



15 February 2011

DOMINO'S PIZZA UK & IRL plc
PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 26 DECEMBER 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 52 weeks ended 26 December 2010.

Financial Highlights

- System sales¹ increased by 19.3% to £485.3m (2009: £406.9m)
- Strong operational gearing drives operating margins to 20.2% (2009: 19.4%)
- Profit before tax² increased by 27.3% to £38.0m (2009: £29.9m), statutory profit before tax was £35.2m (2009: £41.0m)
- Like-for-like sales³ in 553 mature stores up by 11.9% (2009: 8.4% in 501 stores)
- Earnings per share²:
 - Basic earnings per share up 25.7% to 17.36p (2009: 13.81p)
 - Diluted earnings per share up 24.2% to 16.75p (2009: 13.49p)
- Total dividend increased by 31.6% to 10.20p per share (2009: 7.75p)
- 57 new stores opened in the year (2009: 55 stores) and none closed (2009: nil) resulting in a total of 665 stores at the year end (2009: 608)
- Online system sales increased by 63.0% (2009: 40.4%) to £128.0m (2009: £78.5m) with online sales accounting for 35.8% of UK delivered sales (2009: 27.8%)
- Strong cash generation with cash generated from operations of £41.0m (2009: £36.2m)
- Adjusted net debt⁴ to EBITDA of 0.2:1 (2009: 0.5:1), illustrating our low financial leverage.

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

"I am delighted to report another exceptional set of results. The business has continued its remarkable run with an increase in system sales of 19.3% to £485.3m (2009: £406.9m), like-for-like sales growth of 11.9% across 553 mature stores (2009: 8.4% in 501 stores), and a record 57 new store openings (2009: 55). We have opened our new commissary and we are in a strong position to continue with our exciting growth plans.

“We have had a solid start to 2011, with like-for-like sales for the first seven weeks up 4.7% and are encouraged by the recent strength in like-for-like sales growth. This figure comes against the backdrop of exceptional comparatives from the same period in 2010 and the current difficult economic climate. We are pleased with this performance and we will be benefitting from our accelerated store openings, the recent deal with Moto motorway services, and the operational gearing which will drive our profits going forward.”

“Our online sales for the first seven weeks have again proved the key driver for growth with internet sales up by 72.9% against the same period last year. With an app for the iPad and an app for android mobiles due imminently, we are confident of seeing even more business come through these channels.”

“The Company is well positioned to further capitalise on our market leading position. We will continue to do what we do best – make great quality pizzas, delivered with great customer service and marketed in interesting and innovative ways. By doing this, I am confident that we will deliver another year of strong growth.”

Corporate Progress

- New commissary opened at West Ashland, Milton Keynes and now fully operational
- Around 1,700 new jobs created during 2010
- Release of iPhone app in the UK and Republic of Ireland, generating over £1m of sales in three months
- Recruited 10 new franchisees and increased average number of stores per franchisee to 5.0 (2009: 4.5)
- Delivered to 4m households (2009: 3.4m), an increase of 17.6%
- New deal signed with motorway services operator, Moto Hospitality Limited, for up to 43 sites by 2020
- Out of over 9,000 stores globally, Domino’s Pizza UK & Ireland has eight out of the Top 10 and 36 of the top 50 performing stores
- First stores opened on the Isle of Man and Isle of Wight
- Celebrated 25 years of Domino’s Pizza in the UK.

1 Sales made by franchisees from all stores in the UK and Republic of Ireland to the public

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 and in the prior year the share buyback obligation

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A presentation to analysts will be held at 09.30 on 15 February 2011 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 26 December 2010, there were 665 stores in the UK and the Republic of Ireland. Of these, 527 stores are in England, 47 are in Scotland, 26 are in Wales, 15 are in Northern Ireland, one is on the Isle of Man, 48 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 65 countries. 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 and customers in the Republic of Ireland can order online at www.dominos.ie. In addition, iPhone customers can order by downloading the free Domino's app.

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

I am delighted, having celebrated our silver anniversary, to be reporting yet another set of excellent figures. The business continues to go from strength to strength with profit before tax and exceptional items rising by 27.3% to £38.0m (2009: £29.9m), system sales growth of 19.3% to £485.3m (2009: £406.9m) and we are well placed for further strong growth in the coming year. In 2010, Domino's Pizza in the UK and Republic of Ireland sold, on average, over one million pizzas each week.

Our strong underlying operational gearing is a key feature of our business model and this is reflected in our operating margins, which have seen uninterrupted growth over the last decade from 8.5% to 20.2% today. Having substantially invested in the infrastructure, we expect this key metric to continue to rise strongly over the coming years.

The highlight of the year was the opening of our new, state of the art commissary in West Ashland, Milton Keynes. Now fully operational, this provides the foundations for us to continue our store roll out programme for many years to come. Also during the year, we exceeded our store opening target, set foot in the Isle of Man and the Isle of Wight and maintained our lead at the cutting edge of technology with our new iPhone app.

In addition, the executive directors have set a new midterm strategic vision, *Vision 2015*, for the next five years. We conducted a similar exercise back in 2005 and it was rewarding, in 2010, to see the challenging targets met and exceeded. While some of the targets for the new vision are obviously commercially sensitive, I am confident that we have the right team in place to take the business on to these new heights.

It was a pleasure in 2010 to celebrate not just 25 years in the UK, but also 50 years of Domino's worldwide. At the global Domino's awards in Las Vegas in July, the UK and Republic of Ireland stole the show – taking the vast majority of sales awards and other titles. We feel very proud to be recognised as the leading territory in the Domino's system and we have no intention of giving up our position.

During the year, we have had some changes at Board level. We were sorry to say goodbye to Dianne Thompson, who retired at the 2010 AGM after three years of service to the Board, but were delighted to welcome Lance Batchelor as a new Non Executive Director. Lance has proved to be a great addition to the Board and, as announced on 21 January 2011, Lance will be moving to an executive role on 27 June 2011 when he becomes Deputy Chief Executive Officer. This paves the way for an orderly handover when the time is right for Chris Moore to hang up his apron – although this will not happen until 2012 at the earliest.

