTION, STORAGE AND SUPPLIERS CONTINUED

Production issues or destruction of Supply Chain Centres

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

- A single major failure or repeated failures in our dough production, distribution of food or other store materials could prevent stores from trading regularly or for a prolonged period.
- Potential for a major adverse impact on the Group's financial performance.
- We work in partnership with our suppliers and other master franchisees in neighbouring territories to manage the risk of any delays or interruptions in the supply chain, which could affect trade.
- We also have the opportunity to increase trade at one of our other Supply Chain Centres should another Supply Chain Centre have to reduce or stop production for any reason.
- A comprehensive site down recovery plan is also in place and forms part of the Group's business continuity plan.

COMPETITION

Competitors and consumer trends

Failure to compete on product, service and quality and changes in consumer tastes, brand relevance and demographic trends.

- A material change in market perception of home delivery and convenience foods could adversely affect the Group.
- Failure to anticipate and respond to a change in consumer demand could have a material effect on future results of operations and financial performance.
- We work relentlessly to reflect changes in consumer tastes and to improve our offering by investing in price, quality and service.
- Part of our strategy is to have a broad appeal on price, product, new store design concepts, service and quality.
- We regularly review and analyse the markets in which we operate in addition to customer perceptions of the brand.
- The Group places a strong focus on new product development to ensure that the menu has a broad appeal and reflects consumer trends. A new product development ('NPD') team and demographics team meets every two weeks to discuss and review consumer relevance, trends and new products. We also work closely with external third parties who focus on consumer analysis and brand tracking.

FRANCHISEES

Material deterioration in relationships with franchisees

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

- Franchisees may leave the system which could result in a drop in operational standards within stores.
- Franchisees may elect to go to a competitor.
- Lack of franchisee buy-in could result in franchisees not supporting changes to policies, standards, brand guidelines or opening stores.
- Relationships with franchisees are carefully nurtured by Directors, senior management and franchisee-facing employees within all departments.
- One-to-one business review meetings are held with each franchisee at least annually.
- Franchisee dinners and awards are held nationally throughout the year, allowing franchisees to discuss anything of concern or interest directly with Directors.
- The standard franchise agreement in place with franchisees prohibits a franchisee from opening up another pizza outlet in the area in which they used to trade, for a period of one year following their exit from the system.
- Forums are in place (marketing advisory cooperative and an operations forum) within the Group whereby key senior employees meet with franchisees to discuss operational and marketing plans.

RISK**IMPACT****MANAGEMENT AND MITIGATION****FRANCHISEES CONTINUED****Commercial leverage of large franchisees**

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

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

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

BRAND REPUTATION**Reputational damage or loss of confidence in the brand**

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

- If any publicity is of a sufficiently adverse nature, customers may lose confidence and choose not to purchase from the Group.
- A material loss in sales could affect future results of operation and financial condition.

- Franchisees are required to adhere strictly to the terms of the standard franchise agreement which places obligations on the franchisee to try to prevent any reputational damage to the brand on the part of the franchisee.
- Regular mentoring of franchisees, training and store visits are carried out by the Group.
- Should a franchisee be in material breach of the standard franchise agreement, the Company may terminate the standard franchise agreement.
- Policies and procedures are in place with employees of the Group that set out the standards expected of employees of the Group including in relation to social media when talking about or referring to the brand.

INFORMATION TECHNOLOGY AND SECURITY**Data protection and security**

Significant failure in, or successful attacks on, our IT infrastructure, systems and processes could impact online sales and place customer data at risk of loss or theft.

- Loss of digital sales could have a detrimental effect on the financial performance of the Group.
- Negative publicity, if material, could lead to customers losing confidence and choosing not to purchase from the Group.
- Fines received from regulatory bodies and/or claims from individuals affected by the issue.

- Customer data is protected by both physical and systems controls including encryption and authentication technology.
- All desktops, laptops and mobile devices have access restrictions and are protected with up-to-date software.
- The IT department regularly monitors, controls and maintains the integrity and efficiency of IT infrastructure.
- Contingency plans and external data centres are in place to deal with any significant IT security incidents.
- All critical systems for the Group have external security penetration tests carried out on a regular basis.

Risk management continued

RISK

IMPACT

MANAGEMENT AND MITIGATION

PROPERTY

Store growth

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

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

- Regular meetings and reviews on store opening targets, pipeline and strategy take place at Group Executive and Board level.
- Each country in which the Group operates poses different challenges in relation to store growth. The UK and ROI have a dedicated team focusing on property acquisition, store design and store splits with franchisees. Germany and Switzerland have property professionals focusing on licensing and permits to enable new stores to be fitted out and opened as soon as possible.
- The Group actively builds on relationships with local authorities to ensure there is an understanding of the responsible way in which stores operate and the Group's willingness to accept appropriate planning conditions.

PEOPLE

Employees

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

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

- Talent management is reviewed at least annually across the Group where key employees are identified and bespoke development plans are put in place.
- People development and appraisals are a key objective for all managers in the Group.
- The Group places significant investment in training, development and incentives.

CORPORATE GOVERNANCE

Internal controls, fraud and compliance

Ensuring the Group has the appropriate internal controls and policies.

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

- The Group continues to focus on strengthening its internal controls and adding to its existing policies and procedures.
- Behavioural guidance is given to employees along with authority levels for expenditure and the Group has in place an anti-bribery and corruption policy which all employees and external suppliers commit to comply with.
- A whistleblowing policy is in place.

Financial review

+10.5% 2013: +8.6%

UNDERLYING DILUTED EARNINGS PER SHARE

+15.1% 2013: +1.9%

UNDERLYING PROFIT BEFORE TAX

+10.1% 2013: +9.7%

DIVIDENDS

The Group's financial statements for the 52 weeks ended 28 December 2014 ('the period') have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU, as were the results for the comparative period last year.

Financial highlights

Our core market in the UK and ROI delivered an excellent set of results against strong comparatives in 2013, with system sales growing by 14.9% (2013: 12.0%) and like-for-like sales growth in the UK of 11.3% (2013: 7.0%) and in the ROI (in euros) of 4.3% (2013: 6.0%). We continued our store opening programme in the period and opened a further 40 stores in the UK.

Online sales now represent 69.4% of all delivered sales (2013: 61.5%), with mobile sales increasing by 95.7% to account for 44% of the total.

The Group faced high commodity prices going into 2014 which softened during the course of the year. In particular, milk prices fell as a result of increased production both across the EU, partly as a result of the ban on imported goods into Russia, and globally. The Group also benefited from the impact of favourable wheat harvests, which in turn contributed to lower feed and meat prices. As a result, we were able to pass on food price reductions to our franchisees in the second half of the year with a positive impact on franchisee profitability. At the half year end 2014, we reported an annualised increase in the average store food basket of 3.4%. For the full year this reduced to a decrease of 0.6%. We continue to work hard to optimise the impact of commodity prices on the Group's margins and franchisee margins by working closely with our suppliers and ensuring that we utilise our strong relationships with them.

Performance in ROI was consistent, continuing to build on the recovery shown in the prior year. Stable like-for-like growth continues to be an area of focus and we are continuing to drive a successful marketing strategy, leveraging successes in the UK, especially in the digital arena.

Our business in Germany has had a challenging year, with system sales growing by 5.6% in local currency to €10.9m (2013: €10.4m) and like-for-like sales decreasing 4.9% (2013: increasing 14.7%). This was partly the result of reducing marketing spend to sustainable levels and rationalising delivery areas for certain stores. During the year three new stores were opened and four were closed, leaving a total of 22 stores at the end of 2014. Our focus in Germany is on establishing viable store-level economics, which will ensure that the model is attractive to both existing and new franchisees. As we continue to work on this, the market remains challenging for franchisees. By the end of the year we had increased our corporate store holding from seven to 11 through the acquisition of the remaining shares in one of our

joint ventures. We intend to take control of the remaining jointly controlled store in early 2015 and in addition, a further corporate store was acquired from a franchisee in 2015.

Germany's operating loss for 2014 was £7.3m (2013: £7.0m), including a further charge against accounts receivable in H1 2014. The second half of the year showed a significant improvement on the comparative period in 2013 at a loss of £2.6m (2013: loss of £3.8m) as management actions around improving store economics in the corporate stores combined with reducing central overheads gained some traction.

In Germany, approximately 65% of our food basket is purchased using volume deals that we have in place for the UK and, as such, food prices in our German business are following a similar pattern to the UK.

In our Swiss operation sales were slow at the start of the year, impacted by both the weather and a delay in the store opening programme. Despite this the business delivered like-for-like sales growth of 4.7% (2013: 5.4%). Profitability was also affected with our store relocation and refurbishment programme and the operating loss for the year was £1.0m (2013: £0.6m). However, we are pleased to report that the fourth quarter was break-even, the result of increased sales, improved cost control in the stores and rationalisation of overhead. We opened one new store during the year and relocated two stores, meaning that a total of 11 stores were open at the end of 2014 (2013: 10).

Overall, the Group has delivered a strong set of results for 2014 with significant increases in system sales, Group revenue, underlying profit before tax and underlying diluted earnings per share. The table below highlights this growth.

	52 weeks ended 28 December 2014	52 weeks ended 29 December 2013	Variance	Variance %
Group results				
System sales	£766.6m	£668.8m	£97.8m	14.6%
Group revenue	£294.4m	£266.8m	£27.6m	10.3%
Underlying operating profit	£55.5m	£47.9m	£7.6m	15.7%
Underlying PBT	£54.8m	£47.6m	£7.2m	15.1%
Underlying diluted EPS	26.4p	23.9p	2.5p	10.5%
Underlying operating profit				
% of Group revenue	18.9%	17.8%		
Underlying PBT % of system sales	7.1%	7.1%		
Group results for UK & ROI				
System sales	£748.2m	£650.9m	£97.3m	14.9%
UK & ROI revenue	£279.1m	£250.7m	£28.4m	11.3%
Underlying operating profit	£63.8m	£55.6m	£8.2m	14.7%
Underlying PBT	£63.1m	£55.2m	£7.9m	14.3%
Underlying operating profit				
% of UK and ROI revenue	22.3%	22.2%		
Underlying PBT % of system sales	8.4%	8.5%		

Note 'Underlying' is a non-GAAP measure as reconciled on the income statement.

Financial review continued

Financial highlights continued

Underlying Group earnings before interest, taxation, depreciation and amortisation ('underlying EBITDA') were up 14.2% at £61.3m (2013: £53.7m), again demonstrating the strong cash generative nature of the Domino's model. As a result of this strong performance, the Board is proposing to increase the final dividend by 10.1% to 9.69p (2013: 8.80p) and, together with the interim dividend of 7.81p (2013: 7.10p), total dividends of 17.50p (2013: 15.90p) will represent an increase of 10.1% on the prior year.

Underlying Group profit before tax was £54.8m (2013: £47.6m). Statutory Group profit before tax was £53.8m (2013: £21.6m).

At 28 December 2014, the Group had cash and cash equivalents of £33.7m (2013: £31.6m); total debt has reduced to £22.7m (2013: £47.2m) as a result of repaying some of our borrowings and consolidated adjusted net cash of £11.0m (see note 31) (2013: net debt of £13.6m). Adjusted net cash or debt excludes non-recourse loans and non-controlling shareholder loans in 2013. The Group has substantial headroom against its banking covenants and is in a very strong financial position with low levels of financial leverage.

The ratio of underlying profit before tax as a percentage of system sales (excluding the loss of the German and the Swiss operations), a key ratio that highlights the strength of the underlying operational gearing of the business, remained in line with prior year at 8.4% (2013: 8.5%). This has been managed by continuing focus on and tight control of our cost base, close management of procurement costs and operational efficiencies across the business.

Group system sales

Group system sales increased by 14.6% to £766.6m (2013: £668.8m). The main drivers of this growth were:

- like-for-like sales growth of 11.3% in 724 UK mature stores (2013: 7.0% in 670 mature stores);
- buoyant e-commerce sales in the UK, growing by 30.5% to £425.3m (2013: 325.8m), supported by continued investment and innovation in the online marketing arena;
- 44 (2013: 57) new store openings across all territories; and
- successful new product development activity.

Commodity prices

For the full year 2014 the average store food basket saw a year-on-year decrease of 0.6% over 2013. This was driven by record-high cheese prices in the last quarter of 2013 carrying over into the first half of 2014. During the year the food cost environment turned more benign and we have been able to pass on the benefit of these price decreases to our franchisees and improve their profitability. Food costs remain benign going into 2015.

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

Segment	52 weeks ended 28 December 2014	52 weeks ended 29 December 2013	Variance	Variance %
UK	£57.7m	£50.4m	£7.3m	14.5%
ROI	£5.0m	£4.5m	£0.5m	11.1%
Germany	£(7.3)m	£(7.0)m	£(0.3)m	(4.2)%
Switzerland	£(1.0)m	£(0.6)m	£(0.4)m	(66.6)%
Group	£54.4m	£47.3m	£7.1m	15.0%

Net interest charge

The net interest charge for the year, including the non-cash impact of £0.5m (2013: £0.2m) arising on the unwinding of discounts in relation to deferred consideration for Domino's Leasing Limited and the provisions for onerous leases, was £1.4m (2013: £0.6m).

Operating profit/(loss)

The Group operates in the UK, ROI, Germany and Switzerland, the results of which are disclosed in the segmental reporting note (note 4).

The market in the UK has seen further steady growth in underlying operating profits of 14.5% as a result of a continued push to open new stores (40 in the year) along with a robust operational model supporting strong operational gearing.

ROI delivered a consecutive year of steady like-for-like sales growth which resulted in a positive contribution as set out in the segmental results.

The operating loss in Germany was similar to last year at £7.3m (2013: £7.0m) with performance towards the end of the financial year improved after benefiting from the results of management action taken earlier in the year.

Our Swiss operation contributed an operating loss for the year of £1.0m (2013: £0.6m), with a break-even fourth quarter and we are pleased with the progress made in this territory.

Non-GAAP measures: items excluded from underlying operating profit

The items that are excluded from statutory operating profit to arrive at underlying operating profit comprise a charge of £0.5m in respect of onerous lease provisions in Germany, a charge of £1.0m in respect of store asset impairments in Germany and the UK and a credit of £0.1m in respect of other restructuring and one-off items.

Taxation

The effective tax rate on underlying profit before tax is 20.1% (2013: 21.1%). The rate is lower than the statutory tax rate of 21.5% as a result of the impact of the lower tax rate applicable in the Group's ROI subsidiary, offset by the level of expenses not deductible for corporation tax purposes.

Group earnings per share

Underlying basic earnings per share for 2014 of 26.6p was up 10.8% on the prior year (2013: 24.0p). Underlying diluted earnings per share for 2014 of 26.4p was up 10.5% on the prior year (2013: 23.9p).

Basic earnings per share for 2014 of 25.9p was up 142% on the prior year (2013: 10.7p). Diluted earnings per share for 2014 of 25.8p was up 141% on the prior year (2013: 10.7p).

Cash flow and net debt

The Group has a consistent record of delivering strong cash flows and in 2014 this was again the case. Underlying Group EBITDA increased by 14.2% to £61.3m (2013: £53.7m). Net cash generated from operating activities was £60.4m (2013: £40.7m).

During the year, outflows of £8.1m (2013: £8.5m) of corporation taxes and £2.7m (2013: £4.2m) of capital expenditure and financial investment were incurred. Included in the capital expenditure and financial investment was £1.2m (2013: £1.4m) relating to payments to Commerzbank under the arrangements of the acquisition of Domino's Leasing Limited.

Overall net cash inflow before financing was £57.6m (2013: £36.5m). During the year we have distributed a further £29.7m (2013: £24.6m) to shareholders through share buybacks of £2.2m (2013: £nil) and £27.5m in dividends (2013: £24.6m).

In the period, options over 0.5m (2013: 0.8m) new shares were exercised generating an inflow of £2.0m (2013: £2.2m).

DP Capital Limited continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £2.0m (2013: £0.9m). After repayments, the balance outstanding at the end of the period on these leases was £2.2m (2013: £2.6m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.3m (2013: £2.2m).

The Group is now in an adjusted net cash position of £11.0m (2013: net debt of £13.6m). The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') on a quarterly basis as this is one of the financial covenants for the £30m five-year facility. The Group includes within net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes non-recourse loans and Domino's Pizza Germany non-controlling interest loans, which were repaid during 2014.

Banking facilities

At 28 December 2014, the Group had a total of £45.0m of banking facilities of which £27.3m was undrawn. The main facilities were a £30m five-year facility with an interest margin of LIBOR plus 135 bps and a £15m term loan expiring on 31 January 2015 with an interest margin of LIBOR plus 110 bps. The term loan was repaid in full in January 2015.

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

Capital employed

Non-current assets reduced slightly during the year from £94.9m to £90.5m, due to a decrease in long-term receivables.

Current assets increased from £71.5m to £74.6m. This was predominantly due to an increase in cash and cash equivalents of £2.1m.

Current liabilities increased from £61.4m to £78.6m, due to the increase of the Group's short-term facilities of £2.1m, repaid in full (£15.0m) in early 2015 as discussed above, and due to an increase in trade and other payables of £11.9m.

Non-current liabilities reduced from £44.9m to £13.2m, due to the reduction in the drawn amount of the revolving credit facility.

On 26 February 2014, the Group purchased the remaining 25% shareholding in relation to the German business from our non-controlling interest partner, Briskas Limited, for consideration of 880,000 shares (issued contingently in the original acquisition) and an option over 3,000,000 shares in the Company at 577.7 pence per share.

Treasury management

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

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

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

Conclusion

In 2014, the Group achieved record sales and profits together with strong cash flows. As always, our people and franchisees have worked hard to deliver these excellent results. This performance demonstrates the robustness of the Domino's business model and the continued growth in the pizza home delivery market.

In the UK, the business continues to enjoy exceptional growth in system sales and operating profit and in ROI our stores continue to show a sustained recovery. Our German business has gone through another challenging year, but we have significantly reduced losses in H2 and are now focused on creating a store model that is attractive to franchisees. In Switzerland we have continued to make good progress in 2014, finishing with a break-even performance in the last quarter.

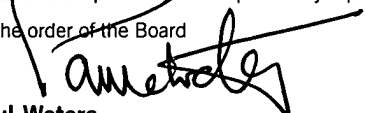
We are well positioned to continue our expansion and implement our plans for the future growth of the Group, backed by our strong balance sheet and low financial gearing. During 2015 we will continue to:

- focus on our customers by providing excellent value and choice through continued new product innovation and service;
- maintain high standards of operational efficiency and execution;
- carefully control our costs and seek to mitigate and minimise the impact of inflationary input costs, thereby driving operational gearing benefits;
- grow our store portfolio in line with our long-term plans; and
- build a business capable of delivering long-term, sustainable growth in cash flows to drive shareholder value, which will be returned to shareholders through share buybacks and dividends.

Strategic report approved

The strategic report, outlined on pages 1 to 33, incorporates highlights of the year, the Group at a glance, Chairman's statement, Chief Executive Officer's statement, our business model, our markets, our strategy, Key Performance Indicators, risk management, financial review and corporate social responsibility report.

By the order of the Board


Paul Waters

Company Secretary
25 February 2015

Corporate social responsibility report

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

In 2013, we began to develop a 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.

FOOD

- Premium quality, great tasting, innovative

Food
page 29

ENVIRONMENT

- Reduce energy consumption, reduce, recycle and reuse waste and reduce emissions

Environment
page 30

EMPLOYEES

- Happy staff, healthy staff, engaged staff

Employees
page 32

COMMUNITY

- To care, to share and to be at the heart of our local communities

Community
page 33

OUR AIM IS TO SERVE OUR CUSTOMERS GREAT TASTING, QUALITY FOOD.

ACHIEVEMENTS IN 2014

- Allergens information on all our products is now displayed online and at the point of sale in store
- All food and packaging suppliers have signed up to the Supplier Ethical Data Exchange

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

Nutrition

During 2014, we continued to work on the pledges we made as part of the Department of Health's Responsibility Deal. As a signatory to the Responsibility Deal, we have pledged to ensure that our products do not contain artificial trans-fats, reduce the amount of salt in our food and provide out-of-home calorie labelling. We are proud to state that we have no trans-fats, artificial colourings or flavourings in any of our food.

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

During the coming year, we will also look to include further information regarding the nutritional content of our products to help customers make informed choices.

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 in the UK from north-west Wales using milk produced on farms no further than a 160-mile radius of the production plant.

During 2014, we continued to source tuna caught by 'pole and line' as it is a more sustainable fishing method. We also looked for further opportunities to increase the sustainability credentials of the products we buy, which is something we will continue to pursue in 2015.

Working in partnership with our suppliers

We have continued to work closely with our suppliers to make sure that our pizza has the best quality ingredients in it. We are proud that, during 2014, we managed to get every one of our suppliers of food and packaging products to the UK to sign up to the Supplier Ethical Data Exchange ('SEDEX').

SEDEX is an organisation with thousands of members and seeks to promote ethical and responsible business practices in supply chains. By signing up to SEDEX, our suppliers can share data about their supply chain, business practices and employee practices on an online platform which we can view to ensure that all our suppliers meet our ethical standards.

OBJECTIVES FOR 2015

- Further reduce the salt content of our products
- Seek to increase the sustainability credentials of the products we buy

Read more online

corporate.dominos.co.uk/csr

Corporate social responsibility report continued

ENVIRONMENT

ACHIEVEMENTS IN 2014

- Reduced our CO₂e emissions per tonne of dough produced by 10% (compared to our baseline year)
- Reduced speed limit by 5.5% across our entire supply chain fleet in the UK and ROI
- Rolled out dynamic routing across supply chain to drive fuel efficiency
- Implemented energy management system to monitor energy usage

Driving energy efficiency

We are committed to continually looking at innovative ways to improve our energy performance across our Supply Chain Centres and fleet of trucks. To maximise the efforts of our facilities and transport teams in this area, we have decided to use the internationally recognised best practice energy management standard (ISO 50001) as a framework for managing our energy consumption. We began implementation of the system at our Head Office and Supply Chain Centre in Milton Keynes as well as our second largest Supply Chain Centre in Penrith. By using the structured approach provided by the standard, we have increased our understanding of equipment and fleet efficiencies and we are in the process of developing an energy efficiency opportunities programme.

Furthermore, as of 1 April 2014, we are complying with phase two of the Carbon Reduction Commitment ('CRC') energy efficiency scheme and we are working with our franchisees with the aim of collecting and profiling the energy consumption of each store. In 2015, we wish to take this work to the next level by helping our franchisees to identify energy efficiency opportunities across their operations.

