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8 March 2018

DOMINO'S PIZZA GROUP PLC
PRELIMINARY RESULTS FOR THE 53 WEEKS ENDED 31 DECEMBER 2017
Continued UK growth; building an international platform with attractive long-term potential

	53 weeks to 31 December 2017	52 weeks to 24 December 2017 (unaudited)	52 weeks to 25 December 2016	Change % 52 weeks vs 52 weeks
Group system sales[1]	**£1,179.6m**	**£1,155.7m**	**£1,004.2m**	**15.1%**
UK & ROI system sales[1]	**£1,101.5m**	**£1,079.4m**	**£988.8m**	**9.2%**
UK like-for-like system sales[1,2] growth (excluding splits)		**4.8%**	**9.8%**	
Underlying[3] profit before tax	**£96.2m**	**£94.4m**	**£85.7m**	**10.2%**
Underlying[3] basic EPS	**16.0p**	**15.7p**	**13.8p**	**13.9%**
Net debt	**£89.2m**	**-**	**£34.6m**	
Recommended total dividend per share	**9.00p**	**-**	**8.00p**	**12.5%**
Total revenue	**£474.6m**	**£466.5m**	**£360.6m**	**29.3%**
Total profit after tax – continuing operations	**£66.8m**	**£65.3m**	**£65.2m**	**0.2%**
Basic EPS – continuing operations	**13.8p**	**13.5p**	**13.1p**	**3.1%**

David Wild, Chief Executive Officer, said:

"2017 has been a year of significant progress for Domino's, despite the weaker consumer demand and cost inflation affecting the sector. Given this backdrop, I am particularly pleased with our performance. In the UK, system sales broke through £1 billion for the first time, helped by a record 95 new store openings. We also took action to improve value for customers, and this led to improved growth in H2, benefiting shareholders and franchisees alike. Our international operations are becoming a more material part of the Group. In Ireland and Switzerland, system sales growth accelerated, supported by very strong digital performance. In the Nordics, the move to majority control and the acquisition in Norway demonstrate our increasing confidence in the opportunity.

"We continue to take a rigorous approach to capital allocation, balancing the long-term needs of the business with more immediate returns of value to shareholders through the ordinary dividend and share buybacks. The market continues to be competitive but the strength of our brand and scale, combined with the expertise of our franchisees, are important competitive advantages in delivering quality, convenience and value to customers. We continue to take share in the pizza delivery market, and the investment in our new supply chain centre in Warrington will leave us well placed to meet our ambition to get to at least 1,600 sites. I remain confident in the long term growth potential of the business."

Financial highlights

- Total revenue of £474.6m, up 29.3% on a 52 week basis
- Group system sales of £1,179.6m, up 15.1% on a 52 week basis
  - UK&I system sales up 9.2%
  - UK system sales up 8.6%: 95 new stores, 4.8% like-for-like growth

    - Strong local currency growth system sales in ROI up 11.3% and Switzerland up 17.1%
- 52 week Underlying PBT up 10.2% and Underlying Basic EPS up 13.9%
- Strong operating cash flow £104.2m and continued excellent cash conversion;
- Net debt increased by £54.6m to £89.2m
    - Record capex of £46.6m invested in future growth platforms
    - £44.5m M&A investments in areas of strategic focus
    - £36.6m of share buybacks
- Recommended final dividend up 16.7% to 5.25p; giving full year dividend of 9.00p
- Total profit after tax from continuing operations is £66.8m after non-underlying[4] items of £15.0m less a tax credit of £3.1m. This includes a pre-tax provision of £11.0m for potential employment tax liabilities relating to historic share scheme. Please refer to notes 1 and 3 for further detail.

Strategic highlights

- Record investment into UK to support long term growth potential
    - Warrington facility to open in Spring 2018
    - Ongoing programme of digital investment GPS now in 471 stores, online orders at 75% of sales
    - Acquisition of majority stake in leading London franchisee, to increase local market share and develop operational expertise
- Franchisee profitability maintained at 2016 levels
    - Market-leading store economics support a record 95 new UK store openings;
- £20.1m invested in international growth opportunities
    - Majority-owned Domino's businesses in Iceland, Norway and Sweden providing long term growth potential in attractive markets

Outlook

- UK system sales in the first eight weeks of 2018 up 10.9%, or 7.1% like-for-like
- 65-75 UK store openings expected in 2018
- Capex for 2018 of around £30m, reflecting completion of Warrington, corporate store roll-out and supply chain centre investments in international markets
- Share buybacks of £50m planned for 2018, including the £18m already completed

Note: 2017 is a 53 week reporting period to 31 December 2017. For the purposes of comparability, all growth rates in this release are given on a 52 week basis.

[1] System sales represent the sum of all sales made by both franchised and corporate stores in the United Kingdom, Republic of Ireland, Switzerland, Sweden, Norway and Iceland to consumers.
[2] Like-for-like sales system sales are defined as system sales from stores that were opened before 27 December 2015 and have not been impacted by donating territory to a new store ('Split'), compared to the corresponding 52-week period in the prior year.
[3] Underlying performance measures are defined as statutory performance measures excluding amounts relating to and discontinued operations and non – underlying items.
[4] Non-underlying items are defined as being items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts.

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A presentation for analysts and investors will be held at 9.00am this morning at the offices of Maitland, 13 King's Boulevard, London N1C 4BU. A webcast of the presentation will also be available at http://www.investis-live.com/dominos/5a8ed0d2f10c5e0d0045ef20/okuj.

Alternatively, a listen-only call facility is available as follows:

Participant dial-in numbers

United Kingdom (Local)	020 3936 2999
All other locations	+ 44 20 3936 2999

Participant Access Code
688671

Replay information

The replay of this call will be hosted for 7 days.