I would like to take this opportunity to thank my fellow Non Executive Directors for the invaluable advice and support they provide to the executive team. As the business grows, we are committed to developing both our Board and executive governance structures in order to maintain high standards of conduct, good governance and transparency in the belief that good governance reduces risk and adds value. This will be highlighted in the corporate governance and remuneration sections of our 2010 Report and Accounts.

We take our responsibilities to the communities and environments in which we operate very seriously and were delighted to be the first company to sign up to the Pennies Foundation – an initiative that allows online customers to round their orders up to the nearest pound. This simple, yet effective, charitable initiative obviously appealed to our very generous customers as over 100,000 people donated, raising over £25,000, in the first eight weeks of operation alone.

As ever, I have been delighted to see our shareholders benefit from our success as we have continued to return cash in the form of dividends and share buybacks. The total amount returned to shareholders during the year was £18.3m (2009: £18.1m). The Company acquired and subsequently cancelled 1.2m shares at a cost of £4.7m and a further £13.6m was paid out in dividends.

Finally, it remains for me to thank our franchisees, employees and the teams in our stores for their continued hard work and dedication. They are an inspiration and a pleasure to work with and I know that with the passion we all have for this business we are in great shape to implement our new strategic plans and continue to deliver further strong growth for many years to come.

Stephen Hemsley
Non Executive Chairman

15 February 2011

Chief Executive Officer's review

I am delighted to report another exceptional set of results. The business has continued its remarkable run with an increase in system sales of 19.3% to £485.3m (2009: £406.9m), like-for-like sales growth of 11.9% across 553 mature stores (2009: 8.4% in 501 stores) and a record 57 new store openings (2009: 55). We have opened our new commissary and we are in a strong position to continue with our exciting growth plans.

In 2005, we set out a vision for the five years that followed. By any measure, it was an ambitious vision – but I was thrilled that by 2010 we had either met or exceeded every target we set. We have now set a new midterm strategic plan for the next five years called *Vision 2015* and, while some of the targets will remain confidential, I look forward to seeing them met or exceeded by 2015. The first piece of the jigsaw is already in place with the opening of our new commissary, which is now fully operational.

Key to our success is our franchisees' success. Therefore, we continue to ensure that our franchisees' businesses are also more profitable than ever. Average weekly unit sales in our mature stores have risen by 11.9% and EBITDAs have continued to grow. The success of our business relies on the dedication and involvement of our franchisees and this win-win culture supports the passion and enthusiasm they put into seizing every sales opportunity.

Passionate about winning

In order to be a winner, you have to have the best team and we have made a number of new additions during the year to further strengthen the senior management at Domino's Pizza Group. Simon Wallis joined us as marketing director, Ian Douglas as procurement director and Colin Rees as IT director. They all come with an array of relevant experience – Simon has previously held roles at Pizza Hut and Papa John's, Ian joined us from Pret a Manger and Colin has a wealth of online experience at Easyjet and Fagleaves. In addition, we were delighted to welcome Kerri Hayman as deputy operations director. Kerri joins us from Domino's Pizza Enterprises in Australia where she was in charge of the corporate stores. She brings lots of new ideas from some very high volume stores and will be a real asset to the operations team and the business as a whole.

Domino's, the brand, was 50 years old in 2010 and we were delighted to sweep the board at the global awards in Las Vegas. As well as taking 10 out of the top 10 records for 2009 international sales, we also took the Manager of the Year title for the fourth consecutive year when it was awarded to Steve Cubitt of the Manchester All Saints store. In addition, we proved our passion for winning when Pali Grewal, one of our franchisees, took the title (and broke the world record) of *World's Fastest Pizza Maker* – the first time this coveted trophy has ever left the United States. It is this passion for being the best – and being better than we were last year – that constantly drives the business at store and corporate level onwards and upwards.

The same winning motivation has taken our business development team to new heights with record new openings in 2010. Stores have opened across the length and breadth of the country and we were delighted to open our first store on the Isle of Man in Douglas and our first on the Isle of Wight in Ryde. In both cases, we have been overwhelmed by the response and, although they obviously present a new set of challenges for our commissary deliveries, these businesses have proved extremely successful. With these 57 new stores, we have created around 1,700 new jobs, typically comprising younger people – the section of the job market that appears to be suffering most in the current economic downturn.

We are working towards our goal of at least 1,200 stores and we are looking at a raft of new and interesting opportunities to provide new locations for our franchisees and customers. We have already identified 1,249 store locations through our town print study and this gives us confidence that we can have at least 1,200 stores in the UK and Ireland.

Passionate about Service

In the past, we have talked a lot about customer service times and the next move in improving these times still further is to reduce the delivery times by splitting some areas that are currently serviced by just one store and adding an additional unit. In 2010, 22 of the new stores opened were the result of delivery area splits.

When it comes to service, 2010 has, without doubt, been the year we made it easier than ever to order a pizza. The meteoric rise of the iPhone led us to develop our first iPhone app and customers in both the UK and the Republic of Ireland can now easily order a pizza through the free Domino's app. As well as the facility to order, we also included a range of features such as a pizza slot machine for those who couldn't decide on their toppings. The app has been hugely successful, taking over £1million in sales between its launch in September and the year end and we will be following this with the launch of an android app shortly. We have already launched a Blackberry optimised version of our ordering website and we will continue to ensure that we have the best and fastest ordering capabilities of any new technology.

E-commerce in general continues to be one of the key drivers of growth, and e-commerce now accounts for for 35.8% of UK delivered sales (2009: 27.8%). In 2010 online orders in the UK and Republic of Ireland increased by 63.0% (2009: 40.4%) to £128.0m (2009: £78.5m). As a result, we have become much better at talking to our online customers through the same media, building on our digital marketing capability with the development of our Facebook page and location based offers such as our Foursquare promotion.

We believe that the Company has taken the technological lead in our market and we are always looking for the next online opportunity to build on this even further. During the year, we were the first brand to have a timed takeover of YouTube, when we launched our lunch initiative, and we have worked hard with Google and other search engine optimisation techniques to ensure that if you want pizza online, we are always top of mind. In light of the explosive growth we continue to see in e-commerce, we undertook a strategic review of our IT capabilities and have identified a need for further IT investment, a new website and outsourced hosting of our websites in order to ensure the resilience of our online systems and to maximise the online opportunity.

