Domino's Pizza NEWS

15 February 2012

DOMINO'S PIZZA UK & IRL plc
PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 25 DECEMBER 2011

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 52 weeks ended 25 December 2011.

Financial Highlights

- System sales[1] increased by 9.3% to £530.6m (2010: £485.3m)
- Strong operational gearing drives operating margins[2], pre-Germany to 20.9% (2010: 20.2%)
- Profit before tax[2], pre-Germany losses of £1.4m, increased by 14.6% to £43.6m (2010: £38.0m), statutory profit before tax was £38.8m (2010: £35.2m)
- Like-for-like sales[3] in 604 mature stores up by 3.0% (2010: 11.9% in 553 stores) with the UK stores up by 3.7%
- Earnings per share[2]:
  - Basic earnings per share up 12.2% to 19.48p (2010: 17.36p)
  - Diluted earnings per share up 14.9% to 19.24p (2010: 16.75p)
  - Diluted earnings per share, pre-Germany, up 18.6% to 19.86p (2010: 16.75p)
- Total dividend increased by 20.6% to 12.30p per share (2010: 10.20p)
- 62 new stores opened in the year (2010: 57 stores) and three closed (2010: nil) resulting in a total of 726 stores at the year end (2010: 665)
- Online system sales increased by 43.0% (2010: 63.0%) to £183.1m (2010: £128.0m) with online sales accounting for 44.3% of UK delivered sales (2010: 35.8%)
- Adjusted net debt[4] to EBITDA of 0.4:1 (2010: 0.2:1), highlighting our low financial leverage.

Commenting on the results Chief Executive Officer, Lance Batchelor, said:

"I am pleased, in my first full results announcement, to be able to report a good set of figures. It has been a busy year for Domino's with an increase in system sales of 9.3% to £530.6m (2010: £485.3m), the launch of our new operations in Germany and the opening of a record 62 new stores. Our strong operational gearing has also driven operating margins[2], pre-Germany, to 20.9% (2010: 20.2%) and diluted earnings per share[2], pre-Germany, is up 18.6% to 19.86p.

"Trading has continued to be robust during the first seven weeks of 2012 with like-for-like sales for the Group increasing by 3.7%.The UK stores are up 3.8% and, encouragingly, the stores in the Republic of Ireland are in positive territory, up 2.3% for the first time in three years. The consumer backdrop remains a tough one, but with record store openings and

continuing appetite from our franchisees, we remain confident of the Group's ability to drive both sales and profits going forward.

"We are delighted by the enthusiasm of some of our best UK franchisees with regards to the franchise opportunity in Germany and we are confident that our franchising model in this market will commence during 2012.

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

Corporate Progress

- Delivered to 4.3m households (2010: 4.0m)
- Release of iPad and Android apps – in quarter four, mobile platforms accounted for 14% of online orders
- Took over £1m in daily online sales 17 times during 2011 (2010: 0)
- Acquired the Master Franchise Agreement for Germany along with two existing stores
- Opened four new stores in Germany
- Around 1,800 new jobs created in stores during 2011
- Recruited five new franchisees and increased average number of stores per franchisee to 5.7 (2010: 5.0)
- New head office opened at West Ashland, Milton Keynes

1 *Sales made by franchisees from all stores in the UK, Republic of Ireland and Germany to the public*
2 *Pre-exceptional items*
3 *Like-for-like sales are sales in stores that were open before 27 December 2009*
4 *Excludes Domino's Leasing Limited's non-recourse loans and the non-controlling shareholder loan in Germany*

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A presentation to analysts will be held at 09.30 on 15 February 2012 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, the Republic of Ireland and Germany. The first UK store opened in Luton in 1985 and the first Irish store opened in 1991. In April 2011, the Group acquired a majority stake in the exclusive master franchise to own, operate and franchise Domino's Pizza stores in Germany.

As at 25 December 2011, there were 726 stores in the UK, Republic of Ireland and Germany. Of these, 575 stores are in England, 48 are in Scotland, 28 are in Wales, 19 are in Northern Ireland, one is on the Isle of Man, one is a mobile unit, 48 are in the Republic of Ireland and six are in Germany.

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 9,350 Domino's Pizza stores in 70 international markets. Domino's Pizza has a singular focus – the home delivery of pizza, freshly made to order with high quality ingredients.

Customers in the UK can order online at www.dominos.co.uk, customers in the Republic of Ireland can order online at www.dominos.ie and customers in Germany can order online at www.dominos.de. In addition, mobile customers can order by downloading Domino's free iPhone, iPad, Android and Windows Phone 7 apps.

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 MHP on +44 (0)20 3128 8100.

Chairman's statement

It gives me great pleasure to be reporting another robust set of figures. It's been a good year for Domino's with profit before tax and exceptional items rising by 10.9% to £42.2m (2010: £38.0m) and system sales rising by 9.3% to £530.6m (2010: £485.3m). In addition, adjusted diluted earnings per share has risen by 14.9% to 19.24p (2010: 16.75p). Among the many highlights of 2011, we acquired the Master Franchise Agreement for Germany, achieved a record 62 new store openings and took over £1million in a single day solely through online sales – a feat we have now repeated many times.

The underlying strengths of our business continue to be innovation in both our product range and our marketing approach, excellent franchisees running profitable businesses with exceptional customer service, and strong cash generation with a focus on operating margins, highlighting the healthy underlying operational gearing of the business. We have now completed all of the current major capital expenditure programmes with the opening of our new head office and, together with the strong underlying cash generation, this will allow us to more aggressively pursue our policy of returning cash not required in the business to shareholders in future years.

We continue to lead the rest of the Domino's global system in terms of sales, with our market having eight of the top 10 international stores. But sales are not the end of the story and I was delighted that all three of our commissaries received a five star audit rating – the top grade – by assessors from Domino's Inc. Of the 120 commissaries around the world, only 17 have five stars – and we own three of them. We are also measured through the OER (operations evaluation review) – used to audit the standards in Domino's stores across the globe. The UK has the highest average OER of any of the major global markets and it reinforces the fact that we don't compromise standards as we grow our business.

We are excited to be taking this winning ethos into Germany. Although, at present, we only have six stores there, we are looking to treble this during the next year. We have a strong team in place and it is an incredible opportunity to be able to expand across a brand new country. As well as starting to recruit German franchisees, we are delighted that many of our UK franchisees are also showing an interest in expanding their businesses in the German market while continuing to develop in the UK.

During 2011, we made good progress on shaping the Board for the future, recruiting Syl Saller and Helen Keays as Non-Executive Directors. Both have proven track records in industry and add a good balance to the existing skills on our Board. During the year, Peter Klauber decided to step down from the Board and I thank him for his support and wise counsel during his tenure. I would like to take this opportunity to thank all of our Non-Executive Directors for their support and advice throughout the year. We are committed to developing both our Board and executive governance structures in order to maintain high standards of conduct, good governance and transparency.

We completed the first year of our support for the Pennies initiative during the year – encouraging customers to round up their online orders to the nearest pound, with the difference going to charity. The results have been superb and our customers, through this simple system, donated over £185,000. The money is split between a number of charities, but the bulk of it is allocated to our corporate charity, Special Olympics Great Britain, which benefited from £120,000 of this money – giving it the opportunity to complete a number of new projects. We are very proud to have been the launch partner for Pennies and we will continue to support the initiative going forward.