Delivering smarter

As part of our 'delivering smarter' commitment, we have achieved our 2014 target of reducing the speed limits of our vehicles that deliver the fresh dough and ingredients supplied by our Supply Chain Centres to stores. Vehicle speeds have been reduced by 5.5% across the fleet which has allowed us to deliver more miles on less fuel and reduce emission levels of all our vehicles.

During 2014, we continued to procure vehicles that comply with the latest EC emission and noise specifications and encouraged road safety and good driving practices by providing a high standard of driver training.

We also completed the roll-out of a dynamic routing system across the UK and ROI. This system allows us to optimise capacity loading and use each truck to deliver to more stores, thereby reducing overall transport miles and the number of trucks on the road.

Striving for zero waste to landfill

This year we took one step closer to reaching zero to landfill, with over 95% of our waste in the UK being either recycled or recovered.

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

Our GHG emissions inventory

We have adopted a financial control approach to defining our organisational boundary; as a result we report GHG emissions from all four markets considered as part of the Group's current financial consolidation: UK, ROI, Switzerland and Germany. Accountability for our overall environmental performance rests with the Group Executive.

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 and DEFRA's Environmental Reporting Guidelines including mandatory greenhouse gas emissions reporting guidance (June 2013) and ISO 14064 – part one.

Our reporting period for GHG emissions is 1 October to 30 September¹ and the 2013/2014 GHG emissions inventory marks our second year of GHG emissions reporting. Our material GHG emissions from business activities in this period amounts to 12,360 tonnes tCO₂e, as set out in table 1 (opposite).

We continue to track GHG emissions over time against our dough production levels. As such our intensity ratio for this reporting year is 0.40 tCO₂e per tonne of dough produced.

A more detailed view

In addition to the business activities outlined above, the Group collects data on a more expanded scope of activities which we believe to be pertinent to our carbon management strategy. The GHG emissions from these activities have been broken down at market level for each reporting scope (see table 2 opposite).

Our total carbon footprint against this expanded scope was 13,287 tCO₂e and our carbon intensity ratio was 0.43 tCO₂e per tonne of dough produced; this has decreased by 10% since the baseline, putting us on track to meet our target to reduce CO₂e per tonne of dough produced by 25% by 2018.

In summary:

- our emissions from natural gas and kerosene are down as a result of milder winter months in the UK and ROI;
- emissions from vehicles owned by the Group are down as a result of fuel efficiency measures in the UK and improvements in data quality for our German market;
- emissions from our purchased electricity are up as a result of an 11% uplift in the UK conversion factor compared to last year; and
- overall energy usage has remained stable despite an increase in production of 12%.

Our GHG emissions inventory covers all four markets but does not include franchisee emissions as we do not have sufficiently accurate information to report on the impact of franchisee operations. It also excludes the following: GHG emissions from refrigerants, air and rail travel from our operations in Switzerland and Germany and water consumed by our corporate stores in Germany. Where data is incomplete (i.e. less than 12 months of data is available), GHG emissions are extrapolated from the available information and references to accounting and calculation methodologies for any assumptions, estimations and re-calculations performed have been documented.

OBJECTIVES FOR 2015

- Achieve certification to ISO 50001 for our UK energy management system
- Continue to identify opportunities for waste reduction in line with our commitment to continue reducing waste

Table 1

	Emissions source	Tonnes of CO ₂ e ² (baseline)	Tonnes of CO ₂ e (2013/2014)
CO ₂ e from the combustion of fuel and the operation of any facilities	Natural gas	802	710
	Kerosene	99	71
	Refrigerant	189	156
	Owned vehicles ³	6,726	6,359
CO ₂ e from the purchase of electricity, heat, steam or cooling by the Company for its own use	Purchased electricity	4,500	5,064
Total		12,316	12,360

Table 2

2013/2014 (tonnes of CO ₂ e)	UK	ROI	Switzerland	Germany	Total Group	Total Group (baseline)	% change
Scope 1							
Natural gas	391	–	164	155	710	802	-11%
Kerosene	–	71	–	–	71	99	-28%
Refrigerant	91	65	–	–	156	189	-17%
Owned vehicles	5,432	694	54	179	6,359	6,726	-5%
Scope 2							
Purchased electricity	4,399	345	16	305	5,064	4,501	13%
Scope 3							
Water ⁴	15	1	7	<1	23	24	-4%
Waste	21	17	–	–	38	39	-3%
Business travel ⁵	223	–	–	–	223	342	-35%
Hired vehicles ⁶	179	34	–	–	213	n/a	n/a
Electricity transmission and distribution ⁷	385	28	1	15	429	351	22%
Total tonnes CO ₂ e	11,136	1,255	242	654	13,286	13,073	2%
Out of scopes	121	14	1	8	144	139	4%

Notes

- Our financial reporting year is the calendar year; however, we have set our reporting period back by a quarter to facilitate data collection.
- We report all material GHG emissions, using 'tonnes of CO₂-equivalent' (tCO₂e) as the unit, to account for all GHGs which are attributable to human activity, as defined in section 92 of the Climate Change Act 2008(a). The only exception is for GHG emissions from electricity in ROI, Switzerland and Germany where the GHG emissions are reported in CO₂.
- Includes fuel consumed (petrol, diesel, red diesel) by our supply chain delivery fleet, our company cars and our corporate store delivery fleet.
- GHG emissions based on the impact associated with the supply of water used in production (apart from in Switzerland where the impact of both the supply and the disposal of water is accounted for as water is used mainly for domestic purposes).
- This includes both air and rail travel booked through the Company's travel provider in the UK and ROI; no data is currently available for Switzerland and Germany and travel in these two markets is believed to be minimal. Furthermore the drop in emissions from business travel is linked to a change in booking and reporting systems and not a result of business drivers. We will work to improve data accuracy and consistency in reporting.
- This year the Group was able to separate fuel used in hired vehicles from the overall fuel used by the delivery fleet; this would have historically been reported under Scope 1 – owned vehicles.
- Electricity transmission and distribution refers to the energy loss that occurs between the power station and the point of use.

Corporate social responsibility report continued

EMPLOYEES

WE CONSIDER OUR EMPLOYEES' WELLBEING AND HAPPINESS TO BE OF GREAT IMPORTANCE.

ACHIEVEMENTS IN 2014

- Increased employee health reviews by PruHealth of 12.9%
- Introduced free weekly fruit baskets
- Launched a new corporate mission 'feeding the power of possible, one pizza at a time'
- Introduced an online application process for corporate opportunities
- Brought our induction process online

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

Working with our health insurance provider, PruHealth, we have promoted the health and wellbeing of our employees by providing access to its online interactive Vitality website. This tool encourages and rewards healthy behaviour, nutrition and physical activity and provides help in achieving a positive work-life balance. In 2015, we will be setting up awareness sessions with our employees to promote this further.

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 addition, they look at work-life balance initiatives and provide opportunities for team colleagues to socialise through team days that encourage cross-team interaction and organise social events, most recently with the Head Office Christmas party.

Performance and development

During the year under review, Domino's launched its global corporate mission, 'feeding the power of the possible, one pizza at a time'. This mission has, at its core, the ultimate goal to make Domino's the number one pizza company in every neighbourhood in which we operate.

With this philosophy, we embrace our belief in opportunity, hard work, inspired solutions, winning together, embracing community and uncommon honesty. This mission and these values will form the basis of our performance development and competency framework. Together with the happiness at work team, we will embed this mission into our culture in 2015 to ensure that we attract and retain talent.

Attracting talent

We aim to hire high calibre applicants through effective recruitment strategies. To ensure those applying to work with us have a positive recruitment experience, we have introduced an online application process which increases the speed and efficiency with which vacant and new jobs are filled. We have endeavoured to extend this experience by the introduction of a new online induction process that was launched in 2014. Each of these tools will be reviewed and adapted in 2015 in order to reflect and embrace our corporate mission.

OBJECTIVES FOR 2015

- Work with our health insurance provider to promote awareness of our health and wellbeing programme with our employees
- Work with the happiness at work team to embed the corporate mission into our culture
- Review and adapt our recruitment, induction, performance, development and competency frameworks to reflect the values and behaviours of the corporate mission

Read more online

corporate.dominos.co.uk/csr

COMMUNITY

OUR AIM IS TO BE A SUPPORTIVE PART OF THE COMMUNITY AND HELP FAMILIES THROUGH OUR CHARITABLE GIVING.

ACHIEVEMENTS IN 2014

- Raised over £500,000 for charity:
 - over £380,000 for Rays of Sunshine;
 - over £100,000 for Special Olympics Great Britain;
 - over £15,000 for Northern Ireland Children's Hospice; and
 - over £25,000 for Pennies.
- Boosted fundraising by strong engagement with Pennies through our apps
- Grew average weekly donation total from £6,000 in 2013 to £10,000 in 2014
- Our customers have raised over £1,000,000 since introducing Pennies in 2010

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. 2014 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 current beneficiaries are Rays of Sunshine (75% of donations) and Special Olympics Great Britain (20% of donations). In Northern Ireland, the Northern Ireland Children's Hospice receives the full 95%.

Pennies receives 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 2015, providing the opportunity to support a local charity.

£500,000+

RAISED FOR CHARITY IN 2014

Our social impact

Rays of Sunshine was our main charity in 2014. This partnership has been embraced by our franchisees, store teams and support office employees, who all joined together to raise money.

Funds have helped to deliver wishes to seriously ill children such as Lauren. She was born at just 27 weeks and spent the first year of her life in hospital. Lauren lives with several health complications including a condition called short gut syndrome and her greatest wish was to be a mermaid for the day.

A limousine took Lauren and her family to the banks of Loch Lomond where she met Linden, a real life mermaid! Lauren was also treated to a special visit to Loch Lomond Aquarium and a princess tea at Cameron House Hotel.

After the wish Lauren's mum said: "I can't put into words what today has meant to us. No matter what the future holds for Lauren we will always have the memories of seeing Lauren run towards the mermaid and the look on her wee face. Thank you all so much for making Lauren's wish come true."

OBJECTIVES FOR 2015

- Solidify and 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

Board of Directors

 STEPHEN HEMSLEY
N

COLIN HALPERN

DAVID WILD

 KEVIN HIGGINS
AR

EBBE JACOBSEN

MICHAEL SHALLOW

ANR

A Audit Committee member
N Nomination Committee member
R Remuneration Committee member
 ■ Committee Chairman

HELEN KEAYS

AR

PAUL WATERS

Stephen Hemsley**Non-executive Chairman**

Stephen joined the Board as Finance Director in 1998. In 2001 he was appointed Chief Executive. Stephen was appointed Executive Chairman of the Group in 2008 and became non-executive Chairman in 2010 and from September 2014 became Chairman of the Nomination Committee. Stephen is also chairman of Franchise Brands Worldwide Limited and its subsidiary companies. Stephen 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 Republic of Ireland in 1993 through International Franchise Systems Inc. In 1999, with Colin as Chairman, the Company was taken public and listed on AIM. 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.

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 has 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 on 31 January 2014. He has wide experience of operating in Germany and other European countries, most recently with Delsey. He has been in retail all his 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 Nordics 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.

Michael Shallow**Non-executive Director**

Michael was appointed to the Board in 2006. He is Chairman of the Audit Committee and Senior Independent Director of the Company. Michael is a non-executive director of Revolution Bars Group Ltd. Michael has worked in the food and drinks sector for the past 15 years, and was previously a non-executive director of Britvic plc and was the finance director for Greene King plc.

Helen Keays**Non-executive Director**

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

Paul Waters**Company Secretary**

Paul was appointed as Company Secretary with effect from 1 August 2014. Paul qualified as a solicitor and is a Fellow of the ICSA. Paul brings with him a wealth of commercial and legal expertise having served as company secretary and legal counsel for two FTSE 100 constituent companies, Misys plc and ENRC plc, together with three FTSE 250 constituent companies, Benfield plc, RHM plc and most recently EnQuest plc.

Corporate governance

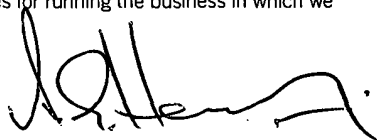
INTRODUCTION FROM THE CHAIRMAN

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 28 December 2014. As Chairman, it is my responsibility to ensure that the Group is governed and managed with transparency and in the best interests of stakeholders.

The purpose of this report is to provide a clear and accessible explanation of what governance means to us in terms of its impact on decision making in the operation of our business and to ensure as far as possible that the values you would expect from the Group are in place and adhered to.

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

Stephen Hemsley
Chairman
25 February 2015



Compliance with the UK Corporate Governance Code

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

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

The Code applies to all companies with a premium listing of equity shares, regardless of whether they are incorporated in the UK or elsewhere.

The Company is therefore required to report against the Code for the financial year ended 28 December 2014. A copy of the Code is available at www.frc.org.uk.

The required regulatory and governance assurances are provided throughout this report and also in the Directors' report on pages 62 to 64.

THE BOARD

REMUNERATION COMMITTEE

NOMINATION COMMITTEE

AUDIT COMMITTEE

The Board Structure

The Board is supported in its work by the following key Committees:

The Remuneration Committee

The Remuneration Committee determines the terms and conditions of employment, remuneration and rewards of the Executive Directors, the Chairman and the leadership teams. The Remuneration Committee focuses on what is necessary to attract, retain and motivate these individuals. During the year under review, the Remuneration Committee also implemented the remuneration policy, which was approved by the shareholders at the 2014 Annual General Meeting ('AGM').

The Nomination Committee

The Nomination Committee manages the recruitment of the Directors and advises on matters relating to the Board's membership and Committee appointments, and this includes reviewing succession plans. During the year under review, the Nomination Committee has focused on finding independent non-executive Directors in order to replace John Hodson and Nigel Wray who stepped down from the Board on 29 July 2014 and Syl Saller who stepped down from the Board on 20 September 2014, which resulted in the appointment of Kevin Higgins on 8 September 2014. The Nomination Committee also regularly reviews and monitors the skill set of the Board in general, particularly in light of the Group's increasing growth and presence in parts of Europe.

The Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the current internal controls and risk mitigation strategies and monitoring the effectiveness and objectivity of the external auditor. During the year under review, the Committee decided to appoint PricewaterhouseCoopers to conduct specific internal audit reviews which will be done in 2015.

Focus during the year

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

- Board composition, particularly in relation to the replacement of the Executive Directors together with the appointment of one new independent non-executive Director. The Board continues to search for a further independent non-executive Director and, in 2015, will concentrate on recruiting a new Chief Financial Officer;
- formulating and driving the Group's strategy;
- driving new business opportunities;
- reviewing the full-year and half-year results;
- a review of the risks register, to ensure the Group's risk profile is aligned with its strategic objectives; and
- a review of the long-term business development plans for Germany and Switzerland.

Board responsibilities and processes include:

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

Governance structures

Board roles and responsibilities

There is a clear separation between the roles of the Chairman and the Chief Executive Officer. The role descriptions were updated and agreed by the Board in 2013 and then again on the appointment of David Wild as Interim Chief Executive Officer (an appointment that later became permanent) and are summarised below. The Chairman meets with the Chief Executive Officer, off-site, at least once a month and regularly meets with the Chief Financial Officer. The Chairman also has separate discussions with the non-executive Directors.

Chairman

The role of the Chairman is:

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

Chief Executive Officer

The role of the Chief Executive Officer (including during interim appointment) 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 Group Executive; and
- ensuring the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group.

Chief Financial Officer

The role of the Chief Financial Officer is:

- recommending to the Board an annual budget and financial plan;
- examining all trade, investments and major capital expenditure proposed by Group companies;
- reviewing and monitoring the Group's remuneration policy;
- overseeing risk management and internal control;
- ensuring effective communication with shareholders and key stakeholders and updating institutional investors on the business strategy and performance; and
- maintaining relationships with the Group's banks and managing the investment and banking portfolio.

Non-executive Director

The role of the 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;
- guiding matters of concern and strategy;
- overseeing risk management and internal control;
- protecting shareholder and stakeholder interests;
- constructively challenging the Executive Directors and the monitoring of Executive performance;
- supporting the Executive team in the shaping and delivery of the strategic goals of the business;
- 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.

Corporate governance continued

Governance structures continued

Board roles and responsibilities continued

Senior Independent Director

During the year under review, David Wild stepped down from the role of Senior Independent Director ('SID') and was replaced by Michael Shallow whilst David Wild acted as Interim Chief Executive Officer. David Wild's position as Chief Executive Officer became permanent on 30 April 2014 and Michael Shallow continued as SID in light of this appointment. Both Michael and David's biographies are available on page 35.

The SID focuses on:

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

Company Secretary

During the year under review, Mark Millar resigned from his role as Company Secretary on 31 July 2014. Paul Waters was appointed as Company Secretary on 1 August 2014. The Company Secretary is responsible for:

- developing, implementing and sustaining high standards of corporate governance;
- supporting the Chairman and other Board members as necessary;
- advising the Board of legislation, regulation and corporate governance developments that impact the Group, and maintaining the Group's corporate governance manual;
- communicating with shareholders and keeping the Board informed of shareholder opinions; and
- ensuring compliance with statutory and regulatory governance requirements.

Board composition

A series of changes have occurred to the composition of the Board during the year under review in relation to both Executive Directors and non-executive Directors.

Lance Batchelor resigned as Chief Executive Officer on 16 March 2014. David Wild was appointed to the Board in November 2013 as a non-executive Director and was appointed as Interim Chief Executive Officer on 31 January 2014. David Wild became Chief Executive Officer on 30 April 2014.

Lee Ginsberg retired and stood down as Chief Financial Officer at the AGM on 2 April 2014. Sean Wilkins was appointed as Chief Financial Officer (Designate) in November 2013 and took over as Chief Financial Officer on 2 April 2014. Sean Wilkins resigned as Chief Financial Officer on 20 January 2015.

John Hodson and Nigel Wray stepped down from the Board as non-executive Directors on 29 July 2014 and Syl Saller stepped down on 20 September 2014. Ebbe Jacobsen was appointed as a non-executive Director on 31 January 2014 and Kevin Higgins on 8 September 2014.

As at 28 December 2014, the Board consisted of two Executive and six non-executive Directors, four of whom were deemed to be independent.

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

At the 2014 AGM, each Director retired voluntarily and submitted themselves for re-election. All were successfully re-elected.

Terms of reference for all Committees, which are approved by the Board and reviewed annually, are available on the Company's investor relations website (corporate.dominos.co.uk) along with the formal schedule of matters reserved for the Board, which remains unaltered.

Biographies of the Directors and the Company Secretary and details of their other time commitments are set out on page 35.

Independent non-executive Directors

The independent non-executive Directors during the year under review were Michael Shallow, Syl Saller (resigned 20 September 2014), Helen Keays, Ebbe Jacobsen (appointed 31 January 2014) and Kevin Higgins (appointed 8 September 2014). David Wild was an independent non-executive Director until 31 January 2014 when he became Interim Chief Executive Officer and then Chief Executive Officer on 30 April 2014.

Michael Shallow ceased to be an independent non-executive Director on 1 January 2015 due to his length of service but has agreed to temporarily stay until a new non-executive Director is appointed.

The Board reviews the independence of its non-executive Directors as part of its annual Board effectiveness review. In assessing the independence of each Director, the Board considered whether each was independent in character and judgement. We have a diversity of skills, backgrounds and experience within our independent non-executive Directors and they play a key governance role in protecting shareholders' interests and complement the skills and experience of the Executive Directors. All of the independent non-executive Directors are tasked with ensuring that the Board and Company matters are effectively challenged from a range of external perspectives.

The independent non-executive Directors meet at least twice during the year, under the leadership of the SID.

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

Executive Directors

The Executive Directors of the Company during the year under review were Lance Batchelor, Chief Executive Officer, until his resignation on 16 March 2014; David Wild, Interim Chief Executive Officer from 31 January 2014 and Chief Executive Officer from 30 April 2014; Lee Ginsberg, Chief Financial Officer, until he stood down on 2 April 2014; and Sean Wilkins, Chief Financial Officer (Designate) until 2 April 2014 and Chief Financial Officer thereafter. Sean Wilkins resigned as Chief Financial Officer on 20 January 2015. A full biography for David Wild can be found on page 35.

Details of the Executive Directors' service contracts can be found on pages 49 and 50.

BALANCE OF BOARD MEMBERS

28 DECEMBER 2014	Chairman	12.5%	26 FEBRUARY 2015	Chairman	14%
	NEDs	12.5%		NEDs	29%
	Independent NEDs	50%		Independent NEDs	43%
	Executives	25%		Executives	14%

Length of service of each non-executive Director

Non-executive Director	Date of appointment	Years in post at 28 December 2014
Stephen Hemsley ¹	1998	16
Colin Halpern ²	1993	21
Michael Shallow ³	2006	8
Helen Keays	2011	3
Ebbe Jacobsen	2014	Less than 1
Kevin Higgins	2014	Less than 1

- 1 Stephen Hemsley was appointed as non-executive Chairman in 2010. However, he was first appointed to the Company in 1998. Full details of Stephen's history with the Company can be found in the Directors' biographies on page 35.
- 2 Colin Halpern acquired the Domino's Pizza master franchise for the UK and Ireland in 1993 and has held a variety of jobs within the Group. Full details of Colin's history with the Company can be found in the Directors' biographies on page 35.
- 3 As at 1 January 2015, Michael Shallow will have served 9 years as a non-executive Director and is therefore no longer independent. Michael Shallow has agreed to stay on as a non-executive Director until a new non-executive Director is appointed.

Board attendance

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

	Audit Committee	Nomination Committee	Remuneration Committee	Board meetings
Number of meetings held	3	2	4	8
Executive Directors				
Lance Batchelor ¹				1
David Wild ²				8
Lee Ginsberg				3
Sean Wilkins ³				8
Non-executive Directors				
Stephen Hemsley ⁵				8
Colin Halpern				8
Michael Shallow	3	2	4	8
Nigel Wray ⁴				3
John Hodson ⁴	2	1	3	3
Syl Saller ⁵		2	4	7
Helen Keays ⁵	3	2		8
Ebbe Jacobsen				7
Kevin Higgins ⁵	1			2

- 1 Lance Batchelor resigned on 16 March 2014 and Lee Ginsberg retired on 2 April 2014.
- 2 David Wild was appointed as a non-executive Director on 14 November 2013 and a member of the Remuneration, Audit and Nomination Committees on 19 November 2013 but stood down upon his appointment as Interim Chief Executive Officer on 31 January 2014. David Wild became Chief Executive Officer on 30 April 2014.
- 3 Sean Wilkins was appointed as Chief Financial Officer (Designate) on 18 November 2013 and became Chief Financial Officer on 2 April 2014. Sean Wilkins resigned on 20 January 2015.
- 4 John Hodson and Nigel Wray resigned on 29 July 2014.
- 5 Syl Saller resigned on 20 September 2014. She stood down as a member of the Remuneration Committee and as Chair of the Nomination Committee and was replaced, respectively, by Kevin Higgins and Stephen Hemsley on 22 September 2014. Helen Keays was also appointed on 22 September 2014 as a member of the Remuneration Committee.