Our unfaltering dedication to service is often best illustrated in tough times. In the recent cold snap, most stores remained open throughout the snow – even if they could only deliver to major routes – and we have had some fantastic anecdotes of drivers stopping to help dig ambulances out of snow drifts and generally going the extra mile. In addition, we decided to bring some light relief to those stranded at Gatwick Airport and St Pancras Station with emergency deliveries of free pizza.

Passionate about Quality

The opening of our new commissary at West Ashland in Milton Keynes has been a real highlight of the year. We now have a state of the art facility that matches our brand values and backs up our quality positioning.

The new commissary, for which we hold the freehold, will provide the foundation for our store roll out for several years to come. Our business is founded on fresh dough and these investments are necessary to ensure our long term sustainability and the continuity of our supply chain.

We have continued to develop our product range and our subs have helped to grow our lunch business. We are also trialling a breakfast offering in a handful of stores and continue to look at new day parts that can grow the business further.

The Company upheld its commitments to the Food Standards Authority and, during 2010, we removed three tonnes of salt from our customers' diets with small reductions in salt across our menu. We will be looking for further areas where we can reduce fat and salt in our product without noticeable change to the flavour profile. We have also updated our food information guide at www.takeafreshlook.co.uk to ensure that all our customers have access to relevant nutritional information as and when they need it.

Under Ian Douglas' stewardship, we are confident that the high quality of our products will improve still further and we will continue to create new recipes and use innovative new products. In addition, Ian will be looking to use our scale to ensure optimum supplier production efficiency as well as re-engineering our supply chain where appropriate, as we did in 2010 with our box supplier. This will help to minimise commodity pricing pressures and volatility.

Passionate about Relationships

The relationship with our customers, franchisees, suppliers and employees – as well as shareholders and other stakeholders – underpins our business.

Our franchisees' profitability is crucial and we were delighted that 115 stores in 2010 had a turnover in excess of £1.0m (2009: 68) and nine of the top 10 international stores in terms of sales are located in the UK and the Republic of Ireland.

Interest in taking a Domino's franchise rose during the year with enquiries from prospective franchisees rising by 15% on the 2009 figure. This led to the recruitment of 10 new franchisees (2009: 18) and our franchisees now have, on average, five stores each (2009: 4.5). With *Vision 2015* we would like to increase this number still further and have a new goal of 10 stores per franchisee as an average. This allows us to recruit franchisees with a desire to build a successful business and provides opportunities to keep our existing franchisees interested and hungry for more.

We have also worked hard on the relationship with our online customers and now have over 150,000 fans on our UK Facebook page and over 4,000 on the Republic of Ireland page. We have created a very open and transparent forum to communicate with this group and it allows a cheap, quick and extremely efficient way of communicating with our fans. We have made the site lively through interactive games and initiatives such as superfans, fan of the week and ad hoc competitions.

Finally, we again proved the value of the shareholder relationship by continuing our policy of returning surplus cash through share buybacks and dividends. The total amount returned to shareholders during the year was £18.3m (2009: £18.1m) comprising £13.6m in dividends and £4.7m in share buybacks.

Going Forward

With the passion, dedication and support of our franchisees, we will continue to grow our business. In 2010 we celebrated 25 years in the UK and in 2011 we will be celebrating 20 years in the Republic of Ireland, so we are now a well-established business and a regular fixture in towns and cities across the UK and the Republic of Ireland. However, we have no intention of becoming complacent as a brand and we will continue to find enthusiasm and energy to seize the opportunities that come our way.

On 27 June 2011, Lee and I will be joined by Lance Batchelor when he commences his new role of Deputy Chief Executive Officer. This will further strengthen the senior management team and we are both very much looking forward to working with Lance. Having someone of this calibre and experience, who can see the business with

fresh eyes, combined with the experienced team already in place, can only add a new dimension and thinking to some of our business practices.

The business development team is raring to go and we are confident of achieving our new target of 60 stores per year going forward, creating around 1,800 new jobs annually. Our franchisees are vying for these opportunities and we are most certainly still *Driven to Deliver* across the business.

We have had a solid start to 2011, with like-for-like sales for the first seven weeks up 4.7% and are encouraged by the recent strength in like-for-like sales growth. This figure comes against the backdrop of exceptional comparatives from the same period in 2010 and the current difficult economic climate. We are pleased with this performance and we will be benefitting from our accelerated store openings, the recent deal with Moto motorway services, and the operational gearing which will drive our profits going forward.

Our online sales for the first seven weeks have again proved the key driver for growth with internet sales up by 72.9% against the same period last year. With an app for the iPad and an app for android mobiles due imminently, we are confident of seeing even more business come through these channels.

The Company is well positioned to further capitalise on our market leading position and we will continue to do what we do best – make great quality pizzas, delivered with great customer service and marketed in interesting and innovative ways. By doing this, I am confident that we will deliver another year of strong growth.

Chris Moore
Chief Executive Officer
15 February 2011

Chief Financial Officer's review

The Group has had another incredibly strong year of growth in what continues to be a tough consumer environment. The year has brought both challenges and opportunities in economic conditions that have been fragile and uncertain in terms of recovery. Consumers continue to search for both value and quality in their discretionary spend. During the year the Group has benefited from the continuing trend of consumers staying at home more and entertaining in their homes. In a highly uncertain consumer spending environment, management and the Board has yet again delivered record results by continuing to focus on the quality of our product, unrelenting devotion to service and our innovative marketing strategy.

For the year we have delivered double digit growth for system sales, group revenue and adjusted profit before tax and adjusted diluted earnings per share. Total system sales grew 19.3% to £485.3m (2009: £406.9m). 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 21.4% to £188.1m (2009: £155.0m).

Costs and margins have been tightly controlled and, as a result, this has once again allowed the Group to report strong conversion of its sales growth into profit as we continue to benefit from the underlying operational gearing of our business model. Over the last decade, our operating margins have risen from 8.5% to 20.2% today and, with the infrastructure investments we have made, we expect this uninterrupted growth to continue in future years. Adjusted operating profit was up 26.7% to £38.0m (2009: £30.0m), adjusted profit before tax was up 27.3% to £38.0m (2009: £29.9m) and adjusted diluted earnings per share was up 24.2% to 16.75p (2009: 13.49p). With these results the Group achieved the profit forecast set out in its Trading Statement dated 5 January 2011, which stated that 'the Company will deliver full year 2010 profits ahead of current City expectations'.