Finally, it just remains for me to thank our franchisees, our store staff and all our employees for their hard work and dedication. The economic climate may be harsh – but adversity motivates those who work in the Domino's system. I must also pay tribute to one particular person – Chris Moore, who stepped down as Chief Executive on 26 December 2011. I would like to take this opportunity to publicly thank Chris for his terrific contribution to this great brand and for the legacy he created. In the 87 quarters during which Chris worked at Domino's, 86 delivered positive sales growth. That's quite an achievement and sets a high benchmark for his successor, Lance Batchelor.

Lance has been with Domino's, in an executive capacity, for eight months now – and for another year before that as a Non-Executive Director. I have been impressed by the seamless handover and how quickly Lance has found his feet, got to know the business and the franchisees and started to add his own elements to the Company's strategy.

Stephen Hemsley
Non-Executive Chairman
15 February 2012

Chief Executive Officer's review

I am pleased, in my first full results announcement, to be able to report a good set of figures. It has been a busy year for Domino's with an increase in system sales of 9.3% to £530.6m (2010: £485.3m), the launch of our new operations in Germany and the opening of a record 62 new stores (2010: 57) with 58 in the UK and the Republic of Ireland and four (2010: nil) in Germany. Our underlying business has continued to perform well with UK like-for-like sales growth of 3.7%. Total system like-for-like sales growth was 3.0% across the 604 mature stores (2010: 11.9% in 553 stores), with the Republic of Ireland stores down 4.1%.

Having spent the last six months of the financial year as Deputy Chief Executive, combined with my time as a Non-Executive Director, I have had a unique opportunity to get to know the Domino's business model before stepping up as Chief Executive. Much of my time has been spent with our franchisees, who add so much to the energy and creativity of this wonderful brand. Their passion and drive to take the business to the next level is compelling, and is matched by the commitment of the head office and commissary teams.

On the technology front, we successfully completed a wholesale move of our critical IT systems to an external hosting provider. This gives us added security, greater scalability and frees up the internal team to focus on developing initiatives like our new apps and further ways to leverage greater online sales and customer engagement. We have also started to update the store operating system to PULSE – the system used in most Domino's markets across the globe. PULSE provides improved management information and allows better labour scheduling and cost monitoring for our franchisees. More than one in five stores have already switched to this system and we aim to have over half the roll out completed by the end of 2012.

While many companies see only threat in recessionary times, we see opportunity. We will continue with our plans for the UK and the Republic of Ireland to open at least 60 new stores each year, reaching new parts of the country and adding depth and penetration within areas we already cover. When I review our rollout plans I really feel that the future holds so much potential for our franchisees, our stakeholders and our customers.

In terms of industry recognition, it was also very gratifying to receive the Pizza and Pasta Association award for *Pizza Delivery Chain of the Year* for the second year running. While our sales and store openings speak for themselves, it is always nice to be recognised by your peers.

More Fabulous Products

During the last year, we have launched two very different products to complement our existing range and extend our target audience – the Domino's Stuffed Crust and our new Gourmet range.

One of the most pleasing aspects of the freshly-made Domino's Stuffed Crust is that it came in direct response to consumer demand. The most frequently asked question in our stores, from customers, was why we didn't have a stuffed crust option. So, following a comprehensive process to create, what is in our view, the best stuffed crust in the industry, the Domino's Stuffed Crust was launched in the UK in June 2011. It immediately began taking a large share of our business and, since its launch, has contributed 12.3% of all pizza sales. We believe it has played a substantial role in attracting the 300,000 new households that have come to Domino's during the last financial year.

Our new product development team also launched a new Gourmet range of pizzas in both the UK and the Republic of Ireland. These pizzas are more Italian in style – with a thinner base, a sundried tomato and garlic sauce and new, interesting toppings including feta cheese, baby spinach and ventricina salami. Again, this range has brought in new customers and in the Republic of Ireland, where it was backed by local celebrity chef Andrew Rudd, Gourmet pizzas accounted for 12.5% of speciality pizza sales since their launch.

Training our store teams to produce the Domino's Stuffed Crust and our new Gourmet pizzas was a major undertaking, as both products involve our signature fresh dough. Although the majority of this training has taken place in the store, over 2,000 store managers and senior team members have attended specially organised workshops to learn the finer arts of stuffing a crust and evenly stretching a perfectly formed, Italian-style base. It is this passion and commitment that we believe sets us apart from the competition. Despite the addition of these more complex products to our operation, we maintained our average load time (i.e. the time it takes to get the pizzas from order to oven) at 3.1 minutes.

In addition, we launched the Spanish Sizzler in February, two versions of a Reggae Reggae pizza with Levi Roots of *Dragon's Den* fame in April and the Meatilicious in October. All of these pizzas have created excitement with our customers and we have used Facebook to offer a special, exclusive deal during the week before the official launch, solely for our 300,000 plus Facebook fans.

We have also been mindful of the nutritional agenda during the year and continue to work with our suppliers to reduce the amount of fat and salt in our raw ingredients, without the moves having any detrimental effect on the taste of our pizzas, sides and desserts. As a result we will, during 2012, be signing up to a number of pledges in the Government's Responsibility Deal – including the calorie labelling pledge, which will see the calories in our pizzas appear at the point of order on our website, the most common way for orders to be placed.

Innovative Marketing

2011 has been the year of the app. Following on from the success of our iPhone app, we launched two other apps during the year – one for the Android platform and one for the iPad. Sales taken over a mobile device have risen rapidly during the year and accounted for a total of 14% of all online sales during the last quarter of the year.

Overall, online sales for the year in the UK and the Republic of Ireland increased by 43.0% (2010: 63.0%) to £183.1m and during the year accounted for 44.3% of UK delivered sales (2010: 35.8%). The rise of e-commerce in our business has been breathtaking and we are now regularly taking around 50% of our orders online, with daily sales far in excess of the million pound mark. A growing number of stores take over 75% of their orders online and it is a channel that Domino's continues to dominate in the quick service sector. This provides added benefits for our franchisees through reduced labour costs and increased order accuracy.

In addition to the basic function of online sales, we continue to improve the way we communicate with our new digital audience. From targeted email marketing to exciting competitions and initiatives via Facebook and Twitter, we continue to use these relatively low cost methods to promote new products, reward our top customers and create excitement in the brand.

More traditional marketing methods have also helped to build sales and our new brand ad – *It's What We Do* – was launched in June. The ad campaign around the Domino's Stuffed Crust – *Get Stuffed* – certainly created waves and a bus side advertising campaign to support it was awarded Outdoor Campaign of the Month by *Marketing* Magazine.

Finally, we continue to look for new and exciting opportunities for above the line activity. We were delighted to sponsor ITV's new family entertainment show – *Red or Black*, which ran in September with Ant and Dec. The show was a great platform to launch our new range of Gourmet pizzas. In the Republic of Ireland, we continue to dominate the viewing schedule with sponsorship of TV3's coverage of all the key family entertainment shows including *X-Factor*, *I'm a Celebrity* and *Dancing on Ice*.