United Kingdom	020 3936 3001
United States	1 845 709 8569
All other locations	+ 44 20 3936 3001

Please enter your replay code: 150877

About Domino's Pizza Group

Domino's Pizza Group plc is the UK's leading pizza brand and a major player in the Irish market. We hold the master franchise agreement to own, operate and franchise Domino's stores in the UK, the Republic of Ireland, Switzerland, Luxembourg and Liechtenstein. In addition, we have a controlling stake in the holders of the Domino's master franchise agreements in Iceland, Norway and Sweden, as well as an associate investment in Germany. As at 31 December 2017, we had 1,192 stores across six markets, including 1,045 stores in the UK.

For photography, please visit the media centre at corporate.dominos.co.uk, contact the Domino's press office on +44 (0)1908 580654, or call Maitland on +44 (0)20 7379 5151.

Chairman's statement

Overview

I am pleased to report that Domino's has achieved another year of good growth, despite a more challenging market environment. The UK remains one of the leading franchises across the Domino's network worldwide and our franchisees are rightly considered to be among the very best anywhere in the world. Between them, they increased our UK network by a record 95 outlets and at the end of 2017 we traded from 1,045 stores in the UK. We also took the opportunity to acquire a majority stake in the largest franchisee in the London area. This will be a platform for more rapid growth in the currently under-developed London market and for the development of innovation in technology, pricing and menus.

Outside our home market progress has been encouraging. In the Republic of Ireland we opened our first stores for six years in response to the strong economic recovery in that market. We are seeing an acceleration in growth in Switzerland, driven by changes to menu pricing and a very strong online performance.

In our newer markets we took majority ownership in Iceland, Norway and Sweden during the year, and accelerated our growth plans in Norway by acquiring Dolly Dimple's, the number three player. Just before the year end we announced plans to move to 95% ownership in Iceland. In Germany, where we are a 33% shareholder, Domino's agreed terms to acquire the largest remaining independent pizza chain, Hallo Pizza. We are confident of the prospects for all of these markets, which offer a further exciting stage of growth for Domino's shareholders.

Capital allocation and returns to shareholders

One of the most distinctive aspects of the Domino's business model is its strong cash generation. The Board has a rigorous approach to capital allocation – making sure that existing businesses are invested in to maintain and grow competitive advantage, appraising new growth opportunities, and returning cash to shareholders, all within an appropriate capital structure.

In this regard, 2017 has been a notable year. In respect of organic investment, we substantially completed our single biggest ever capital project, the new supply chain centre in Warrington, with a total budget of nearly £40m. In terms of expansionary growth opportunities, we made or announced £57.7m of acquisitions to strengthen and accelerate our ambition in several overseas markets, as described above.

Cash returns to shareholders during the year totalled £77.0m, including £36.6m of share buybacks. We maintained our strong growth track record for the ordinary dividend, raising it by 12.5% to give a total dividend for the year of 9.00p. The proposed final dividend of 5.25p per share will, subject to shareholder approval at the Annual General Meeting on 19 April 2018, be paid on 24 April 2018 to shareholders on the register at the close of business on 16 March 2018.

To support these uses of capital and to establish a more efficient funding structure, the Board also raised the Group's leverage target to 1.75 – 2.5 times net debt to EBITDA. Given that the Group was in a net cash position only two years ago, this is clearly a significant development of policy, but we believe it gives us the necessary flexibility to pursue attractive growth opportunities, while maintaining a degree of conservatism should the environment deteriorate.

Our stakeholders

The enduring success of Domino's owes much to the strength of its relationships with its key stakeholders. First and foremost, our franchisees continue to excel both against their competitors and their peers around the world. Their commitment to our customers, and to continuous business improvement, is as outstanding as ever.

I'd also like to acknowledge the huge support of the global Domino's network, and the benefits of knowledge-sharing and brand visibility it brings; our suppliers, for the quality and reliability they bring to our partnership; and of course our customers, who remain as enthusiastic as ever about Domino's pizza despite the increasing choices available to them.

Conclusion

2017 has been a year of significant evolution and progress, despite a weaker consumer environment in our core market. This reflects our belief in the strength of the business model and our determination to manage for the long term. Where we see opportunities to invest for growth, we will continue to take them, and I remain optimistic about our prospects.

CEO review

Overview

It has been a year of excellent operational and strategic development for Domino's Pizza Group, with continued organic growth in established markets enhanced by an increasing presence in a number of newer markets. We are seeking to build a portfolio of assets at different stages of maturity which together provide long term, sustainable growth.

Our strategy across all of our markets remains simple and clear. We aim to be the number one pizza company in each neighbourhood, through a commitment to offering the best product and service to our customers.

UK

The UK market moderated this year, after three years of very strong like-for-like growth. Consumers were more cautious and value-conscious, and incomes were squeezed as wage inflation lagged broader cost inflation. The competitive environment continued to evolve, with delivery service companies continuing to invest heavily in growing scale.

Despite these dynamics, Domino's achieved another year of good performance. On a 52 week basis, system sales were up 8.6% driven by growth from order volume of 6.5% and 1.9% on average order value. Like-for-like sales growth (excluding the effect of splitting territories) was 4.8%. We continued to take share in the pizza delivery market, thanks to our scale, our physical expansion, the strength of our brand and the quality of our product; and we held our share of the overall delivered food market, which continues to grow strongly.

New store growth was the key driver of our performance in the year. After 81 new openings in 2016, our franchise partners opened a further 95 in 2017. With 1,045 stores now across the UK, we are confident of reaching our target of 1,600.

Around two-thirds of new store openings are coming in existing territories, where franchisees are realising the significant customer service and financial benefits of splitting territories.