The strong cash generative nature of the Domino's Pizza model has resulted in net cash generated from operations reaching £35.6m (2009: £30.7m) for the year. These robust and predictable cash flows have underpinned the Board's proposal to increase the final dividend by 34.1% to 5.70p (2009: 4.25p). At 26 December 2010, the Group had cash and cash equivalents of £31.1m (2009: £24.0m) and adjusted net debt of £8.6m (2009: £15.7m).

Trading results

System sales increased by 19.3% to £485.3m (2009: £406.9m). The main drivers of this growth were:

- Like-for-like sales growth of 11.9% (2009: 8.4%)
- Buoyant e-commerce sales, supported by the introduction of our iPhone ordering app and increased activity in the social media arena, with a growth of 63.0% to £128.0m (2009: £78.5m)
- A record 57 (2009: 55) new store openings
- Continuation of our *Two for Tuesday* promotion and other tactical offers throughout the year, as well as the roll out of our lunch and late night offerings during the second half of the year
- Targeted promotional and marketing initiatives and the successful sponsorship of *Britain's Got Talent*. 2010 was the final year of a three year sponsorship deal for *Britain's Got Talent*.

Adjusted Group operating profit, before exceptional items was up 26.7% to £38.0m (2009: £30.0m). Unadjusted Group operating profit was up 36.9% to £35.7m (2009: £26.1m).

Following on from the prior year, the system benefitted from relatively stable food prices throughout the year as a result of our ongoing strategy of locking into longer term fixed price contracts. The significant increases in wheat prices for example did not, as a result of a fixed price contract for the entire 2010, impact the system. Other than an increase in cheese prices at the start of 2010 which was passed on to franchisees, a number of contracts that were renewed during the year were done so at lower prices than previous contracts and these benefits were passed onto franchisees thereby helping to keep their food costs under control. In addition to this, we managed to negate increasing price pressure on paper used in the manufacture of our boxes by re-engineering our supply chain and sourcing our boxes directly from suppliers.

The franchisees have also benefitted from the growing commissary rebate scheme that was first put in place in 2005 as a mechanism to help reduce the food cost escalation that has been evident over the past few years. This scheme enhances the profitability of franchisees who achieve like-for-like sales targets and fully comply with our operating standards. Included in Group operating profit, before exceptional items, is the cost of this rebate, which amounted to £2.8m (2009: £1.3m). The rebate was substantially higher than last year as a result of the stronger like-for-like sales.

The net interest charge for the year, including the non-cash impact of £0.4m (2009: £0.2m) arising on the unwinding of the discount on the deferred consideration of Domino's Leasing Limited was £0.45m, an increase of 24.4% on the prior year (2009: £0.36m). Excluding the above, the net interest charge decreased by 80.4% on the prior year due to the full year impact of the reduction in LIBOR rates and higher free cash flows.

Unadjusted profit before tax decreased by 14.1% to £35.2m (2009: £41.0m). This decrease was due to the exceptional credit of £15.1m from the goodwill arising on the acquisition of Domino's Leasing Limited during the prior year (see note 2 on exceptional items). Adjusted profit before tax increased by 27.3%. 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 7.8% in 2010 (2009: 7.3%). This highlights the benefits that come from substantially higher volumes flowing through our system, greater efficiencies from improvements in our procurement and distribution processes and a tight control over overheads in the business.

Exceptional items

Results for the year include net exceptional costs of £3.1m (2009: gain of £11.9m). The total amount has been excluded from the adjusted profits and earnings to show the underlying performance of the business. The exceptional costs in 2010 comprise the following:

- **Operating exceptional items**
 - Due to the vesting conditions of LTIP grants awarded during 2008 being achieved on the publication of the financial results for the period ended 26 December 2010 the Group has taken an accelerated IFRS 2 charge relating to these awards of £0.5m (2009: £1.0m) during the year. This charge had no impact on the cash flow of the Group for the year.
 - As a result of the impact of the difficulties being experienced in the current economy of the Republic of Ireland ('ROI') and the impact on system sales, DP Pizza Limited, our ROI subsidiary, took the decision to support our Irish franchisees during these more challenging times and has paid and provided for an exceptional charge of £0.5m (2009: £nil) for the year.
 - Due to the rapid growth of the business and in particular the online platforms that are generating significant growth in sales, the Group undertook a strategic review of its entire IT

structure and processes. As a result of this review, the Group has incurred restructuring and reorganisation costs of £0.8m (2009: £0.3m).

- With our new Head Office due to be completed at the end of the third quarter in 2011 and the decision taken from the strategic review noted above to outsource our website hosting and central IT infrastructure, the Group has taken an accelerated depreciation charge of £0.6m relating to the IT infrastructure and Head Office equipment used in the current Head Office. In 2009 the Group took an impairment charge of £2.7m relating to the Milton Keynes Kingston commissary.
- **Non-operating exceptional items**
 - A loss on sale of non-current assets and assets held for sale of £nil (2009: gain of £0.2m).
 - As a result of the acquisition of Domino's Leasing Limited in the prior year, the Group has recognised £0.4m (2009: £0.2m) 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

The effective tax rate, before exceptional items, is 28.6%. This is higher than the effective tax rate in 2009 and marginally higher than the underlying corporation tax rate of 28.0%. The marginally higher effective tax rate compared to the underlying corporation rate is due to the impact of a higher level of expenses not being deductible for taxation purposes, partially offset by the impact of the lower tax rate applicable in the Group's Irish subsidiary.

