Domino's Pizza NEWS

12 July 2010

DOMINO'S PIZZA UK & IRL plc
INTERIM RESULTS FOR THE 26 WEEKS ENDED 27 JUNE 2010

DRIVEN TO DELIVER

Domino's Pizza UK & IRL plc ("Domino's", the "Company" or the "Group"), the leading pizza delivery company in the UK and Ireland, announces its results for the 26 weeks ended 27 June 2010.

Financial Highlights

- System sales[1] increased 20.8% to £237.1 (2009: £196.4m)
- Profit before tax[2] increased 28.6% to £17.5m (2009: £13.6m). Profit before tax after exceptional items was £17.0m (2009: £13.1m)
- Like-for-like sales[3] in 553 mature stores increased 13.7% (2009: 7.1% in 501 stores)
- Earnings per share[2]:
  - Basic earnings per share increased 28.4% to 8.04p (2009: 6.26p)
  - Diluted earnings per share increased 27.1% to 7.89p (2009: 6.21p)
- Operating cash flow increased by 42.7% to £16.2m (2009: £11.3m)
- Total dividend increased 28.6% to 4.5p per share (2009: 3.5p)
- 19 new stores opened in the period (2009: 23) with no closures (2009: nil) resulting in a total of 627 stores as at 27 June 2010 (2009: 576). On track for 55 openings this year (2009: 55)
- Growth in e-commerce business of 61.4% (2009: 38.9%), resulting in total online sales of £56.9m (2009: £35.2m). Online sales accounted for 32.7% of UK delivered sales (2009: 26.2%) during the period
- Strong balance sheet with adjusted net debt[4] to annualised EBITDA of only 0.5:1 (2009: 0.6:1)

Commenting on the results Chief Executive Officer, Chris Moore, said:

"I am delighted to announce another set of great results. We have delivered impressive like-for-like sales growth of 13.7% across 553 mature stores (2009: 7.1% in 501 mature stores) and a strong increase in system sales of 20.8% to £237.1m (2009: £196.4m). Our roll out strategy also remains on track with another 19 new stores (2009: 23) to start our silver jubilee year.

"It is easy to try and attribute our success to one thing – be it the weather, or Britain's Got Talent, or the World Cup – but the underlying trend shows a more compelling picture. We have now been in business for 25 years and those years of experience give us the foundation from which we can seize every opportunity. It is great pizza, delivered as quickly as possible, by dedicated franchisees and store teams, which result in solid and steady sales growth, supported by innovative marketing on both a national and local level.

"We look forward to the future with confidence. While we may be 25, we know that there is still so much more to learn to maximise the opportunities and unlock the potential of what is still a relatively under-developed market."

1 Sales from all stores in the UK and Republic of Ireland
2 Pre-exceptional items
3 Like-for-like sales are sales in stores that were open before 28 December 2008
4 Excludes Domino's Leasing Limited's non-recourse loans

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A presentation to analysts will be held at 09.30 on 12 July 2010 at Numis Securities Ltd, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT.

Notes to Editors:

Domino's Pizza UK & IRL plc is the leading player in the fast-growing pizza delivery market and holds the exclusive master franchise to own, operate and franchise Domino's Pizza stores in the UK and the Republic of Ireland. The first UK store opened in Luton in 1985 and the first Irish store opened in 1991.

As at 27 June 2010, there were 627 stores in the UK and the Republic of Ireland. Of these, 496 stores are in England, 47 are in Scotland, 22 are in Wales, 15 are in Northern Ireland, 46 are in the Republic of Ireland and one is a mobile unit.

Founded in 1960, Domino's Pizza is one of the world's leading pizza delivery brands. Through its primarily franchised system, Domino's Pizza operates a global network of more than 9,000 Domino's Pizza stores in over 60 countries. Domino's Pizza has a singular focus – the home delivery of pizza, freshly made to order with high quality ingredients.

Customers can order from Domino's online in the UK at www.dominos.co.uk and online in the Republic of Ireland at www.dominos.ie.

For photography, please visit the media centre at www.dominos.uk.com, contact the Domino's Press Office on +44 (0)1908 580732, or call Hogarth on +44 (0)20 7357 9477.

Chairman's statement

As we embark on our twenty fifth year of operation in the UK, it gives me great pleasure to report another set of excellent results. System sales in the 26 weeks to 27 June 2010 have increased by 20.8% to £237.1m (2009: £196.4m) and our profit before tax and exceptional items has risen by 28.6% to £17.5m (2009: £13.6m). Our commitment to delivering great quality pizza with excellent service, supported by innovative marketing has resulted in another outstanding financial performance.

For any business to reach its twenty fifth birthday is quite an achievement, but to do so in the fast moving and competitive leisure sector is something of which the whole team at Domino's Pizza can be rightly proud. A number of years ago we took the decision not to compete with our franchisees by operating our own stores, but instead to concentrate on developing the central infrastructure and to support our franchisees in any way we could to help them grow their businesses. Our franchisees can be truly proud of what they have achieved and, as ever, I thank them and their teams in the stores for their unfailing commitment to the brand and the growth of Domino's in the UK and Ireland.

We are, however, not complacent and are making significant investments in our infrastructure to ensure our successful growth as we move towards our initial goal of 1,200 stores by 2021. Our flagship project is our new commissary at West Ashland in Milton Keynes, which will take our company to the next level in terms of automation and quality and provide the backbone for our future growth. The new site will also generate significant efficiency improvements from which we anticipate a saving of around £1m during the next full financial year.

Our infrastructure improvements are due, in no small part, to the efforts of a lean but very hard working team, led by our Food Service Director, Gareth Franks. They have studied best practice from around the world and incorporated what they have learnt into our new state-of-the-art commissary in Milton Keynes. I would therefore like to take this opportunity to formally congratulate them on this achievement and thank them all for their hard work in creating this exceptional facility for us.

As our business grows in scale, our margin continues to increase as anticipated in our long term business plan. When allied with the strong growth in like-for-like sales in the first 26 weeks of the year, this has allowed us to grow diluted earnings per share before exceptional items by 27.1% and increase the interim dividend by 28.6% to 4.5p (2009: 3.5p). Over the past six months, we have bought back £2.4m of our shares as part of our ongoing share buyback programme. The policy of returning broadly 100% of the profit after tax to shareholders, by way of dividends and share buybacks, is set to continue.