The inherent profitability of the system and the strength of the brand are also enabling franchisees to make attractive returns in increasingly small standalone catchment areas. For example, in market towns of no more than 10,000 households, a Domino's store is likely to be the only branded quick service restaurant or food delivery business, leading to a disproportionate market share.

While the sales growth drivers of our business can be simplified down to new openings and like-for-like growth from existing stores, these factors and the overall profitability of the system are in turn underpinned by the operational areas of focus discussed below.

Customer value and experience

We operate in a highly competitive marketplace. Technology and new business models have given customers more choice than ever, both in terms of the range of cuisines available and the number of ways they can order. At the same time, they have become much more value-conscious over the last year as incomes are squeezed by inflation. This became most evident to us early in 2017, when our Winter Survival Deal performed poorly compared to previous years as a result of a less compelling value proposition.

We believe pizza to be the best value delivered food, but it is not always perceived that way by customers. This is partly a result of the promotional nature of pizza delivery pricing: published menu prices appear high relative to some alternatives, but in fact in 2017, 87% of our orders in the UK were on some kind of promotion, and the average discount was 38%. As a result, many customers are still left with the false perception of high menu prices.

During the second half of the year, we worked with our franchisee partners to address customer value more directly. This included a decision to invest up to £4 million in absorbing food cost inflation on behalf of franchisees to ensure customers were getting the best value possible. In September we launched a national campaign focusing on the price of an individual pizza with our 'Dine for £9.99' offer, which was our most successful campaign of the year in terms of sales. Additionally, we have sought to push our value message harder in our collection business. In the Spring, we launched our 'Walk in Wins' campaign, a 'Buy One Get One Free' offer on collected pizza which has been running permanently since then.

We have also made it even easier for customers to see that they are getting the best deal available to them. The app and website landing pages now show all the current promotions, and our Deal Wizard automatically updates a customer's basket for the best deal for their selections.

On the customer experience side, we continue to make the best use of our greatest competitive advantage: the Domino's control of the end-to-end customer journey. This is a crucial differentiator from the delivery service companies or aggregators. Domino's sources ingredients, runs the ordering platform, cooks your pizza fresh in a local store, and brings it to your door courtesy of Domino's delivery drivers who are directly employed by franchisees.

We made further significant enhancements to our digital platform during the year. We have added voice ordering through Amazon Alexa and integrated Apple Pay as a payment option. Our major web releases throughout the year focused on continuous improvement to the customer journey, reducing page load times and adding functionality such as saved card details and previous baskets. For the full year, 75.2% of sales by value were ordered online, up from 71.8% in 2016.

Throughout Domino's, the customer service benefits of the 'Golden Mile' are a strong driver for growth; the closer we are to customers, the quicker the pizza gets delivered and the higher volume of collection business we achieve. Quicker delivery significantly enhances the customer experience and leads to a higher level of repeat ordering. Our key 'Delivered On Time' metric measures what proportion of orders reach customers within 30 minutes. During the year, our % DOT fell very slightly, from 82.9% of orders to 81.8%, but still remains a key differentiator. Increased density of the store network also raises our brand visibility, with each store effectively acting as a billboard.

Our collection business performed strongly over the year, underpinned by new stores and territory splitting. Total collection sales were up 12.6% and represented 21.4% of system sales. For new and immature stores, collection represented 31% of sales.

Finally on customer experience, we introduced new food options to keep the menu up to date and cater for changing tastes. These include our Chipotle Pulled Pork pizza and a Chilli Cheese stuffed crust, both of which have been very popular with customers. We also extended our desserts range to include the Lotta-Chocca pizza and Cinni Dippers.

Brand

The Domino's brand is a highly significant asset for the Group and our franchisees. For many of our customers, 'Domino's' has become synonymous with 'pizza' in a way that has no equivalent across other types of delivered food. In our detailed annual consumer survey, our unprompted awareness was 54%, compared to 31% for our closest pizza delivery competitor and 19% for the closest aggregator (source: Parthenon study, 2017).

The growth in the overall system creates a virtuous circle. Franchisees contribute 4% of sales to the National Advertising Fund, which we then invest in brand marketing on their behalf, to drive both brand values and specific promotions. These investments drive greater sales, underpinning returns on new store openings for franchisees. New stores increase the visibility of the brand, improve customer service (as discussed above) and grow the top line, swelling the brand budget further.

In September 2017 we launched our new brand campaign, 'The Official Food of Everything', which clearly positions Domino's as an established category leader – a timely evolution from our previous challenger brand positioning. The impact of the campaign in brand recall has been very strong, with recognition of the positioning running at three times the level of previous campaigns, and unprompted awareness at 84% – our highest ever. We continued to support our above the line presence with the sponsorship of TV shows such as The Voice and Hollyoaks, targeting key audiences and family home entertainment events.

While the annual survey demonstrated continued strength in key areas such as great tasting food and convenience, we witnessed an emerging weakness in value for money perception, with prices being cited as the single biggest barrier to increased repeat ordering. This, combined with the weaker trading witnessed in the early months of 2017, informed our value for money communications strategy outlined above.

Franchisee profitability and alignment

Our franchisees remain some of the best entrepreneurs and operators in the Domino's system worldwide. Our interests are aligned; we all benefit from increased scale, through the growing value of the brand, greater supply chain efficiency and the shared investment in new innovations to improve the customer experience continuously.

The 2014-2016 period was an extraordinary one for the system and for franchisees, with very strong order growth (supported by rapid online adoption and the secular trend towards in-home entertainment) combined with sustained deflation in food costs. Between 2013 and 2016, average per store EBITDA for franchisees increased very strongly.