Including the effect of exceptional items, the effective tax rate in 2010 was 31.6% (2009: 18.2%). The effective tax rate includes the following exceptional items:

- Following the acquisition of Domino's Leasing Limited during 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 28.0% effective at the time of acquisition. Effective 1 April 2011, the corporation tax rate will reduce from 28.0% to 27.0%. The impact of this change is to reduce the deferred tax asset by £0.8m. 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 £0.5m (2009: £0.8m) in the overall corporation tax for the year (see note 4 on earnings per share). This is due to the tax deductibility of the exceptional charge for ROI franchisee support, the restructuring and reorganisation costs and the deferred tax impact of the accelerated depreciation detailed under exceptional items.

Earnings per Share

Adjusted basic earnings per share for the period of 17.36p was up 25.7% on the prior year (2009: 13.81p).

Adjusted diluted earnings per share for the period of 16.75p, was up 24.2% on the prior year (2009: 13.49p).

Unadjusted basic earnings per share for the period of 15.40p, was down 28.2% on the prior year (2009: 21.45p). Unadjusted diluted earnings per share for the period of 14.85p, was down 29.1% on the prior year (2009: 20.95p). This is predominantly due to the exceptional credit of £15.1m relating to the excess of fair value of net assets acquired over consideration arising on the acquisition of Domino's Leasing Limited during the prior year.

Dividends

Due to the record results and strong cash generation, the Board is recommending a final dividend for 2010 of 5.70p (2009: 4.25p) per share. This is a 34.1% increase on the final dividend last year. Together with the interim dividend of 4.50p per share paid on 20 August 2010, the total dividend for the year will be 10.20p per share, an increase of 31.6% on the dividend paid for the prior year (2009: 7.75p). The full year dividend is 1.64 times covered by adjusted profits after tax (2009: 1.74 times).

Subject to shareholders' approval at the Annual General Meeting on 30 March 2011 the final dividend will be payable on 31 March 2011 to shareholders on the register as at 25 February 2011.

Cash flow and net debt

The strong cash generative nature of the Group's business model has continued with net cash generated from operations of £41.0m (2009: £36.2m).

During the year, outflows of £5.5m of corporation taxes and £10.5m of capital expenditure and financial investment were incurred.

Overall net cash flow before financing was £25.1m (2009: £9.5m); after £11.6m capital expenditure of which £7.0m was spent on the new commissary expansion programme. The strong cash generation during the year has allowed us to return a further £4.7m to shareholders through share buybacks during the year.

In the period, options over 0.9m shares were exercised generating an inflow of £1.6m (2009: £2.1m).

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 £1.6m (2009: £1.6m). After repayments, the balance outstanding at the year end on these leases was £3.5m (2009: £3.3m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.7m (2009: £2.7m).

This strong cash flow generation has contributed to the reduction of £7.1m in the Group's adjusted net debt to £8.6m (2009: £15.7m). This decrease is due mainly to the 13.3% increase in the cash generated from operations and significantly lower expansionary capital expenditure.

The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) on a quarterly basis as this is one of the financial covenants for the £25m five-year facility. The Group includes within adjusted net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes non-recourse loans. The ratio of adjusted net debt to EBITDA remains exceptionally low at 0.2 (2009: 0.5) against a covenant of 2.5:1.

Based on the cash flow forecasts and the available facilities within the Group, the Directors are of the opinion that no additional financing is required for the Group's capital expenditure programme to 2017.

Banking facilities

At 26 December 2010 the Group had a total of £43.0m of banking facilities of which £3.3m was undrawn. The key facility required for the expenditure on the new Milton Keynes commissary is a £25m five-year facility which attracts an interest margin of LIBOR plus 50bps. This facility expires on 20 December 2012 and includes debt cover and fixed charges cover financial covenants which are monitored and reported on a quarterly basis. The Group also has a £13m seven-year term facility, also with an interest margin of LIBOR plus 50bps. This facility expires on 31 January 2014.

Capital employed

Non current assets increased in the year from £78.5m to £80.6m due to the capital expenditure of £7.0m on the new commissary in West Ashland, Milton Keynes. This was offset by a decrease of £6.0m in the deferred tax asset due to the utilisation of capital allowances in Domino's Leasing Limited.

Current assets increased from £41.1m to £54.1m. This was predominantly due to an increase in cash and cash equivalents of £7.1m.

Current liabilities decreased from £40.4m to £40.2m, driven principally by the release of the share buyback obligation of £10.6m recorded in the prior year, offset by £4.3m of the deferred consideration relating to the acquisition of Domino's Leasing Limited, payable within 12 months following the end of the period and an increase of £7.4m in trade and other payables as a result of the increase in trading during the year.

Non-current liabilities decreased from £58.6m to £53.8m, due to £0.9m repayment of the non-recourse long term liability and the reclassification of £4.3m of the deferred consideration payable within 12 months of the end of the period, relating to the acquisition of Domino's Leasing Limited.

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 monitored by the Board.

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

We are extremely pleased to report a further year of strong growth financially, despite the challenging and uncertain economic and consumer environment. During the year we opened our new commissary in West Ashland, Milton Keynes and this will ensure we can continue to support and grow our business for several years to come.

We are constantly looking at new ways to improve the way we purchase our products and work with our suppliers to ensure we can negate the impact of rising commodity prices. Our focus on new product development and innovation to enable our customers to order their pizzas in the way that most suits them, will ensure that we can continue to grow our business. We will continue our strategy of returning surplus funds not required by the business to shareholders from the strong cash flows generated by the business.