Finally, we could not have completed the first 25 years of our journey without the unfaltering dedication of our management and our team at head office. This is also their success and, as ever, I thank them all for their hard work over the last six months, the last 25 years, and in the many years to come.

Stephen Hemsley
Non-Executive Chairman
12 July 2010

Chief Executive Officer's review

I am delighted to announce another set of great results. We have delivered impressive like-for-like sales growth of 13.7% across 553 mature stores (2009: 7.1% in 501 mature stores) and a strong increase in system sales of 20.8% to £237.1m (2009: £196.4m). Our roll out strategy also remains on track with another 19 new stores (2009: 23) to start our silver jubilee year.

Despite the continued tough economic climate we continue to grow our business by opening new stores, attracting new customers and building on our relationship with our existing customers. The recent poor weather during the spring has, as ever, been an additional benefit and the timing of the World Cup matches has been helpful.

Of course, we are also helped by our franchisees' continued commitment to grow. We have further developed and expanded the businesses of our established franchisees and welcomed six new franchisees (2009: eight) to our fold, including our first on the Isle of Man.

Passionate about Winning

As ever, our relentless focus on getting every order has continued to pay dividends – and this focus is apparent at a national and local level. While the third year of our sponsorship of *Britain's Got Talent* again delivered a large, prime-time audience, our franchisees have also been maintaining high levels of investment in local store marketing. In addition, the success of our tactical, price-led promotions – including *Two for Tuesday* – have proved to be an excellent business driver.

The battle for sales is won on the TV, the radio and on the doorstep and Domino's franchisees are very good at taking their product and offers to their audience on a local level. We have recently stepped up the number of meetings and seminars aimed at helping our franchisees to grow their customer base and profitability and every time we are overwhelmed by the response. These events are voluntary to attend – yet we see not only our franchisees, but their store managers and assistant managers attending too.

We have also been increasing our online activity to grow this sector of our customer base. Our main Facebook site now has in excess of 36,000 fans and there are numerous fans of individual store sites too. In addition, we have led the way with social media initiatives such as affiliate marketing, our superfans programme and the development of a link up with Foursquare, the location-based social media site.

All of these web-based activities offer a dual benefit of driving pizza sales online and building customer loyalty with this section of the community. We are delighted to see the results of this activity with online sales rising to 32.7% of all UK delivered orders (2009: 26.2%). Across the UK and Ireland, we have seen growth in internet orders of 61.4%, accounting for £56.9m of business in the period(2009: £35.2m).

Passionate about Service

Our commitment to service continues unabated and, even with the growth in sales, our franchisees and their store teams continue to deliver great quality pizzas in competition-busting times. Our fanatical focus on OTD times (the time taken for a pizza to be ready to leave the store) ensures that we are consistently delivering pizzas within the magical 30 minute time frame – in fact our current average delivery time remains at 23 minutes.

To emphasise the efficiency of our delivery service, we launched the pizza tracker last year for online customers. Since we refreshed our website earlier this year, more and more customers are now watching the progress of their pizza for themselves and sharing in our obsessive focus on time.

Passionate about Quality

Quality remains the cornerstone of our operation and we were delighted recently to show so many members of the financial community – not to mention 1,500 franchisees and store staff at our recent internal awards – just how strong that commitment is with the imminent opening of our new commissary.

The emphasis all along has been on improving and maintaining the quality of the dough and with rigorous testing now drawing to a close, this world class facility will be fully up and running imminently and will realise around £1m in efficiency savings by the end of the first full financial year ending December 2011.

The first 26 weeks of the year have also seen the national roll out of our new subs. These delicious oven-baked sandwiches offer our franchisees a new product line to help improve their lunchtime sales and offer something different to their existing customers.

We will continue to look for interesting new pizzas, side orders and desserts with which to excite our existing customers and entice new ones. To this end, our new commissary has a much larger test kitchen, giving us a greater opportunity to experiment with new and interesting ingredients and flavours.

Passionate about Relationships

The relationship with our franchisees makes up the third side of our triangle for success – with quality and service being the other two. We know that as we grow, we must not compromise on the quality of the franchisees that we bring in to our business and so it gives us great pleasure to see the fantastic growth in like-for-like sales that we have had during this period.

Since the beginning of the year, we have recruited six new franchisees (2009: eight) and the people looking to join the Domino's system continues to be of a very high calibre.

In addition, we continue to add further training courses to help develop our franchisees and their employees – and to ensure that we can nurture future franchisees from within our existing store teams. We have already put over 600 people through formal training courses at our training centre since the start of the year and our portfolio of programmes should attract a similar number for the rest of the year. We also held two training workshops during the period – one in London and one in Scotland, with a combined attendance in excess of 300 people – plus around 1,500 team members have attended a whole range of in-store workshops on topics including making oven-baked subs, customer service and dough management.

We have opened 19 stores in the first half of this year, against 23 in the same period last year, but this reduced number is due to a variety of timing issues. By the end of the third quarter, we expect to be significantly ahead of where we were at the end of the third quarter last year. We remain confident of reaching our target of opening 55 new stores in the full year.

Going Forward

With a strong start to the year, we face the future with confidence – albeit up against some very tough comparatives from the second half of 2009. The new commissary provides us with additional firepower, in terms of quality and efficiencies and our franchisees are raring to drive our ongoing growth.

It is easy to try and attribute our success to one thing – be it the weather, or *Britain's Got Talent*, or the World Cup – but the underlying trend shows a more compelling picture. We have now been in business for 25 years – and those years of experience give us the foundation from which we can seize every opportunity. It is great pizza, delivered as quickly as possible, by dedicated franchisees and store teams, which result in solid and steady sales growth, supported by innovative marketing on both a national and local level.

We look forward to the future with confidence. While we may be 25, we know that there is still so much more to learn to maximise the opportunities and unlock the potential of what is still a relatively under-developed market.