2017 saw a return to more normalised sales growth rates, combined with cost pressures on both labour and food. Nonetheless, the combination of like-for-like sales growth with the procurement benefits of our scale saw franchisee EBITDA per store (excluding the impact of splitting territories) maintained year-on-year at just over £150,000. This figure remains significantly ahead of the average from 2011-2013, and provides a typical payback on a new store opening of around three years.

We want to help our franchisees maintain this rate of payback. As a result, not only have we provided support on food cost inflation as described above – to ensure that customers continue to get great value for money – but we have also developed a number of innovations to improve operating efficiency and drive down costs. Most recently we have started to introduce GPS across the store portfolio. This allows franchisees to track delivery drivers more effectively and leads to significant improvements in labour productivity. It is now operational in 471 stores, and we expect to complete the roll-out by Q3 of 2018.

A further development of alignment with franchisees in 2017 came with our acquisition of a 75% interest in the largest franchisee in the London area, with 25 stores. Domino's is significantly under-represented in London, a market which we believe accounts for 25% of delivered food in the UK but only 14% of our sales. We aim to grow this business more aggressively under direct ownership.

This is the first time for many years that the Group has taken control of a portfolio of stores in the UK, but it is common practice across the Domino's system worldwide to have a small proportion of stores directly operated. Store ownership aligns us more closely with franchisees by making us operators as well as master franchise holders, and gives our management valuable operational experience. It also allows us to test pricing, menus and technology in a live environment and use the results to support and influence the franchisee network further.

Supply chain and infrastructure

Our supply chain in the UK is one of the most efficient in the Domino's network. It is also a major source of differentiation versus our competitors, whether in the restaurant or aggregator space. The margin generated within the Domino's system from being vertically integrated from dough manufacture, through value-added food and non-food distribution, to our own ordering platform and franchisees' stores, allows both the Group and our franchisees to make excellent returns.

The rapid growth over the last few years and our future plans have led to our single biggest ever investment this year, with the development of a new supply chain centre in Warrington. The total cash investment in 2017 was £26.7m, and on completion the programme will have cost £37-39m.

The facility is due to enter service in Spring 2018, and will combine with our existing supply chain centres to give us capacity to serve at least the 1,600 stores we are targeting, at projected levels of store sales. Its scale and level of automation will deliver efficiencies of up to 10% cost per tray of dough in real terms by 2021. As indicated at the time of our interim results, there will be a short term impact of an additional £3m in operating costs and depreciation in 2018 as the plant ramps production.

ROI

Growth in the Republic of Ireland accelerated in 2017, buoyed by a recovering economy and by our own actions, particularly in digital. Local currency system sales on a 52 week basis were up 11.3%, with like-for-like growth of 10.8%. On a 52 week reported basis, system sales were up 19.9% to £60.1m, reflecting the weakness of sterling year-on-year.

Online sales were up 28.8% year-on-year in local currency, and now represent 56.9% of total sales. We opened our first new stores in ROI for six years, taking the total up by two to 49, with plans for further new stores in 2018.

We also plan to invest in extending our supply chain capacity to allow us to serve 75 stores in ROI as well as our stores in Northern Ireland.

International

Our international operations now comprise four controlled markets - Switzerland, Iceland, Norway and Sweden – and our associate in Germany. In each of these markets we see a clear opportunity to build strongly profitable businesses with local scale, adapted to their markets but leveraging our proven expertise in supply chain, digital and franchisee management.

Consolidated system sales for the year from our International operations were £78.1m, with an EBIT contribution of £0.8m.

We expect International to represent an increasing proportion of the Group's profits and cash flow over the longer term, both from the development of our existing markets and entry into selected new markets with similar dynamics.

Switzerland

In Switzerland, we made significant progress during the year. Total system sales on a 52 week basis were up 17.1% in local currency, and up 15.7% like-for-like. There were two significant drivers of this acceleration: revised menu pricing and increased online participation.

In H1, we lowered menu prices and introduced a delivery charge. As a result, we saw our average ticket price fall 13.2% but achieved order volume growth over the year of 34.9%. Online sales grew 56.6% and now account for 55.4% of total sales. We opened a new store in Q4 and have plans for several further openings in 2018, at a lower cost per store than our previous operating model in Switzerland.

Iceland

Since taking majority ownership of Iceland in May 2017 total system sales were £28.9m. Sales growth was 10.8% in local currency on a pro-forma basis. Domino's Iceland is the leading quick service restaurant in the market and achieves weekly unit sales of over £37,000, comfortably the highest of any Domino's operation worldwide. During the year we opened a further 2 stores, taking the total to 23.

In December 2017 we announced our intention to acquire a further 44.3% stake in Domino's Iceland, taking our ownership to 95.3%. The transaction was completed in January 2018.

Norway

Our expansion in Norway accelerated significantly in 2017 with the acquisition of Dolly Dimple's, the number three pizza operator in the market, with 39 stores. At the year-end we had converted nine stores to the Domino's brand, giving a total portfolio of 27 Domino's stores. Conversions are performing well, with weekly sales up around 50% on average compared to their previous run rate.

Pro forma system sales growth from the Domino's branded chain was 94.6%, with like-for-like growth of 13.5%. We expect to complete another 10 conversions in 2018, as well as opening further greenfield sites. Seven Domino's stores in the South of Oslo and Southern regions are franchised, and we will seek to identify further franchisee partners.

Sweden

We opened our first stores in Sweden in late 2016 and by the 2017 year end, we had 6 stores. Weekly sales of around £18,000 are an encouraging sign of the popularity of our pizza and indicate that we can grow a profitable business in Sweden. Further store openings are in the pipeline for 2018.