Lee Ginsberg

Chief Financial Officer

15 February 2011

Group income statement

	52 weeks ended 26 December 2010			52 weeks ended 27 December 2009			
	Notes	Before exceptional items £000	Exceptional items (Note 2) £000	Total £000	Before exceptional items £000	Exceptional items (Note 2) £000	Total £000
Revenue		188,634	(485)	188,149	155,044	-	155,044
Cost of sales		(117,495)	-	(117,495)	(95,597)	-	(95,597)
Gross profit		71,139	(485)	70,654	59,447	-	59,447
Distribution costs		(11,539)	-	(11,539)	(9,993)	-	(9,993)
Administrative costs		(21,784)	(1,887)	(23,671)	(19,999)	(3,950)	(23,949)
		37,816	(2,372)	35,444	29,455	(3,950)	25,505
Share of post tax profits of associates		219	-	219	553	-	553
Operating profit		38,035	(2,372)	35,663	30,008	(3,950)	26,058
Profit / (loss) on the sale of non-current assets and assets held for sale		-	(11)	(11)	-	247	247
(Loss) / profit 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		38,035	(2,383)	35,652	30,008	11,320	41,328
Finance income		196	-	196	165	-	165
Finance expense		(224)	(420)	(644)	(308)	(217)	(525)
Profit before taxation		38,007	(2,803)	35,204	29,865	11,103	40,968
Taxation	3	(10,878)	(261)	(11,139)	(8,291)	816	(7,475)
Profit for the period		27,129	(3,064)	24,065	21,574	11,919	33,493
Profit for the period attributable to:							
Owners of the parent				24,036			33,484
Non-controlling interests				29			9
				24,065			33,493
Earnings per share (post exceptional items)							
- Basic (pence)	4			15.40			21.45
- Diluted (pence)	4			14.85			20.95
Earnings per share (pre exceptional items)							
- Basic (pence)	4			17.36			13.81
- Diluted (pence)	4			16.75			13.49

Group statement of comprehensive income

	52 weeks Ended 26 December 2010 £000	52 weeks Ended 27 December 2009 £000
Profit for the period	24,065	33,493
Other comprehensive income:		
Exchange differences on retranslation of foreign operations	(286)	(554)
Other comprehensive income for the period, net of tax	(286)	(554)
Total comprehensive income for the period	23,779	32,939
Total comprehensive income for the year attributable to:		
Owners of the parent	23,750	32,930
Non-controlling interests	29	9
	23,779	32,939

Group balance sheet

		At 26 December 2010 £000	At 27 December 2009 £000
Non-current assets			
Intangible assets		2,234	1,634
Property, plant and equipment		47,378	39,363
Prepaid operating lease charges		570	622
Net investment in finance leases		6,558	7,229
Investments in associates		1,158	960
Deferred tax asset	3	22,658	28,706
		<hr/>	<hr/>
		80,556	78,514
Current assets			
Inventories		5,054	2,735
Trade and other receivables		16,014	12,514
Net investment in finance leases		1,793	1,745
Prepaid operating lease charges		138	138
Cash and cash equivalents		31,128	23,997
		<hr/>	<hr/>
		54,127	41,129
Non-current assets held for sale		938	954
		<hr/>	<hr/>
Total assets		135,621	120,597
		<hr/>	<hr/>
Current liabilities			
Trade and other payables		(31,707)	(24,345)
Deferred income		(77)	(77)
Financial liabilities		(1,793)	(1,772)
Financial liabilities - Share buyback obligation		-	(10,592)
Deferred consideration		(4,346)	-
Current tax liabilities	3	(2,255)	(3,644)
		<hr/>	<hr/>
		(40,178)	(40,430)
Non-current liabilities			
Provisions		(119)	(127)
Financial liabilities		(42,772)	(43,657)
Deferred income		(1,100)	(1,078)
Deferred consideration		(9,746)	(13,672)
Deferred tax liabilities	3	(44)	(57)
		<hr/>	<hr/>
Total liabilities		(93,959)	(99,021)
		<hr/>	<hr/>
Net assets		41,662	21,576
		<hr/>	<hr/>
Shareholders' equity			
Called up share capital		2,514	2,519
Share premium account		9,592	8,012
Capital redemption reserve		406	387
Capital reserve – own shares		(5,526)	(7,200)
Currency translation reserve		1,013	1,299
Retained earnings		33,512	16,437
		<hr/>	<hr/>
Equity shareholders' funds		41,511	21,454
Non-controlling interests		151	122
		<hr/>	<hr/>
Total equity		41,662	21,576
		<hr/>	<hr/>

Lee Ginsberg
Chief Financial Officer

15 February 2011

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	-	-	-	-	-	33,484	33,484	9	33,493
Other comprehensive income – exchange differences	-	-	-	-	(554)	-	(554)	-	(554)
Total comprehensive income for the period	-	-	-	-	(554)	33,484	32,930	9	32,939
Proceeds from share issue	37	2,095	-	-	-	-	2,132	-	2,132
Share buybacks	(41)	-	41	-	-	(7,569)	(7,569)	-	(7,569)
Share transaction charges	-	-	-	-	-	(55)	(55)	-	(55)
Vesting of LTIP grants	-	-	-	697	-	(697)	-	-	-
Share option and LTIP charge	-	-	-	-	-	1,897	1,897	-	1,897
Tax on employee share options	-	-	-	-	-	449	449	-	449
Equity dividends paid	-	-	-	-	-	(10,466)	(10,466)	-	(10,466)
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	-	-	-	-	-	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

Group cash flow statement

	52 weeks ended 26 December 2010	52 weeks ended 27 December 2009
	£000	£000
Cash flows from operating activities		
Profit before taxation	35,204	40,968
Excess of fair value of assets acquired over consideration	-	(15,053)
Net finance costs	448	360
Share of post tax profits of associates	(219)	(553)
Amortisation and depreciation (including accelerated depreciation)	2,815	2,014
Impairment	82	2,706
Loss/(profit) on disposal of non-current assets	11	(217)
Share option and LTIP charge (including accelerated LTIP charge)	1,432	1,897
Increase in inventories	(2,347)	(224)
(Increase)/decrease in receivables	(3,696)	932
Increase in payables	7,304	3,464
Increase/(decrease) in deferred income	22	(48)
Decrease in provisions	(8)	(14)
Cash generated from operations	41,048	36,232
UK corporation tax	(5,107)	(5,158)
Overseas corporation tax paid	(349)	(353)
Net cash generated by operating activities	35,592	30,721
Cash flows from investing activities		
Interest received	196	165
Dividends received from associates	21	383
(Increase)/decrease in loans to associates	(150)	69
Decrease/(increase) in loans to franchisees	338	(597)
Payments to acquire finance lease assets	(1,749)	(2,058)
Receipts from repayment of franchisee finance leases	2,372	1,993
Purchase of property, plant and equipment	(9,862)	(21,150)
Acquisition of subsidiary	-	(509)
Purchase of other non-current assets	(1,740)	(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	(10,514)	(21,255)
Cash inflow before financing	25,078	9,466
Cash flow from financing activities		
Interest paid	(224)	(260)
Issue of ordinary share capital	1,594	2,132
Purchase of own shares	(4,715)	(7,624)
Bank revolving facilities – current	-	(4,000)
Bank revolving facilities – non-current	-	16,700
New long-term loans	1,629	1,637
Repayment of long-term loans	(2,493)	(1,788)
Equity dividends paid	5 (13,632)	(10,466)
Net cash used by financing activities	(17,841)	(3,669)
Net increase in cash and cash equivalents	7,237	5,797
Cash and cash equivalents at beginning of period	23,997	18,602
Foreign exchange loss on cash and cash equivalents	(106)	(402)
Cash and cash equivalents at end of period	31,128	23,997

Notes to the Group financial statements

1. ACCOUNTING POLICIES

Basis of preparation

The preliminary results for the 52 weeks ended 26 December 2010 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 27 June 2010.