Chris Moore
Chief Executive Officer
12 July 2010

Chief Financial Officer's Review

Overview

The Company experienced very strong growth over the period driven by a combination of tactical promotions, the third year of our *Britain's Got Talent* sponsorship, the start of the football World Cup and the continued growth in sales through our e-commerce platform. This success was achieved despite the continued difficult economic conditions.

System sales for the 26 weeks ended 27 June 2010 grew by 20.8% to £237.1m (2009: £196.4m), driven by the growth in like-for-like sales in 553 mature stores of 13.7% (2009: 7.1% in 501 stores) and the opening of 19 new stores.

A key feature of the first half's performance has been the impressive improvement of the margins in the business. This has been achieved as a result of strong volume growth in our commissaries and tight control of our overheads. This operational gearing in our business model has enabled the Group to once again deliver strong results for this reporting period. The volume growth we have experienced in the first 26 weeks of the year has principally been driven by price based promotions and this has allowed us to exceed the margin growth anticipated in our long term business model. These significantly higher volumes were the key driver of our profit before tax (before exceptional items) to system sales ratio growing from 6.9% to 7.4%.

As a result, operating profit, before operating exceptionals, was up 27.4% to £17.5m (2009: £13.7m). The commissary rebate scheme, first launched in 2005 to help our franchisees overcome the burden of food cost pressures, continued to benefit the system strongly in the period under review. This scheme enhances the profitability of the franchisees who achieve like-for-like sales targets and fully comply with our operating standards. Included in Group operating profits is the cost of this rebate which amounted to £1.4m (2009: £0.7m). This rebate was substantially higher than last year as a result of stronger like-for-like sales.

Profit before tax and exceptional items for the period was £17.5m (2009: £13.6m), up 28.6% on the prior period. Diluted earnings per share before exceptional items grew by 27.1% to 7.89p (2009: 6.21p). The cash generative nature of the business remains strong, with net cash generated from operations of £12.8m (2009: £8.7m).

This robust performance, together with the resilience and positive outlook of future anticipated free cashflows, reinforces the Board's confidence in paying an interim dividend per share of 4.5p (2009: 3.5p), an increase of 28.6% on the prior year.

Trading results

The increase in system sales of 20.8% to £237.1m (2009: £196.4m) has mainly been driven by:

- Like-for-like sales growth of 13.7% (2009: 7.1%)
- E-commerce sales growth of 61.4% (2009: 38.9%)
- 19 new store openings (2009: 23)
- The start of the football World Cup in June 2010
- Marketing and promotional initiatives, including the third year of the highly successful sponsorship of *Britain's Got Talent*.

Group revenue, which includes revenues generated from royalties, fees on new store openings, food sales and rental income, as well as revenues from stores in subsidiary companies, grew by 23.9% to £91.3m (2009: £73.7m). The growth of Group revenues is higher than the system sales growth due to higher food sales from our commissaries compared to last year. This has arisen from the success of *Two for Tuesday* and other tactical promotions run by franchisees that have driven higher volumes of food sales from our commissaries.

It is also pleasing to report that prices of our overall basket of our food ingredients, which the franchisees buy from us, have remained relatively stable year on year due to our strategy of entering into fixed price contracts across most of our food lines. As volumes increase and input costs remain constant, coupled with overheads growing less quickly – notably production, labour and depreciation – margins have increased significantly as a result.

While prices are broadly stable across the basket at the moment, we are mindful of underlying food price inflationary pressures and the effect this could have on our franchisees if these increases were passed on. To some extent, we can mitigate these pressures due to our growing purchasing volumes, increased commissary efficiencies and ongoing re-engineering of our supply chain. The action we have taken this year to lock into fixed price contracts will preclude any major food cost pressures on the system over the balance of the year.

Despite higher fuel costs year on year, we have been able to control our delivery costs to stores, through further improvements in the routing of our deliveries and the reconfiguration of the fleet, as trucks come up for renewal.

Profit before tax after exceptional items was up 29.8% at £17.0m (2009: £13.1m). Diluted earnings per share after exceptional items increased 28.5% at 7.62p (2009: 5.93p).

The ratio of profit before tax (before exceptional items) to system sales – a key ratio highlighting the strength of the underlying operational gearing of the business – grew to 7.4% for the 26 weeks ended 27 June 2010 (2009: 6.9%). This uplift in operational gearing has always been a feature of our long term business model and we are pleased to report that we are achieving them ahead of schedule.

Exceptional items

Exceptional items are separately disclosed in order to aid the readers' understanding of the Group's underlying trading. They generally represent items which do not form part of the core operations of the Group, or which are sufficiently large to warrant separate disclosure in order to facilitate comparisons with earlier trading periods. Given the nature of these items, the Board uses "pre-exceptional" performance measures in order to compare underlying performance year on year.

During the 26 weeks ended 27 June 2010, exceptional operating charges of £0.3m were incurred relating to restructuring and reorganisation costs.

Interest

The net finance charge for the 26 weeks ended 27 June 2010 was £0.2m (2009: £0.1m). The net finance charge includes £0.2m relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited during 2009. Excluding the unwinding of the discount, the net charge is lower than last year due to the reduction in interest rates year on year.

Taxation

The tax charge of £4.9m represents an effective tax charge of 29.0% (2009: 29.0%), in line with the prior year and higher than the statutory corporation tax rate of 28% due to the impact of the FRS 20 charge for share schemes, which is disallowable for tax purposes as well as ineligible depreciation, offset by the lower tax rate applicable in the Group's Irish subsidiary company.

As a result of the acquisition in 2009 of Dresdner Kleinwort Leasing March (2) Limited (now Domino's Leasing Limited) and the £104m capital allowances acquired in this vehicle, our cash tax rates will be substantially reduced over the ensuing years once these allowances are utilised. Accordingly, our cash tax rates are forecast to be 10% in 2010 and approximately 20% in both 2011 and 2012. This reduction in cash taxes will enhance our ability to return cash to shareholders through our share buyback programme.

Earnings per share ("EPS")

Adjusted basic EPS before exceptional items for the 26 weeks ended 27 June 2010 of 8.04p was up 28.4% on the prior period (2009: 6.26p). Adjusted diluted EPS before exceptional items of 7.89p was up 27.1% on the prior period (2009: 6.21p).