Germany

In Germany, where we are a one-third associate partner in a joint venture with Domino's Pizza Enterprises, the Australian-listed master franchisee, progress continues to be good. The integration of Joey's, acquired in 2016, is complete, and in October 2017 we announced the acquisition of Hallo Pizza, another leading independent chain. Once the Hallo Pizza stores have been converted, we will operate a portfolio of over 300 stores in Germany, with significant opportunity for long term growth in Europe's largest economy.

People

The Domino's culture remains central to our success, and this is exemplified every day in the individual and combined efforts of both the Domino's team and our franchisee community. Dedication, pride in the brand and a shared vision underpins everything we do. I'd like to extend my thanks and appreciation to all of them for their continued commitment.

Outlook

I remain confident in the outlook for the Group. In the first eight weeks of 2018, UK system sales are up 10.9%, with like-for-like sales up 7.1%. It is not an accident that pizza is the most successful delivered food in the world. It is quick to make fresh, travels well while retaining its heat, enjoys a high margin thanks to its mix of ingredients, and has a sufficient ticket size to absorb the cost of delivery.

We will continue to grow in the UK, getting closer to new communities through a target of 65-75 new store openings in 2018, and providing ongoing enhancements to service through our investments in technology and our supply chain. We expect capex for 2018 to be around £30m. We will continue to face competitive threats from branded pizza delivery businesses and delivery service businesses, but our excellent unit economics and our control of the end-to-end customer experience are important and sustainable differentiators.

Internationally, we are still in the early stages of our development but all of our controlled markets benefit from strong sales per store already – a very encouraging sign for the future. We will focus on developing per store profitability, adding on supply chain margin when the scale justifies it, and building the brand to facilitate successful digital growth and regional roll-out. We will also review any opportunities to enter additional markets in Northern Europe. Finally, we will continue to balance the long-term needs of the business with returns of excess capital to shareholders, and plan to invest up to £50m in 2018 in our share buyback programme.

Financial review

Performance reporting

The 2017 year comprised 53 weeks whereas the 2016 year comprised 52 weeks. In this section, all figures are based on a 52 week versus 52 week basis unless otherwise stated. The statutory reporting section gives all growth rates on a reported basis.

System sales and drivers

Group system sales were up 15.1% in the year to £1,155.7 million. Excluding the impacts of foreign exchange movements and acquisitions, Group system sales were up 8.9%.

We saw strong growth in all of our markets. The UK, which represented 88% of system sales in 2017, saw system sales growth of 8.6%. H1 system sales growth was slower at 6.5%, as we faced tough comparative figures from the previous year and more aggressive competitor activity, growth accelerated to 10.6% in H2.

UK like-for-like growth, excluding the impact on stores in split territories, was 4.8%. Again, the performance was weighted to the second half, with H1 like-for-like growth of 2.4% and

H2 of 7.0%. Average weekly unit sales in mature stores were flat, despite more than 90 stores being temporarily affected by territory splits. Order volume growth was 6.5% and ticket growth was 1.9%, which we view as a healthy balance for the business.

We opened 95 stores in the UK, taking the base to 1,045. New and immature stores generated £90.1m of system sales (2016: £26m); mature stores generated £838.7m (2016: £800.6m), and stores affected by territory splits generated £90.1m (2016: £111.4m).

Total system sales outside the UK amounted to £136.4 million. The Republic of Ireland and Switzerland grew system sales by 11.3% and 17.1% respectively, after adjusting for foreign currency effects. Almost all of the growth was driven by strong like-for-like performance from existing stores, supported by increased penetration of online ordering. We opened two new stores in the Republic of Ireland and one in Switzerland, all in H2.

System sales for our Nordic markets were £57.2 million. These businesses were only consolidated when we took majority ownership in May 2017. Average weekly unit sales across all of our markets continue to be among the strongest in the whole of the Domino's system worldwide.

Operating margin and drivers

Group underlying operating profit for the year was £94.0 million, up 9.1% year-on-year. Our operating margin, measured as a percentage of system sales, was 8.1%, down 40 basis points over 2016, due to the change in business mix with the inclusion of earlier stage international operations within the group.

UK & ROI operating profits were up 7.7% to £93.2m, driven by the strong top line performance with our gross profit drivers – royalty fees, food and non-food sales - driven by system sales. The margin over system sales fell 10 basis points to 8.6%.

Most of our costs are variable, so we do not typically experience significant operating leverage relative to system sales performance. Where we achieve financial benefits from increased scale, we typically seek to reinvest them in driving growth rather than achieving significant margin expansion.

In our International operations, we achieved an operating result of £0.8m, reflecting a profitable business in Iceland, a positive contribution from our German associate, and losses in Switzerland, Norway and Sweden. Store-level economics in these newer markets are encouraging, and we are confident of achieving overall profitability in each of these countries over time.

Underlying profit before tax was £94.4m, up 10.2%. The strong growth reflects the strong sales and profit growth in the UK & ROI, offset by the consolidation of losses in Sweden and Norway.

Statutory reporting

Revenue and operating profit

Revenue for the year rose 31.6% to £474.6 million. The drivers of revenue growth were store openings, like-for-like growth from existing stores, food cost inflation, the acquisition of majority stakes in our Nordic businesses, and a positive translation effect from a weaker sterling exchange rate. On a 52 week basis, revenue growth was 29.3%.

Reported operating profit was £75.5 million, down 9.0% year-on-year. This number includes our joint ventures in the UK and Germany, which are accounted for as associates and contributed £2.4 million and £1.4 million respectively.

Interest

Net finance costs for 2017 was £(0.1) million (2016: £0.5 million). The higher total interest expense reflects the higher average net debt through the year as a result of acquisitions and share buybacks. The total interest expense was offset by £1.8m of finance income, of which £1.2m was a net foreign exchange gain.

Profit before tax

Statutory profit before tax was £81.2m, down 2.0% year-on-year.