Corporate governance continued

Governance structures continued

Board induction and professional development

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

Professional advice

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

Insurance

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

Board evaluation

The Board evaluation process consists of an annual internal review exercise together with an independent third-party evaluation carried out at least once every three years.

A thorough external Board effectiveness review was conducted by MBS Limited at the beginning of the 2013 financial year. The review confirmed that there was a supportive working climate on the Board, coupled with a healthy level of challenge and debate. Relations between Executive Directors and non-executive Directors are good and there is a strong degree of alignment on the areas requiring attention over the coming year as part of the Board's commitment to continuous improvement. The review generated a number of insightful suggestions which have been implemented by the Board, which included the recruitment of two new independent non-executive Directors to strengthen the Board's skills and knowledge, particularly in European operations.

At the end of the financial year under review, we conducted an internal Board effectiveness review, which consisted of a discussion between the SID and the non-executive Directors to discuss the Chairman's performance, the performance and effectiveness of the Board, its Committees and the individual Directors.

The outcome of this process was discussed by the Board as a whole and the Board agreed that the Company is served by a strong, cohesive Board. Certain recommendations have been added to the Board action list for implementation, which include the need to further strengthen the Board by the appointment of an additional independent non-executive Director and to ensure greater focus during the year on the succession planning of senior management.

The Chairman of the Audit and Remuneration Committee each appraised the performance of their Committees and have confirmed that each Committee continues to operate effectively. The Remuneration Committee also reviews Executive Directors performance when it reviews remuneration packages each year. In summary, the Board is satisfied that the arrangements for review and appraisal of the performance of the Board, its Committees and individual Directors are appropriate.

Group Executive

The day-to-day management of the Group's operations for delivering the Group's strategy is undertaken by the Group Executive.

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

Decision making

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

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

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

Diversity

We are unmistakably proud of the diversity in our system and both we and our franchisees recognise the benefits that this brings. The Group and its franchisees try to develop talent in our respective businesses and encourage people to develop themselves and succeed regardless of gender, race or any other characteristic.

With regard to gender diversity, as at 28 December 2014, the Company had one female non-executive Director on the Board. We are of the view that it is in the interests of the Company and the communities in which our franchisees operate that together we recruit and develop the very best people from the widest pool of talent, regardless of gender. The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. However, the Board seeks to monitor and ensure a good balance of male and female members on the Group Executive and the Board.

BOARD DIVERSITY**UK LEADERSHIP TEAM DIVERSITY****GROUP WORKFORCE DIVERSITY****AT 28
DECEMBER
2014**

Male	87.5%
Female	12.5%

**AT 28
DECEMBER
2014**

Male	78%
Female	22%

**AT 28
DECEMBER
2014**

Male	81%
Female	19%

Relations with shareholders

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

The SID and the other non-executive Directors are available for meetings with shareholders if so requested. Please address any requests via the Company Secretary.

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

Committee information**Remuneration Committee**

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

Chairman's overview

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

Significant work has been carried out in relation to factors now required of the Directors' remuneration report, which is built within this Annual Report and Accounts.

Members

- Kevin Higgins (appointed 22 September 2014) (Chair);
- John Hodson (resigned on 29 July 2014);
- Michael Shallow;
- Helen Keays (appointed 22 September 2014);
- Syl Saller (resigned 20 September 2014); and
- David Wild was appointed Chairman from 13 December 2013 but stepped down from the Committee on 30 January 2014 when appointed Interim Chief Executive Officer.

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

Activities

The Committee met formally four times during the year but, in addition, spent considerable time outside of formal meetings discussing Committee matters. Further details about the Remuneration Committee, its activities during the year and an explanation of how it applies the Directors' remuneration principles of the Code and other applicable rules and regulations governing remuneration are set out in the Directors' remuneration report on pages 44 to 61.

The Terms of Reference of the Remuneration Committee were reviewed by the Board in 2014, and it was concluded that they remained fit for purpose.

Nomination Committee

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

Chairman's overview

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

The Nomination Committee had a busy year in 2014 and has spent a considerable amount of time on the appointment of the replacement Chief Executive Officer alongside the recruitment of new non-executive Directors. In 2015, the Nomination Committee will continue to search for a further independent non-executive Director and will concentrate on recruiting a new Chief Financial Officer.

Corporate governance continued

Committee information continued

Nomination Committee continued

Chairman's overview continued

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

Members

- Syl Saller (resigned 20 September 2014);
- Michael Shallow;
- John Hodson (resigned on 29 July 2014);
- David Wild joined the Committee from 13 December 2013 but stepped down on 30 January 2014 when appointed Interim Chief Executive Officer;
- Stephen Hemsley (appointed 22 September 2014) (Chair); and
- the Company Secretary attends meetings in his capacity as Secretary of the Nomination Committee.

Activities

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

- the recruitment of a new Chief Executive Officer;
- the recruitment of new non-executive Directors;
- the re-appointment of all Directors retiring at the 2014 AGM; and
- Board succession and composition over the longer term.

The Terms of Reference of the Nomination Committee were reviewed by the Board in 2014, and it was concluded that they remained fit for purpose.

Audit Committee

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

Chairman's overview

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

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

Members

- Michael Shallow (Chair);
- John Hodson (resigned 29 July 2014);
- Helen Keays;
- David Wild joined the Committee from 13 December 2013 but stepped down on 30 January 2014 when appointed Interim Chief Executive Officer; and
- Kevin Higgins (appointed 22 September 2014).

In accordance with the Code, Michael Shallow is identified as having recent and relevant financial experience. The Committee also has access to the Company's finance team and to its auditor and can seek further professional advice, at the Company's cost, as appropriate.

The meetings are regularly attended by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and his team, the external auditor and by the Company Secretary as Secretary of the Committee.

Significant issues considered

Classification of non-underlying items

The financial results include a number of non-underlying items, many of which relate to the restructure of the German business. The Audit Committee has a responsibility to ensure appropriate classification of all such items to ensure that the results are fair, balanced and understandable. The Audit Committee ensured that it had a thorough understanding of these through a detailed report from management, and also the external auditor's report to the Audit Committee, in order to determine the appropriate quantum and disclosure of each non-underlying item.

What the Committee did in 2014

The Committee met three times this year during which it:

- reviewed results, announcements and the 2013 Annual Report and Accounts, including the 2014 half-year results and interim management statements. Inherent in this review was consideration of the accounting principles, policies and procedures adopted in the Group's financial statements, including, where necessary, challenging the judgements made and the accompanying narrative when appropriate;
- received regular reports from the Chief Financial Officer, the Financial Controller, the audit partner and the Company Secretary on risk and compliance matters;
- oversaw further development of the internal controls testing framework and assessed the need for an internal audit function and commissioned PricewaterhouseCoopers to conduct specific internal audit reviews for 2015;
- approved the auditor's work plan for the Group and the Group's own annual controls testing plan;
- reviewed the emerging risks and material risk profile;
- discussed the Company's tax strategy;
- reviewed and monitored the external auditor's independence and objectivity, considered the effectiveness of the audit process and the re-appointment of the external auditor, approved the external auditor's remuneration and fees being charged by Ernst & Young for audit and potential non-audit services; and
- oversaw the dedicated whistleblowing facility for all employees, which allows employees to raise concerns about possible improprieties in financial reporting or other matters.

We have built on the work previously completed and overseen a further detailed review and analysis of the Group's risks.

The Committee also put in place and approved an auditor independence policy and considered an auditor rotation policy. However, it was determined in line with The Auditing Practice Board Ethical Standard 3, audit engagement partners should rotate every five years (or seven in certain circumstances) and the Company rotated its audit partner in 2014.

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

The Terms of Reference for the Audit Committee were reviewed by the Board in 2014, and it was concluded that they remained fit for purpose.

Risk management and internal controls

Risk management

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

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

Overall responsibility for risk management sits with the Board and the Board monitors the Group's risk management system and its effectiveness within the context of the Group's strategy. The Group Executive and leadership teams are responsible for implementing and maintaining the appropriate controls and systems in relation to risk and, at least biannually, the Company Secretary reports to the Board on the current risk analysis matrix. Full and further details of the Group's risks and risk management can be found in the strategic report on pages 20 to 24.

Internal controls

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

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

Internal audit

As the Group continues to expand and enters new territories, the requirement for internal controls and risk management becomes more key. During the year, the Board commissioned PricewaterhouseCoopers to conduct specific internal audit reviews for 2015.

External auditor

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

Assessment of effectiveness of auditor

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

Independence of auditor

EY's independence is evidenced through its robust challenge to management during the audit process. EY's effectiveness enables the Audit Committee to recommend its re-appointment as external auditor for 2014. The external auditor carved out some non-audit work in 2014 to a total value of £21,000 in the year under review. However, there is a formal policy governing the conduct of non-audit work by the auditor in line with the Auditing Practice Board's Ethical Standards which was implemented in the year under review.

During the year ended 28 December 2014, EY fees for audit services were £269,000 and a summary of the audit fees for 2014 is given in note 6 to the financial statements.

The Committee has recommended to the Board that EY be re-appointed as auditor of the Company. A resolution for the re-appointment will be put to a shareholder vote at the AGM on 21 April 2015.

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

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

Directors' remuneration report

Chairman's summary statement

Dear shareholder

In this, my first introduction to the Directors' remuneration report since my appointment as Chairman of the Remuneration Committee (referred to as the 'Committee' in this report), I summarise the Group's performance and the resulting remuneration for the year ended 28 December 2014, and highlight some of the key issues that the Remuneration Committee has considered during the year.

As described in the Strategic report, the year end results illustrate our ability to maintain strong growth in the UK business and the increase in sales achieved once again demonstrates the strength of our business model and brand, the strong and effective leadership of our management team, the talents of our franchisees and the commitment of both corporate and franchisee staff.

The overall remuneration policy remains closely aligned to the strategic development of the business. Executive Directors have a total fixed pay package that is purposely set at or below market rate with the potential to earn substantial reward at maximum levels of performance, but only if challenging growth targets are achieved that reflect the ambitions of the Group and generate significant shareholder value creation. The focus on long-term sustainable performance is supported by the use of clawback provisions, annual bonus deferral, annual grants of performance shares and share ownership guidelines.

Performance and reward

In recognition of the Group's strong performance during the year, the annual growth in underlying profit before tax ('PBT') target used for the annual bonus was met in part (this was as a result of growing PBT by 15.1% in 2014 on the 2013 result). The individual personal performance objectives were fully met (e.g. as a result of achieving pre-set like-for-like sales targets and milestone events in relation to the Company's international businesses). As a result of the performance achieved, 58.6% of the maximum bonus became payable to David Wild with his bonus entitlement pro rated based on the proportion of the year under review for which he was permanently in the post of Chief Executive Officer (i.e. with effect from 30 April 2014). As detailed in last year's Directors' remuneration report, Lee Ginsberg, the Company's former Chief Financial Officer (who retired with effect from 2 April 2014), was eligible to receive a bonus for the period he was employed during the financial year under review. His bonus structure mirrored that of David Wild and a pro rated bonus payable at 53.5% of the maximum became payable. With regards to Sean Wilkins, who served as Chief Financial Officer from 2 April 2014 to the conclusion of the year under review and subsequently left employment on 20 January 2015, a payment in lieu of any entitlement to a bonus in respect of the year under review and the part year of employment in the current financial year, was agreed at £100,000 following external advice the Company received. The Committee is comfortable with the level of payment agreed in light of his performance during the year with the payment referred to above being the amount he would have received had he received a bonus payment in line with the original terms of his 2014 annual bonus award.

As David Wild and Sean Wilkins were appointed within the past three years, no long-term incentive awards are due to vest in relation to the three-year period ended 28 December 2014. Lee Ginsberg who retired from the Company with effect from 2 April 2014, was treated as a good leaver under the terms of the LTIP plan and, in line with the relevant plan

rules, his outstanding 2012 award was pro rated to reflect the period of his employment relative to the three-year vesting period and this award remains subject to the achievement of the earnings per share ('EPS') growth performance condition to be tested over the full performance period. The actual level of average EPS growth achieved over the three-year period ended 28 December 2014 was 11.12%; this resulted in vesting at 43.68% of the maximum. In addition, Lee Ginsberg also received a payment based on an effective pro rating of a 2013 LTIP award with the value determined based on the Company's share price performance and his achievement against certain personal objectives (namely, completing the 2014 Annual Report and Accounts and effecting an orderly handover of his responsibilities as Chief Financial Officer to Sean Wilkins).

The Committee is satisfied that the remuneration payments detailed above were fully justified based on the business and individual performance during the year and were in the best interests of the Company and shareholders.

Remuneration policy for 2014

The remuneration policy for 2014 was operated in line with the policy approved by shareholders at the 2014 AGM. Changes from the previous policy included:

- the introduction of compulsory deferral of one-third of the annual bonus for a period of two years (bonus deferral was applied to the Chief Executive Officer's bonus noted above);
- the replacement of the annual award of market value options with the annual award of performance shares; and
- performance share awards being split into two halves so that half of an award is subject to a challenging range of EPS growth targets and the remaining half is subject to a relative total shareholder return ('TSR') condition measured against the FTSE 250 Index (excluding investment trusts).

In addition to applying the 2014 remuneration policy noted above in the year under review, the Committee also approved the award of recruitment-related share awards to the Executive Directors and agreed the departure terms of Sean Wilkins.

Remuneration policy for 2015

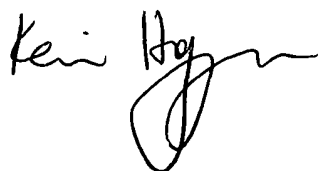
We have reviewed the ongoing policy and consider it remains fit for purpose and therefore no material changes are proposed for 2015. Salary increases will be in line with the wider workforce and variable pay maximum opportunity is unchanged. Performance measures and targets have been set in line with the current growth expectations of the business.

Shareholder views

We consulted with our major shareholders in late 2013 and early 2014 and enjoyed a constructive dialogue which helped form the final policy which was approved last year. The Committee continues to take an active interest in shareholder views and looks forward to maintaining an open and transparent dialogue in the future. We hope to receive your continued support at our 2015 AGM.

Kevin Higgins

Chairman of the Remuneration Committee
25 February 2015



INTRODUCTION

This report sets out the Company's policy on Directors' remuneration for the forthcoming year, and, so far as practicable, for subsequent years as well as information on remuneration paid to Directors in the financial year ended 28 December 2014. 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** – which was approved at the 2014 AGM and shall remain in place for a period of three years. This report is represented for information purposes, with relevant changes made to references including page numbers, past Directors, years of operation, and with the details of the new Executive Directors' service contracts included and the previous remuneration scenario chart removed. A full version of the original report can be found on the Group website at corporate.dominos.co.uk.
- **Annual report on remuneration** – which will be subject to an advisory vote at the 2015 AGM and sets out the remuneration paid or payable in relation to the year ended 28 December 2014 and the implementation of the policy for the year ahead.

The parts of the report which have been audited by Ernst & Young LLP have been highlighted as required by the Regulations.

Remuneration policy report (unaudited)

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

Policy overview

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

- the need to set appropriate remuneration policies and packages which will attract, retain and motivate Executive Directors and senior management but avoid paying more than is necessary;
- weighting a significant proportion of the remuneration towards variable pay at or below relevant market rate salary vis-à-vis comparable benchmarks and above-market incentive opportunity linked to the delivery of superior 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 managers and the delivery of value to shareholders;
- avoiding creating excessive risks in the achievement of performance targets;
- aligning internal pay and benefits practice and employment conditions both within the Group as a whole and within the particular national contexts in which it operates; and
- 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.

Directors' remuneration report continued

Remuneration policy report (unaudited) continued

Executive Director policy table

Element and maximum	Purpose and link to strategy	Operation
Base salary	- Reflects the responsibility level and complexity of the role - Reflects skills and experience over time - Provides an appropriate level of basic fixed income avoiding excessive risk arising from over-reliance on variable income	- Reviewed annually, effective 1 January - Agreed when results for the previous year have been finalised - Takes periodic account against companies with similar characteristics and sector comparators - Set in the context of pay and employment conditions in the Group - Targeted at below the relevant market rate
Pension	- Provides market-competitive, yet cost-effective retirement benefits - Opportunity for Executives to contribute to their own retirement plan	- Defined contribution or cash supplement - HMRC-approved salary sacrifice arrangement - Salary sacrifice for employee contribution
Other benefits	- Provide cost-effective insured benefits to support the individual and their family - Access to company car to facilitate effective travel	- Benefits are provided through third-party providers and include medical and life insurance - Company cars or cash equivalents provided - The Committee may offer Executive Directors other employee benefits from time to time on broadly the same terms as provided to the wider workforce
Annual performance bonus	- Incentivise annual delivery of financial and operational goals linked to the Company's strategy - Relatively high-potential rewards for achieving demanding targets	- Two-thirds paid as cash - One-third deferred into shares that will vest after two years and are subject to forfeiture - Dividends which accrue on vested shares may be payable - Not pensionable - Clawback provisions apply - Stretching targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends
Long- Term Incentive Plan ('LTIP')	- Aligned to main strategic objectives of delivering sustained profitable growth - As primary long-term incentive, aids retention of senior management - Creates alignment with shareholders and provides focus on increasing the Company's share price over the medium term	- Annual grant of market value options or performance shares - Subject to performance conditions measured over three years - Clawback provisions apply - Dividends which accrue may be paid on vested shares
Share ownership guidelines	- To provide alignment between Executives and shareholders - To encourage a focus on sustainable long-term performance	Executives are expected to build and maintain a shareholding equivalent to the guideline multiple of salary within five years of joining

Maximum

Performance targets

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

Directors' remuneration report continued

Remuneration policy report (unaudited) continued

Non-executive Director policy table

Element and maximum	Purpose and link to strategy	Operation	Maximum
Non-executive Director fees	- Reflects the value of the individual's skills and experience - Recognises expected time commitments and responsibilities	- Chairman's fee set by the Committee. Non-executive Directors' fees set by the Board - Reviewed biannually, effective 1 January - Takes into account periodic external reviews against companies with similar characteristics and sector comparators - Set in the context of time commitments and responsibilities - A base fee is provided to all non-executive Directors with supplemental fees payable for chairing the Audit and Remuneration Committees and for the Senior Independent Director - Non-executive Directors do not participate in any annual bonus, share incentive plans, or pension arrangements	- 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

Operation of the annual bonus plan and LTIP policy

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

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

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

If certain events occur, such as material acquisition or divestment of a Group business, the original performance conditions may no longer be appropriate. Therefore, the Committee retains the discretion to make adjustments to the targets and/or set different measures and alter weightings as they deem necessary to ensure the conditions achieve their original purpose, are appropriate in their revised circumstance and, in any event, are not materially less difficult to satisfy.

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

The outstanding share incentive awards which, are detailed on pages 57 to 58 of the Directors' remuneration report, and any arrangements agreed prior to the effective date of this policy will remain eligible to vest or pay out based on their original award terms. In addition, all arrangements previously disclosed in prior years' Directors' remuneration reports will remain eligible to vest or become payable on their original terms.

Balance between fixed and variable pay

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

Choice of performance metrics

As detailed in the Strategic report on pages 1 to 33, the Group remains fully aligned with delivering profitable growth through targeting organic growth and the desire to be the market leader in each of its territories. For incentive purposes, this results in underlying profit before tax being used as the primary performance metric in the annual bonus plan and underlying EPS growth being used as a performance metric within the LTIP (with underlying EPS measuring the Company's success in delivering long-term profitable growth on a per share basis, which is a key contributor to the Company's valuation). The Board sets stretching financial performance targets for the business and its senior managers, based on internal forecasts with the aim of driving optimal delivery of the Company's strategy in return for commensurate levels of remuneration. All incentives are capped in order that inappropriate risk taking is neither encouraged nor rewarded. For financial targets, a sliding scale is applied, with a minority of the bonus being payable for threshold levels of performance.

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

Noting the encouragement received from a number of shareholders, the Committee introduced during 2014 a second performance metric into the LTIP. Relative TSR is to determine vesting of part of future long-term incentive awards, with this metric clearly aligned with the interests of shareholders in that Executives will only be rewarded to the extent that the Company outperforms the median company of comparable size with full vesting on this measure dependent on achieving top quartile performance. This measure will be used in tandem with underlying EPS, which is considered to be the most appropriate measure of

Choice of performance metrics continued

long-term financial performance (as noted above). It is also aligned with our objective of operating a progressive dividend policy and is a measure that is assessed by the Board continually to determine how successful we are at executing our strategy.

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

How employees' pay is taken into account

Pay and conditions elsewhere in the Group were considered when finalising the current policy for the Executive Directors. In particular, the Committee is kept updated throughout the year on salary increases for the general employee population, Company-wide benefit provision, level of annual bonuses and staff participation in long-term incentive schemes, so the Committee is aware of how the total remuneration of the Executive Directors compares with the average total remuneration of employees.

The Committee 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.

Lower aggregate incentive quantum operates at below Executive level with levels driven by market comparatives, internal relativities and the impact of the role. The vast majority of the Group's employees participate in an annual bonus plan, although the limits and performance conditions vary 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 and therefore long-term incentives are provided outside of the most senior Executives, with most staff in all territories eligible to participate in market-value share option plans. The Company operates HMRC-approved savings-related share option schemes for all UK-based employees who have achieved more than six months' service and who wish to participate, including Executive Directors.

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

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

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

relevant to the remuneration strategy and more particularly the setting of the short and longer-term performance targets.

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

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

How shareholders' views are taken into account

The Committee considers shareholder feedback received in relation to the AGM each year immediately following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. The Committee also undertakes a consultation exercise with its largest shareholders as appropriate. A full consultation exercise was undertaken during late 2013 and early 2014 with shareholders' views being reflected in the final policy adopted in for 2014.

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

Service contracts and policy on exit

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

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. Notice periods given by the employing company are limited to 12 months or less. Should notice be served by either party, the 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, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the Company terminates the employment of an Executive Director in breach of contract, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the unexpired notice period.

The contract of the Chief Executive Officer is dated 30 April 2014. This contract operates on a rolling basis with a 12-month notice period.

The policy for a new hire would be based on terms that are consistent with these provisions but will also include the ability for 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 would be subject to mitigation).

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

Payments in lieu of notice are not pensionable. In the event of a change of control of the Group, there is no enhancement to contractual terms.