Unadjusted basic EPS for the 26 weeks ended 27 June 2010 of 7.77p was up 29.9% on the prior period (2009: 5.98p). Unadjusted diluted EPS of 7.62p was up 28.5% on the prior period (2009: 5.93p).

Dividends

We are pleased to declare an increase of 28.6% in the interim dividend to 4.5p per share (2009: 3.5p per share). This continues to be in line with our strategy of returning cash not required for the growth and expansion of the business to shareholders.

This dividend, which is 1.7 times covered by post-exceptional earnings (2009: 1.7 times), will be paid on 20 August 2010 to shareholders on the register as at 23 July 2010.

Cash flow and net debt

Our strong operational cash flows continued with £16.2m (2009: £11.3m) of net cash generated from operations for the 26 weeks ended 27 June 2010. During the period, outflows of £3.4m of corporation tax and £4.8m of capital expenditure and financial investment were incurred. £5.5m of capital expenditure was incurred during the period, of which £4.4m was spent on the commissary expansion programme.

The Group generated a net decrease in cash and cash equivalents of £0.4m (2009: net increase of £3.0m) for the period under review.

At 27 June 2010, the Group's adjusted net debt was £16.7m (2009: £18.0m). The decrease of £1.3m is mainly due to the cash generation from the operating activities of the Group, partially offset by further capital expenditure on the commissary expansion programme and share buybacks.

The ratio of adjusted net debt to EBITDA was 0.5:1 (2009: 0.6:1), against a financial covenant of 2.5:1 for the £25m facility. This highlights the Group's conservative policy towards financial leverage.

Banking facilities

At 27 June 2010, the Group had a total of £43.0m in banking facilities, of which £2.9m was undrawn. Against these facilities, and as noted above, the Group has only £16.7m adjusted net debt at the period end. The key facility required for the expenditure on the new Milton Keynes commissary is a £25m five-year facility which attracts an interest rate of LIBOR plus 50 bps. This facility expires on 20 December 2012 and includes debt cover and interest cover covenants, which are monitored and reported on a quarterly basis. The Group has been comfortably within these covenants at all times. This facility has been fully utilised as at 27 June 2010.

The Group also has a £13m seven-year term facility, which is mainly used for the purchase of shares into the EBT. This facility also has an interest rate of LIBOR plus 50 bps and expires on 31 January 2014. £12m of this facility has been utilised as at 27 June 2010.

DP Capital Limited, our subsidiary company which lends to the franchisees for their in-store equipment purchasing, has a £5m five-year facility of which £3.1m has been utilised as at 27 June 2010.

Capital employed

Non-current assets increased in the 26 weeks to 27 June 2010 from £78.5m to £79.2m primarily due to further capital expenditure of £4.4m on the new Milton Keynes commissary.

Following continued successful testing of the new Milton Keynes commissary, it is on track to be fully operational towards end July/early August 2010.

Current assets increased from £41.1m to £43.3m in the 26 weeks to 27 June 2010 primarily due to an increase in trade receivables, of which the timing difference in the National Advertising Fund has been the major factor. Non-current liabilities ended the period at £58.7m (27 December 2009: £58.6m).

Treasury management

The treasury policy of the Group is determined and approved by the Board. The treasury activities are implemented and carried out in accordance with the Board approved policies. The key financial risks and uncertainties that affect the Group, which remain unchanged, are set out in the 2009 Financial Statements which are available on the Domino's Pizza website at www.dominos.co.uk.

Key financial risks faced by the Group include exposures to movement in:

- Interest rates
- Foreign exchange
- Commodity prices.

The banking facilities in place within the business, combined with the strong cash flows generated by the business, support the Directors' view that the Group has sufficient facilities available to meet its foreseeable working capital and funding requirements.

Conclusion

We are delighted with our continued growth over the first 26 weeks of the current financial year. It is pleasing to note the very strong cash generation of the business. With free cash flows increasing and the completion of the current phase of our expansionary capital expenditure programme, we are well positioned to return surplus cash not required in the business to our shareholders in the form of progressive dividends and share buybacks.

Lee Ginsberg
Chief Financial Officer
12 July 2010

GROUP INCOME STATEMENT

	Note	(Unaudited) 26 weeks ended 27 June 2010			(Unaudited) 26 weeks ended 28 June 2009			52 weeks ended 27 December 2009		
		Before exceptional items	Exceptional items (Note 6)	Total	Before exceptional items	Exceptional items (Note 6)	Total	Before exceptional items	Exceptional items (Note 6)	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	3	91,334	-	91,334	73,699	-	73,699	155,044	-	155,044
Cost of sales		(57,437)	-	(57,437)	(45,664)	-	(45,664)	(95,597)	-	(95,597)
Gross profit		33,897	-	33,897	28,035	-	28,035	59,447	-	59,447
Distribution costs		(5,315)	-	(5,315)	(4,825)		(4,825)	(9,993)	-	(9,993)
Administrative costs		(11,212)	(275)	(11,487)	(9,708)	(513)	(10,221)	(19,999)	(3,950)	(23,949)
		17,370	(275)	17,095	13,502	(513)	12,989	29,455	(3,950)	25,505
Share of post tax profits of associates		109	-	109	219	-	219	553	-	553
Operating profit	4	17,479	(275)	17,204	13,721	(513)	13,208	30,008	(3,950)	26,058
(Loss) / profit on the sale of non-current assets and assets held for sale		-	(11)	(11)	-	-	-	-	247	247
Loss on the sale of subsidiary undertakings		-	-	-	-	-	-	-	(30)	(30)
Excess of fair value of assets acquired over consideration		-	-	-	-	-	-	-	15,053	15,053
Profit before interest and taxation		17,479	(286)	17,193	13,721	(513)	13,208	30,008	11,320	41,328
Finance income		99	-	99	93	-	93	165	-	165
Finance expense		(73)	(220)	(293)	(206)	-	(206)	(308)	(217)	(525)
Profit before taxation		17,505	(506)	16,999	13,608	(513)	13,095	29,865	11,103	40,968
Taxation	7	(5,010)	80	(4,930)	(3,872)	74	(3,798)	(8,291)	816	(7,475)
Profit for the period		12,495	(426)	12,069	9,736	(439)	9,297	21,574	11,919	33,493
Profit for the period attributable to:										
Owners of the parent				12,056			9,296			33,484
Non-controlling interests				13			1			9
				12,069			9,297			33,493
Earnings per share (post exceptional charges)										
-Basic (pence)	9			7.77			5.98			21.45
-Diluted (pence)	9			7.62			5.93			20.95
Earnings per share (pre exceptional charges)										
-Basic (pence)	9			8.04			6.26			13.81
-Diluted (pence)	9			7.89			6.21			13.49