Non-underlying items presented at the half year were a net gain of £1.6m. During the second half of the year, we recognised a further gain of £1.0m and expenses of £(17.6)m, resulting in a net non-underlying expense of £(15.0)m for the full year (2016: £(3.1)m). These related to provisions for potential employment tax liabilities on a historic share scheme, acquisition expenses, store conversion costs and an impairment, partly offset by a net gain on the step acquisitions in the Nordics.

Taxation

The underlying effective tax rate for 2017 was 18.3% (2016: 20.3%), reflecting the inclusion of our share of post tax profits from JVs and associates in underlying profit before tax, lower overseas losses, and current and deferred tax rate differences. The statutory effective tax rate was 17.8% (2016: 21.9%), reflecting the gain on the step acquisitions in the Nordics not being taxable.

Earnings per share

Underlying basic earnings per share for 2017 was 16.0p, representing 15.9% growth over last year (2016: 13.8p). On a 52 week basis, underlying basic earnings per share was 15.7p, up 13.9%. EPS growth was driven by strong sales growth, stable margins as a percentage of system sales, and a 1.4% reduction in the average share count as a result of share buybacks over the last two years.

On a statutory basis, basic earnings per share was 13.8p (2016: 13.1p) and diluted earnings per share was 13.6p (2016: 12.9p).

Cash flows and capital allocation

The Group is highly cash generative and has many opportunities to invest for growth, while also returning excess cash to shareholders in a regular and structured way. During the year, we took the opportunity to revise our target capital structure, giving us a more efficient balance sheet through increased debt funding.

In 2017 we continued to generate very strong net cash flow from operating activities, rising 65.4% to £104.2m year-on-year. This was supported by a strong working capital performance, with a net inflow of £18.7m compared to an outflow of £10.7m in 2016.

We deployed a record £168.1m of capital during 2017. We run a rigorous capital allocation programme with clear prioritisations.

1. **Capex**. Our number one priority is to invest in the infrastructure of the business, to improve the customer experience and the efficiency of the system, and ensure sufficient capacity for future growth. This year we invested a record £46.6m in the business. Of this, £26.7m related to our new supply chain centre in Warrington, which will give us dough production capacity for our target of 1,600 UK stores. We also invested £6.2m in IT, both to support franchisees in providing service to customers and to upgrade our own technology platforms. Typically we recover our franchisee-related IT spend through fees over the following three years. £7.2m was invested in new stores and conversions, supporting our international growth.
2. **Dividends**. We returned £40.4m to shareholders through the ordinary dividend. From a cash perspective, this reflects the payments of the final dividend for 2016 and the interim dividend for 2017. On a declared basis, dividends per share for 2017 amounted to 9.00p (interim 3.75p, final 5.25p), up 12.5% on 2016's 8.00p dividend (interim 3.50p, final 4.50p). Our policy is for ordinary dividends to be 1.7-2x covered by earnings per share.
3. **Acquisitions**. We invested £44.5m in M&A activity: £20.1m moving to majority ownership in Iceland, Norway and Sweden and acquiring Dolly Dimple's, a Norwegian pizza chain, and £24.4m acquiring a 75% stake in our largest London franchisee. We will continue to look for opportunities to enter new, adjacent markets, build scale in existing markets, or add expertise to the Group.
4. **Returns of excess capital**. When we have excess capital relative to our target leverage ratio, we will look to return it to shareholders to maintain capital discipline

and an efficient balance sheet. During the year we invested £36.6m in buying our own shares, at an average price of 339.9p. We assess the value of share buybacks by reference to the Board's own view of intrinsic value as well as an internal rate of return calculation.

We ended the year with net debt of £89.2m, up from £34.6m at the end of 2016, giving us a leverage ratio of 0.83 x net debt/EBITDA. In December 2017, we raised our target leverage ratio to a range of 1.75 – 2.5 times net debt/EBITDA, giving the business scope to invest when opportunities arise while still retaining the ability to delever should market conditions deteriorate.

Capital employed and balance sheet

Non-current assets have increased by £112.9m in the year; the main drivers of this are the acquisitions of UK corporate stores and the controlling stake in the Nordic associates. Intangibles assets excluding goodwill of £40.8m were recognised on the Nordic acquisitions, being the Master Franchise Agreements for Iceland, Norway and Sweden, and intangibles of £4.5m for the Standard Franchise Agreement for the UK corporate stores. Goodwill totalling £47.8m was recognised on these transactions; £21.3m for the Nordics and £26.5m for the UK corporate stores. Property, plant and equipment additions of £38.1m included £28.9m for the new SCC at Warrington.

Current assets have increased £11.6m with £5.5m reflecting the consolidation of the Nordic operations, £5.9m increase in cash and £3.9m NAF receivable balance as a result of a short-term deficit offset by £3.3m reduction in inventories within UK and Ireland.

Current liabilities have increased £50.9m with £27.1m increase in trade and other payables of which £17.9m is a result of the consolidation of the Nordic acquisitions, £8.9m reflects improved working capital within the UK and Ireland, an £8.3m increase in share buyback obligations and £5.6m gross put option liability that is held by the non-controlling interest for UK corporate stores.

The increase in non-current liabilities are due to an additional £56.4m drawn on the RCF, which was used to fund acquisitions in the period, and £34.7m of gross put option liabilities that are held by the non-controlling interests in the Nordic entities. Provisions have increased predominantly due to the recognition of £11.0m for the reversionary share plan. Deferred tax liabilities have increased as deferred tax has been recognised on the MFAs acquired during the year.

The significant changes in equity are the corresponding entries for the £40.3m of gross put option liabilities held within other reserves, and non-controlling interests for the Nordic and UK corporate store subsidiaries.