Directors' remuneration report continued

Remuneration policy report (unaudited) continued

Service contracts and policy on exit continued

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

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

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

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

Non-executive Director remuneration

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

The following table shows details of the terms of appointment for the non-executive Directors:

	Appointment date	Date most recent term commenced	Expected date of expiry of current term
Stephen Hemsley (Chairman)	1 January 2008 (as Executive Chairman)	30 March 2013 (as non-executive Chairman)	30 March 2016
Colin Halpern (Vice-Chairman)	15 November 1999	Rolling annual	N/A
Michael Shallow (SID)*	1 January 2006	1 January 2012	1 January 2015
Helen Keays	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

* Michael Shallow has agreed to temporarily stay on as a non-executive Director until a new non-executive Director is appointed.

Recruitment and promotion policy

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

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

External appointments

The Committee recognises that Executive Directors may be invited to become non-executive Directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to pre-agreed conditions, and with prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive Director in another listed company. The Executive Director is permitted to retain any fees paid for such service.

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 management. The remuneration and terms of appointment of the non-executive Directors are determined by the Board as a whole.

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

The Company Secretary acts as secretary to the Committee.

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

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

Name	Member since	Attendance
John Hodson (Chairman until 29 July 2014)	N/A	3 out of 4
Kevin Higgins (Chairman since 22 September 2014)	22 September 2014	0 out of 0
David Wild (until 31 January 2014)*	N/A	0 out of 0
Michael Shallow	1 January 2006	4 out of 4
Syl Saller (until 20 September 2014)	N/A	4 out of 4
Helen Keays (since 22 September 2014)	22 September 2014	0 out of 0

* David Wild served on the Committee in his capacity as a non-executive Director. On his appointment as Interim Chief Executive Officer he stepped down from this role and had no involvement in the setting of his pay either in the interim or permanent role as Chief Executive Officer.

External advisers

During the year, New Bridge Street ('NBS'), a trading name of AON plc (NBS's parent company), was engaged by the Committee to provide it with remuneration consultancy services. The terms of engagement between the Company and NBS are available from the Company Secretary on request. NBS is a signatory to the Remuneration Consultants' Code of Conduct. NBS (and AON plc) did not provide any other services to the Company except in relation to senior management remuneration matters. The total fees for NBS services in the year were £114,628 excluding VAT. The Committee reviews its relationship with external advisers on a regular basis and, noting that AON plc does not provide any other services to the Group, continues to believe there are no conflicts of interest.

What has the Committee done during the year?

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

A) Pay and incentive plan reviews

- reviewed and approved Executive Directors and senior management base salaries and benefits;
- reviewed and approved overall remuneration policy for Executive Directors and senior management for the 2015 financial year, including performance measures for the annual performance bonus and 2015 share plan awards to ensure measures are aligned with strategy and that targets are appropriately stretching;
- reviewed year end business performance and performance-linked reward in order to determine annual bonus payouts and vesting of long-term incentives;
- approved the terms of appointment of the Chief Executive Officer and other members of the Group's leadership teams;
- approved the terms of Lee Ginsberg's resignation;
- approved 2014 long-term incentive awards; and
- reviewed the non-executive Chairman's fee.

B) Governance

- reviewed and approved the Directors' remuneration report;
- closely monitored guidance and directional themes from institutional shareholder bodies in relation to new reporting requirements;
- reviewed 2014 AGM results and feedback from institutional shareholders; and
- confirmed that the remuneration arrangements are not anticipated to inadvertently encourage any undue risk taking.

Implementation of remuneration policy for 2015

Base salary

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

This approach is consistent with previous years, with the 2015 salary levels continuing to be set at, or below, the median benchmarks considered for each position.

As detailed in the corporate governance report, there have been a number of changes to the Board during the year and in the period since the end of the year under review. The salary of the Chief Executive Officer was set at £500,000 on appointment on 30 April 2014. The former Chief Financial Officer's salary was set, on appointment on 18 November 2013, at a rate of £275,000 and this applied until the date he ceased employment on 20 January 2015. These salaries were set in line with the Company's policy (at or below lower quartile comparative benchmarks) having had due regard to the individual's experience.

The Committee has determined that the Chief Executive Officer's salary has been increased by 2.0% which is in line with the Group salary increase budget, to become effective from 1 January 2015.

Annual performance bonus ('APB')

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

The performance conditions for the APB for the financial year ending 27 December 2015 will be based both on achieving and exceeding the Group's underlying PBT growth targets set by the Board (80% of bonus) and on achieving individual business objectives (20% of bonus) that are derived from a set of common goals considered to be key imperatives supporting the delivery of the business plan. The targets applying to the APB will operate on a banded bonus scale commencing at 20% through to 50% of bonus at target levels of performance through to 150% of salary for the Chief Executive Officer or 125% of salary for the Chief Financial Officer (following appointment) at maximum performance levels.

The underlying PBT measure is based on internally set targets and pays out at threshold 95% of target rising on a pro rata basis to 100% of target up to a maximum of 110% of target.

For 2015, strategic business objectives will be set by the Committee linked to the Company's strategic goals. The Committee believes a second performance measure provides an appropriate balance of focus between annual profitability objectives and driving changes which underpin the Group's strategy. However, no individual objective component of the bonus may be earned unless a 'threshold' level of Group 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 2014 actual underlying PBT base point (which in itself was a substantial growth from 2013), the Committee believes these targets to be extremely challenging.

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. The Company's intention is for the targets and outcomes to be disclosed in the Directors' remuneration report once they are no longer considered sensitive.

Two-thirds of any bonus payments will be made in cash, with the remaining third deferred into Company shares, which will vest after two years during which they remain subject to forfeiture. A clawback provision has applied to bonus awards since 28 March 2012 which will enable the Committee to recover any value which was overpaid in the event of a misstatement of the Company's Annual Report and Accounts 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

Long-term incentive share plan

The Company's LTIP for the Executive Directors, members of the Group Executive and leadership teams and selected employees is the 2012 LTIP, which was approved by shareholders at the 2012 AGM. Awards made under the LTIP can be in the form of market value share options or performance shares.

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

Participants are eligible to be considered for awards annually. The aggregate market value of awards made under the LTIP in any one financial year may not exceed 500% of basic salary (for market value share options) or 200% of basic salary (for performance shares).

The Committee intends to make an award of performance shares with a value equal to 150% of salary to the Chief Executive Officer in 2015.

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

50%: EPS performance

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

Three-year underlying EPS growth	Vesting (% of EPS part of award)
Below 30%	0%
30%	10%
40%	45%
50%	80%
60%	100%
Straight-line vesting in between the performance points	

The above 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.

In retaining the above range of targets, the Committee was also mindful that maintaining consistent year-on-year underlying EPS growth becomes more challenging as (i) the business grows (e.g. as the contribution from individual new store openings falls as the overall Group becomes larger) and (ii) the impact on earnings growth of our continued investment in our international businesses.

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of remuneration policy for 2015 continued

Long-term incentives continued

50%: TSR performance

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

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

In choosing 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 aligning the Executives with shareholders through the introduction of a relative TSR condition.

A clawback provision will apply to all awards made under the LTIP which will enable the Remuneration Committee to recover any value which was overpaid in the event of a misstatement of the Company's Annual Report and Accounts 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 pensions arrangements for Executive Directors to ensure the benefits provided are consistent with those provided by other similar companies and take account of changes in relevant legislation.

The Company does not offer a defined benefit pension scheme. Instead, the Company contributes to the Executive Directors' personal pensions or provides a cash supplement, at a rate of up to 15% of 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.

Non-executive Directors' fees

The fees paid to the Chairman, to the non-executive Directors (including for the Chairmanship of Committees) and to the SID were last reviewed in December 2013. No changes were made for the current financial year. Therefore, the fee structure for the Chairman and other non-executive Directors for 2015 remains as follows:

- Chairman – £195,000
- Non-executive Vice-Chairman* – £265,000
- Base fee – £41,000
- Audit Committee Chairman fee – £7,000
- Remuneration Committee Chairman fee – £7,000
- Nomination Committee Chairman fee – £5,000
- Senior Independent Director fee – £5,000

* As disclosed previously, this fee relates to his position as an international ambassador for the Company and as an integral part of the business for 20 years, providing advice and assistance to the Executive Directors.

Statement of shareholding voting at AGM

At the 2014 AGM, the Directors' remuneration report received the following votes from shareholders:

	Annual report on remuneration		Directors' remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	127,255,299	99.48%	125,979,615	98.37%
Against	1,962,440	1.52%	2,087,691	1.63%
Total votes cast (for and against)	129,217,739	100%	128,067,306	100%
Votes withheld*	43,546	–	1,193,979	–
Total votes cast (including withheld votes)	129,261,285	–	129,261,285	–

* 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.

Implementation of remuneration policy for 2015 continued

Single total remuneration figure for each Director (audited)

52 weeks ended 28 December 2014

£000	Fixed pay			Performance-related pay			Total remuneration in 2014
	Salary	Benefits ¹ and supplements	Pension	Subtotal	Bonus	Deferred interest/LTIP vesting ^{5,13}	
Executives							
David Wild ²	528	10	33	571	293	–	864
Sean Wilkins ³	275	14	25	314	–	–	314
Former Executives							
Lance Batchelor ⁴	96	4	9	109	–	–	109
Lee Ginsberg ⁵	73	1	11	85	47	148	280
Non-executives							
Stephen Hemsley ⁶	241	2	–	243	–	–	243
Colin Halpern ⁷	265	31	–	296	–	–	296
Michael Shallow	51	–	–	51	–	–	51
Nigel Wray ⁸	20	–	–	20	–	–	20
John Hodson ⁹	26	–	–	26	–	–	26
Syl Saller ¹⁰	29	–	–	29	–	–	29
Helen Keays	39	–	–	39	–	–	39
Ebbe Jacobsen ¹¹	36	–	–	36	–	–	36
Kevin Higgins ¹²	15	–	–	15	–	–	15
Total	1,684	62	78	1,834	340	148	2,322

Single total remuneration figure for each Director

52 weeks ended 29 December 2013

£000	Fixed pay			Performance-related pay			Total remuneration in 2013
	Salary	Benefits ¹ and supplements	Pension	Subtotal	Bonus	Deferred interest/LTIP vesting ^{5,14}	
Executives							
Lance Batchelor	451	17	64	532	–	–	532
Lee Ginsberg	278	35	41	354	35	484	873
Sean Wilkins	32	2	–	34	–	–	34
Non-Executives							
Stephen Hemsley	195	1	–	196	–	–	196
Colin Halpern	265	31	–	296	–	–	296
Michael Shallow	51	–	–	51	–	–	51
Nigel Wray	40	–	–	40	–	–	40
John Hodson	46	–	–	46	–	–	46
Syl Saller	39	–	–	39	–	–	39
Helen Keays	39	–	–	39	–	–	39
David Wild	5	–	–	5	–	–	5
Total	1,441	86	105	1,632	35	484	2,151

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of remuneration policy for 2015 continued

Single total remuneration figure for each Director continued

Notes

- 1 The value of benefits relates primarily to the provision of a company car allowance and, if applicable, health cover.
- 2 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 and David Wild was eligible to receive benefits and pension and participate in the incentive plans in line with the remuneration policy and explained in more detail above on page 53.
- 3 Sean Wilkins took up position of Chief Financial Officer (Designate) with effect from 18 November 2013 on an annual salary of £275,000 and was not eligible to participate in any of the Group's incentive plans nor was eligible to participate in the annual bonus arrangement. Sean Wilkins took over as Chief Financial Officer on 2 April 2014, when he became eligible to receive benefits and pension and participate in the incentive plans in line with the remuneration policy and explained in more detail above on page 53.
- 4 Lance Bachelor stepped down from the Board as Chief Executive Officer on 16 March 2014.
- 5 In relation to the retirement of Lee Ginsberg (former Chief Financial Officer), announced on 29 July 2013 and effective 2 April 2014:
 - (a) he received a payment of £69,750, being the balance of his 12-month notice period;
 - (b) in relation to his LTIP awards, as a retiree he was treated as a good leaver under the terms of the LTIP with performance tested over the original performance period and his 2012 LTIP award pro-rated for time. The value of this award is included in the figure above and explained below on page 57;
 - (c) as a result of his retirement instead of any 2013 LTIP he received a pro rated award representing one-third of a normal LTIP award (based on historic LTIP policy) which represents 100% of salary worth of share options on which he received the growth in value over £5.28 per share to the date of his retirement, subject to satisfaction of a number of individual objectives set by the Committee. The value of this award is included in the figure above and explained below on page 57; and
 - (d) he received a payment of £46,559, being a pro rata bonus entitlement for 2014.
- 6 As detailed in last year's Directors' remuneration report, 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.
- 7 Colin Halpern is not remunerated by the Company and a management fee of £265,000 was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 relating to life insurance premiums was paid to HS Real Company LLC during the year. The same structure of payment of fees operated in 2013.
- 8 Nigel Wray stepped down from the Board on 29 July 2014. Nigel was not solely directly remunerated by the Company. 55% of Nigel's fee was paid directly to him and 45% of the management fee was paid to Brendon Street Investments Limited, a company of which Nigel Wray is a director (and has a controlling interest in), in respect of his services.
- 9 John Hodson stepped down from the Board on 29 July 2014.
- 10 Syl Saller stepped down from the Board on 20 September 2014.
- 11 Ebbe Jacobsen was appointed to the Board on 31 January 2014.
- 12 Kevin Higgins was appointed to the Board on 8 September 2014.
- 13 The value of the deferred interest in respect of 2014 is calculated by taking the number of options expected to vest which are dependent on the 2014 year performance and multiplying by the difference between the exercise price and the average share price over the final three months ended 28 December 2014.
- 14 The value of the deferred interest in respect of 2013 is calculated by taking the number of options vested which were dependent on the 2013 year performance and multiplying by the difference between the exercise price and the share price on the date of vesting.

Defined contribution pensions (audited)

Executive Directors receive up to 15% of salary from the Company; in 2014 this totalled £33,000 in the case of the Chief Executive Officer and £25,000 in the case of the Chief Financial Officer.

Details of variable pay earned in the year

Annual bonus plan

The incentive for the financial year ended 28 December 2014 was in the form of a cash bonus based on performance against a combination of financial targets, set to require a significant increase in the Group's underlying PBT, and non-financial targets, set to reflect a number of the Company's strategic priorities.

The financial targets applying to the bonus operated on a banded bonus scale commencing at 20% through to 50% of bonus at target levels of performance through to 150% (for Chief Executive Officer, although pro rated for the period of service in the role) or 125% (for Chief Financial Officer) of salary at maximum performance levels.

Performance hurdle	Targets set for year (underlying PBT)	Actual performance achieved	Resulting bonus out-turn
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: £52.25m Target: £55.0m Maximum: £60.5m	Actual underlying PBT was £54.8m	48.2% of maximum

The non-financial targets set for the Chief Executive Officer related to a number of key strategic objectives for 2014 which included:

- exceeding UK like-for-like sales growth by 3%;
- effective working with franchisees; and
- delivering against pre-set milestones in the international businesses.

Details of variable pay earned in the year continued

Annual bonus plan continued

In addition for any bonus to become payable in relation to the above non-financial targets, the threshold level of profitability included in the PBT target is required to be met. The extent of achievement against financial targets was as detailed above at 48.2% of maximum. The Committee's assessment of performance against the above objectives concluded that the non-financial targets had been fully met resulting in 100% out-turn in this part of the bonus. In aggregate, therefore, the total bonus payable to the Chief Executive Officer was 58.6% of the maximum which resulted in a total bonus, pro rated for his period of service, becoming payable at £292,727.

With regards to Sean Wilkins, the Chief Financial Officer from 2 April 2014 through to the end of the year under review, his non-financial objectives included delivering against pre-set milestones in the international businesses (as noted above) for the Chief Executive Officer in addition to targets relating to establishing an upgraded financial reporting system and increasing the capability of the finance team. However, in light of his cessation of employment, a payment in lieu of any entitlement to bonus in respect of the year under review, and the part year of employment in the current financial year, was agreed at £100,000 following external advice received by the Company. In light of this payment, a formal testing of the bonus targets was not undertaken for the Chief Financial Officer although the Committee took comfort from the fact that had a bonus been based on the above targets, the payment would have been higher than the £100,000 payment given the extent of achievement against the financial target alone.

With regards to Lee Ginsberg who remained eligible for a bonus award for the period of the year under review to 2 April 2014 as a result of his being treated as a 'good leaver' in connection with his retirement, his bonus targets were as detailed above with his non-financial objectives including delivering against pre-set milestones in the international businesses and also delivering an effective handover to his successor and completion of all work in connection with the 2014 audit cycle. The extent of achievement against financial targets was as detailed above at 48.2% of maximum. The Committee's assessment of performance against the above objectives concluded that the non-financial targets had been achieved by 75% of this part of the bonus. In aggregate, therefore, the total bonus payable to the Chief Financial Officer for the period through to 2 April 2014 was at 53.5% of the maximum which resulted in a total bonus, pro-rated for his period of service, becoming payable at £46,559.

The previous Chief Executive Officer did not participate in the 2014 APB in light of his resignation.

LTIPs (audited)

Given the recent appointments of the Chief Executive Officer and the Chief Financial Officer, neither had any awards vesting based on performance during the year ended 28 December 2014.

In line with the discretions afforded to the Committee and as disclosed in last year's Directors' remuneration report, with regard to Lee Ginsberg's retirement from the Board, he was treated as a good leaver in relation to his 2012 LTIP. The performance period for this award ended on 28 December 2014 and his award will vest, subject to performance measured over the full performance period, on 2 April 2015. The number of shares comprising this option award will be pro rated for the proportion of the vesting period between the grant date (2 April 2012) and the date of retirement (2 April 2014) relative to the original three-year vesting period.

The award was made on 2 April 2012.

Number of shares comprising the option award granted	Maximum number of shares eligible to vest following pro-rata reduction*	Exercise price	Vesting period	Performance conditions	Actual average EPS growth	Vesting %
245,597 options	163,731	431.6p	2 April 2015 to 2 April 2022	100%: EPS growth of 9% (14% vesting) to 15% (100% vesting) p.a. Three-year performance period, no retesting, straight-line vesting between the points	11.12%	43.68%

+ As a result of remaining in employment for 24 months of the three-year vesting period, his award was the subject of a pro rata reduction based on two thirds; this resulted in the maximum number of shares comprising the option eligible to vest being 163,731.

* For the purposes of these calculations the share price over the three-month period ending on 28 December 2014 has been used to calculate the value of the award on vesting.

In addition, as disclosed in last year's Directors' remuneration report, the award granted to Lee Ginsberg in place of his 2013 LTIP award following his retirement from the Board vested during the year under review. The award was a pro rated one-third of a normal LTIP award (based on the Company's historic LTIP policy) which represented 100% of salary worth of share options on which he received the growth in value over £5.28 per share to the date of his retirement, subject to satisfaction of a number of individual objectives set by the Committee. The vesting of this award is detailed below in the table:

Number of awards granted	Exercise price	Vesting period	Performance conditions	Performance achieved	Vesting %	Value of award on vesting*
52,801 options	528.3p	2 April 2012 to 2 April 2014	Completion of work in connection with the sign off of the Company's Annual Report and Accounts for 2014 and achieving an orderly handover of responsibilities	2014 Annual Report and Accounts signed off by the Company's auditor and an orderly handover completed	100%	£293,573.56

The share price on vesting was 556p, resulting in a net gain of £14,626.

Directors' remuneration report continued

Annual report on remuneration continued

Details of variable pay earned in the year continued

LTIP awards granted in the year (audited)

On and shortly following appointment, the Chief Executive Officer and Chief Financial Officer were granted the following awards under the 2012 LTIP:

Executive	Date of grant	Type of award	Number of awards granted	Face value of award*	Face value as % of salary	Vesting % at threshold	Performance period	Performance conditions
David Wild		nil-cost option (performance share ('PS'))						
	30 May 2014		180,505	1,000,000	200%		Three financial years ending in financial year 2016	50%: EPS growth 50%: TSR relative to FTSE 250 (excl. investment trusts) Three-year performance period
	30 May 2014	nil-cost option (additional award)	135,379	750,000	150%	10%–15%		
Sean Wilkins	30 May 2014	nil-cost option (PS)	99,277	550,000	200%			
	30 May 2014	nil-cost option (additional award)	49,638	275,000	100%			

* Based on a share price of 554p per share at date of grant for the PS and additional awards respectively.

50%: EPS performance

Half of future awards will 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%: TSR performance

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

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

The initial award to the Chief Executive Officer of 350% of salary was agreed as part of the terms of his appointment on a permanent basis.

The award made to Sean Wilkins, Chief Financial Officer from 2 April 2014, of 300% of salary reflected his normal policy award at 175% of salary and a supplementary award relating to his promotion to Chief Financial Officer agreed in connection with his recruitment.

The awards granted above the limits in the LTIP were granted under Rule 9.4.2(2) of the Listing Rules to facilitate the recruitment of each individual to their roles. The awards were within the limits included in the shareholder approved remuneration policy (a combined 500% of salary total incentive pay opportunity in connection with an appointment). These awards have the same terms and performance conditions as those granted under the PSP.

Dilution limits (audited)

The Company ensures that the aggregate of all share-based awards does not exceed the best practice all share plan guideline set by the IA. The guideline provides that outstanding awards granted to employees over new issue shares under the Company's employee share schemes, when aggregated to new shares issued in relation to exercised historic share awards, should not exceed 10% of the Company's issued share capital in any 10-year rolling period.

Termination payments

Sean Wilkins

Sean Wilkins stepped down from the Board as Chief Financial Officer and Executive Director and ceased to be an employee of the Company on 20 January 2015. In accordance with Mr Wilkins' service agreement he received a payment in lieu of notice in the sum of £143,500 representing six months' basic salary and car allowance. As detailed on page 57, he also received a payment of £100,000 in lieu of a 2014 bonus, reflecting approximately 29% of his maximum bonus opportunity. He is also entitled to receive outplacement counselling services subject to a maximum cost to the Company of £25,000 plus VAT and a contribution of £1,500 plus VAT towards legal fees incurred in connection with his departure.

With regards to his outstanding share awards under the 2012 LTIP (as awarded in 2014), these lapsed in full on cessation of employment.

Details of variable pay earned in the year continued

Termination payments continued

Lee Ginsberg

Lee Ginsberg retired with effect from 2 April 2014. He received a payment of £69,750, being the balance of his 12-month notice. An annual bonus of £38,869 in connection with 2013 was paid in March 2014 and a further bonus of £46,559 will be paid on the normal payment date as detailed on page 57 in relation to pro rata service and performance in 2014. No other payments were payable for loss of office.