GROUP STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Profit for the period	12,069	9,297	33,493
Other comprehensive income:			
Exchange differences on retranslation of foreign operations	(392)	(929)	(554)
Other comprehensive income for the period, net of tax	(392)	(929)	(554)
Total comprehensive income for the period	11,677	8,368	32,939
Total comprehensive income for the year attributable to:			
Owners of the parent	11,664	8,367	32,930
Non-controlling interests	13	1	9
	11,677	8,368	32,939

GROUP BALANCE SHEET

	Notes	(Unaudited) At 27 June 2010 £000	(Unaudited) At 28 June 2009 £000	At 27 December 2009 £000
Non-current assets				
Goodwill and intangible assets		1,211	1,238	1,634
Property, plant and equipment	10	44,038	35,516	39,363
Prepaid operating lease charges		535	691	622
Net investment in finance leases		6,611	2,207	7,229
Investments in associates		1,049	629	960
Deferred tax asset		25,760	-	28,706
		79,204	40,281	78,514
Current assets				
Inventories		2,892	2,883	2,735
Trade and other receivables		14,989	16,174	12,514
Net investment in finance leases		1,847	889	1,745
Prepaid operating lease charges		130	138	138
Cash and cash equivalents	5	23,450	20,929	23,997
		43,308	41,013	41,129
Non-current assets held for sale		1,003	1,037	954
Total assets		123,515	82,331	120,597
Current liabilities				
Trade and other payables		(24,565)	(20,309)	(24,345)
Deferred income		(77)	(77)	(77)
Financial liabilities	11	(1,849)	(883)	(1,772)
Financial liabilities – share buyback obligation		-	-	(10,592)
Current tax liabilities		(1,732)	(3,271)	(3,644)
		(28,223)	(24,540)	(40,430)
Non-current liabilities				
Provisions		(119)	(134)	(127)
Financial liabilities	11	(43,514)	(38,066)	(43,657)
Deferred income		(1,078)	(1,088)	(1,078)
Deferred consideration		(13,892)	-	(13,672)
Deferred tax liabilities		(53)	(740)	(57)
Total liabilities		(86,879)	(64,568)	(99,021)
Net assets		36,636	17,763	21,576
Shareholder's equity				
Called up share capital		2,514	2,541	2,519
Share premium account		8,788	6,924	8,012
Capital redemption reserve		398	346	387
Treasury share reserve		(6,380)	(7,350)	(7,200)
Currency translation reserve		907	924	1,299
Retained earnings		30,274	14,325	16,437
Equity shareholder's funds		36,501	17,710	21,454
Non-controlling interests		135	53	122
Total equity		36,636	17,763	21,576

GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Capital Reserve - Own shares £000	Currency Translation Reserve £000	Retained Earnings £000	Equity Shareholder's Funds £000	Non-Controlling Interests £000	Total Equity £000
At 28 December 2008	**2,523**	**5,917**	**346**	**(7,897)**	**1,853**	**9,986**	**12,728**	**52**	**12,780**
Profit for the period	-	-	-	-	-	9,296	9,296	1	9,297
Other comprehensive income – exchange differences	-	-	-	-	(929)	-	(929)	-	(929)
Total comprehensive income for the period	-	-	-	-	(929)	9,296	8,367	1	8,368
Proceeds from share issue	18	1,007	-	-	-	-	1,025	-	1,025
Vesting of LTIP grants	-	-	-	547	-	(547)	-	-	-
Share option and LTIP charge	-	-	-	-	-	625	625	-	625
Tax on employee share options	-	-	-	-	-	(52)	(52)	-	(52)
Equity dividends paid	-	-	-	-	-	(4,983)	(4,983)	-	(4,983)
At 28 June 2009	**2,541**	**6,924**	**346**	**(7,350)**	**924**	**14,325**	**17,710**	**53**	**17,763**
Profit for the period	-	-	-	-	-	24,188	24,188	8	24,196
Other comprehensive income – exchange differences	-	-	-	-	375	-	375	-	375
Total comprehensive income for the period	-	-	-	-	375	24,188	24,563	8	24,571
Proceeds from share issue	19	1,088	-	-	-	-	1,107	-	1,107
Share buybacks	(41)	-	41	-	-	(7,569)	(7,569)	-	(7,569)
Share transaction charges	-	-	-	-	-	(55)	(55)	-	(55)
Vesting of LTIP grants	-	-	-	150	-	(150)	-	-	-
Share option and LTIP charge	-	-	-	-	-	1,272	1,272	-	1,272
Tax on employee share options	-	-	-	-	-	501	501	-	501
Equity dividends paid	-	-	-	-	-	(5,483)	(5,483)	-	(5,483)
Share buyback obligation	-	-	-	-	-	(10,592)	(10,592)	-	(10,592)
Non-controlling interest movement	-	-	-	-	-	-	-	61	61
At 27 December 2009	**2,519**	**8,012**	**387**	**(7,200)**	**1,299**	**16,437**	**21,454**	**122**	**21,576**
Profit for the period	-	-	-	-	-	12,056	12,056	13	12,069
Other comprehensive income – exchange differences	-	-	-	-	(392)	-	(392)	-	(392)
Total comprehensive income for the period	-	-	-	-	(392)	12,056	11,664	13	11,677
Proceeds from share issue	6	776	-	-	-	-	782	-	782
Share buybacks	(11)	-	11	-	-	(2,308)	(2,308)	-	(2,308)
Share transaction charges	-	-	-	-	-	(124)	(124)	-	(124)
Vesting of LTIP grants	-	-	-	820	-	(820)	-	-	-
Share option and LTIP charge	-	-	-	-	-	569	569	-	569
Tax on employee share options	-	-	-	-	-	468	468	-	468
Equity dividends paid	-	-	-	-	-	(6,596)	(6,596)	-	(6,596)
Share buyback obligation	-	-	-	-	-	10,592	10,592	-	10,592
At 27 June 2010	**2,514**	**8,788**	**398**	**(6,380)**	**907**	**30,274**	**36,501**	**135**	**36,636**