Treasury management

In December 2017, the Group successfully re-negotiated and increased its unsecured revolving multi-currency facility to £350m. The facility is for five years with two further one-year extensions. The facility's lower range remains at a margin of 75bps above LIBOR rising to 180bps with increased leverage, plus a utilisation fee of between 0-30% of the margin. The Group also completed a full bank tender for the UK and Ireland clearing bank and UK Corporate Stores.

Group income statement

53 weeks ended 31 December 2017

Continuing operations	Notes	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m
Revenue		474.6	360.6
Cost of sales		(280.7)	(215.7)
Gross profit		193.9	144.9
Distribution costs		(28.4)	(23.9)
Administrative costs		(93.2)	(37.9)
		72.3	83.1
Share of post-tax profits/(losses) of associates and joint ventures		3.2	(0.1)
Operating profit		75.5	83.0
Net gain on step acquisition of foreign operations	3	5.8	-
Profit before interest and taxation		81.3	83.0
Finance income		1.8	0.7
Finance costs		(1.9)	(1.2)
Profit before taxation		81.2	82.5
Taxation		(14.4)	(17.3)
Profit for the period from continuing operations		66.8	65.2
Discontinued operations			
(Loss)/profit after tax for the period from discontinued operations		(0.2)	6.6
Profit for the year		66.6	71.8
Profit/(loss) attributable to:			
-Equity holders of the parent		67.5	71.8
-Non-controlling interests		(0.9)	-
Profit for the year		66.6	71.8
Earnings per share			
From continuing operations			
– Basic (pence)		13.8	13.1
– Diluted (pence)		13.6	12.9
From continuing and discontinued operations			
– Basic (pence)		13.8	14.5
– Diluted (pence)		13.6	14.3

Non-GAAP measures:			
Operating profit		75.5	83.0
Add back non-underlying:			
– Administrative costs	3	19.7	-
– Share of non-underlying post tax costs of associates and joint ventures	3	0.7	3.2
Underlying operating profit		95.9	86.2
Net finance costs		(0.1)	(0.5)
– Add back non-underlying finance costs	3	0.4	-
Underlying profit before tax		96.2	85.7
Taxation		(14.4)	(17.4)
– Add back non-underlying tax credit	3	(3.1)	-
Underlying profit for the period from continuing operations	3	78.7	68.3

Group statement of comprehensive income

53 weeks ended 31 December 2017

	Notes	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m
Profit for the period		66.6	71.8
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
- Exchange gain on retranslation of foreign operations		(1.5)	7.3
Items that will not be subsequently reclassified to profit or loss:			
- Exchange differences recycled on deemed disposal of foreign operations	3	(6.6)	-
Other comprehensive (expense)/income for the period, net of tax		(8.1)	7.3
Total comprehensive income for the period		58.5	79.1
- attributable to equity holders of the parent		59.4	79.1
- attributable to the non-controlling interests		(0.9)	-

Group balance sheet
at 31 December 2017

	At 31 December 2017 £m	At 25 December 2016 £m
Non-current assets		
Intangible assets	114.2	18.2
Property, plant and equipment	105.9	67.8
Prepaid operating lease charges	3.5	0.8
Trade and other receivables	25.2	21.0
Net investment in finance leases	0.5	0.2
Available-for-sale financial asset	9.0	8.1
Investments in associates and joint ventures	27.3	58.8
Deferred tax asset	8.3	6.1
	293.9	181.0
Current assets		
Inventories	8.4	9.3
Trade and other receivables	48.7	42.4
Net investment in finance leases	0.9	0.6
Cash and cash equivalents	29.0	23.1
	87.0	75.4
Total assets	380.9	256.4
Current liabilities		
Trade and other payables	(86.4)	(59.3)
Deferred income	(8.1)	(5.6)
Financial liabilities	(6.2)	(0.7)
Financial liabilities – share buyback obligation	(18.3)	(10.0)
Deferred and contingent consideration	(3.6)	(1.1)
Current tax liabilities	(8.2)	(6.2)
Provisions	(4.5)	(1.5)
	(135.3)	(84.4)
Non-current liabilities		
Trade and other payables	(0.9)	(2.7)
Financial liabilities	(152.3)	(57.0)
Deferred income	(6.8)	(3.5)
Deferred tax liabilities	(7.8)	(0.4)
Provisions	(13.3)	(1.2)
	(181.1)	(64.8)
Total liabilities	(316.4)	(149.2)
Net assets	64.5	107.2
Shareholders' equity		
Called up share capital	2.5	2.6
Share premium account	36.7	36.6
Capital redemption reserve	0.5	0.5
Capital reserve – own shares	(6.5)	(12.3)
Currency translation reserve	(1.1)	7.0
Other reserves	(40.3)	-
Retained earnings	52.0	72.8
Total equity shareholders' funds	43.8	107.2
Non-controlling interests	20.7	-
Total equity	64.5	107.2