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 26 December 2010 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 weeks ended 26 December 2010 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 26 December 2010 were authorised for issue by the Board of directors on 15 February 2011 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 27 December 2009 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 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Support provided to Irish stores	485	-
Accelerated LTIP charge	467	980
Restructuring and reorganisation	755	264
Accelerated depreciation and impairment	665	2,706
	<hr/>	<hr/>
	2,372	3,950
	<hr/>	<hr/>

Support provided to Irish stores

As a result of the impact of the current economic difficulties being experienced by franchisees in the Ireland operating segment, the Irish commissary has agreed to provide additional support of £485,000 (2009: £nil) for the period ended 26 December 2010. This additional support results in a £136,000 reduction in the Group's tax charge for the period (2009: nil).

Accelerated LTIP charge

During the period the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted in 2008 (2009: granted in 2006 and 2007) has increased as the performance targets have been achieved earlier than expected, resulting in an accelerated charge of £467,000 (2009: £980,000). This acceleration has no impact on the Group's tax charge for the period (2009: nil).

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 (2009: £264,000) have been incurred which result in a £211,000 reduction in the Group's tax charge for the period (2009: £74,000 reduction).

Notes to the Group financial statements

2. EXCEPTIONAL ITEMS (continued)

Accelerated depreciation and impairment

As a result of the new Milton Keynes head office being on track for completion at the end of November 2011, the Group has reconsidered the residual value and remaining life of assets at the existing Milton Keynes head office. Consequently, the Group has taken an accelerated depreciation charge of £583,000. This accelerated depreciation results in a £163,000 reduction in the Group's tax charge for the period.

The Group has undertaken a review of the expected recoverable amount of its assets held for sale as at 26 December 2010. As a result of the review an impairment of £82,000 has been recognised in relation to one of the stores held for sale representing the difference between the previous carrying value and the expected recoverable amount. The impairment results in a £23,000 reduction in the Group's tax charge for the period.

During the 52 weeks ended 27 December 2009 the Group reconsidered the residual value and remaining life of the existing Milton Keynes commissary in view of the scheduled completion of the new Milton Keynes commissary. Consequently, the Group took an impairment charge of £2,706,000. This impairment resulted in a £758,000 reduction in the Group's tax charge for the period.

Recognised below operating profit

(Loss)/profit on the sale of non-current assets and assets held for sale

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

The Group has taken the decision not to invest in or trade in corporately owned stores. During the period no (2009: four) corporately owned stores were sold for a total cash consideration of nil (2009: £1,050,000) resulting in a profit of £nil (2009: £239,000).

The Group disposed of its subsidiary undertaking, DP Peterborough Limited in December 2009 for a total cash consideration of £1,100,000 generating a profit of £191,000.

The total impact of the profit on the disposal of non-current assets and assets held for sale on the Group's tax charge for the period is a decrease of £3,000 (2009: £16,000).

Notes to the Group financial statements

2. EXCEPTIONAL ITEMS (continued)

The following exceptional items have no impact on the Group's tax charge in the current or prior period:

Loss on the sale of subsidiary undertakings	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Disposal of 15% of DP Milton Keynes Limited	-	(30)
Loss on the sale of subsidiary undertakings	-	(30)

In August 2009 DP Milton Keynes Limited issued additional share capital to its non-controlling interest for a total cash consideration of £23,000. This resulted in a reduction in the Group's shareholding from 75% to 60% and a loss on disposal of £30,000.

Excess of fair value of assets acquired over consideration

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited, a private company based in England which provides funding in the form of finance leases to a number of corporate clients. On 2 July 2009, the company changed its name to Domino's Leasing Limited ('Domino's Leasing'). The resulting excess of fair value of assets acquired over consideration of £15,053,000 arising on acquisition was immediately recognised in the income statement in accordance with IFRS 3.

Unwinding of discount

Included within finance costs is a charge of £420,000 (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 during the period.

Excluding the additional support provided to Irish stores which relates to the Ireland operating segment, all of these transactions related to the United Kingdom operating segment.

Notes to the Group financial statements

3. TAXATION

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Current income tax:		
UK corporation tax		
- current period	3,403	7,024
- adjustment in respect of prior periods	1,154	(187)
	<hr/> 4,557	<hr/> 6,837
Income tax of overseas operations on profits for the period	318	301
	<hr/> 4,875	<hr/> 7,138
Deferred tax:		
Origination and reversal of temporary differences	6,651	299
Effect of change in tax rate	770	-
Adjustment in respect of prior periods	(1,157)	38
	<hr/> 6,264	<hr/> 337
Tax charge in the income statement	<hr/> 11,139	<hr/> 7,475
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	<hr/> 11,139	<hr/> 7,475
Tax relating to items credited / (charged) to equity:		
Reduction in current tax liability as a result of the exercise of share options	807	592
Origination and reversal of temporary differences in relation to unexercised share options	229	(143)
	<hr/> 1,036	<hr/> 449

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 26 December 2010 is lower than the statutory corporation tax rate of 28.0% (2009: 28.0%). The differences are reconciled below:

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Profit before taxation	35,204	40,968
Accounting profit multiplied by the UK statutory rate of corporation tax of 28.0%	9,857	11,471
Expenses not deductible for tax purposes	670	626
Profit on disposal of non-current assets – not taxable	-	(121)
Accounting depreciation not eligible for tax purposes	241	208
Adjustments relating to prior years	(3)	(149)
Adjustment to deferred tax in respect of change in tax law	770	-
Excess of fair value of assets acquired over consideration	-	(4,215)
Tax rate differences	(396)	(345)
Total tax expense reported in the income statement	11,139	7,475
Effective tax rate (%)	31.6	18.2
Effective tax rate – pre exceptional items (%)	28.6	27.8

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes which will have an effect on the group's future tax position. 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 changes to the UK tax system have been reflected in the Group's financial statements for the 52 weeks ending 26 December 2010 to the extent which they have been substantively enacted as at 26 December 2010.