GROUP CASHFLOW STATEMENT

	(Unaudited) 26 weeks ended 27 June 2010	(Unaudited) 26 weeks ended 28 June 2009	52 weeks ended 27 December 2009
Cash flows from operating activities	£000	£000	£000
Profit before taxation	16,999	13,095	40,968
Excess of fair value of assets acquired over consideration	-	-	(15,053)
Net finance costs	194	113	360
Share of post tax profits of associates	(109)	(219)	(553)
Amortisation and depreciation	1,087	907	2,014
Impairment	-	-	2,706
Loss / (profit) on disposal of non current assets	11	-	(217)
Share option and LTIP charge (including accelerated LTIP charge)	569	625	1,897
Increase in inventories	(197)	(387)	(224)
Increase in receivables	(2,529)	(2,698)	335
Increase / (decrease) in payables	135	(69)	3,464
Decrease in deferred income	-	(38)	(48)
Decrease in provisions	(7)	(7)	(14)
Cash generated from operations	16,153	11,322	35,635
UK corporation tax	(3,387)	(2,429)	(5,158)
Overseas corporation tax paid	-	(169)	(353)
Net cash generated by operating activities	12,766	8,724	30,124
Cash flows from investing activities			
Interest received	88	93	165
Dividends received	21	380	383
Receipts from repayment of associate loan	36	64	69
Payments to acquire finance lease assets	(730)	(956)	(2,058)
Receipts from repayment of franchisee finance leases	1,246	617	1,993
Purchase of property, plant and equipment	(5,199)	(13,230)	(21,150)
Acquisition of subsidiary	-	-	(509)
Purchase of other non-current assets	(312)	(569)	(1,358)
Cash proceeds on the disposal of subsidiary undertaking	-	-	23
Receipts from the sale of other non-current assets	60	-	2,000
Acquisition of non-controlling interest	-	-	(216)
Net cash used by investing activities	(4,790)	(13,601)	(20,658)
Cash inflow / (outflow) before financing	7,976	(4,877)	9,466
Cash flow from financing activities			
Interest paid	(66)	(333)	(260)
Issue of ordinary share capital	782	1,025	2,132
Purchase of own shares	(2,432)	-	(7,624)
Bank revolving facilities – current	-	(4,000)	(4,000)
Bank revolving facilities – non-current	-	15,700	16,700
New long term loans	1,285	1,065	1,637
Repayment of long term loans	(1,349)	(575)	(1,788)
Equity dividends paid	(6,596)	(4,983)	(10,466)
Net cash (used) / generated by financing activities	(8,376)	7,899	(3,669)
Net (decrease) / increase in cash and cash equivalents	(400)	3,022	5,797
Cash and cash equivalents at beginning of period	23,997	18,602	18,602
Foreign exchange loss on cash and cash equivalents	(147)	(695)	(402)
Cash and cash equivalents at end of period	23,450	20,929	23,997

NOTES TO THE GROUP INTERIM REPORT

1. GENERAL INFORMATION

Domino's Pizza UK & IRL plc is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is Domino's House, Lasborough Road, Kingston, Milton Keynes, MK10 0AB. The Company's Ordinary Shares are traded on the London Stock Exchange. Copies of the Interim Report are being sent to shareholders. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

2. BASIS OF PREPARATION

The interim financial information has been prepared on the basis of International Financial Reporting Standards ("IFRS"), as adopted by the European Union, that are effective at 27 June 2010 and are consistent with the accounting policies adopted in the preparation of the Group's annual report and accounts for the 52 weeks ended 27 December 2009.

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The financial information contained in this interim statement does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

The financial information for the 52 weeks ended 27 December 2009 has been extracted from the statutory accounts for the Group for that period. These published accounts were reported on by the auditors without qualification or an emphasis matter reference and did not include a statement under section 498(2) or (3) of the Companies Act 2006 and have been delivered to the Registrar of Companies.

The financial statements are prepared on the going concern basis. This is considered appropriate given the considerable financial resources of the Group together with long-term contracts with its master franchisor, its franchisees and its key suppliers.

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

Changes in accounting policy

IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

Other new standards and interpretations applied by the Group are consistent with those disclosed in the Group's annual report and financial statements for the 52 weeks ended 27 December 2009, these do not have a material impact on this interim report.

NOTES TO THE GROUP INTERIM REPORT

3. REVENUE

Revenue recognised in the income statement is analysed as follows:

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Royalties and sales to franchisees	84,930	68,027	143,229
Rental income on leasehold and freehold property	6,219	5,534	11,475
Finance lease income	185	138	340
	91,334	73,699	155,044

4. SEGMENT INFORMATION

For management purposes, the Group is organised into two geographical business units, United Kingdom and Ireland, based on the territories governed by the Master Franchise Agreement ("MFA"). Revenue included in the United Kingdom segment includes all sales (royalties, commissary sales, rental income and finance lease income) made to franchise stores located in the United Kingdom (excluding Northern Ireland). Revenue included in the Ireland segment includes all sales (royalties, commissary sales, rental income and finance lease income) made to franchise stores located in both Republic of Ireland and Northern Ireland.

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.