In relation to Lee Ginsberg's outstanding LTIP awards following retirement, he was designated a 'good leaver' by the Committee under the terms of the relevant LTIPs. As a result of being employed for the full performance period in relation to the 2011 LTIP award, the award vested based on the performance achieved on 22 August 2014. EPS growth of 15.2% was delivered over the three-year period ending 31 December 2013 being 92.5% of the maximum target set. Accordingly, vesting of 311,083 reversionary interests took place with a value of £484,306 following the sale of the vested shares. With regards to his 2012 LTIP, the treatment of this award is detailed on page 57.

Lance Batchelor

No payments were made to Lance Batchelor on his resignation. The principles governing compensation for loss of office payments are set out on page 50.

Payments to former Directors

Chris Moore retired as Chief Executive Officer on 26 December 2011 and, as such, was eligible to be treated as a 'good leaver' under the terms of the LTIP. On 22 August 2014, following the vesting of 533,287 reversionary interests, an amount of £830,245 was paid to him on the sale of the vested shares.

Directors' shareholdings (audited)

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

	Legally owned (no. of shares) 28 December 2014	Legally owned (no. of shares) 29 December 2013	Subject to performance conditions under 2012 LTIP ¹	Subject to performance conditions under 2012 Share Option Scheme ²	Subject to performance conditions under reversionary interest awards 2011 ³	% of salary shareholding requirement met ⁴
Executive Directors						
David Wild ⁵	4,550	–	315,884	–	–	–
Sean Wilkins	–	–	148,915	–	–	–
Non-Executive Directors						
Stephen Hemsley ⁶	600,000	600,000	–	–	–	–
Colin Halpern ⁷	557,900	557,900	–	–	–	–
Michael Shallow	48,000	48,000	–	–	–	–
Helen Keays	–	–	–	–	–	–
Ebbe Jacobsen ⁸	–	N/A	–	–	–	–
Kevin Higgins ⁹	–	N/A	–	–	–	–
Former Directors						
Lance Batchelor	N/A	21,775	–	–	–	N/A
Lee Ginsberg	N/A	49,800	–	245,597	336,307	N/A
Nigel Wray	N/A	–	–	–	–	N/A
John Hodson	N/A	48,000	–	–	–	N/A
Syl Saller	N/A	–	–	–	–	N/A

Directors' remuneration report continued

Annual report on remuneration continued

Details of variable pay earned in the year continued

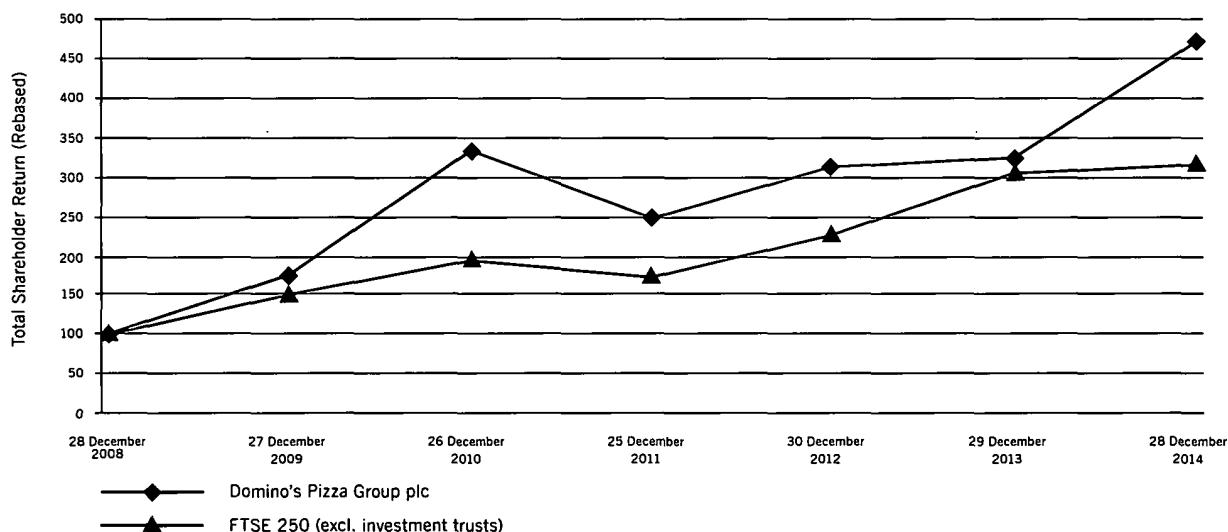
Directors' shareholdings (audited) continued

Notes

- 1 Awarded on 30 May 2014, vesting date 30 May 2017. Market price on date of award 554.0p.
- 2 Awarded on 2 April 2012, vesting date 2 April 2015. Market price on date of award 431.6p.
- 3 Awarded on 9 August 2011, vesting date 22 August 2014. Market price on date of award 437.1p.
- 4 Based on share price at end of year, number of legally owned shares and salary as paid in year.
- 5 David Wild was appointed Chief Executive Officer on 30 April 2014.
- 6 600,000 ordinary shares (2013: 600,000) are held by The Stephen Hemsley Trusts Nos. 1 to 5, discretionary trusts of which Stephen Hemsley and his family are potential beneficiaries.
- 7 557,900 ordinary shares (2013: 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.
- 8 Ebbe Jacobsen was appointed as a Director on 31 January 2014.
- 9 Kevin Higgins was appointed as a Director on 8 September 2014.

Total shareholder return

The following graph illustrates the performance of the Company measured by TSR for the last six years to 28 December 2014 against the TSR performance of the FTSE 250 Index over the same period. TSR is the product of movements in the share price plus dividends reinvested on the ex-dividend date. As required by the Regulations, the Company's TSR performance is required to be shown against a recognised broad-based share index. The FTSE 250 Index (excluding investment trusts) has been selected for this comparison because this is the index in which the Company's shares have been quoted since admission to the Official List. TSR provides a useful, widely used benchmark to illustrate the Company's performance over the last five years. The graph shows the value, at 28 December 2014, of £100 invested in the Company on 28 December 2008 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts). The other points plotted are the values at intervening financial year ends.



Details of variable pay earned in the year continued

Chief Executive Officer remuneration

Year ended	Chief Executive Officer	Total remuneration £000	Annual bonus (% of max)	LTIP vesting (% of max)
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 Chief Executive Officer on 16 March 2014. David Wild assumed the position of Interim Chief Executive Officer on 31 January 2014 and then Chief Executive Officer on 30 April 2014. For comparative purposes the total remuneration shown for the year ended 28 December 2014 includes remuneration received in both roles.

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

	2014 %	2013 %	% change
Chief Executive Officer			
Salary	14.6	3	11.6
Benefits	(49.4)	0	(49.4)
Bonus	n/a	(100)	n/a
Average employee			
Salary	8.7	(11.8)	19.7
Benefits	(6.3)	(21.7)	15.4
Bonus	(22.4)	(26.6)	4.0

The table above shows the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to the average employee cost. Due to the change in Chief Executive Officer during the year the information has been shown for the total salary, benefits and bonus costs in relation to that role for each year (i.e. combined cost for 2014 for Lance Batchelor and David Wild).

Relative importance of spend on pay (not audited)

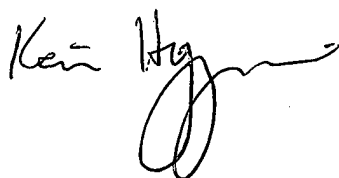
	2014	2013	% change
Staff costs (£000)	34,851	32,042	8.8
Distributions to shareholders (£m)	27,480	24,609	11.7
Underlying PBT* (£m)	55.0	47.6	15.5

On behalf of the Board

Kevin Higgins

Chairman of the Remuneration Committee

25 February 2015



Directors' report

The Directors have pleasure in presenting their statutory financial statements for the Group for the 52 weeks ended 28 December 2014.

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

The Company has chosen in accordance with section 414 C (11) of the Companies Act 2006 to include the disclosure of likely future developments in the strategic report.

- Strategy on pages 15 to 17
- Chairman's statement on pages 4 and 5
- Chief Executive Officer's review on pages 6 to 9
- Financial review on pages 25 to 27
- Corporate governance report on pages 36 to 43
- Risk management on pages 20 to 24
- Corporate social responsibility report on pages 28 to 33

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

Details of the Group's policy on addressing financial risks is given in risk management and details about financial instruments are shown in note 28 to the Group financial statements on page 103.

Pages 62 to 64 inclusive (together with sections of the Annual Report and Accounts incorporated by reference) consist of the Directors' report that has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Results and dividends

Group results

The Group profit for the period after taxation was £42,738,000 (2013: £12,123,000). This is after a taxation charge of £11,059,000 (2013: £9,467,000) representing an effective tax rate of 20.6% (2013: 43.8%). The financial statements setting out the results of the Group for the period ended 28 December 2014 are shown on pages 66 to 116.

Dividends

The Directors recommend the payment of a final dividend of 9.69p per Ordinary share, to be paid on 27 April 2015 to members on the Register at the close of business on 6 March 2015 (ex-dividend date 5 March 2015), subject to shareholder approval. Together with the interim dividend of 7.81p per Ordinary share paid on 5 September 2014, the total dividend in respect of the period will be 17.50p compared with 15.90p for the previous year, an increase of 10.1%. 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 2014 accounts, as described in note 13 on page 89, comprises the 2013 final dividend and the 2014 interim dividend.

Share capital

As at 28 December 2014, 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 165,909,827 Ordinary shares in issue. The Ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of Ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives are entitled to attend general meetings and to exercise voting rights. All issued Ordinary shares are fully paid up.

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations 2009 which have amended the 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 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting.

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

Shares held by employee share trusts

The Group has had an employee benefit trust ('EBT') for a number of years, the trustee of which is Ogier Employee Benefit Trust Limited. As at 28 December 2014, the EBT held 56,252 shares, which are used to satisfy reversionary awards. The voting rights in relation to these shares are exercisable by the trustee; however, in accordance with investor protection guidelines, the trustee abstains from voting.

Purchase of own shares

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.

Taking into account all of the buybacks since 2004, 16.6% of the Company's issued Ordinary share capital has been purchased. Shareholders will be requested to renew this authority at the forthcoming AGM of shareholders, to be held on 21 April 2015.

Share capital continued

Substantial shareholdings

As at 6 February 2015, the Company has been notified of the following interests in 3% or more of the issued share capital of the Company:

	% of share capital*
Oppenheimer Funds	10.77
MFS Investment Management	8.85
Newton Investment Management	4.43
Vontobel Asset Management (US)	4.16
JPMorgan Asset Management	3.79
Liontrust Asset Management	3.35
Wasatch Advisors	3.20
BlackRock	3.12
Montanaro Investment Managers	3.04

* Using the total voting rights figure applicable at 31 January 2015 of 165,539,379.

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 6 February 2015.

Directors and their interests

The Directors in service at 28 December 2014 were Stephen Hemsley, David Wild, Sean Wilkins, Colin Halpern, Michael Shallow, Helen Keays, Ebbe Jacobsen and Kevin Higgins.

As set out in the Annual Report and Accounts 2013, Lance Batchelor resigned as Chief Executive Officer on 16 March 2014 and Lee Ginsberg retired as Chief Financial Officer on 2 April 2014. After 15 years, Nigel Wray stepped down as non-executive Director on 29 July 2014 and John Hodson stepped down on 29 July 2014 having completed nine years as an independent non-executive Director. On 20 September 2014, Syl Saller resigned as independent non-executive Director and on 20 January 2015, Sean Wilkins announced his resignation from the Company.

On 31 January 2014 Ebbe Jacobsen was appointed as a non-executive Director of the Company and on 8 September 2014 Kevin Higgins was appointed as a non-executive Director. The biographical details of the present Directors are set out on pages 34 and 35 of this Annual Report.

The appointment and replacement of Directors is governed by the Articles of Association 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 who may exercise all the powers of the Company.

The interests of Directors and their immediate families in the shares of the Company, along with details of the long-term incentives awarded to Executive Directors, are contained in the Directors' remuneration report set out on pages 44 to 61.

No Directors have a beneficial interest in the shares of any subsidiary. Should any Ordinary shares be requested to satisfy awards of reversionary interests, these may be provided by the EBT. Further details relating to the rewards of reversionary interests, the EBT and the current LTIP can be found on pages 57 and 58 of this Annual Report.

There have been no changes in the interests of the Directors, including share options and reversionary interest awards, in the share capital of the Company as at 26 February 2015.

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 28 December 2014 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company.

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

Employees

UK and ROI

In the UK and ROI, the Group employed an average of 504 people (up to and including 28 December 2014) (2013: 491).

Head Office – United Kingdom	228
Milton Keynes Supply Chain Centre	181
Penrith Supply Chain Centre	65
Naas Supply Chain Centre	30

Germany

In Germany, the Group employed an average of 196 people (up to and including 28 December 2014) (2013: 382).

German Head Office	27
German Supply Chain Centre	8
German corporate stores	161

Switzerland

In Switzerland, the Group employed an average of 242 people (up to and including 28 December 2014) (2013: 212).

Swiss Head Office	11
Swiss corporate stores	231

For further details please refer to note [•] on page [•].

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 32.

Directors' report continued

General information

Annual General Meeting

The Notice convening the AGM for 2015 to be held at 12 noon on 21 April 2015 at the Company's Head Office, Supply Chain Centre, 1 Thornbury, West Ashland, Milton Keynes MK6 4BB is contained in a circular sent to all shareholders. Full details of all resolutions to be proposed are provided in this shareholder circular. The Directors consider that all of the resolutions set out in the notice of AGM for 2015 are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

Significant agreements and change of control provisions

The most significant agreements to the Group's business are as follows: UK and ROI Master Franchise Agreement; Know How Licence Agreement; Germany Master Franchise Agreement; and Switzerland, Luxembourg and Liechtenstein 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 most significant agreements (listed above) do not terminate on a change of control. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Group's share schemes and plans may cause options and awards granted to employees and Directors under such schemes and plans to vest on a takeover. The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Articles of Association

The Articles of Association remained unchanged during the 2014 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 2014.

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 30 and 31.

Political donations

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

Key Performance Indicators ('KPIs')

Details of the Group's KPIs can be found on pages 18 and 19.

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 AGM in 2015.

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 review on pages 1 to 33. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 25 to 27. In addition, notes 27 and 28 to the Group financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

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

Events after the balance sheet date

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

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



Paul Waters
Company Secretary
25 February 2015

Statement of Directors' responsibilities

Directors' responsibility statement

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

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Annual Report and 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.

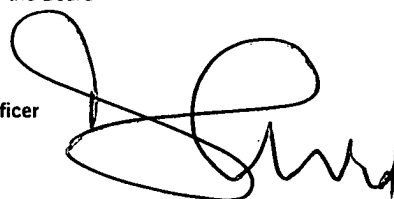
DTR 4.1 statement

Each of the Directors, the names and functions of whom are set out on pages 34 and 35, 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
25 February 2015



Independent auditor's report to the members of Domino's Pizza Group plc

Opinion on 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 28 December 2014 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

What we have audited

We have audited the financial statements of Domino's Pizza Group plc for the 52 weeks ended 28 December 2014 which comprise the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cashflow statement, the parent company balance sheet, the parent company reconciliation of movements in shareholders' funds, Group related notes 1 to 35 and the parent company related notes 1 to 9. 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).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 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.

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 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 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

Materiality is a key part of planning and executing our audit strategy. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. As we develop our audit strategy, we determine materiality at the overall financial statement level and at the individual account level. Performance materiality is the application of materiality at the individual account level.

Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements.

When establishing our overall audit strategy, we determine a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

We determined materiality for the Group to be £2.7 million which is 5% of pre-tax profit. We changed our performance benchmark from pre-tax profit before exceptional items (underlying pre-tax profit), used in 2013, as we do not consider it necessary to add back such items in the current period to determine a normalised profit amount. This provided the basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. In 2013 we determined materiality for the Group to be £2.0m which was approximately 5% of pre-tax profit before exceptional items.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2013: 50%) of planning materiality, namely £1.4 million (2013: £1.0 million). Our objective in adopting this approach was to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality of £2.7 million for the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1 million (2013: £0.1 million), 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 the light of other relevant qualitative considerations.

Our assessment of risks of material misstatement and response to that risk

The table below shows the risks of material misstatement we identified that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to those risks:

Area of focus	Response	Cross reference to ARA page/note
Revenue recognition		
We focused on this area due to the significant value of revenue for the Group £294m (2013: £269m), the risk of revenues being recognised in incorrect periods through cut off errors and the risk of inappropriate accounting for deductions from revenue related to franchisee incentives, such as rebates, rent free periods and variable credit terms.	We performed detailed testing on a sample of sales transactions from origination through to the general ledger to ensure revenue was appropriately recorded and to address the risk of cut off. This was performed across each of the group's significant revenue streams of royalties, corporate store sales, sales to franchisees, rental income and finance lease income. Using the interrelationship of systems sales, royalty income and sales to franchisees, together with benchmarking like for like sales increases we set <i>our expectation of revenue for the year on which our substantive analytical review procedures were performed.</i> We tested a sample of franchisee incentives in respect of rebates and rent-free periods by confirming the calculation and payment was in line with the respective franchisee incentive agreement. We assessed the appropriateness of revenue recognition and related recoverability of debtors by testing aged balances for customers operating outside agreed credit terms. We selected journal entries relating to revenue and franchisee incentives for transactions close to the period end and verified to originating documentation that the entry was recorded in the correct period. For sales to franchisees we tested that cut off procedures were appropriately applied at the year end.	Strategic Report p1–p33, Risk Management p20, Note 2 – Accounting Policies p74–p81 Note 3 – Revenue p81
Manipulation of reported earnings		
We focused on the risk of management override of internal control in areas of judgement over property-related and other provisions and the classification of exceptional items in determining non-GAAP measures of profitability, which can influence market expectations and management incentive arrangements.	We agreed amounts of provisions to underlying contractual agreements and performed sensitivity analysis on the assumptions in determining the final outcome including the discount rate, estimates of future sub-let rental income and periods of non-use. We challenged the classification of items disclosed in the non-GAAP measure of underlying profit before tax and the related tax impact to assess compliance with the Group's accounting policy, existing practice and the Financial Reporting Council's guidance issued in December 2013.	Audit Committee Report – p42 Note 2 Accounting Policies p74–p81 Note 7 – Items excluded from non-GAAP measure p83–p84

In 2013 we also focused on the risk of impairment in the carrying value of property, plant and equipment and intangible assets related to the business in Germany. Although this has remained an area of audit focus in the current year, this has had a lesser effect on our overall audit strategy, due to the level of impairments recorded in the previous year.

Independent auditor's report continued

to the members of Domino's Pizza Group plc

An overview of the scope of our audit

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

Following our assessment of the risk of material misstatement to the Group financial statements, we selected six (2013: six) components for full scope audit procedures which represent the principal business units within the Group and account for 97% (2013: 96%) of the Group's revenue and 101% of the Group's profit before tax (2013: 101% of profit before tax before exceptional items). In both the current period and prior period, due to certain insignificant loss making subsidiaries that were out of scope for our Group audit, the coverage of Group profit before tax achieved from the entities within our Group scope was greater than 100%.

The extent of audit work performed was based on our assessment of the risks of material misstatement identified above and of the materiality of the Group's business operations in that component. Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £0.3m to £1.2m.

For the remaining components we performed review procedures to confirm that there were no significant risks of material misstatement in the Group financial statements. As a result of the risk of misstatement identified above in relation to revenue recognition and the materiality of the Swiss revenue balance, detailed testing procedures were performed on revenue in this component. Detailed testing procedures on revenue across the six full scope components and the Swiss component ensured that we had performed detailed testing across 99.6% of revenue.