Throughout the year, we have continued to recognise the importance of value to our consumers with a number of short-term, tactical, price-led promotions. These included the first ever Global Domino's Day – a worldwide promotion run on December 8, 2011, across the Facebook pages of Domino's around the world. The promotion offered all customers 50% off any pizzas ordered via the Global Domino's Day Facebook tab on that day. It was a resounding success – generating 26,500 new Facebook fans and over £270,000 of revenue.

Exceptional Service

Exceptional customer service is key to our sales proposition and future growth and this year saw a real focus on this area of the business. We launched our new *Black Apron* training programme aimed at taking great customer service to fantastic customer service and over 1,000 of our team members have already been through the training. With better routing and a more efficient operation from the oven to the customer's door, we were delighted to see our average delivery time reduce from 24.1 minutes to 23.8 minutes. We know that a reduction in delivery times leads to higher levels of customer satisfaction, which in turn increases order frequency.

We also launched two online training systems – D-Tube and DOTS. These e-learning packages allow easy access for store staff to training on both compliance legislation and on new products and ways to increase business. We were delighted when D-Tube took the *Training Journal* award for e-learning programme of the year.

Another way in which we look to improve our customer service is through new stores in new locations to allow us to service more people in more places. During the year, we opened 58 new stores in the UK and the Republic of Ireland – a record for the Company – creating some 1,800 new jobs. This coming year we intend to open at least 60 new stores in the UK and the Republic of Ireland, continuing towards our stated goal of at least 1,200 stores by 2021. At the year end, we had a total of 720 stores in these two markets, generating employment for nearly 23,000 people.

We closed three stores during the period in Blackburn, Liverpool and Portlaoise in the Republic of Ireland. In a system of over 700 stores there will always be some adjustments. The Blackburn store has always been in an unsuitable location and we are still seeking an alternative site in the town. In Portlaoise, the store was opened with a view to serving a new housing estate that was due to be built. Unfortunately the development was cancelled due to the Irish economic situation, leaving the store in something of a ghost town. Finally, the Liverpool store closed purely due to being in a weak location.

We have also been busy trialling some new formats during the year with our first stores in a Tesco superstore, a shopping centre and a motorway service area. Domino's has always been willing to try the unknown – and go into these ventures with an open mind and a willingness to learn, amend and, if necessary, stop a trial and try something else. For example the trial with Moto, the motorway services operator, has now ended, but we will continue to investigate new formats. I have no intention of changing this philosophy – I am a big believer that ongoing innovation and testing is an important part of our heritage – and of our future.

The really good news is that our new stores are trading better than ever. Improved site selection closer to those households with a higher propensity to buy pizza and more experienced franchisees get the operation performing to a high standard, very quickly. Demand for new stores from our existing franchisees is very high and we love to see them grow and develop, so last year we decided to recruit just five new franchisees (2010: 10). The average number of stores per franchisee, a metric we are keen to increase, has risen to 5.7 (2010: 5.0).

The Republic of Ireland

The Republic of Ireland continues to be a tough market in the current economic climate, but I am encouraged to see a gradual slowdown in the decline, although we are now up against some easier comparative figures. Like-for-like sales in the Republic of Ireland were down by 4.1% (2010: down by 8.4%) but our very high coverage of the TV schedules coupled with product innovation has ensured that we are still outperforming the competition. During the year, we opened only one new store in the territory but we still anticipate growth in this market in the future. In addition, to provide additional focus for our Irish franchisees, Procurement Director Ian Douglas has taken on responsibility for the day to day running of Ireland in a new role of Market Director – Ireland, in addition to his procurement agenda.

Germany

Our initial progress in Germany has been encouraging. We have now installed the management team, headed by International Development Director Patricia Thomas. We were delighted to open four new stores in the region during our first eight months of trading – three in Berlin and one in Bonn. In total there are now six stores open with a further dozen to come in 2012.

We have spent a lot of time analysing the German market, understanding the German consumer, developing the menu and putting infrastructure such as our own dough production and a robust supply chain in place. Although only one of our first six stores is franchised, we will involve ever more franchisees as the business develops. We have been delighted to get firm expressions of interest from some of our leading UK franchisees, keen to develop with us in an exciting new market. We have also already had a significant number of enquiries from within Germany itself.

It is still early days – but we are learning every day, gaining valuable understanding, and the potential opportunity in Germany is huge. I look forward to continuing to update shareholders on our progress.

Going Forward

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

The passion, support and enthusiasm of the team have helped to ensure a seamless handover from Chris Moore to me and I would like to take this opportunity to personally thank Chris for his support and guidance during the last six months. He has been faultless in his honesty, his advice and his humour as I have assumed the Chief Executive position. Domino's is a strong business, thanks in a very large part to his leadership, and I am honoured to be taking it over.

Trading has continued to be robust during the first seven weeks of 2012 with like-for-like sales for the Group increasing by 3.7%. The UK stores are up 3.8% and, encouragingly, the stores in the Republic of Ireland are in positive territory, up 2.3% for the first time in three years. The consumer backdrop remains a tough one, but with record store openings and continuing appetite from our franchisees, we remain confident of the Group's ability to drive both sales and profits going forward. We are delighted by the enthusiasm of some of our leading UK franchisees with regards to the franchise opportunity in Germany and we are confident that our franchising model in this market will commence during 2012.

Your Company is in good health and I am ready for the challenges ahead and confident of a successful year of growth for our franchisees, our employees and our shareholders.

Lance Batchelor
Chief Executive Officer
15 February 2012

Chief Financial Officer's review

The Group is pleased to report another year of solid progress and profit growth. This has been achieved against a tough economic backdrop, with increasing pressure on household incomes and lower levels of discretionary spend.

With consumers continuing to feel stretched, our efforts have been directed towards continuing to improve the quality of our product and the service levels and value we offer to our customers. Mitigating input cost pressures, particularly on the food supply side, has also been a key focus and in this regard we have been proactive in procurement by placing fixed price supply contracts where possible. We have further reinforced this by using our buying scale effectively to ensure that cost pressures have not had a disproportionate impact on either our or the franchisees' margins and profits. Notwithstanding these challenges we have delivered another set of strong results by increasing sales and profits.

2011 saw the Group expanding further afield into new international markets by acquiring a 75% shareholding in Intergrowth Enterprises Limited (subsequently renamed DP Cyco Limited), which holds the Master Franchisee Agreement (MFA) for Domino's Pizza Germany. This has opened up further substantial growth opportunities for the Group.

Despite the tough trading environment, we have delivered increases in system sales, group revenue, profit before tax and diluted earnings per share. Total system sales grew 9.3% to £530.6m (2010: £485.3m). Group revenue, which includes the sales generated by the Group from royalties, fees on new store openings, food sales, finance lease and rental income as well as the turnover of the stores in subsidiary undertakings, grew by 11.5% to £209.9m (2010: £188.1m).

Adjusted operating profit was up 11.4% to £42.4m (2010: £38.0m), adjusted profit before tax was up 10.9% to £42.2m (2010: £38.0m) and adjusted diluted earnings per share was up 14.9% to 19.24p (2010: 16.75p). The Group achieved the profit forecast set out in its Trading Statement dated 4 January 2012, which stated that 'the Company will deliver full year 2011 profits in line with current City consensus forecasts'.