The effect on the Group of the proposed future changes to the UK tax system will be reflected in the Group's financial statements in future periods, as appropriate, once the proposals have been substantively enacted. 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 £1,131,000. The rate change will also impact the amount of future cash tax payments to be made by the Group.

(c) Temporary differences associated with Group investments

At 26 December 2010, there was no recognised deferred tax liability (2009: 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 26 December 2010 £000	At 27 December 2009 £000
Deferred tax arising in the UK on non-capital items	22,658	28,706
Deferred tax arising in Ireland and the UK on capital gains	(44)	(57)
	<u>22,614</u>	<u>28,649</u>

	At 26 December 2010 £000	At 27 December 2009 £000
Gross movement in the deferred income tax account		
Opening balance	28,649	(130)
Tax credit/(charge) to equity	229	(143)
Income statement charge	(6,264)	(337)
Release on sale of subsidiary undertaking	-	19
Acquired on purchase of subsidiary undertaking	-	29,240
	<u>22,614</u>	<u>28,649</u>

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 28 December 2008	580	(1,041)	337	(15)	51	(88)
Charge to equity	(143)	-	-	-	-	(143)
Credit/(charge) to income	44	(326)	(22)	-	(18)	(322)
Sale of subsidiary	-	19	-	-	-	19
Acquisition of subsidiary undertaking	-	29,240	-	-	-	29,240
	<u>481</u>	<u>27,892</u>	<u>315</u>	<u>(15)</u>	<u>33</u>	<u>28,706</u>
At 27 December 2009	481	27,892	315	(15)	33	28,706
Charge to equity	229	-	-	-	-	229
Credit/(charge) to income	103	(6,355)	(32)	1	6	(6,277)
	<u>813</u>	<u>21,537</u>	<u>283</u>	<u>(14)</u>	<u>39</u>	<u>22,658</u>
At 26 December 2010	813	21,537	283	(14)	39	22,658

Notes to the Group financial statements

3. TAXATION (continued)

(d) Deferred tax (continued)

A deferred tax asset of £22,658,000 (2009: £28,706,000) 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.

Deferred tax arising in Ireland and the UK on capital gains

	Roll over relief £000	Accelerated capital allowances £000	Total £000
At 28 December 2008	(26)	(16)	(42)
Charge to income	-	(15)	(15)
At 27 December 2009	(26)	(31)	(57)
Credit to income	-	13	13
At 26 December 2010	(26)	(18)	(44)

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 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Profit for the period	24,065	33,493
Adjusted for – non-controlling interests	(29)	(9)
Profit attributable to owners of the parent	24,036	33,484

Notes to the Group financial statements

4. EARNINGS PER SHARE (continued)

	At 26 December 2010 No.	At 27 December 2009 No.
Basic weighted average number of shares (excluding treasury shares)	156,083,007	156,119,696
Dilutive potential ordinary shares:		
Employee share options	949,492	1,422,261
Reversionary interests	4,782,514	2,293,090
	<hr/>	<hr/>
Diluted weighted average number of shares	161,815,013	159,835,047
	<hr/>	<hr/>

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 3,751,611 (2009: 5,929,878) shares and share options granted over 2,598,990 (2009: 2,297,313) 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 nil (2009: nil) shares have not been included in the diluted earnings per share calculation because they are anti dilutive at the period end.

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 26 December 2010	52 weeks ended 27 December 2009
Basic earnings per share	17.36p	13.81p
Diluted earnings per share	16.75p	13.49p

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

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Profit for the period	24,065	33,493
Adjusted for – non-controlling interests	(29)	(9)
Profit attributable to owners of the parent	24,036	33,484
Exceptional items after tax – attributable to equity holders of the parent	3,064	(11,919)
- Support provided to Irish stores	485	-
- Accelerated LTIP charge	467	980
- Restructuring and reorganisation	755	264
- Loss/(profit) 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)
- Accelerated depreciation and impairment	665	2,706
- Unwinding of discount	420	217
- Taxation impact	(509)	(816)
- Change in corporation tax rate – impact on deferred tax asset	770	-
Profit before exceptional items attributable to owners of the parent	27,100	21,565

Notes to the Group financial statements

5. DIVIDENDS PAID AND PROPOSED

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2009: 4.25p (2008: 3.20p)	6,596	4,983
Interim dividend for 2010: 4.50p (2009: 3.50p)	7,036	5,483
	<hr/>	<hr/>
Dividends paid	13,632	10,466
	<hr/>	<hr/>
Proposed for approval by shareholders at the AGM (not recognised as a liability at 26 December 2010 or 27 December 2009)		
Final dividend for 2010: 5.70p (2009: 4.25p)	8,977	6,592

6. ADDITIONAL CASH FLOW INFORMATION

Analysis of Group net debt

	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)
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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	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(32,024)	8,101	(106)	10,592	(13,437)
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	At 28 December 2008 £000	Cash Flow £000	Exchange differences £000	Non-cash movements £000	At 27 December 2009 £000
Cash and cash equivalents	18,602	5,797	(402)	-	23,997
Bank revolving facility	(12,300)	(12,700)	-	-	(25,000)
Bank loans	(12,035)	-	-	-	(12,035)
Other loans	(2,424)	(279)	-	-	(2,703)
Finance leases	(17)	-	-	17	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted net debt	(8,174)	(7,182)	(402)	17	(15,741)
Non-recourse loans	-	430	-	(6,121)	(5,691)
Share buyback obligation	-	-	-	(10,592)	(10,592)
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Net debt	(8,174)	(6,752)	(402)	(16,696)	(32,024)
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