Opinion on other matter 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;
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance report set out on page 43 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance report has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 64, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Ernst & Young LLP

Christopher Voogd (Senior statutory auditor)

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

25 February 2015

Notes:

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

Group income statement

52 weeks ended 28 December 2014

	Notes	52 weeks ended 28 December 2014 Total £000	52 weeks ended 29 December 2013 (Restated) Total £000
Revenue	3	294,378	266,819
Cost of sales		(184,645)	(169,874)
Gross profit		109,733	96,948
Distribution costs		(16,465)	(15,704)
Administrative costs		(40,289)	(61,490)
		52,979	19,754
Share of post-tax profits of associates and joint ventures		1,047	642
Operating profit	5	54,026	20,396
Other gains and losses	7	1,147	1,745
Profit before interest and taxation		55,173	22,141
Finance income	9	620	789
Finance expense	10	(1,996)	(1,340)
Profit before taxation		53,797	21,590
Taxation	11	(11,059)	(9,467)
Profit for the period		42,738	12,123
Profit for the period attributable to:			
Owners of the parent		42,938	17,568
Non-controlling interests		(200)	(5,445)
		42,738	12,123
Earnings per share			
– Basic (pence)	12	25.9	10.7
– Diluted (pence)	12	25.8	10.7
Non-GAAP measure: underlying profit before tax			
Profit before tax		53,797	21,590
– Onerous leases	7	492	949
– Impairments	7	1,036	19,599
– Amounts in connection with the acquisition of joint ventures, associates and subsidiaries	7	–	110
– Other restructuring and one-off items	7	(102)	6,862
Amounts included in operating profit		1,426	27,520
Other gains and losses	7	(1,147)	(1,745)
Discount unwind included in finance expense	7	722	236
Underlying profit before tax		54,798	47,601
Underlying operating profit		55,452	47,916
Underlying earnings per share			
– Basic (pence)	12	26.6	24.0
– Diluted (pence)	12	26.4	23.9

Group statement of comprehensive income

52 weeks ended 28 December 2014

	52 weeks ended 28 December 2014 Total £000	52 weeks ended 29 December 2013 Total £000
Profit for the period	42,738	12,123
Other comprehensive (expense)/income:		
Exchange differences on retranslation of foreign operations	(188)	818
Other comprehensive (expense)/income for the period, net of tax to be reclassified to profit or loss in subsequent periods	(188)	818
Total comprehensive income for the period	42,550	12,941
Total comprehensive income for the year attributable to:		
Owners of the parent	42,750	18,386
Non-controlling interests	(200)	(5,445)
	42,550	12,941

Group balance sheet at 28 December 2014

	Notes	At 28 December 2014 £000	At 28 December 2013 £000
Non-current assets			
Intangible assets	14	10,561	11,227
Property, plant and equipment	15	57,374	57,508
Prepaid operating lease charges	16	1,072	1,286
Trade and other receivables	17	4,579	7,756
Net investment in finance leases	18	1,285	1,528
Investments in associates and joint ventures	19	7,170	6,158
Deferred tax asset	11	8,507	9,417
		90,548	94,880
Current assets			
Inventories	20	4,826	4,249
Prepaid operating lease charges	16	198	228
Trade and other receivables	17	34,982	34,366
Net investment in finance leases	18	900	1,108
Cash and cash equivalents	21	33,743	31,597
		74,649	71,548
Total assets		165,197	166,428
Current liabilities			
Trade and other payables	22	(52,071)	(40,202)
Deferred income		(283)	(293)
Financial liabilities	23	(16,054)	(13,960)
Deferred and contingent consideration	24	(3,841)	(1,532)
Current tax liabilities		(5,072)	(3,323)
Provisions	26	(1,270)	(2,084)
		(78,591)	(61,394)
Non-current liabilities			
Financial liabilities	23	(6,731)	(33,291)
Deferred income		(1,899)	(2,229)
Deferred and contingent consideration	24	(2,483)	(6,923)
Deferred tax liabilities	12	(95)	(167)
Provisions	26	(2,000)	(2,270)
Total liabilities		(91,799)	(106,274)
Net assets		73,398	60,154
Shareholders' equity			
Called up share capital	29	2,592	2,570
Share premium account		25,597	20,156
Capital redemption reserve		425	425
Capital reserve – own shares		(2,238)	(1)
Currency translation reserve		572	760
Other reserve		–	3,432
Retained earnings		46,450	37,236
Equity shareholders' funds		73,398	64,578
Non-controlling interests		–	(4,424)
Total equity		73,398	60,154

David Wild

Director

25 February 2015



Group statement of changes in equity

52 weeks ended 28 December 2014

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – own shares £000	Currency translation reserve £000	Other reserve £000	Retained earnings £000	Equity shareholders' funds £000	Non- controlling interests £000	Total equity £000
At 30 December 2012	2,557	17,932	425	(9)	(58)	3,432	45,028	69,307	1,021	70,328
Profit for the period	–	–	–	–	–	–	17,568	17,568	(5,445)	12,123
Other comprehensive income – exchange differences	–	–	–	–	818	–	–	818	–	818
Total comprehensive income for the period	–	–	–	–	818	–	17,568	18,386	(5,445)	12,941
Proceeds from share issues	13	2,224	–	–	–	–	–	2,237	–	2,237
Share transaction charges	–	–	–	–	–	–	(22)	(22)	–	(22)
Vesting of LTIP grants	–	–	–	8	–	–	(1,718)	(1,710)	–	(1,710)
Tax on employee share options	–	–	–	–	–	–	376	376	–	376
Share options and LTIP charge	–	–	–	–	–	–	613	613	–	613
Equity dividends paid	–	–	–	–	–	–	(24,609)	(24,609)	–	(24,609)
At 29 December 2013	2,570	20,156	425	(1)	760	3,432	37,236	64,578	(4,424)	60,154
Profit for the period	–	–	–	–	–	–	42,938	42,938	(200)	42,738
Other comprehensive expense – exchange differences	–	–	–	–	(188)	–	–	(188)	–	(188)
Total comprehensive 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	–
At 28 December 2014	2,592	25,597	425	(2,238)	572	–	46,450	73,398	–	73,398

Group cash flow statement

52 weeks ended 28 December 2014

	Notes	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Cash flows from operating activities			
Profit before taxation		53,797	21,590
Net finance costs		1,375	551
Share of post-tax profits of associates	19	(1,047)	(642)
Amortisation and depreciation	14,15,16	5,824	5,798
Impairment		1,036	19,599
(Profit)/loss on disposal of non-current assets		(1,147)	(109)
Profit on disposal of investments	19	–	(1,745)
Share option and LTIP charge		899	613
Other non-cash movements		–	326
(Increase)/decrease in inventories		(616)	3,089
(Increase)/decrease in receivables		(1,626)	1,702
Increase/(decrease) in payables		11,447	(3,527)
(Decrease)/increase in deferred income		(339)	52
(Decrease)/increase in provisions		(1,100)	2,021
Cash generated from operations		68,503	49,318
UK corporation tax		(7,499)	(8,330)
Overseas corporation tax paid		(612)	(255)
Net cash generated by operating activities		60,392	40,733
Cash flows from investing activities			
Interest received		186	154
Dividends received from associates		45	62
Decrease in loans to associates and joint ventures		582	404
Decrease in loans to franchisees		3,275	529
Refinancing of loans to franchisees		–	1,366
Payments to acquire finance lease assets		(741)	(1,308)
Receipts from repayment of franchisee leases		1,121	4,214
Purchase of property, plant and equipment	15	(4,412)	(8,145)
Deferred consideration for Domino's Leasing Limited	24	(1,208)	(1,395)
Purchase of other non-current assets		(2,532)	(2,835)
Cash proceeds on the disposal of interest in associate	19	–	2,377
Receipts from the sale of other non-current assets		1,059	332
Investment in joint ventures	19	–	–
Settlement of deferred consideration		(132)	–
Net cash used by investing activities		(2,757)	(4,245)
Cash inflow before financing		57,635	36,488
Cash flow from financing activities			
Interest paid		(807)	(875)
Issue of ordinary share capital		2,038	2,237
Purchase of own shares		(2,243)	–
Payments under LTIP schemes		(2,914)	(1,718)
New bank loans and facilities draw down		31,912	1,826
Repayment of borrowings		(56,253)	(4,191)
Equity dividends paid		(27,480)	(24,609)
Net cash used by financing activities		(55,747)	(27,330)
Net increase in cash and cash equivalents		1,888	9,158
Cash and cash equivalents at beginning of period		31,597	21,975
Foreign exchange gain on cash and cash equivalents		258	464
Cash and cash equivalents at end of period		33,743	31,597

Notes to the Group financial statements

52 weeks ended 28 December 2014

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

The financial statements of the Group for the 52 weeks ended 28 December 2014 were authorised for issue by the Board of Directors on 25 February 2015 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 28 December 2014.

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 28 December 2014 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 28 December 2014. Sales and cost of sales have been re-presented for the 52 weeks ended 29 December 2013 for the Switzerland segment to more accurately present the classification of internal sales. This has resulted in an adjustment between revenue and cost of sales for £2,083,000 and does not have a profit impact on either the operating results of the segment or the Group as a whole.

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

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

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

- IFRS 13, 'Fair value measurement' (effective 1 January 2013): IFRS 13 describes how to measure fair value when fair value is required or permitted by IFRS. The Group does not have significant items valued at fair value, however, in line with the new standard, additional disclosures have been made up to help users understand the valuation techniques used when fair value measurements are made.
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013): This amendment provides enhanced disclosure of offsetting financial assets and liabilities. The Group does not have any significant offsetting financial instruments.

Judgements and key sources of estimation uncertainty

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

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- A key judgement was required in determining the impact of the acquisition of Domino's Leasing Limited during the 52 weeks ended 27 December 2009. This has been accounted for as a business combination in accordance with IFRS 3 and resulted in the recognition of deferred tax assets, contingent consideration and a credit to the 2009 income statement relating to the accounting for the excess of fair value of net assets over consideration. See note 24 for further details. Had this transaction been accounted for as an asset purchase, the deferred tax assets and day one non-underlying credit in the income statement would not have been reflected. Instead, the Group tax charge would have benefited from tax relief over the period of the leases acquired with Domino's Leasing Limited.
- Franchisees within the Domino's Pizza system pay a percentage of their sales into a central fund designed to build store sales through increased public recognition of the Domino's Pizza brand ('the Fund'). 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.
 - 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.

2. Accounting policies continued

Judgements and key sources of estimation uncertainty continued

- The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain of these items may give rise to material income statement and or cash flow variances.
- 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.

Basis of consolidation

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

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

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

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

Interests in associates and joint ventures

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

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

Any goodwill arising on the acquisition of an associate or joint venture, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate or joint venture's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate or joint venture and is not amortised. To the extent that the net fair value of the associate or joint venture's identifiable assets, liabilities and contingent liabilities 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

Foreign operations

The income and expenses of overseas subsidiaries are translated at the spot rate on the transaction date. The balance sheet of the overseas subsidiary undertaking is translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed. The Group utilised the exemption available in IFRS 1 whereby cumulative translation differences were deemed to be zero at 1 January 2006 (the date of transition to IFRS).

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

2. Accounting policies continued

Foreign currencies continued

Foreign currency transactions

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

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

Business combinations and goodwill

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and, where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets meeting either the contractual-legal or separability 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.

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

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

Intangible assets

Computer software

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

Franchise fees

Franchise fees are fees paid towards the acquisition of the master franchise for the markets in which the Group operate. These are carried at cost less accumulated amortisation and any impairment loss. The useful economic lives of the assets are considered to be the life of the 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.

2. Accounting policies continued

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 basis:

- | | |
|---------------------------------|----------------------------|
| • 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.

Leases

Group as lessee

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

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

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

Group as lessor

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

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

Impairment of assets

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

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

2. Accounting policies continued

Impairment of assets continued

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 where the impact of discounting is material.

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

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

Inventories

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

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 loan recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated via the royalty income and Supply Chain Centre sales that will be generated. These assets are amortised over the life of 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 otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Income taxes

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

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

2. Accounting policies continued

Income taxes continued

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

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

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

Derecognition of financial assets and liabilities

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

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

Pensions

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

Capital reserve – own shares

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns, rebates and value-added taxes. 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 Centre (formerly known as Commissary) and equipment sales is recognised on delivery to customers and franchisees.

Franchise fees

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

Royalties

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

Rental income

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

Finance income

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

Borrowing costs

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

Capitalisation of borrowing costs should commence when:

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

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

2. Accounting policies continued

Borrowing costs continued

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

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

Non-GAAP performance measures

The Directors believe that the underlying profit before tax and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The underlying profit before tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The adjustments made to profit before tax are to exclude the following amounts:

- expense to establish provisions for lease obligations which will become onerous as a result of a non-recurring event and re-measurement of such amounts in subsequent periods;
- impairment charges in respect of goodwill, intangible assets and property, plant and equipment arising from a significant business restructuring and/or non-recurring event;
- restructuring costs in respect of a significant business restructuring; and
- transaction costs in respect of business combinations and acquisition of joint ventures, associates and subsidiaries.

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.

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 12).

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

New standards and interpretations not applied

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

2. Accounting policies continued

New standards and interpretations not applied continued

	Effective date
International Financial Reporting Standards ('IFRS')	
IFRS 9 Financial Instruments: Classification and Measurement ¹	1 January 2018
IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendment)	1 January 2014
IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures	1 January 2016
IFRS 15 Revenue from contracts with customers	1 January 2017
International Accounting Standards ('IAS')	
IAS 27 Equity Method in Separate Financial Statements	1 January 2016
IAS 32 Amendment to IAS 32 – Offsetting of Assets and Liabilities	1 January 2014
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 36 Amendment to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Other	
IFRIC Interpretation 21 IFRIC 21 – Levies	1 January 2014

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Royalties, corporate store sales and sales to franchisees	277,305	253,686
Rental income on leasehold and freehold property	16,945	15,057
Finance lease income	128	159
	294,378	268,902

4. Segmental information

For management purposes, the Group is organised into four geographical business units, based on the territories governed by the MFA: the UK, Ireland, Germany and Switzerland. These are considered to be the Group's operating segments as the information provided to the chief operating decision makers, who are considered to be the Executive Directors of the Board, is based on these territories. Revenue included in each includes all sales (royalties, Supply Chain Centre sales, rental income and finance lease income) made to franchise stores and by corporate stores located in that segment. Segment results for the Ireland segment include both the 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.

Sales and cost of sales have been re-presented for the 52 weeks ended 29 December 2013 for the Switzerland segment to more accurately present the classification of internal sales. This has resulted in an adjustment between revenue and cost of sales for £2,083,000 and does not have a profit impact on either the operating results of the segment or the Group as a whole.

	At 28 December 2014 £000	At 29 December 2013 £000
Deferred tax asset	8,507	9,417
Cash and cash equivalents	33,743	31,597
Unallocated assets	42,250	41,014
Deferred consideration – Domino's Leasing Limited	6,324	7,326
Current tax liabilities	5,072	3,323
Deferred tax liabilities	95	167
Bank revolving facility	5,447	29,814
Bank loans	15,000	13,000
Unallocated liabilities	31,938	53,630

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

4. Segmental information continued

Operating segments

	52 weeks ended 28 December 2014					52 weeks ended 29 December 2013 (Restated)				
	Switzerland £000	Germany £000	Ireland £000	UK £000	Total £000	Switzerland £000	Germany £000	Ireland £000	UK £000	Total £000
Segment revenue										
Sales to external customers	9,590	5,687	21,461	257,640	294,378	9,199	6,948	20,847	229,825	266,819
Results										
Segment result	(1,019)	(7,348)	5,034	57,738	54,405	(638)	(7,002)	4,541	50,373	47,274
Non-underlying items	–	(957)	(863)	394	(1,426)	42	(26,466)	(154)	(942)	(27,520)
Share of profit of associates	–	–	–	1,047	1,047	–	–	–	642	642
Group operating profit	(1,019)	(8,305)	4,171	59,179	54,026	(596)	(33,468)	4,387	50,073	20,396
Other gains and losses	949	–	–	198	1,147	–	–	–	1,745	1,745
	(70)	(8,305)	4,171	59,377	55,173	(596)	(33,468)	4,387	51,818	22,141
Net finance costs					(1,376)					(551)
Profit before tax					53,797					21,590
Other segment information										
Depreciation	222	–	87	2,523	2,832	108	235	114	2,354	2,811
Amortisation	159	–	19	2,814	2,992	122	158	20	2,687	2,987
Share-based payment charge	17	(5)	–	856	868	–	43	–	570	613
Unwinding of discount	–	215	45	226	486	27	–	–	(77)	(50)
Entity-wide disclosures										
Royalties, corporate store sales	9,590	5,687	20,628	242,211	278,116	9,199	6,948	19,944	215,512	251,603
Rental income on leasehold and freehold property	–	–	833	15,301	16,134	–	–	903	14,154	15,057
Finance lease income	–	–	–	128	128	–	–	–	159	159
	9,590	5,687	21,461	257,640	294,378	9,199	6,948	20,847	229,825	266,819
Assets										
Segment current assets	782	1,812	1,271	37,041	40,906	3,736	3,953	1,213	31,049	39,951
Segment non-current assets	7,295	128	2,124	65,324	74,871	5,910	1,480	2,308	69,607	79,305
Equity accounted investments	–	–	–	7,170	7,170	–	–	–	6,158	6,158
Unallocated assets					42,250					41,014
Total assets	8,077	1,940	3,395	109,535	165,197	9,646	5,433	3,521	106,814	166,428
Liabilities										
Segment liabilities	1,532	4,692	1,706	51,931	59,861	5,976	6,586	823	39,259	52,644
Unallocated liabilities					31,938					53,630
Total liabilities	1,532	4,692	1,706	51,931	91,799	5,976	6,586	823	39,259	106,274
Additions to non-current assets										
Property, plant and equipment	1,952	315	64	2,081	4,412	805	4,221	19	3,100	8,145
Intangible assets	231	22	–	2,226	2,479	108	122	–	2,544	2,774
Prepaid operating lease charges	–	–	–	80	80	–	22	–	–	22
	2,183	337	64	4,387	6,971	913	4,365	19	5,644	10,941

Major customers

Annual revenue from two franchisees amounted to £43,680,000 (2013: £36,731,000) and £44,705,000 (2013: £33,803,000) respectively, arising from sales reported in the United Kingdom segment.

5. Group operating profit

This is stated after charging:

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Depreciation of property, plant and equipment	2,832	2,811
Amortisation of prepaid lease charges	198	206
Amortisation of intangible assets	2,794	2,781
Total depreciation and amortisation expense	5,824	5,798
Operating lease payments (minimum lease payments)		
– land and buildings	17,938	16,518
– plant, machinery and vehicles	2,936	3,021
Total operating lease payments recognised in the income statement	20,874	19,539
Impairment loss recognised on non-current assets	1,036	(19,599)
Net foreign currency loss/(gain)	102	(653)
Cost of inventories recognised as an expense	132,085	125,060

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 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Audit of the financial statements*	151	109
Audit of subsidiaries	88	60
Total audit	239	169
Audit-related assurance services	51	30
Total non-audit services	51	30
Total fees	290	199

* Of which £2,000 (2013: £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 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Onerous leases	492	949
– Master Franchise Agreement ("MFA") and related costs	–	9,267
– Corporate Stores	–	4,945
– Goodwill	–	2,928
– Property, plant and equipment	1,036	2,164
– Website and domain costs	–	295
Impairments	1,036	19,599
– Acquisition costs and restructuring costs relating to Domino's Pizza Switzerland	–	(42)
– Acquisition costs and one-off costs relating to new UK joint ventures	–	152
– Amounts in connection with acquisition of joint ventures, associates and subsidiaries	–	110
– Transition of German Corporate Stores	–	1,981
– Amounts receivable in Germany	–	3,438
– Restructuring and reorganisation costs	(102)	1,119
– Domino's Leasing Limited deferred consideration	–	324
Other restructuring and one-off items	(102)	6,862
	1,426	27,520

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

7. Items excluded from non-GAAP measure: underlying profit before tax continued

(a) Included within operating profit continued

Onerous leases

An onerous lease charge of £0.5m (2013: £0.9m) was made in respect of unused properties in Germany relating to last year's restructuring activities, and an unsuccessful concept store in the UK.

Impairments

Impairments of £1.0m relate to store assets in Germany following restructuring activities that carried on into the first half of the year, and an unsuccessful new format (Extra stores) in the UK.

In 2013, the performance of the German business fell below expectations and management announced a change in strategy for the German business opening fewer stores than initially expected and reducing its expectations for sales and profit growth. As a result, management prepared updated financial budgets for the next five years and used these to calculate medium and long term discounted cash flows for the German business using a long term average growth rate for Germany of 1.4% and a discount rate of 13%. Following these calculations, the Group recognised a number of impairment charges related to the German business:

- a charge of £9,267,000 in relation to the value in use of the German Master Franchise Agreement;
- a charge of £4,945,000 in relation to the carrying value of property, plant and equipment of the 15 corporate stores;
- a charge of £2,164,000 in relation to the carrying value of property, plant and equipment in the Supply Chain Centre and Düsseldorf head office; and
- a charge of £295,000 in relation to the carrying value of capitalised website and development costs.

Additionally, the Group is obliged test goodwill for impairment on an annual basis, due to goodwill being deemed to have an indefinite useful life. In 2013, management deemed that the goodwill was fully impaired and recognised a charge of £2,928,000.

Amounts in connection with acquisition of joint ventures, associates and subsidiaries

Costs of £0.1m were incurred in 2013 in relation to the acquisition and transfer of stores into two UK joint ventures with third-party franchisees.

Other restructuring and one-off items

The charge recognised in 2013 of £6.9m included transition of German corporate stores to franchisees, German bad debt write-off and costs to restructure the UK and German businesses. The £0.1m credit in 2014 represents the release of the unused provision for German restructuring costs recognised in 2013.

(b) Included below operating profit

Other gains and losses

This includes 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 store assets. In 2013, a profit of £1.7m was recognised on the sale of Dominoid Limited.

Discount unwind on items included in finance expense

A charge of £0.7m has been recognised in respect of discount unwind on items included in finance expense (2013: £0.2m).

Change in tax rates

In 2013, the Group incurred a non-underlying tax charge of £1.6m in relation to an adjustment to deferred tax following a change in tax law. The impact of these tax rate changes has been classified as non-underlying due to its material impact on the Group's tax charge for the period.

This charge is reduced by £nil (2013: £2.3m) to become a credit of £nil (2013: £0.6m) due to the tax impact of other non-underlying items disclosed above.

8. Employee benefits and Directors' remuneration

(a) Employee benefits expense

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Wages and salaries	29,941	27,390
Social security costs	3,214	3,470
Other pension costs	797	569
Share-based payment charge	899	613
	34,851	32,042

8. Employee benefits and Directors' remuneration continued

(a) Employee benefits expense continued

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

	52 weeks ended 28 December 2014	52 weeks ended 29 December 2013
Administration	267	277
Production and distribution	284	257
Corporate stores	392	551
	942	1,085

(b) Directors' remuneration

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Directors' remuneration	2,395	1,527
Aggregate contributions to defined contribution pension schemes	78	105
Number of Directors accruing benefits under:		
– defined contribution schemes	4	2

Additional information regarding Directors' remuneration is included in the Directors' remuneration report on pages 44 to 61. Included in Directors' remuneration above are termination payments totalling £194,000 (2013: £nil).

9. Finance income

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Bank interest receivable	107	72
Franchisee loans	111	134
Other interest	163	270
Unwinding of discount	239	313
Total finance income	620	789

The finance income relates to financial assets at amortised cost. Total interest on financial assets not at fair value through profit or loss, including income related to DP Capital Limited and Domino's Leasing reported in revenue, is £748,000 (2013: £949,000).

10. Finance expense

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Bank loan	10	206
Bank revolving credit facility interest payable	853	706
Other interest payable	79	165
Foreign exchange	329	–
Unwinding of discount	725	263
Total finance expense	1,996	1,340

The finance expense relates to financial liabilities at amortised cost. Total interest on financial liabilities not at fair value through profit or loss, including loans cost related to DP Capital Limited and Domino's Leasing Limited reported within cost of sales, is £1,894,000 (2013: £1,486,000).

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

11. Taxation

(a) Tax on profit on ordinary activities

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
– current period	9,780	7,646
– adjustment in respect of prior periods	(160)	(440)
	9,628	7,206
Income tax of overseas operations on profits for the period	415	375
Total current income tax	10,043	7,581
Deferred tax:		
Origination and reversal of temporary differences	1,802	97
Effect of change in tax rate	–	1,628
Adjustment in respect of prior periods	(786)	161
Total deferred tax	1,016	1,886
Tax charge in the income statement	11,059	9,467
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	11,059	9,467
Tax relating to items credited/(charged) to equity		
Reduction in current tax liability as a result of the exercise of share options	214	662
Origination and reversal of temporary differences in relation to unexercised share options	178	(286)
Tax credit in the Group statement of changes in equity	392	376

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

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 28 December 2014 is higher than the statutory corporation tax rate of 21.5% (2013: 23.3%). The differences are reconciled below:

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Profit before taxation	53,797	21,590
Accounting profit multiplied by the UK statutory rate of corporation tax of 21.5% (2013: 23.3%)	11,566	5,030
Expenses not deductible for tax purposes	633	3,199
Accounting depreciation not eligible for tax purposes	310	196
Adjustments relating to prior years	(909)	(277)
Difference between current and deferred tax rates	(232)	1,628
Other	18	1
Tax rate differences	(327)	(310)
Total tax expense reported in the income statement	11,059	9,467
Effective tax rate (%)	20.6	43.8
Underlying effective tax rate (%)	20.1	21.1

In his budget on 20 March 2013, the Chancellor of the Exchequer announced further changes to the corporation tax rates, which will have an effect on the Group's current and future tax position. The changes announced were further decreases to the standard rate of corporation tax, with the rate set to be reduced to 20%, effective 1 April 2015. The reduction of the UK corporation tax rate to 23% from April 2013, 21% from 1 April 2014 and 20% from 1 April 2015 had been substantively enacted during the prior year. The effect of these changes to the UK tax system have been reflected in the Group's financial statements for the 52 weeks ended 29 December 2013 and for the 52 weeks ended 28 December 2014 to the extent that they had been substantively enacted by that date.