Adjusted EBITDA was up 13.4% to £45.7m (2010: 40.3m). As a result of this strong performance the Board is proposing to increase the final dividend by 19.3% to 6.8p (2010: 5.7p). At 25 December 2011, the Group had cash and cash equivalents of £24.4m (2010: £31.1m) and consolidated adjusted net debt of £15.3m (2010: £8.6m).

Group trading results

System sales increased by 9.3% to £530.6m (2010: £483.5m). The main drivers of this growth were:

- Like-for-like sales growth of 3.0% (2010: 11.9%) – UK like-for-likes were up 3.7% and the Republic of Ireland stores were down by 4.1%.
- Buoyant e-commerce sales, growing by 43.0% to £183.1m (2010: £128.0m), supported by the introduction of our Android and iPad apps and greater investment in online marketing and the social media arena.
- A record 62 (2010: 57) new store openings, including four store openings in Germany.
- New product innovation, with the launch of *Domino's Stuffed Crust* and *Gourmet* range of pizzas.
- The launch of a new brand awareness campaign, *It's What We Do*, targeted promotional and marketing initiatives including the sponsoring of the new ITV show *Red or Black*.

During 2011, certain commodity prices reached record highs (in particular wheat and vegetable oil prices). By working closely with and leveraging the strong long-term relationships we have with our key suppliers, we managed to mitigate the resultant impact by securing longer term fixed price contracts. In doing so we managed to avoid the record peaks in wheat prices, which avoided the need for us to increase pricing to franchisees. Strong supplier negotiations and the re-engineering of the supply chain not only resulted in maintaining our pricing but also had the added benefit of increasing the quality of our products. One of the areas where we did feel the pressure of increased costs over 2011 was the substantial increase in fuel costs. The rising price of petrol and diesel cost the Group over £0.25m which we had to absorb.

The net interest charge for the year, including the non-cash impact of £0.4m (2010: £0.4m) arising on the unwinding of the discount on the deferred consideration from the acquisition of Domino's Leasing Limited, was £0.6m, an increase of 28.8% on the prior year (2010: £0.4m). This increase was primarily due to interest being capitalised in 2010 on the capital spend on the construction of the new West Ashland commissary. Following the completion of the new commissary in 2010, interest incurred has been expensed during 2011.

Unadjusted profit before tax increased by 10.2% to £38.8m (2010: £35.2m). Adjusted profit before tax increased by 10.9% to £42.2m (2010: £38.0m). Excluding the impact of the Germany operation on the results, the adjusted profit before tax increased by 14.6%. The ratio of adjusted profit before tax to system sales, a key ratio which highlights the strength of the underlying operational gearing of the business, grew to 7.9% in 2011 (2010: 7.8%). Excluding the start-up losses of the Germany operation, the ratio grew to 8.2%. This has been achieved through higher volumes flowing through our system, continuing focus on the cost base, close management of procurement costs and operational efficiencies across the business. See table below for the analysis of adjusted profit growth pre and post the German acquisition.

	2011	**2010**	**% Change**
Group system sales	530,636	485,282	9.3%
Germany system sales	(660)	-	
Group system sales excluding Germany	529,976	485,282	9.2%
Group revenue	209,863	188,634	11.3%
Germany segment revenue	(579)	-	
Group revenue excluding Germany	209,284	188,634	10.9%
Adjusted operating profit - excluding Germany	43,714	38,035	15.3%
Net finance costs	(159)	(28)	
Adjusted profit before tax - excluding Germany	**43,555**	**38,007**	14.6%
Germany results (including intangible amortisation of £231k and interest of £58k)	(1,399)	-	
Adjusted profit before tax - including Germany	**42,156**	**38,007**	10.9%
Adjusted operating profit as % of Group sales			
- Excluding Germany results	20.9%	20.2%	
- Including Germany results	20.2%	20.2%	
Adjusted profit before tax as % of system sales			
- Excluding Germany results	8.2%	7.8%	
- Including Germany results	7.9%	7.8%	
Adjusted diluted earnings per share			
- Excluding Germany acquisition	19.86	16.75	18.6%
- Including Germany acquisition	19.24	16.75	14.9%

International

The Group trades in the following three territories, the results of which are disclosed in the segmental reporting note in the Group's Annual Report and Accounts:

- United Kingdom
- Republic of Ireland
- Germany

Although trading in the Republic of Ireland remained tough due to the continuing weak economic conditions, overall the Group was satisfied with the results from this segment. Despite the results of the segment reducing year on year, the territory still boasts stores with the highest average weekly sales for the International Division of Domino's Pizza stores worldwide.

In April, the Group acquired a 75% shareholding in DP Cyco Limited, which holds the MFA for Domino's Pizza Germany. During the first eight months of trading since the date of acquisition, the Group has opened four stores in Germany, bringing the total number of stores in the territory to six by the year end. This segment reported an operating loss of £1.3m for the period, including amortisation of intangible assets arising on acquisition of £0.2m. The operating loss was in line with Group forecasts.

Exceptional items

Results for the year include net exceptional costs of £4.5m (2010: £3.1m). The total amount has been separately disclosed to show the underlying performance of the business. The exceptional costs in 2011 comprise the following:

- **Operating exceptional items of £3.0m**

  - On 26 April 2011 the Company acquired a 75% shareholding in DP Cyco Limited, a company which holds the MFA for Germany. Domino's incurred £1.2m of costs directly associated with the acquisition of the shareholding.

  - During the year three stores closed, two in the United Kingdom and one in the Republic of Ireland. As a result of these store closures, and other identified onerous leases, the Group has provided for £0.9m in relation to onerous lease charges.

  - As a result of the Group reviewing the carrying value compared to the recoverable amount of assets held for sale, the Group has incurred an impairment charge of £0.8m for the year.

- **Non-operating exceptional items of £0.4m**

  - As a result of the acquisition of Domino's Leasing Limited in the prior year, the Group has recognised £0.4m (2010: £0.4m) as an exceptional interest charge due to the unwinding of the discount on the deferred consideration of the transaction. This is a non-cash interest charge – refer to note 2 for further details.

- **Taxation – net effect of £1.2m**

  Excluding the taxation effect of the exceptional items, the effective tax rate is 26.4% (2010: 28.6%). This is lower than the effective tax rate in 2010 due to the reduction in the corporation tax rates in the year and marginally lower than the underlying corporation tax rate of 26.5%. The marginally lower effective tax rate compared to the underlying corporation rate is due to the impact of lower level of expenses not being deductible for taxation purposes, offset by the impact of the lower tax rate applicable in the Group's Republic of Ireland subsidiary.

Including the effect of exceptional items, the effective tax rate in 2011 was 31.8% (2010: 31.6%). The effective tax rate includes the following exceptional items:

- Following the acquisition of Domino's Leasing Limited in 2009, the Group recorded a deferred tax asset of £29.1m as a result of the availability of certain tax reliefs from its ownership of equipment under Domino's Leasing Limited's leasing business, which are available to the wider Group. This tax asset was recorded at a corporation tax rate of 28% effective at the time of acquisition. Effective 1 April 2011, the corporation tax rate reduced from 28% to 26%, and will further reduce to 25% on 1 April 2012. The impact of this change is to reduce the deferred tax asset by £1.3m. This change has been recorded in the exceptional items in the Group income statement.