Operating Segments

	(Unaudited) 26 weeks ended 27 June 2010			(Unaudited) 26 weeks ended 28 June 2009			52 weeks ended 27 December 2009		
	Ireland £000	United Kingdom £000	Total £000	Ireland £000	United Kingdom £000	Total £000	Ireland £000	United Kingdom £000	Total £000
Segment revenue									
Sales to external customers	9,090	82,244	91,334	8,083	65,616	73,699	13,684	141,360	155,044
Results									
Segment result	2,130	14,965	17,095	1,705	11,284	12,989	3,039	22,466	25,505
Share of profit of associates		109	109	-	219	219	-	553	553
Group operating profit	2,130	15,074	17,204	1,705	11,503	13,208	3,039	23,019	26,058

NOTES TO THE GROUP INTERIM REPORT

4. SEGMENT INFORMATION (continued)

(Loss) / profit on the sale of non current assets and assets held for sale	-	(11)	(11)	-	-	-	-	247	247
Loss on the sale of subsidiary undertakings	-	-	-	-	-	-	-	(30)	(30)
Goodwill arising on acquisition	-	-	-	-	-	-	-	15,053	15,053
	2,130	15,063	17,193	1,705	11,503	13,208	3,039	38,289	41,328
Net finance costs			(194)			(113)			(360)
Profit before taxation			16,999			13,095			40,968
Assets									
Segment assets	2,208	96,808	99,016	2,707	58,066	60,773	2,387	64,547	66,934
Equity accounted investments	-	1,049	1,049	-	629	629	-	960	960
Unallocated assets	-	-	23,450	-	-	20,929	-	-	52,703
Total assets	2,208	97,857	123,515	2,706	58,695	82,331	2,387	65,507	120,597

5. CASH AND CASH EQUIVALENTS

	(Unaudited) At 27 June 2010 £000	(Unaudited) At 28 June 2009 £000	At 27 December 2009 £000
Cash at bank and in hand	4,385	3,209	4,376
Short term deposits	19,065	17,720	19,621
	23,450	20,929	23,997

NOTES TO THE GROUP INTERIM REPORT

6. EXCEPTIONAL ITEMS

Recognised as part of operating profit

The Group has incurred the following exceptional charges during the financial period:

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Accelerated LTIP charge	-	249	980
Restructuring and reorganisation costs	275	264	264
Impairment	-	-	2,706
	275	513	3,950

Restructuring and reorganisation
Restructuring and reorganisation costs of £275,000 (2009: £264,000) result in a £80,000 reduction in the Group's tax charge for the period (2009: £74,000 reduction).

Impairment
As a result of the new Milton Keynes commissary being on track for completion at the end of July 2010, together with the decline in the local commercial property market the Group reconsidered the residual value and remaining life of the existing Milton Keynes commissary as at 27 December 2009. Consequently, the Group took an impairment charge of £2,706,000 which resulted in a £758,000 reduction in the Group's tax charge for the period.

Recognised below operating profit

Profit on the sale of non-current assets and assets held for sale

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Profit on sale of corporate stores	-	-	239
(Loss) / profit on sale of non-current assets held for sale – DP Peterborough Limited	(11)	-	191
Loss on sale of other non-current assets	-	-	(183)
	(11)	-	247

The Group has taken the decision not to invest in or trade in corporately owned stores. During the 52 weeks ended 27 December 2009 the Group disposed of its subsidiary undertaking DP Peterborough Limited for a total cash consideration of £1,100,000 generating a profit of £191,000. During the 26 weeks ended 27 June 2010 additional costs of £11,000 were incurred in relation to the disposal.

NOTES TO THE GROUP INTERIM REPORT

6. EXCEPTIONAL ITEMS (continued)

Unwinding of discount

Included within the finance cost is a charge of £220,000 (June 2009: nil, December 2009: £217,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited on 1 July 2010.

All of these transactions related to the United Kingdom operating segment.

7. INCOME TAX

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Current income tax			
Current income tax charge	1,683	3,240	7,138
Deferred income tax			
Relating to origination and reversal of temporary differences	3,247	558	337
Income tax expense	4,930	3,798	7,475

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes, which, if enacted in the proposed manner, will have an effect on the Group's future tax position. As at 27 June 2010, the tax changes announced in the Budget are not yet regarded as 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the Group's financial statements as at 27 June 2010. The budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually.

The effect on the Group of these proposed changes to the UK tax system will be reflected in the Group's financial statements for the 52 weeks ending 26 December 2010 once the proposals have been substantively enacted.

8. DIVIDENDS PAID AND PROPOSED

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Declared and paid during the year			
Final dividend for 2008 3.20p (2007: 2.50p)	-	4,983	4,983
Interim dividend for 2009 3.50p (2008: 2.70p)	-	-	5,483
Final dividend for 2009 4.25p (2008: 3.20p)	6,596	-	-
	6,596	4,983	10,466

The directors propose an interim dividend of 4.5p per share of £7,031,000 (2009: 3.50p £5,483,000).

NOTES TO THE GROUP INTERIM REPORT

9. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period 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:

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Profit for the period	12,069	9,297	33,493
Adjusted for – non-controlling interests	(13)	(1)	(9)
Profit attributable to owners of the parent	12,056	9,296	33,484

	(Unaudited) At 27 June 2010 No.	(Unaudited) At 28 June 2009 No.	At 27 December 2009 No.
Reconciliation of basic and diluted weighted average number of shares:			
Basic weighted average number of shares (excluding treasury shares)	155,199,205	155,437,666	156,119,696
Dilutive potential ordinary shares:			
Employee share options	1,000,522	1,215,378	1,422,261
Reversionary interests	2,097,392	179,227	2,293,090
Diluted weighted average number of shares	158,297,119	156,832,271	159,835,047

NOTES TO THE GROUP INTERIM REPORT

9. EARNINGS PER SHARE (continued)

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Basic earnings per share	7.77	5.98	21.45
Diluted earnings per share	7.62	5.93	20.95

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

In addition, the performance conditions for reversionary interests granted over 6,577,347 (2009: 12,632,907) shares and share options granted over 2,695,369 (2009: 2,949,322) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end have not been included in the diluted earnings per share calculation.