11. Taxation continued

(c) Temporary differences associated with Group investments

At 28 December 2014, there was no recognised deferred tax liability (2013: £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 28 December 2014 £000	At 29 December 2013 £000
Deferred tax arising in the UK on non-capital items	8,203	9,194
Deferred tax arising in the UK and ROI on capital gains	(65)	(110)
Deferred tax arising on acquisition of subsidiary in previous periods	274	166
	8,412	9,250

	At 28 December 2014 £000	At 29 December 2013 £000
Gross movement in the deferred income tax account		
Opening balance	9,250	11,422
Tax credit/(charge) to equity	178	(286)
Income statement charge	(1,016)	(1,886)
Closing balance	8,412	9,250

Deferred tax arising in the UK on non-capital items

	Share-based payments £000	Accelerated capital allowances £000	Lease inducements £000	Goodwill and amortisation £000	Provisions £000	Total £000
At 30 December 2012	811	11,077	207	(13)	278	12,360
Charge to equity	(286)	—	—	—	—	(286)
(Charge)/credit to income	(71)	(3,185)	(41)	—	417	(2,880)
At 29 December 2013	454	7,892	166	(13)	695	9,194
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

A deferred tax asset of £8,203,000 (2013: £9,194,000) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

The Group has tax losses of £79,000 (2013: £51,000) which arose in relation to the Swiss business during the period and are available for offset against future taxable profits in Switzerland. A deferred tax asset has been recognised in relation to these taxable losses in Switzerland on the basis they are expected to be recovered in the near future. In addition there are £901,000 of losses (2013: £1,128,000) that have arisen in Germany and Cyprus in current and prior periods which are available for offset against future taxable profits in these jurisdictions. No deferred tax asset has been recognised in respect of these losses due to the uncertain timing of the availability of future profits in these territories. Taxable losses that have arisen in the period in the German branch of Domino's Pizza Germany Limited are available to surrender as Group relief to the UK Group and have been fully utilised. There is no tax deduction for the goodwill which arose on the acquisition of Germany and Switzerland in previous years.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

11. Taxation continued

(d) Deferred tax continued

Deferred tax arising in the UK and ROI on capital gains

	Roll-over relief £000	Accelerated capital allowances £000	Total £000
At 30 December 2012	(23)	(85)	(108)
Credit/(charge) to income	1	(3)	(1)
At 29 December 2013	(22)	(88)	(110)
Credit to income	–	45	45
At 28 December 2014	(22)	(43)	(65)

Deferred tax arising on other overseas subsidiaries

	£000
At 30 December 2012	(830)
Credit to income	996
At 29 December 2013	166
Credit to income	108
At 28 December 2014	274

Included within the above is a deferred tax asset of £303,000 (2013: £233,000) in relation to the recognition of Switzerland tax losses and a deferred tax liability relating to accelerated capital allowances in Cyprus and the ROI. Deferred tax in respect of Switzerland cannot be offset against the deferred tax in respect of Cyprus and the ROI as the Group does not have a legally enforceable right to offset these assets and liabilities due to their arising in differing territories.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would have been issued on the conversion of all dilutive potential Ordinary shares into Ordinary shares.

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

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Profit for the period	42,738	12,123
Adjusted for non-controlling interests	200	5,445
Profit attributable to owners of the parent	42,938	17,568

	At 28 December 2014 Number	At 29 December 2013 Number
Basic weighted average number of shares (excluding treasury shares)	165,471,079	163,737,665
Dilutive potential Ordinary shares:		
Employee share options	547,979	614,168
Reversionary interests	582,848	270,470
Diluted weighted average number of shares	166,601,906	164,622,303

The performance conditions for reversionary interests granted over nil shares (2013: 1,021,684) and share options granted over 1,087,596 shares (2013: 1,319,391) 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 3,000,000 share options excluded from the diluted earnings per share calculation because they are anti dilutive (2013: nil). See note 30 for further information on reversionary interests and share options.

12. Earnings per share continued

Underlying earnings per share

The Group presents as non-underlying items under the income statement and in note 7, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better the trends in financial performance.

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

	52 weeks ended 28 December 2014	52 weeks ended 29 December 2013
Basic earnings per share	25.9p	10.7p
Diluted earnings per share	25.8p	10.7p

Underlying earnings per share:

Basic earnings per share	26.6p	24.0p
Diluted earnings per share	26.4p	23.9p

Underlying profit attributable to owners of the parent is derived as follows:

	Notes	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Profit for the period		42,738	12,123
Adjusted for non-controlling interests		200	5,445
Profit attributable to owners of the parent		42,938	17,568
Amounts excluded from underlying profit – attributable to equity holders of the parent		1,026	21,805
Amounts included in operating profit	7	1,426	27,520
Other gains and losses	7	(1,147)	(1,745)
Discount unwind	7	722	236
Impact of non-controlling interest related non-underlying items		–	(3,584)
Taxation impact		25	(2,250)
Change in corporation tax rate – impact on deferred tax asset		–	1,628
Attributable to owners of the parent		43,964	39,373

13. Dividends paid and proposed

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2013: 8.80p (2012: 7.90p)	14,551	12,936
Interim dividend for 2014: 7.81p (2013: 7.10p)	12,929	11,673
Dividends paid	27,480	24,609
Proposed for approval by shareholders at the AGM (not recognised as a liability at 28 December 2014 or 29 December 2013)		
Final dividend for 2014: 9.69p (2013: 8.80p)	16,034	14,432

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

14. Intangible assets

	Goodwill £000	Franchise fees £000	Software £000	Other £000	Total £000
Cost or valuation					
At 30 December 2012	4,257	13,957	8,205	552	26,971
Additions	–	–	2,813	–	2,813
Disposals	–	–	–	(39)	(39)
Foreign exchange on translation	319	230	4	–	553
At 29 December 2013	4,576	14,187	11,022	513	30,298
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
Depreciation and impairment					
At 30 December 2012	–	1,468	2,381	30	3,879
Provided during the year	–	347	2,384	50	2,781
Impairment	2,928	9,314	297	–	12,539
Foreign exchange on translation	–	(131)	3	–	(128)
At 29 December 2013	2,928	10,998	5,065	80	19,071
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
Net book value at 28 December 2014	1,577	2,883	5,730	373	10,563
Net book value at 29 December 2013	1,648	3,189	5,957	433	11,227

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

	At 28 December 2014 £000	At 30 December 2013 £000
Switzerland	1,577	1,648
	1,577	1,648

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 based on the average long-term growth rate of 1.6% 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 11.5%.

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 in the key assumptions to the valuation would give rise to an impairment charge.

In 2013, the recoverable amount of the German CGU was calculated using a long-term average growth rate for Germany of 1.4% and a discount rate of 13%. As a result of comparing the carrying value of the CGU with its recoverable amount, management determined that the carrying value of German goodwill was fully impaired and an impairment charge of £2,928,000 was recognised as non-underlying expense within the Group income statement.

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 £373,000 (2013: £433,000) 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.

15. Property, plant and equipment

	Freehold land and buildings £000	Assets under construction £000	Leasehold improvements £000	Fixtures and fittings £000	Supply Chain Centre equipment £000	Total £000
Cost or valuation						
At 30 December 2012	33,537	693	250	4,948	30,811	70,239
Additions	139	1,951	29	4,557	1,469	8,145
Reclassification of store developments	–	–	–	2,026	–	2,026
Disposals	(245)	–	–	(34)	–	(279)
Foreign exchange on translation	28	(14)	1	(24)	31	22
At 29 December 2013	33,459	2,630	280	11,473	32,311	80,153
Additions	42	1,770	212	1,008	1,380	4,412
Reclassification of assets under construction	–	(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
Depreciation and impairment						
At 30 December 2012	4,148	–	64	1,553	7,561	13,326
Provided during the year	509	6	20	829	1,447	2,811
Impairment	–	1,670	–	5,018	–	6,688
Disposals	(54)	–	–	–	–	(54)
Foreign exchange on translation	3	–	–	(142)	13	(126)
At 29 December 2013	4,606	1,676	84	7,258	9,021	22,645
Reclassification of assets under construction	–	(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
Net book value at 28 December 2014	28,319	924	347	3,944	23,840	57,374
Net book value at 30 December 2013	28,853	954	196	4,215	23,290	57,508

Freehold land and buildings

Included within freehold land and buildings is an amount of £4,689,000 (2013: £4,689,000) in respect of land which is not depreciated.

Capitalised financing costs

Included within freehold land and buildings is an amount of £1,156,000 (2013: £1,178,000) 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 23.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

16. Prepaid operating lease charges

	Note	At 28 December 2014 £000	At 30 December 2013 £000
Balance at the beginning of the period		1,514	1,696
Additions		80	22
Disposal		–	–
Impairment	7	(144)	–
Foreign exchange on translation		18	2
Amortisation		(198)	(206)
Balance at the end of the period		1,270	1,514
Analysed as follows:			
Non-current assets		1,072	1,286
Current assets		198	228
		1,270	1,514

17. Trade and other receivables

Included in non-current assets:

	At 28 December 2014 £000	At 29 December 2013 £000
Amounts owed by associates and joint ventures*	1,387	1,938
Loans to franchisees*	1,957	4,330
Other receivables*	1,235	1,488
	4,579	7,756

* Financial assets at amortised cost.

Included in current assets:

	At 28 December 2014 £000	At 29 December 2013 £000
Trade receivables*	9,908	11,695
Amounts owed by associates and joint ventures*	1,995	1,267
Loans to franchisees*	2,505	3,395
Other receivables*	6,732	8,349
Prepayments and accrued income	13,842	9,660
	34,982	34,366

* Financial assets at amortised cost.

Trade receivables

Trade receivables are denominated in the following currencies:

	At 28 December 2014 £000	At 29 December 2013 £000
Sterling	7,995	9,292
Euro	1,887	2,398
Swiss franc	26	5
	9,908	11,695

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

Trade receivables are non-interest bearing and are generally on seven to 28 days' terms. As at 28 December 2014, trade receivables at nominal value of £2,472,000 (2013: £1,574,000) were provided for. During the 52 weeks ended 28 December 2014 bad debts of £nil were written off as part of the onerous lease costs (2013: £154,000). These related to rentals due from commercial properties (non-franchisee) and have been included within the non-GAAP measure within onerous lease costs (note 7).

17. Trade and other receivables continued

Trade receivables continued

The ageing analysis of trade receivables is as follows:

	Total £000	Neither past due nor impaired £000	Past due but not impaired	
			< 30 days £000	> 30 days £000
As at 28 December 2014	9,908	6,234	1,385	2,289
As at 29 December 2013	11,695	5,269	1,692	4,734

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 28 December 2014 £000	At 29 December 2013 £000
Amounts owed by associates	2,270	1,908
Amounts owed by joint ventures	1,112	1,297
	3,382	3,205

Included within the balance due from associates are loan balances totalling £1,083,000 (2013: £1,540,000) due from Full House Restaurants Limited. Included within the balance due from joint ventures are loan balances of £477,000 due from DP Shayban Limited (2013: £673,000) and £378,000 due from Domino's Pizza West Country Limited (2013: £302,000). The terms of these loans are consistent with the loan terms provided to franchisees (see above). The remainder of the balance due from associates and joint ventures represents trading balances.

An analysis is provided below of the movement in trading and loan balances with associates and joint ventures:

	Trading balance £000	Loan balance £000	Total £000
At 30 December 2012	747	3,143	3,890
Movement in trading balance	(58)	–	(58)
Repayment of loan balance	–	(730)	(730)
Increase in loan balance	–	387	387
Debts provided for	–	(284)	(284)
At 29 December 2013	689	2,516	3,205
Movement in trading balance	756	–	756
Repayment of loan balance	–	(734)	(734)
Increase in loan balance	–	155	155
Debts provided for	–	–	–
At 28 December 2014	1,445	1,937	3,382

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 £1,558,000 (2013: £4,379,000) 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 28 December 2014 were £32,030,000 (2013: £25,443,000). The outstanding balance of the NAF bears interest at 4.5% above Barclays Bank plc base rate.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

18. Financial assets

The balance shown in franchisee leasing consists of leases over store equipment granted to franchisees on terms of between one and five years bearing interest at fixed rates of an average of 5.7% (2013: 6.4%).

	At 28 December 2014 £000	At 30 December 2013 £000
Net investment in finance leases	2,185	2,636
Analysis of net investment in finance leases		
Current	900	1,108
Non-current	1,285	1,528
	2,185	2,636

Future minimum payments receivable:

	At 28 December 2014 £000	At 30 December 2013 £000
Not later than one year	997	934
After one year but not more than five years	1,363	1,895
	2,360	2,829
Less: finance income allocated to future periods	(175)	(193)
	2,185	2,636

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

	At 28 December 2014 £000	At 29 December 2013 £000
Not later than one year	900	1,108
After one year but not more than five years	1,285	1,528
	2,185	2,636

19. Investments in associates and joint ventures

	At 28 December 2014 £000	At 29 December 2013 £000
Investment in associates	1,381	1,006
Investment in joint ventures	5,789	5,152
	7,170	6,158

(a) Investment in associates

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

In the prior year, the Group disposed of its interests in Dominoid and Mungo Park for cash consideration of £2,621,000 (less transaction costs of £244,000). The share of net assets held by the Group at the date of disposal was £632,000. A non-underlying gain of £1,745,000 was recognised on this disposal.

Summarised financial information for significant associates is aggregated below:

	At 28 December 2014 £000	At 29 December 2013 £000
Share of associate's balance sheet		
Current assets	1,606	836
Non-current assets	1,674	1,731
Current liabilities	(1,195)	(718)
Non-current liabilities	(704)	(843)
Share of net assets	1,381	1,006

19. Investments in associates and joint ventures continued

(a) Investment in associates continued

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Share of associate's revenue and profit		
Revenue	12,118	6,566
Profit after tax for the year	419	170

(b) Investment in joint ventures

The Group has two UK joint ventures, with Domino's Pizza West Country Limited ('West Country') and DP Shayban Limited ('DP Shayban'). Both West Country and DP Shayban are accounted for as joint ventures as the Group has joint control through voting rights and share ownership as well as being party to a joint venture agreement, which ensures that strategic, financial and operational decisions relating to the joint venture activities require the unanimous consent of the two joint venture partners.

	At 28 December 2014			At 29 December 2013		
	DP Shayban £000	West Country £000	Total £000	DP Shayban £000	West Country £000	Total £000
Share of joint ventures' balance sheets						
Current assets	2,020	775	2,795	2,044	410	2,454
Non-current assets	2,018	3,107	5,125	2,036	3,015	5,051
Current liabilities	(1,784)	(256)	(2,040)	(2,064)	(25)	(2,089)
Non-current liabilities	(19)	(72)	(91)	(96)	(168)	(264)
Share of net assets	2,235	3,554	5,789	1,920	3,232	5,152
	52 weeks ended 28 December 2014			52 weeks ended 29 December 2013		
	DP Shayban £000	West Country £000	Total £000	DP Shayban £000	West Country £000	Total £000
Share of joint ventures' revenue and profit						
Revenue	14,705	9,466	24,171	5,761	4,078	9,839
Profit after tax for the year	316	312	628	173	299	472

The Group has also invested in an entity that is jointly controlled and therefore deemed to be a joint venture: HJS Pizza Deutschland GmbH.

Due to the start-up nature of this entity, losses were incurred during the period that have exceeded the value of the Group's interest. The Group's share of unrecognised losses for the period to 28 December 2014 was £126,817 (2013: £32,000).

20. Inventories

	At 28 December 2014 £000	At 29 December 2013 £000
Raw materials	220	242
Finished goods and goods for sale	4,606	4,007
Total inventories at lower of cost or net realisable value	4,826	4,249

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

21. Cash and cash equivalents

	At 28 December 2014 £000	At 29 December 2013 £000
Cash at bank and in hand	16,229	8,739
Short-term deposits	17,514	22,858
	33,743	31,597

Cash is denominated in the following currencies:

	At 28 December 2014 £000	At 29 December 2013 £000
Sterling	28,019	29,482
Euro	5,231	1,766
Swiss franc	482	340
Thai baht	11	9
	33,743	31,597

22. Trade and other payables

	At 28 December 2014 £000	At 29 December 2013 £000
Trade payables*	15,482	12,318
Other taxes and social security costs	3,922	3,144
Other payables*	4,348	3,366
Accruals	28,319	21,374
	52,071	40,202

* Financial liabilities at amortised cost.

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.

23. Financial liabilities

	At 28 December 2014 £000	At 29 December 2013 £000
Current		
Bank revolving facility	5	–
Current instalments due on bank loans	15,000	13,000
Current instalments due on other loans	1,005	864
Current instalments due on finance leases	44	96
	16,054	13,960
Non-current		
Bank revolving facility	5,442	29,814
Non-current instalments due on other loans	1,273	3,439
Non-current instalments due on finance leases	16	38
	6,731	33,291

Banking facilities

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates depending on the balance on deposit. The interest rate applicable to the short-term deposits during the financial period was 0.25% (2013: 0.25%). The fair value of cash and cash equivalents is £33,473,000 (2013: £31,597,000). At 28 December 2014 the Group had a total of £50,000,000 (2013: £53,000,000) of banking facilities, of which £27,275,000 (2013: £7,887,000) was undrawn.

Bank revolving facility

On 31 January 2014, the Group increased the existing revolving credit facility with Barclays Bank plc to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan. Interest charged on the term loan is 1.10% per annum above LIBOR and it matured on 31 January 2015. 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 £372,000 (2013: £298,000) 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; at 28 December 2014, amortisation of £208,000 (2013: £117,000) had been recognised against the carrying value of the facility. The facility is secured by an unlimited cross-guarantee between the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities for its Employee Benefit Trust. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 28 December 2014 the balance due under these facilities was £nil (2013: £13,000,000) all of which is in relation to the Employee Benefit Trust. Interest at a rate of 0.5% above LIBOR was payable on this loan. The loan facility had a term of seven years and matured on 31 January 2014. The limit for this facility was £13,000,000. On 31 January 2014, the Group repaid £13,000,000 facility by, as noted above, increasing the existing revolving credit facility to £45,000,000.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

23. Financial liabilities continued

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 (2013: £5,000,000) with a term of five years. The balance drawn down on this facility and held within 'other loans' as at 28 December 2014 is £2,278,000 (2013: £2,213,000). 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 5.5% (2013: 5.8%).

Also included within other loans is a balance of £nil (2013: £2,090,000) in relation to a loan due to the non-controlling interest in Domino's Germany bearing interest at a rate of 2.5% above the three-month EURIBOR.

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 3.9 years. During the period the average effective borrowing rate was 3.2% (2013: 4.8%). Interest rates are fixed at the contract rate. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets. At 28 December 2014 the leased assets have a carrying value of £60,000 (2013: £171,000). No further disclosures have been included due to the immateriality of the lease liabilities to the Group's balance sheet.

24. Deferred and contingent consideration

	Deferred £000	Contingent £000	Total £000
At 30 December 2012	8,161	1,113	9,274
Adjustment to brought forward	324	–	324
Paid during the period	(1,395)	–	(1,395)
Unwinding of discount	236	–	236
Foreign exchange movements	–	16	16
At 29 December 2013	7,326	1,129	8,455
Adjustment to brought forward	–	–	–
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

	At 28 December 2014 £000	At 29 December 2013 £000
Current	3,841	1,532
Non-current	2,483	6,923
Total	6,324	8,455

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited ('Domino's Leasing'), a private company based in England which provides funding in the form of finance leases to a number of corporate clients. As a company with an established leasing trade, Domino's Leasing owns the leased equipment and is entitled to an 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.

Finance costs reflect the unwinding of the discount on the deferred consideration. Therefore, while the cash flow statement reflects lower tax paid as a result of this transaction, this is partly offset by investing cash flow for the consideration paid.

During the period the Group has utilised £8,532,000 (2013: £10,405,000) 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. During the period, the amount payable crystallised at £134,000 and the unutilised provision for contingent consideration was released to the profit and loss.

25. Obligations under leases and hire purchase contracts

Operating lease commitments where the Group is lessee

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease and then subletting the properties to the franchisees. These leases have an average duration of between 10 and 25 years. Under the terms of the franchise agreement the franchisee is granted an initial period of 10 years to operate a Domino's Pizza delivery store under the Domino's system. Under the agreement, the franchisee also has the option to renew for a further 10 years at the end of the initial period provided at the time of the renewal the franchisee is not in default of any material provision of the franchise agreement. In addition the Group has entered into commercial leases on motor vehicles and items of plant, machinery and equipment. These leases have an average duration of between three and five years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

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

	At 28 December 2014 £000	At 29 December 2013 £000
Not later than one year	19,696	18,500
After one year but not more than five years	72,060	66,744
After five years	140,770	128,859
	232,526	214,103

Operating lease commitments where the Group is lessor

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

	At 28 December 2014 £000	At 29 December 2013 £000
Not later than one year	16,960	15,392
After one year but not more than five years	56,019	51,406
After five years	36,770	31,475
	109,748	98,273

26. Provisions

	Onerous lease provisions £000	Restructuring provisions £000	Total £000
At 29 December 2013	1,947	2,407	4,354
Arising during the period	921	142	1,063
Utilised during the period	(475)	(1,275)	(1,750)
Released during the period	(433)	(116)	(549)
Impact of discounting	81	209	290
Foreign exchange on translation	(36)	(101)	(138)
At 28 December 2014	2,005	1,266	3,270

	At 28 December 2014 £000	At 29 December 2013 £000
Current	1,270	2,084
Non-current	2,000	2,270
	3,270	4,354

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

26. Provisions continued**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.

Restructuring provisions

The restructuring provision arose upon acquisition of Domino's Switzerland and relates to outstanding rent obligations for seven stores which were being closed and relocated as well as other commitments arising from the restructuring plan such as redundancy and relocation costs. In the year to 29 December 2013, the transition of corporate stores to franchised stores in Germany began and, as part of the transition, costs were identified including a provision for an onerous contract (other than leases) which have been identified as a result of the transition and restructuring and redundancy costs. The total restructuring provision will be utilised within three years.