- The taxation impact of the operating and non-operating exceptional items is a reduction of £0.1m (2010: £0.5m) in the overall corporation tax for the year (see note 4 earnings per share). This is as a result of the non-tax deductibility of the majority of the acquisition costs associated with acquiring a 75% shareholding in DP Cyco Limited as mentioned above under operating exceptional items.

Earnings per share

Adjusted basic earnings per share for the period of 19.48p was up 12.2% on the prior year (2010: 17.36p). Adjusted diluted earnings per share for the period of 19.24p was up 14.9% on the prior year (2010: 16.75p).

Unadjusted basic earnings per share for the period of 16.65p was up 8.1% on the prior year (2010: 15.40p). Unadjusted diluted earnings per share for the period of 16.45p was up 10.8% on the prior year (2010: 14.85p).

Dividends

Following the results achieved for the year, the Board is recommending a final dividend for 2011 of 6.8p (2010: 5.7p) per share. This is a 19.3% increase on the final dividend for the prior year. Together with the interim dividend of 5.5p per share paid on 2 September 2011, the total dividend for the year will be 12.3p per share, an increase of 20.6% on the dividend paid for the prior year (2010: 10.2p). The full year dividend is 1.56 times covered by adjusted profits after tax (2010: 1.64 times).

Subject to shareholders' approval at the Annual General Meeting on 28 March 2012, the final dividend will be payable on 29 March 2012 to shareholders on the register as at 24 February 2012.

Cash flow and net debt

The Group has a consistent record of delivering strong cash flows and in 2011 this was again the case. Adjusted EBITDA increased by 13.4% to £45.7m (2010: £40.3m). Net cash generated from operations was £31.5m (2010: £35.6m), a decrease of £4.1m on the prior year. The decrease is primarily due to a £3.1m increase in the National Advertising Fund (NAF) – predominantly due to the sponsorship of *Red or Black* as well as the higher spend at the end of 2011 for Campaign One starting in the new financial year – and £3.7m in the earlier settlement of monies collected by Domino's Pizza Group through our e-commerce platforms, which are collected on behalf of franchisees. This decrease in working capital will not arise in 2012.

During the year, outflows of £4.0m of corporation taxes and £16.9m of capital expenditure and financial investment were incurred. Included in the capital expenditure and financial investment was £6.6m of expansionary capital expenditure for the building of the Group's new head office in Milton Keynes and £4.4m relating to payments to Commerzbank under the arrangements of the acquisition of Domino's Leasing Limited in 2009.

Overall net cash flow before financing was £14.5m (2010: £25.1m). During the year we have distributed a further £20.2m (2010: £18.3m) to shareholders through share buybacks of £2.2m (2010: £4.7m) and £18.0m (2010: £13.6m) in dividends.

In the period, options over 0.3m (2010: 0.9m) shares were exercised generating an inflow of £0.6m (2010: £1.6m).

DP Capital Limited continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £1.3m (2010: £1.6m). After repayments, the balance outstanding at the year end on these leases was £3.3m (2010: £3.5m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.7m (2010: £2.7m).

The Group's adjusted net debt increased by £6.7m to £15.3m (2010: £8.6m). This increase was due mainly to the £6.6m expansionary capital expenditure for the building of the Group's new head office in Milton Keynes.

The Group monitors the ratio of net debt to EBITDA on a quarterly basis as this is one of the financial covenants for the £25m 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 and non-controlling shareholder loans. The ratio of net debt to EBITDA remains exceptionally low at 0.4 (2010: 0.2) against a covenant of 2.5:1.

Banking facilities

At 25 December 2011, the Group had a total of £43.0m of banking facilities of which £3.3m was undrawn. The main facilities are a £25m five-year term facility and a £13m seven-year term facility both of which attract an interest rate of LIBOR plus 50bps. The £25m facility expires on 20 December 2012 and the £13m seven-year term facility on 31 January 2014.

The Group will be re-financing the £25m five-year term facility during 2012. This will give the Group additional flexibility to take advantage of further growth opportunities and returning cash to shareholders.

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

Capital employed

Non-current assets increased in the year from £80.6m to £99.1m due to the capital expenditure of £6.6m on the new head office in Milton Keynes and £13.3m attributed to the German MFA and goodwill on acquisition of the 75% shareholding in DP Cyco Limited.

Current assets increased from £54.1m to £54.3m. This was predominantly due to an increase in trade and other receivables of £8.3m offset by a decrease in cash and cash equivalents of £6.7m.

Current liabilities increased from £40.2m to £62.6m, driven principally by the inclusion of the £25m five-year term facility.

Non-current liabilities decreased from £53.8m to £31.2m, due to the movement of the £25m five-year term facility from non-current to current liabilities.

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and regularly 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 its short and medium-term forecasts showing underlying levels of gearing well within its targets and banking covenants, as discussed earlier under cash flow, net debt and bank facilities.

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

Conclusion

Although the Group faced a general economy in 2011 that was challenging, as always our people and franchisees rose to the challenge and delivered an impressive set of results. This performance demonstrates the resilience of the pizza home delivery market and Domino's in particular.

The Group's ambition for future growth opportunities was also realised during the year with the acquisition of a 75% shareholding in the company that holds the MFA for the German market. We feel that Germany offers great potential for our brand.

We have a robust and proven business model, a strong balance sheet with low gearing and we are well positioned to continue our expansion. During 2012 we will continue to focus on working with our suppliers to not only negate the impact of rising commodity prices but also to improve the quality of the products we purchase from them. We will also continue to target attracting new customers and retaining existing customers through our constantly evolving menu, effective marketing and ordering innovation to enable customers to order their pizzas when and where they want to.

Our core objective remains to drive shareholder value and our strategy to achieve this is to build a business capable of continuing to deliver long-term, sustainable and growing cash flows which will be returned to shareholders through share buybacks and dividends.

Lee Ginsberg
Chief Financial Officer
15 February 2012

Group income statement

		52 weeks ended 25 December 2011			52 weeks ended 26 December 2010		
		Before exceptional items	Exceptional items (Note 7)	Total	Before exceptional items	Exceptional items (Note 7)	Total
	Notes	£000	£000	£000	£000	£000	£000
Revenue		209,863	-	209,863	188,634	(485)	188,149
Cost of sales		(132,939)	-	(132,939)	(117,495)	-	(117,495)
Gross profit		76,924	-	76,924	71,139	(485)	70,654
Distribution costs		(13,026)	-	(13,026)	(11,539)	-	(11,539)
Administrative costs		(21,860)	(3,007)	(24,867)	(21,784)	(1,887)	(23,671)
		42,038	(3,007)	39,031	37,816	(2,372)	35,444
Share of post tax profits of associates		335	-	335	219	-	219
Operating profit		42,373	(3,007)	39,366	38,035	(2,372)	35,663
Loss on the sale of non-current assets and assets held for sale		-	-	-	-	(11)	(11)
Profit before interest and taxation		42,373	(3,007)	39,366	38,035	(2,383)	35,652
Finance income		334	-	334	196	-	196
Finance expense		(551)	(360)	(911)	(224)	(420)	(644)
Profit before taxation		42,156	(3,367)	38,789	38,007	(2,803)	35,204
Taxation	3	(11,141)	(1,182)	(12,323)	(10,878)	(261)	(11,139)
Profit for the period		31,015	(4,549)	26,466	27,129	(3,064)	24,065
Profit for the period attributable to:							
Owners of the parent				26,746			24,036
Non-controlling interests				(280)			29
				26,466			24,065
Earnings per share (post exceptional items)							
- Basic (pence)	4			16.65			15.40
- Diluted (pence)	4			16.45			14.85
Earnings per share (pre exceptional items)							
- Basic (pence)	4			19.48			17.36
- Diluted (pence)	4			19.24			16.75