Earnings per share before exceptional items

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

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

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Adjusted basic earnings per share	8.04	6.26	13.81
Adjusted diluted earnings per share	7.89	6.21	13.49

NOTES TO THE GROUP INTERIM REPORT

9. EARNINGS PER SHARE (continued)

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

	(Unaudited) 26 weeks ended 27 June 2010 £000	(Unaudited) 26 weeks ended 28 June 2009 £000	52 weeks ended 27 December 2009 £000
Profit for the period	12,069	9,297	33,493
Adjusted for – non-controlling interests	(13)	(1)	(9)
Profit attributable to owners of the parent	12,056	9,296	33,484
Exceptional items after tax – attributable to owners of the parent	426	439	(11,919)
- Accelerated LTIP charge	-	249	980
- Operating exceptional charges	275	264	264
- Profit / (loss) on the sale of non current assets and assets held for sale	11	-	(247)
- Loss on the sale of subsidiary undertakings	-	-	30
- Excess of fair value of assets acquired over consideration	-	-	(15,053)
- Impairment	-	-	2,706
- Unwinding of discount	220	-	217
- Taxation impact	(80)	(74)	(816)
Profit before exceptional items attributable to owners of the parent	12,482	9,735	21,565

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period

During the 26 weeks ended 27 June 2010, the Group acquired assets with a cost of £5.2m (2009: £13.2m). £4.4m (2009: £12.8m) of the additions in the period related to the investment in the new Milton Keynes commissary.

Capital commitments

At 27 June 2010, the Group had capital commitments of £0.6m (2009: £7.4m) principally relating to the acquisition of property, plant and equipment for the new Milton Keynes commissary.

NOTES TO THE GROUP INTERIM REPORT

11. INTEREST-BEARING LOANS AND BORROWINGS

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 27 June 2010 the balance due under these facilities was £12,035,000 (2009: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.50% (2009: 0.50%) per annum above LIBOR. The loan has a term of 7 years and matures on 31 January 2014. The limit for this facility is £13,000,000.

Bank revolving facility

The Group entered into an agreement on 20 December 2007 to obtain an additional revolving facility from Barclays Bank plc. The limit for this facility is £25,000,000. The balance drawn down on the facility at 27 June 2010 was £25,000,000 (June 2009: £24,000,000, December 2009: £25,000,000). The facility has a term of 5 years and matures on 20 December 2012. The loan bears interest at 0.50% (2009: 0.50%) per annum above LIBOR. The facility is secured by an unlimited cross guarantee between the Company, Dominos Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Developments Limited as well as negative pledges given by the Company, Dominos Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Developments Limited.

Other loans

The Group has an asset finance facility of £5,000,000 (2009: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 27 June 2010 is £3,135,000 (June 2009: £2,914,000, December 2009 £2,703,000). The loans are repayable in equal instalments over a period of up to 5 years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza Group 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 7.65% (2009: 8.60%).

Non-recourse loans

Non-recourse loans of £5,194,000 (June 2009: nil, December 2009: £5,691,000) were acquired with Domino's Leasing Limited. The loans are repayable over terms of up to six years and bear interest at 0.5% above LIBOR. The loans are secured over the related lease receivables and are only repayable provided the related lease receivables are settled in full.

12. SHARE-BASED PAYMENTS

The expense recognised for share-based payments in respect of employee services received during the 26 weeks to 27 June 2010 is £569,000 (2009: £625,000). 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 UK & IRL 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. In February 2010, 1,261,469 reversionary interests were granted to senior executives under the Long Term Incentive Plan.

NOTES TO THE GROUP INTERIM REPORT

12. SHARE-BASED PAYMENTS (continued)

The following table lists the performance criteria attached to the reversionary interests granted and not vested:

Grant date	Grant price per interest	Annual growth in EPS	No. of Interests granted
February 2010	327.0p	RPI plus 9%	1,261,469

The contractual life of each interest is 5 years and all awards are equity settled. The weighted average fair value of each reversionary interest granted during the 26 week period was 70.0p.

Employee Share-option

All other employees are eligible for grants of options, which are approved by the Board. In April 2010, 269,813 share options were granted under the Unapproved Share Option Scheme and 622,073 share options were granted under the Approved Share Option Scheme. The options vest after a 3 year period and are exercisable subject to the condition that the growth in basic earnings per share in any financial year between grant and vesting exceeds the real growth by at least 3%. The contractual life of each option granted is 10 years. There are no cash settlement alternatives and all awards are equity settled.

The weighted average fair value of each option granted during the 26 week period was 77.6p.

The fair value of both options and reversionary interests granted is estimated at the date of granting using a Black-Scholes model, taking into account the terms and conditions upon which they were granted.

The following table lists the inputs to the model used for 2010:

	Dividend yield (%)	Expected volatility (%)	Historical volatility (%)	Risk-free rate (%)	Expected term (years)	Initial value/ exercise price (p)	Share price (p)
LTIP	3.5	33.0	35.3	2.5	4	327.0	327.0
Employee Share Option	3.5	33.0	35.4	2.3	4	341.0	341.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is not indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value.

NOTES TO THE GROUP INTERIM REPORT

13. RELATED PARTY TRANSACTIONS

During the 26 weeks ended 27 June 2010, the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 27 June 2010 with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Associates		
27 June 2010	1,842	96
28 June 2009	2,107	102
27 December 2009	3,891	103

14. ANALYSIS OF NET DEBT

	(Unaudited) At 27 June 2010 £000	(Unaudited) At 28 June 2009 £000	At 27 December 2009 £000
Bank loan EBT	12,035	12,035	12,035
Other loans	3,135	2,914	2,703
Bank revolving facility	25,000	24,000	25,000
Less: cash and cash equivalents	(23,450)	(20,929)	(23,997)
Adjusted net debt	16,720	18,020	15,741
Non-recourse loans	5,194	-	5,691
Share buyback obligation	-	-	10,592
Net debt	21,914	18,020	32,024

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the financial statements have been prepared in accordance with IAS 34;
b) the interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR 4.2.7R) – indication of important events during the 26 weeks and their impact on the financial statements and description of principal risks and uncertainties for the remaining 26 weeks of the financial year; and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R – disclosure of related party transactions and changes therein.

On behalf of the Board

Christopher Moore	Lee Ginsberg
Chief Executive Officer	Chief Financial Officer

Independent review report to Domino's Pizza UK & IRL plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the twenty six weeks ended 27 June 2010 which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes of equity, Group cash flow statement and the related explanatory notes 1 to 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the twenty six weeks ended 27 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Luton
12 July 2010