27. Financial risk management objectives and policies

The Group's financial risk management objectives consist of identifying and monitoring those risks, which have an adverse impact on the value of the Group's financial assets and liabilities or on reported profitability and on the cash flows of the Group. The Group's principal financial liabilities comprise bank loans, bank revolving facilities, other loans and finance leases. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Group has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. It is, and has been throughout 2014 and 2013, 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 Group includes within net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, price risk, liquidity risk and cash flow interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Foreign currency risk

The Group has invested in operations in 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/ decrease in sterling vs euro rate %	Effect on profit before tax £000
2014	+25	29
	-25	(43)
2013	+25	(9)
	-25	15

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.

27. Financial risk management objectives and policies continued

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations with cash collection targets set throughout the Group. All major investment decisions are considered by the Board as part of the project appraisal and approval process. In this way the Group aims to maintain a good credit rating to facilitate fundraising. Financial liabilities due within three months of the period end will be settled by the Group using cash and receipts from trade receivables outstanding at the period end. As stated in note 23 on page 97, the Group settled its financial liability in respect of the term loan of £15,000,000 on 31 January 2015.

The table below summarises the maturity profile of the Group's financial liabilities at 28 December 2014 and 29 December 2013 based on contractual undiscounted payments.

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Period ended 28 December 2014					
<i>Floating rate borrowings</i>					
Bank loan	–	15,138	–	–	15,138
Bank revolving facility	–	39	116	5,874	6,029
Other loans	–	–	–	–	–
<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
Contingent consideration – at fair value through income statement	–	–	–	–	–
	–	63,060	4,606	36,426	104,091
Period ended 29 December 2013					
<i>Floating rate borrowings</i>					
Bank loan EBT	–	13,033	–	–	13,033
Bank revolving facility	–	214	641	33,206	34,061
Other loans	–	56	168	2,754	2,978
<i>Fixed rate borrowings</i>					
Other loans	–	240	721	1,437	2,398
Finance leases	–	24	72	38	134
<i>Non-interest bearing</i>					
Trade and other payables	–	37,058	–	–	37,058
Deferred consideration – amortised cost	–	288	920	6,384	7,592
Contingent consideration – at fair value through income statement	–	–	–	1,129	1,129
	–	50,913	2,522	44,948	98,383

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

27. Financial risk management objectives and policies continued

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 28 December 2014 would decrease/increase by £56,000 (2013: £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 28 December 2014 and 29 December 2013. 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.

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 28 December 2014 £000	At 29 December 2013 £000
Bank loan	15,000	13,000
Other loans	2,278	2,213
Finance leases	60	134
Bank revolving facilities	5,447	29,814
Less: cash and cash equivalents	(33,743)	(31,597)
Adjusted net (cash)/debt	(10,958)	13,564
Domino's Germany non-controlling interest loan	–	2,090
Net (cash)/debt	(10,958)	15,654
Underlying EBITDA	61,275	53,714
Adjusted gearing ratio	(0.2)	0.3

For further commentary on cash flow, net debt and gearing see the Chief Executive Officer's statement.

28. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying value 2014 £000	Carrying value 2013 £000	Fair value 2014 £000	Fair value 2013 £000
Financial assets				
Net investment in finance leases	2,184	2,636	2,058	2,452
Financial liabilities				
Bank revolving facilities	5,447	29,814	5,447	29,814
Bank loan EBT	15,000	13,000	15,000	13,000
Fixed rate borrowings	2,278	2,213	2,374	2,746
Finance lease liabilities	60	134	60	134
Floating rate borrowings	–	2,090	–	2,090
Contingent consideration	–	1,129	–	1,129

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.

In the period ended 29 December 2013, the fair value of the contingent consideration was estimated by applying a probability weighted average for a number of scenarios based on performance against budget. This equated to a Level 3 classification under the IFRS 13 requirement to classify financial instruments at fair value by reference to the following three-level hierarchy of the source of inputs used to derive the fair value.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The significant unobservable inputs include long-term profitability of the Switzerland business.

29. Share capital and reserves

Authorised share capital

	At 28 December 2014	At 29 December 2013
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 28 December 2014		At 29 December 2013	
	Number	£	Number	£
At 29 December 2013 and 30 December 2012	164,497,341	2,570,270	163,672,741	2,557,386
Issued on exercise of share options	532,191	8,315	824,600	12,884
Issued on acquisition	880,000	13,750	–	–
At 28 December 2014 and 29 December 2013	165,909,532	2,592,335	164,497,341	2,570,270

During the period 532,782 (2013: 824,600) Ordinary shares of 1.5625p each with a nominal value of £8,315 (2013: £12,884) were issued between 64.53p (2013: 64.53p) and 482.4p (2013: 482.4p) for a total cash consideration received of £2,038,000 (2013: £2,237,000) to satisfy the share options that were exercised.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

29. Share capital and reserves continued

Allotted, called up and fully paid share capital continued

In addition the Company issued 880,000 shares on purchasing the remaining 25% shareholding of DP Cyco Ltd from its non-controlling interest partner, Briskas Limited.

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's Ordinary shares of 1.5625p each.

Share premium

The share premium reserve is the premium paid on the Company's 1.5625p Ordinary shares.

Capital redemption reserve

The capital redemption reserve includes the nominal value of shares bought back by the Company.

Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT 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 28 December 2014, the Trust held 56,252 (2013: 56,252) shares, which had a historic cost of £879 (2013: £879). These shares had a market value at 28 December 2014 of £393,764 (2013: £278,841).

During the period the Company acquired 380,000 of its own shares of 1.5625p each for a total consideration of £2,237,000 (2013: there were no share buybacks). The shares are held as 'treasury shares'. The Company has the right to reissue these shares at later date.

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. As noted above, the 25% shareholding of DP Cyco Ltd was purchased from our non-controlling interest partner, Briskas Limited.

30. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 28 December 2014 was £899,000 (2013: £613,000). This all arises on equity-settled share-based payment transactions.

Long Term Senior Executive Incentive Plan

Reversionary interests over assets held in the Domino's Pizza Group plc Employee Benefit Trust are approved and granted, at the discretion of the trustees, to senior executives. The interests are capable of vesting within a five-year period should certain performance targets be achieved by the Group and all awards will be equity settled. During the period no further reversionary interests were granted (2013: nil) and no further grants are envisaged under this scheme. At 28 December 2014 reversionary interests represented by nil (2013: 2,287,920) shares in Domino's Pizza Group plc have been granted.

Certain of the Group's historic share-based compensation arrangements dating from 2003 to 2008 necessarily involve a degree of estimation and judgement in respect of their tax treatment. Until resolution has been reached with the relevant tax authority, which may give rise to material income statement and/or cash flow variances, it is not possible to make a reliable estimate of the possible impact on the financial statements.

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 1,394,715 awards were granted (2013: nil). At 28 December 2014, 2012 LTIP awards were represented by 2,009,525 (2013: 1,021,684) shares in Domino's Pizza Group plc.

Further information on the Company's 2012 LTIP awards are given in the Directors' remuneration report.

30. Share-based payments continued

Employee share options

On 24 November 1999 participants in the Domino's Pizza Group Limited (Unapproved) Share Option Scheme (which had been in place since 31 March 1999) had the option of exchanging options over shares in Domino's Pizza Group Limited in return for equivalent options over ordinary shares in the Company under Domino's Pizza Share Option (Unapproved) Scheme.

On 23 March 2004, the Company established the Domino's Pizza Group plc Enterprise Management Incentive Scheme ('EMI Scheme').

All employees are eligible for grants of options under these schemes, which are approved by the Board. Prior to 2011, the options 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 28 December 2014 (2013: nil).

Sharesave scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company. Employees have the option to save an amount per month up to a maximum of £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 2014 was 71.0p (2013: 142.51p).

Share schemes

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 28 December 2014

30. Share-based payments continued

Share schemes continued

As at 29 December 2013, the following share options were outstanding:

Scheme	Exercise price	Outstanding at 30 December 2012 Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Outstanding at 29 December 2013 Number	Exercisable at 29 December 2013 Number
Reversionary Interest Long Term Incentive Plan	327.00p to 437.10p	4,311,774	–	(2,023,854)	–	2,287,920	–
2012 Long Term Incentive Plan	431.60p	1,055,420	–	–	(33,736)	1,021,684	–
Dominos Pizza (unapproved) Scheme	107.03p to 210.00p	418,247	–	(156,110)	–	262,137	262,137
Dominos Pizza CSOP (unapproved) Scheme	205.50p to 482.40p	2,674,650	–	(138,571)	(2,000,000)	536,079	116,277
Dominos Pizza CSOP (approved) Scheme	205.50p to 482.40p	1,365,910	–	(457,799)	(9,041)	899,070	273,738
EMI Scheme	64.53p	40,837	–	(31,237)	–	9,600	9,600
Sharesave scheme	237.92p to 426.00p	216,161	181,164	(40,883)	(49,348)	307,094	76
		10,083,000	181,164	(2,848,454)	(2,092,125)	5,323,585	661,829
Weighted average exercise price		387.10p	366.60p	338.64p	392.55p	410.2p	237.78p

The weighted average remaining contractual life of the options outstanding at 28 December 2014 was 6.7 years (2013: 4.1 years). The weighted average share price for options exercised during 2014 was 419.06p (2013: 338.64p).

The fair value of both options and reversionary interests granted is estimated at the date of granting using a Hoadley model, taking into account the terms and conditions upon which they were granted. TSRs are generated for the Company and the comparator group at the end of the three-year performance period.

The following table lists the inputs to the model used for the period ended 28 December 2014:

	52 weeks ended 28 December 2014
Weighted average fair value	276.8p
Weighted average share price	535.8p
Weighted average exercise price	198.1p
Expected dividend yield	0.00%–3.05%
Risk free rates	0.58%–1.09%
Expected volatility	24.1%–26.2%

31. Additional cash flow information

Analysis of Group net debt

	At 29 December 2013 £000	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 28 December 2014 £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

	At 30 December 2012 £000	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 29 December 2013 £000
Cash and cash equivalents	21,975	9,158	464	–	31,597
Bank revolving facility	(29,737)	–	–	(77)	(29,814)
Bank loans	(12,035)	(965)	–	–	(13,000)
Finance leases	(228)	–	(1)	95	(134)
Other loans	(2,939)	726	–	–	(2,213)
Adjusted net (debt)/cash	(22,964)	8,919	463	18	(13,564)
Non-recourse loans	(2,604)	2,604	–	–	–
Other loans	(2,050)	–	(40)	–	(2,090)
Net (debt)/cash	(27,618)	11,523	423	18	(15,654)

32. Capital commitments

At 28 December 2014, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2013: £nil) for the Group.

33. Contingent liabilities

Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations, 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited, and as a result the Irish company has been exempted from the filing provisions section 7, Companies (Amendment) Act 1986 of the Republic of Ireland.

The Group has, in previous periods, entered into loans with franchisees for the sole purpose of new store fit outs. In 2013, the Group assisted with the refinancing of some of these loans with three major banks (Barclays Bank plc, HSBC Bank plc and National Westminster Bank plc). The Company has guaranteed the loans refinanced with Barclays Bank plc in the event of default by the franchisee. The total amount of loans refinanced with Barclays Bank plc was £663,000.

Notes to the Group financial statements continued

52 weeks ended 28 December 2014

34. Related party transactions

The financial statements include the financial statements of Domino's Pizza Group plc and the subsidiary undertakings listed below.

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% Ordinary	Investment
DP Realty Limited	England	100% Ordinary	Property management
DP Group Developments Limited	England	100% Ordinary	Property development
DP Capital Limited	England	100% Ordinary	Leasing of store equipment
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% Ordinary	Property management
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
Indirectly held subsidiary undertakings			
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	Republic of Ireland	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
Associate undertakings			
Full House Restaurants Limited	England	41% Ordinary	Management of pizza delivery stores
Joint venture undertakings			
Domino's Pizza West Country Limited	England	50% Ordinary	Management of pizza delivery stores
DP Shayban Limited	England	50% Ordinary	Management of pizza delivery stores
HJS Pizza Deutschland GmbH	Germany	40% Ordinary	Management of pizza delivery stores

* The Group took operational control of Deutsche Dominoid GmbH in the second half of 2013 and acquired the 50% of the remaining shareholding on 1 July 2014.

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 19. Transactions entered into, and trading balances outstanding at 28 December (2013: 29 December) with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Related party		
Associates and joint ventures		
2014	19,157	1,445
2013	16,707	689

34. Related party transactions continued

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 28 December 2014, the Group has made a provision of £754,000 for doubtful debts relating to amounts owed by related parties (2013: £1,460,000).

Compensation of key management personnel (including Directors)

	52 weeks ended 28 December 2014 £000	52 weeks ended 29 December 2013 £000
Short-term employee benefits	4,447	3,920
Post-employment benefits	257	324
Share-based payment	493	386
	5,878	4,630

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 £194,000 (2013: £nil).

Other related parties

During the period, the Group paid £nil (2013: £21,333) to Saracens rugby club, in the normal course of business as part of its ongoing marketing strategy. Nigel Wray has an interest in this entity, being non-executive chairman of Saracens Limited. The transaction was paid at arm's length values under normal business terms.

35. 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 of 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.

Company balance sheet

52 weeks ended 28 December 2014

	Notes	At 28 December 2014 £000	At 29 December 2013 £000
Fixed assets			
Investment in subsidiary undertakings	3	14,423	14,099
Investment in associates and joint ventures	3	4,886	4,886
Total investments		19,309	18,985
Current assets			
Amounts owed by Group undertakings	4	106,532	92,503
Other debtors		562	562
Cash and cash equivalents		5,275	55
		112,369	93,120
Creditors: amounts falling due within one year	5	(68,426)	(50,519)
Net current assets		43,943	42,601
Total assets less current liabilities		63,252	61,586
Creditors: amounts falling due after more than one year	6	(14,836)	(29,814)
		48,416	31,772
Shareholders' equity			
Called up share capital	7	2,592	2,570
Share premium account	9	25,597	20,156
Capital redemption reserve	9	425	425
Capital reserve – own shares	9	(2,238)	(1)
Other reserve	9	–	3,432
Profit and loss account	9	22,039	5,190
Equity shareholders' funds	9	48,416	31,772

David Wild

Director

25 February 2015

Notes to the Company financial statements

52 weeks ended 28 December 2014

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. The Employee Benefit Trust has waived its entitlement to dividends.

Share-based payment transactions

Directors of the Company receive an element of remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met; see 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.

Notes to the Company financial statements continued

52 weeks ended 28 December 2014

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 with in the financial statements of the parent company is £40,888,000 (2013: loss of £34,190,000).

3. Investments

	Subsidiary undertakings £000	Associates and joint ventures £000	Total £000
Cost or valuation:			
At 30 December 2012	22,206	4,886	27,092
Share options granted to subsidiary employees	918	–	918
Impairment of investment	(8,734)	–	(8,734)
Disposals	(291)	–	(291)
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
Net book value at 28 December 2014	14,423	4,886	19,309
Net book value at 29 December 2013	14,099	4,886	18,985

In 2013, as a result of the performance of the German corporate stores being below expectations and our decision to proceed more cautiously with our German expansion, opening fewer stores than originally expected, the Company performed an impairment test at the year end in order to test the carrying value of its investment in Germany.

The Company performed a value in use calculation for the investment, using the most recent financial budgets approved by management for the next five years. Cash flows beyond the five year plan for the remaining term of the investment were extrapolated based on the long-term average growth rate for Germany of 1.4%, which does not exceed the long-term growth rate for this market.

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

As a result of this analysis, the Company recognised an impairment of the investment of £8,734,000.

Also during 2013, the Company struck off American Pizza Company Limited and Livebait Limited and recognised a disposal of £291,000.

3. Investments continued

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% Ordinary	Investment
DP Realty Limited	England	100% Ordinary	Property management
DP Group Developments Limited	England	100% Ordinary	Property development
DP Capital Limited	England	100% Ordinary	Leasing of store equipment
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% Ordinary	Property management
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
Indirectly held subsidiary undertakings			
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	Republic of Ireland	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
Associate undertakings			
Full House Restaurants Limited	England	41% Ordinary	Management of pizza delivery stores
Joint venture undertakings			
Domino's Pizza West Country Limited	England	50% Ordinary	Management of pizza delivery stores
DP Shayban Limited	England	50% Ordinary	Management of pizza delivery stores
HJS Pizza Deutschland GmbH	Germany	40% Ordinary	Management of pizza delivery stores

4. Debtors

	At 28 December 2014 £000	At 29 December 2013 £000
Amounts owed by Group undertakings	106,532	92,503

5. Creditors: amounts falling due within one year

	At 28 December 2014 £000	At 29 December 2013 £000
Amounts owed to Group undertakings	68,158	37,431
Other creditors	88	88
Accruals and deferred income	180	—
Bank revolving facility	—	13,000
	68,426	50,519

Notes to the Company financial statements continued

52 weeks ended 28 December 2014

6. Creditors: amounts falling due after more than one year

Loans repayable are analysed as follows:

	At 28 December 2014 £000	At 29 December 2013 £000
Bank revolving facility	14,836	29,814
Bank loans – wholly repayable within five years	–	–
	14,836	29,814

Bank revolving facility

On 31 January 2014, the Group increased the existing revolving credit facility with Barclays Bank plc to a £45,000,000 facility (being a £30,000,000 revolving credit facility and £15,000,000 term loan) in order to repay the Employee Benefit Trust loan. Interest charged on the term loan is 1.10% per annum above LIBOR and it matures on 31 January 2015. 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 £372,000 (2013: 298,000) 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; at 28 December 2014, amortisation of £208,000 (2013: £82,000) has been recognised against the carrying value of the facility. The facility is secured by an unlimited cross-guarantee between the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities for its Employee Benefit Trust. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 28 December 2014 the balance due under these facilities was £nil (2013: £13,000,000) all of which is in relation to the Employee Benefit Trust. Interest at a rate of 0.5% above LIBOR was payable on this loan. The loan facility had a term of seven years and matured on 31 January 2014. The limit for this facility was £13,000,000. On 31 January 2014, the Group repaid £13,000,000 facility by, as noted above, increasing the existing revolving credit facility to £45,000,000.

7. Authorised and issued share capital

Authorised share capital

	At 28 December 2014	At 30 December 2013
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 28 December		At 29 December	
	Number	2014 £	Number	2013 £
At 29 December 2013 and 30 December 2012	164,497,341	2,570,270	163,672,741	2,557,387
Issued on exercise of share options	532,191	8,315	824,600	12,884
Issued on acquisition	880,000	13,750	–	–
At 28 December 2014 and 29 December 2013	165,909,532	2,592,335	164,497,341	2,570,270

During the period 532,782 (2013: 824,600) Ordinary shares of 1.5625p each with a nominal value of £8,315 (2013: £12,884) were issued between 64.53p (2013: 64.53p) and 482.4p (2013: 482.4p) for a total cash consideration received of £2,031,000 (2013: £2,237,000) to satisfy the share options that were exercised.

In addition the Company issued 880,000 shares on purchasing the remaining 25% shareholding of DP Cyco Ltd 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 28 December 2014 was £899,000 (2013: £613,000). This all arises on equity-settled share-based payment transactions. Of this total, a charge of £579,000 (2013: credit of £305,000) relates to employees of the Company (2013 credit arises following the announcement of the Chief Executive Officer's resignation) and a charge of £324,000 (2013: £918,000) 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 30 of the Group financial statements.

Certain of the Group's historic share-based compensation arrangements dating from 2003 to 2008 necessarily involve a degree of estimation and judgement in respect of their tax treatment. Until resolution has been reached with the relevant tax authority, which may give rise to material income statement and/or cash flow variances, it is not possible to make a reliable estimate of the possible impact on the financial statements.

9. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – own shares £000	Other reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 30 December 2012	2,557	17,932	425	(9)	3,432	65,116	89,453
Proceeds from share issue	13	2,224	–	–	–	–	2,237
Share transaction charges	–	–	–	–	–	(22)	(22)
Vesting of LTIP grants	–	–	–	8	–	(1,718)	(1,710)
Loss for the period	–	–	–	–	–	(34,190)	(34,190)
Share option and LTIP charge	–	–	–	–	–	(305)	(305)
Share options granted to subsidiary employees	–	–	–	–	–	918	918
Equity dividends paid	–	–	–	–	–	(24,609)	(24,609)
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 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 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

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 28 December 2014, the Trust held 56,252 (2013: 56,252) shares, which had a historic cost of £879 (2013: £879). These shares had a market value at 28 December 2014 of £393,764 (2013: £278,841).

During the period the Company acquired 380,000 of its own shares of 1.5625p each for a total consideration of £2,237,000 (2013: there were no share buybacks). 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, the Company purchased the remaining 25% shareholding of DP Cyco Ltd from our non-controlling interest partner, Briskas Limited.

Five-year financial summary

52 weeks ended 28 December 2014

	28 December 2014	29 December 2013	30 December 2012	25 December 2011	26 December 2010
Trading weeks	52	52	53	52	52
System sales ¹ (£m)	766.6	668.8	598.6	530.6	485.3
Group revenue (£m)	294.4	268.9	240.5	209.9	188.1
Underlying profit before tax (£000)	54,798	47,601	46,701	42,156	38,007
Statutory profit before tax (£000)	53,797	21,590	42,369	38,789	35,204
Basic earnings per share (pence)					
– Statutory	25.9	24.0	22.1	19.5	17.4
– Underlying	26.6	10.7	19.0	16.7	15.4
Diluted earnings per share (pence)					
– Statutory	25.9	23.9	22.0	19.2	16.8
– Underlying	25.8	10.7	18.9	16.5	14.9
Dividends per share (pence)	17.50	15.90	14.50	12.30	10.20
Underlying earnings before interest, taxation, depreciation and amortisation (£000)	61,275	53,714	47,894	42,646	38,467
Adjusted net cash/(debt) (£000) ²	10,958	(13,564)	(22,964)	(15,297)	(8,639)
Adjusted gearing ratio	(0.2)	0.3	0.5	0.4	0.2
Stores at start of year	858	805	726	665	608
Stores opened	44	57	69	62	57
Stores acquired	–	–	12	2	–
Stores closed	(8)	(4)	(2)	(3)	–
Stores at year end	894	858	805	726	665
Corporate stores at year end	20	20	23	5	–
UK like-for-like sales growth (%)	11.3%	7.0% ³	5.0% ³	3.7%	14.3%

1 Sales from all stores in the UK, ROI, Germany and Switzerland to the public.

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.

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If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, you should contact the Registrars on: 0871 664 0300

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Shareholders can also access their holding details via Capita's websites:

- www.capitaassetservices.com; or
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The registrars provide an online and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. This service is available at www.capitadeal.com or 0871 664 0454.

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