Group statement of comprehensive income

	52 weeks Ended 25 December 2011 £000	52 weeks Ended 26 December 2010 £000
Profit for the period	26,466	24,065
Other comprehensive income:		
Exchange differences on retranslation of foreign operations	(917)	(286)
Other comprehensive income for the period, net of tax	(917)	(286)
Total comprehensive income for the period	25,549	23,779
Total comprehensive income for the year attributable to:		
Owners of the parent	25,829	23,750
Non-controlling interests	(280)	29
	25,549	23,779

Group balance sheet

	Notes	At 25 December 2011 £000	At 26 December 2010 £000
Non-current assets			
Intangible assets		16,611	2,234
Property, plant and equipment		55,564	47,378
Prepaid operating lease charges		676	570
Trade and other receivables		2,705	-
Net investment in finance leases		5,745	6,558
Investments in associates		1,423	1,158
Deferred tax asset	3	16,349	22,658
		99,073	80,556
Current assets			
Inventories		3,878	5,054
Trade and other receivables		24,343	16,014
Net investment in finance leases		1,532	1,793
Prepaid operating lease charges		165	138
Cash and cash equivalents		24,427	31,128
		54,345	54,127
Non-current assets held for sale		-	938
Total assets		153,418	135,621
Current liabilities			
Trade and other payables		(29,444)	(31,707)
Deferred income		(136)	(77)
Financial liabilities		(26,529)	(1,793)
Deferred consideration		(2,164)	(4,346)
Current tax liabilities	3	(4,248)	(2,255)
Provisions		(66)	-
		(62,587)	(40,178)
Non-current liabilities			
Financial liabilities		(19,222)	(42,772)
Deferred income		(2,021)	(1,100)
Deferred consideration		(7,875)	(9,746)
Deferred tax liabilities	3	(1,078)	(44)
Provisions		(971)	(119)
Total liabilities		(93,754)	(93,959)
Net assets		59,664	41,662
Shareholders' equity			
Called up share capital		2,532	2,514
Share premium account		15,358	9,592
Capital redemption reserve		414	406
Capital reserve – own shares		(1,151)	(5,526)
Currency translation reserve		96	1,013
Other reserve		3,432	-
Retained earnings		37,179	33,512
Equity shareholders' funds		57,860	41,511
Non-controlling interests		1,804	151
Total equity		59,664	41,662

Group statement of changes in equity

	Share Capital	Share Premium Account	Capital Redemption Reserve	Capital Reserve- Own Shares	Currency Translation Reserve	Other Reserve	Retained Earnings	Equity Shareholder's Funds	Non-Controlling Interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 27 December 2009	**2,519**	**8,012**	**387**	**(7,200)**	**1,299**	-	**16,437**	**21,454**	**122**	**21,576**
Profit for the period	-	-	-	-	-	-	24,036	24,036	29	24,065
Other comprehensive income – exchange differences	-	-	-	-	(286)	-	-	(286)	-	(286)
Total comprehensive income for the period	-	-	-	-	(286)	-	24,036	23,750	29	23,779
Proceeds from share issue	14	1,580	-	-	-	-	-	1,594	-	1,594
Share buybacks	(19)	-	19	-	-	-	(4,586)	(4,586)	-	(4,586)
Share transaction charges	-	-	-	-	-	-	(129)	(129)	-	(129)
Vesting of LTIP grants	-	-	-	1,674	-	-	(1,674)	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	1,432	1,432	-	1,432
Tax on employee share options	-	-	-	-	-	-	1,036	1,036	-	1,036
Equity dividends paid	-	-	-	-	-	-	(13,632)	(13,632)	-	(13,632)
Share buyback obligation	-	-	-	-	-	-	10,592	10,592	-	10,592
At 26 December 2010	**2,514**	**9,592**	**406**	**(5,526)**	**1,013**	-	**33,512**	**41,511**	**151**	**41,662**
Profit for the period	-	-	-	-	-	-	26,746	26,746	(280)	26,466
Other comprehensive income – exchange differences	-	-	-	-	(917)	-	-	(917)	-	(917)
Total comprehensive income for the period	-	-	-	-	(917)	-	26,746	25,829	(280)	25,549
Proceeds from share issue	26	5,766	-	-	-	-	-	5,792	-	5,792
Share buybacks	(8)	-	8	-	-	-	(2,200)	(2,200)	-	(2,200)
Share transaction charges	-	-	-	-	-	-	(19)	(19)	-	(19)
Vesting of LTIP grants	-	-	-	4,375	-	-	(4,375)	-	-	-
Share option and LTIP charge	-	-	-	-	-	-	1,499	1,499	-	1,499
Tax on employee share options	-	-	-	-	-	-	41	41	-	41
Equity dividends paid	-	-	-	-	-	-	(18,025)	(18,025)	-	(18,025)
Contingent consideration	-	-	-	-	-	3,432	-	3,432	-	3,432
Non-controlling interest movement	-	-	-	-	-	-	-	-	1,933	1,933
At 25 December 2011	**2,532**	**15,358**	**414**	**(1,151)**	**96**	**3,432**	**37,179**	**57,860**	**1,804**	**59,664**

Group cash flow statement

	Notes	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Cash flows from operating activities			
Profit before taxation		38,789	35,204
Net finance costs		577	448
Share of post tax profits of associates		(335)	(219)
Amortisation and depreciation (including accelerated depreciation)		3,280	2,815
Impairment		837	82
Loss on disposal of non-current assets		-	11
Share option and LTIP charge (including accelerated LTIP charge)		1,499	1,432
Decrease / (increase) in inventories		1,180	(2,347)
Increase in receivables		(9,910)	(3,696)
(Decrease) / increase in payables		(2,341)	7,304
Increase in deferred income		980	22
Increase / (decrease) in provisions		918	(8)
Cash generated from operations		35,474	41,048
UK corporation tax		(3,751)	(5,107)
Overseas corporation tax paid		(241)	(349)
Net cash generated by operating activities		31,482	35,592
Cash flows from investing activities			
Interest received		175	196
Dividends received from associates		70	21
Decrease / (increase) in loans to associates		30	(150)
(Increase)/decrease in loans to franchisees		(1,447)	338
Payments to acquire finance lease assets		(1,112)	(1,749)
Receipts from repayment of franchisee finance leases		2,186	2,372
Purchase of property, plant and equipment		(9,841)	(9,862)
Acquisition of subsidiary – deferred consideration for Domino's Leasing		(4,413)	-
Purchase of other non-current assets		(3,171)	(1,740)
Receipts from the sale of other non-current assets		585	60
Net cash used by investing activities		(16,938)	(10,514)
Cash inflow before financing		14,544	25,078
Cash flow from financing activities			
Interest paid		(521)	(224)
Issue of ordinary share capital		593	1,594
Purchase of own shares		(2,219)	(4,715)
New long-term loans		1,327	1,629
Repayment of long-term loans		(2,225)	(2,493)
Equity dividends paid	5	(18,025)	(13,632)
Net cash used by financing activities		(21,070)	(17,841)
Net (decrease) / increase in cash and cash equivalents		(6,526)	7,237
Cash and cash equivalents at beginning of period		31,128	23,997
Foreign exchange loss on cash and cash equivalents		(175)	(106)
Cash and cash equivalents at end of period		24,427	31,128

Notes to the Group financial statements

1. ACCOUNTING POLICIES

Basis of preparation

The preliminary results for the 52 weeks ended 25 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and are in line with the accounting policies set out in the interim financial statements for the 26 weeks ended 26 June 2011.

The financial information in the preliminary statement of the results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the Act). The financial information for the 52 weeks ended 25 December 2011 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 weeks ended 25 December 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial statements, and this preliminary statement, of Domino's Pizza UK & IRL plc for the 52 weeks ended 25 December 2011 were authorised for issue by the Board of directors on 15 February 2012 and the balance sheet was signed on behalf of the Board by Lee Ginsberg, Chief Financial Officer.

The statutory accounts have been delivered to the Registrar of Companies in respect of the 52 weeks ended 26 December 2010 and the Auditors of the Company made a report thereon under section 235 of the Act. That report was an unqualified report and did not contain a statement under section 498(2) or (3) of the Act.

2. EXCEPTIONAL ITEMS

Recognised as part of operating profit

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Acquisition costs and one off costs relating to Domino's Pizza Germany	1,232	-
Onerous lease provision	938	-
Support provided to Irish stores	-	485
Accelerated LTIP charge	-	467
Restructuring and reorganisation	-	755
Accelerated depreciation and impairment	837	665
	3,007	2,372

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

Costs of £1,232,000 (2010: £nil) have been incurred during the period in relation to the acquisition of DP Cyco Limited (formerly Intergrowth Enterprises Limited), the master franchisor for Domino's Pizza Germany. The costs relating to the acquisition of Domino's Germany result in a £90,000 reduction in the Group's tax charge for the period.

Onerous lease provision

A provision of £938,000 has been made in relation to the rent obligation for the three Domino's stores closed during the period and other onerous leases identified. Each of these properties is situated in a market where the Group believes that given the current economic climate it is not possible to find a replacement tenant at the full head lease rent. The provision results in a £249,000 reduction in the Group's tax charge for the period.

Notes to the Group financial statements

2. EXCEPTIONAL ITEMS (continued)

Accelerated depreciation and impairment
The Group has undertaken a review of the expected recoverable amount of certain of its assets previously held for sale as at 25 December 2011. As a result of the review an impairment of £837,000 (2010: £82,000) has been recognised in relation to four (2010: one) of the stores held for sale representing the difference between the previous carrying value and the expected recoverable amount. The impairment results in no impact (2010: £23,000 increase) on the Group's tax charge for the period.

As a result of the new Milton Keynes head office being completed at the end of November 2011, the Group reconsidered the residual value and remaining life of assets at the existing Milton Keynes head office as at 26 December 2010. Consequently, the Group took an accelerated depreciation charge of £583,000. This impairment resulted in a £163,000 reduction in the Group's tax charge for the period.

Support provided to Irish stores
As a result of the impact of the economic difficulties being experienced by franchisees in the Ireland operating segment, the Irish commissary agreed to provide additional support of £485,000 for the period ended 26 December 2010. This additional support resulted in a £136,000 reduction in the Group's tax charge for the period.

*Accelerated LTIP charg**e***
During the period ended 26 December 2010 the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted in 2008 increased as the performance targets had been achieved earlier than expected, resulting in an accelerated charge of £467,000. This acceleration had no impact on the Group's tax charge for the period.

Restructuring and reorganisation
Due to the rapid growth of the business and in particular the online platforms that are generating significant growth in system sales, the Group undertook a strategic review of its entire IT structure and processes. As a result of this review, restructuring and reorganisation costs of £755,000 were incurred during the period ended 26 December 2010 resulting in a £210,000 reduction in the Group's tax charge for the period.

Recognised below operating profit

Loss on the sale of non-current assets and assets held for sale
During the period ended 26 December 2010, the Group incurred a loss on the sale of other non-current assets of £11,000. This impact of this loss on the Group's tax charge for the period was a reduction of £3,000.

Unwinding of discount
Included within finance costs is a charge of £360,000 (2010: £420,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited during the period.

Change in tax rates
During the period the Group has incurred an exceptional tax charge of £1,272,000 (2010: £770,000) in relation to an adjustment to deferred tax following a change in tax law. The financial statements reflect the corporation tax rate changes announced by the Chancellor of the Exchequer in his budget of 23 March 2011 to 26% from April 2011 and 25% from April 2012, as these changes have been enacted at the period end. The impact of these tax rate changes has been classified as exceptional due to its material impact on the Group's tax charge for the period.

Notes to the Group financial statements

3. TAXATION

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Current income tax:		
UK corporation tax		
- current period	5,885	3,403
- adjustment in respect of prior periods	(32)	1,154
	5,853	4,557
Income tax of overseas operations on profits for the period	349	318
Total current income tax	6,202	4,875
Deferred tax:		
Origination and reversal of temporary differences	4,874	6,651
Effect of change in tax rate	1,272	770
Adjustment in respect of prior periods	(25)	(1,157)
Total deferred tax	6,121	6,264
Tax charge in the income statement	12,323	11,139
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	12,323	11,139
Tax relating to items credited / (charged) to equity:		
Reduction in current tax liability as a result of the exercise of share options	218	807
Origination and reversal of temporary differences in relation to unexercised share options	(177)	229
Tax credit in the Group statement of changes in equity	41	1,036

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

Notes to the Group financial statements

3. TAXATION (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 25 December 2011 is higher than the statutory corporation tax rate of 26.5% (2010: 28.0%). The differences are reconciled below:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Profit before taxation	38,789	35,204
Accounting profit multiplied by the UK statutory rate of corporation tax of 26.5% (2010: 28.0%)	10,279	9,857
Expenses not deductible for tax purposes	677	670
Accounting depreciation not eligible for tax purposes	181	241
Adjustments relating to prior years	(61)	(3)
Adjustment to deferred tax in respect of change in tax law	1,272	770
Overseas losses carried forward	315	-
Tax rate differences	(340)	(396)
Total tax expense reported in the income statement	12,323	11,139
Effective tax rate (%)	31.8	31.6
Effective tax rate – pre exceptional items (%)	26.4	28.6

In his budget on 23 March 2011, the Chancellor of the Exchequer announced tax changes, which have an effect on the Group's current and future tax position. The changes announced were further decreases in the rate of UK corporation tax to 26% from April 2011 to 25% from April 2012 and by a further 1% each year to 23% from April 2014. The reductions to 26% and 25% were substantively enacted during the year, as were reductions in the main and special rates of capital allowances from 20% and 10% to 18% and 8% respectively effective from April 2012. The effect on the Group of these changes to the UK tax system have been reflected in the Group's financial statements for the 52 weeks ending 25 December 2011 to the extent which they have been substantively enacted as at 25 December 2011.

The further reductions to 24% and 23% had not been substantively enacted at the year end and therefore are not reflected in these financial statements. The maximum effect of the future reduction in the tax rate on the Group's deferred tax asset would be to reduce the deferred tax asset by £860,000 (2012: £1,131,000). The rate change will also impact the amount of future cash tax payments to be made in the Group.

(c) Temporary differences associated with Group investments

At 25 December 2011, there was no recognised deferred tax liability (2010: 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 or Irish subsidiaries or associates paying dividends to their parent companies.

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

Notes to the Group financial statements

3. TAXATION (continued)

(d) Deferred tax

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

	At 25 December 2011 £000	At 26 December 2010 £000
Deferred tax arising in the UK on non-capital items	16,349	22,658
Deferred tax arising in Ireland and the UK on capital gains	(55)	(44)
Deferred tax arising on acquisition of subsidiary	(1,023)	-
	15,271	22,614

	At 25 December 2011 £000	At 26 December 2010 £000
Gross movement in the deferred income tax account		
Opening balance	22,614	28,649
Tax (charge) / credit to equity	(177)	229
Income statement charge	(6,121)	(6,264)
Arising on acquisition of subsidiary undertaking	(1,045)	-
Closing balance	15,271	22,614

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 27 December 2009	481	27,892	315	(15)	33	28,706
Credit to equity	229	-	-	-	-	229
Credit/(charge) to income	103	(6,355)	(32)	1	6	(6,277)
At 26 December 2010	813	21,537	283	(14)	39	22,658
Charge to equity	(177)	-	-	-	-	(177)
Credit/(charge) to income	126	(6,426)	(30)	1	197	(6,132)
At 25 December 2011	762	15,111	253	(13)	236	16,349

Notes to the Group financial statements

3. TAXATION (continued)

(d) Deferred tax (continued)

A deferred tax asset of £16,349,000 (2010: £22,658,000) 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 £1,190,000 (2010: £nil) which arose in Germany during the period and are available for offset against future taxable profits in Domino's Germany. No deferred tax asset has been recognised in respect of these losses due to the uncertain timing of the availability of future profits in Germany. There is no tax deduction for the goodwill arising on the acquisition of Domino's Germany.

Deferred tax arising in Ireland and the UK on capital gains

	Roll over relief £000	Accelerated capital allowances £000	Total £000
At 27 December 2009	(26)	(31)	(57)
Credit to income	-	13	13
At 26 December 2010	(26)	(18)	(44)
Charge to income	1	(12)	(11)
At 25 December 2011	(25)	(30)	(55)

Deferred tax arising on the acquisition of subsidiary

	Acquisition of subsidiary £000	Total £000
At 26 December 2010	-	-
Arising on acquisition of subsidiary undertaking	(1,045)	(1,045)
Credit to income	22	22
At 25 December 2011	(1,023)	(1,023)

A deferred tax liability has been recognised on the acquisition of the Domino's Pizza Germany Group based on the value of the Master Franchise Agreement and the related intangible asset arising on consolidation.

Notes to the Group financial statements

4. 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 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Profit for the period	26,466	24,065
Adjusted for – non-controlling interests	280	(29)
Profit attributable to owners of the parent	26,746	24,036

	At 25 December 2011 No.	At 26 December 2010 No.
Basic weighted average number of shares (excluding treasury shares)	160,677,858	156,083,007
Dilutive potential ordinary shares:		
Employee share options	716,109	949,492
Reversionary interests	1,230,921	4,782,514
Diluted weighted average number of shares	162,624,888	161,815,013

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

The performance conditions for reversionary interests granted over 4,531,403(2010: 3,751,611) shares and share options granted over 3,662,061 (2010: 2,598,990) 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.

Share options granted over 476,737 (2010: nil) shares have not been included in the diluted earnings per share calculation because they are anti dilutive.

Notes to the Group financial statements

4. EARNINGS PER SHARE (continued)

Earnings per share pre exceptional items

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

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

	52 weeks Ended 25 December 2011	52 weeks Ended 26 December 2010
Basic earnings per share	19.48p	17.36p
Diluted earnings per share	19.24p	16.75p

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

	52 weeks Ended 25 December 2011 £000	52 weeks Ended 26 December 2010 £000
Profit for the period	26,466	24,065
Adjusted for – non-controlling interests	280	(29)
Profit attributable to owners of the parent	26,746	24,036
Exceptional items after tax – attributable to equity holders of the parent	4,549	3,064
- Support provided to Irish stores	-	485
- Accelerated LTIP charge	-	467
- Restructuring and reorganisation	-	755
- Accelerated depreciation and impairment	837	665
- Loss on the sale of non-current assets and assets held for sale	-	11
- Acquisition and one off costs relating to Domino’s Pizza Germany	1,232	-
- Onerous lease provision	938	-
- Unwinding of discount	360	420
- Taxation impact	(90)	(509)
- Change in corporation tax rate – impact on deferred tax asset	1,272	770
Profit before exceptional items attributable to owners of the parent	31,295	27,100

Notes to the Group financial statements

5. DIVIDENDS PAID AND PROPOSED

	52 weeks Ended 25 December 2011 £000	52 weeks Ended 26 December 2010 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2010: 5.70p (2009: 4.25p)	9,144	6,596
Interim dividend for 2011: 5.50p (2010: 4.50p)	8,881	7,036
Dividends paid	18,025	13,632

Proposed for approval by shareholders at the AGM (not recognised as a liability at 25 December 2011 or 26 December 2010)

Final dividend for 2011: 6.80p (2010: 5.70p)	10,980	8,977

6. ADDITIONAL CASH FLOW INFORMATION

Analysis of Group net debt

	At 26 December 2010 £000	Cash Flow £000	Exchange differences £000	Non-cash movements £000	At 25 December 2011 £000
Cash and cash equivalents	31,128	(6,526)	(175)	-	24,427
Bank revolving facility	(25,000)	-	-	-	(25,000)
Bank loans	(12,035)	-	-	-	(12,035)
Other loans	(2,732)	43	-	-	(2,689)
Adjusted net debt	(8,639)	(6,483)	(175)	-	(15,297)
Non-recourse loans	(4,798)	855	-	-	(3,943)
Other loans	-	-	138	(2,222)	(2,084)
Net debt	(13,437)	(5,628)	(37)	(2,222)	(21,324)

	At 27 December 2009 £000	Cash Flow £000	Exchange differences £000	Non-cash movements £000	At 26 December 2010 £000
Cash and cash equivalents	23,997	7,237	(106)	-	31,128
Bank revolving facility	(25,000)	-	-	-	(25,000)
Bank loans	(12,035)	-	-	-	(12,035)
Other loans	(2,703)	(29)	-	-	(2,732)
Adjusted net debt	(15,741)	7,208	(106)	-	(8,639)
Non-recourse loans	(5,691)	893	-	-	(4,798)
Share buyback obligation	(10,592)	-	-	10,592	-
Net debt	(32,024)	8,101	(106)	10,592	(13,437)