David Wild
Director
7 March 2018

Group statement of changes in equity

53 weeks ended 31 December 2017

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Currency translation reserve £m	Other Reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total £m
At 27 December 2015	2.6	29.1	0.5	(2.2)	(0.3)	-	68.0	97.7	-	97.7
Profit for the period	-	-	-	-	-	-	71.8	71.8	-	71.8
Other comprehensive income – exchange differences	-	-	-	-	7.3	-	-	7.3	-	7.3
Total comprehensive income for the period	-	-	-	-	7.3	-	71.8	79.1	-	79.1
Proceeds from share issues	-	7.5	-	-	-	-	-	7.5	-	7.5
Share buybacks	-	-	-	(10.1)	-	-	(22.3)	(32.4)	-	(32.4)
Share buybacks obligation	-	-	-	-	-	-	(10.0)	(10.0)	-	(10.0)
Tax on employee share options	-	-	-	-	-	-	0.1	0.1	-	0.1
Share options and LTIP charge	-	-	-	-	-	-	2.2	2.2	-	2.2
Equity dividends paid	-	-	-	-	-	-	(37.0)	(37.0)	-	(37.0)
At 25 December 2016	2.6	36.6	0.5	(12.3)	7.0	-	72.8	107.2	-	107.2
Profit for the period	-	-	-	-	-	-	67.5	67.5	(0.9)	66.6
Other comprehensive income – exchange differences	-	-	-	-	(8.1)	-	-	(8.1)	-	(8.1)
Total comprehensive income for the period	-	-	-	-	(8.1)	-	67.5	59.4	(0.9)	58.5
Proceeds from share issues	-	0.1	-	0.5	-	-	-	0.6	-	0.6
Share cancellations	-	-	-	12.3	-	-	(12.3)	-	-	-
Impairment of share issues	-	-	-	2.8	-	-	(2.8)	-	-	-
Share buybacks	(0.1)	-	-	(9.8)	-	-	(26.7)	(36.6)	-	(36.6)
Share buybacks obligation satisfied							10.0	10.0		10.0
Share buybacks obligation outstanding	-	-	-	-	-	-	(18.3)	(18.3)	-	(18.3)
Tax on employee share options	-	-	-	-	-	-	0.5	0.5	-	0.5
Share options and LTIP charge	-	-	-	-	-	-	1.7	1.7	-	1.7
Acquisitions	-	-	-	-	-	(40.3)	-	(40.3)	22.0	(18.3)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Equity dividends paid	-	-	-	-	-	-	(40.4)	(40.4)	-	(40.4)
At 31 December 2017	2.5	36.7	0.5	(6.5)	(1.1)	(40.3)	52.0	43.8	20.7	64.5

Group cash flow statement

53 weeks ended 31 December 2017

	Notes	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m
Cash flows from operating activities			
Profit before interest and taxation		81.3	83.0
Amortisation and depreciation		14.4	7.6
Impairment		2.0	-
Working capital movements	9	18.6	(10.8)
Cash generated from operations		116.3	79.8
Other movements	9	3.5	(1.2)
UK corporation tax paid		(14.8)	(13.6)
Overseas corporation tax paid		(0.8)	(2.0)
Net cash generated by operating activities		104.2	63.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(37.2)	(14.1)
Purchase of intangible assets		(6.2)	(8.4)
Purchase of other non-current assets		(3.2)	-
Receipts from the sale of other non-current assets		0.2	2.9
Acquisition of subsidiaries, net of cash received		(23.2)	-
Investment in joint ventures and associates		-	(42.8)
Payment of deferred consideration		(1.1)	(2.9)
Interest received		0.4	0.3
Dividends received from associates		1.2	0.8
Decrease/(increase) in loans to associates and joint ventures		0.1	(11.0)
(Increase)/decrease in loans to franchisees		(0.4)	1.3
Receipts from repayment of franchisee leases		-	1.2
Payments to acquire finance lease assets		(0.7)	-
Net cash used by investing activities		(70.1)	(72.7)
Cash inflow/(outflow) before financing		34.1	(9.7)
Cash flows from financing activities			
Interest paid		(1.1)	(0.9)
Issue of Ordinary share capital		0.6	7.5
Purchase of own shares		(36.6)	(32.4)
New bank loans and facilities draw down		396.3	150.6
Repayment of borrowings		(339.9)	(107.5)
Cash received from non-controlling interest on acquisition of subsidiaries		1.7	-
Equity dividends paid		(40.4)	(37.0)
Dividends paid to the non-controlling interest		(7.6)	-
Net cash used by financing activities		(27.0)	(19.7)
Net increase/(decrease) in cash and cash equivalents		7.1	(29.4)
Cash and cash equivalents at beginning of period		23.1	52.9
Foreign exchange gain on cash and cash equivalents		(1.2)	(0.4)
Cash and cash equivalents at end of period		29.0	23.1

1. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with IFRSs as adopted by the European Union as they apply to the financial statements of the Group for the 53 weeks ended 31 December 2017 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 53 weeks ended 31 December 2017.

The Group financial statements are presented in sterling and are prepared using the historical cost basis with the exception of the available-for-sale financial assets, contingent consideration and put option liabilities which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

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

Significant changes in judgements

Certain of the Group's historical share-based compensation arrangements dating from 2003-2010 involve a degree of estimation and judgement in respect of their employment tax treatment. HMRC issued protective assessments in respect of potential employment tax relating to these historical schemes but the Group received advice from its tax advisors reconfirming the support for the non-taxable accounting treatment. During 2017 the Group updated its legal advice following recent decisions by the Supreme Court concerning the taxation of historical remuneration structures. This was received in January 2018. As a result of this advice, which includes estimates of the Group's potential employment tax liabilities, a provision has been recorded in these financial statements amounting to £11.0m, comprising £2.6m employer's NIC, and £8.4m employee's NIC and PAYE, including interest.

There are numerous uncertainties involved in the calculation of the provision and until the matter has been agreed with HMRC and the beneficiaries, the net impact to the group may differ materially from the current estimate. In calculating the quantum of the provision a number of significant assumptions were made as follows:

- While the Company has not been approached by HMRC with a demand to pay any potential tax liabilities in respect of these historical schemes, HMRC have served protective assessments for £36.5m covering employer's national insurance contributions, employees national insurance contributions and PAYE. Our latest legal advice suggests that the full amount covered by the protective assessments is unlikely to be payable as the amounts protected appear to have been determined by calculating tax both on the grant and vesting of the awards received by beneficiaries of the schemes;
- No further employment tax is due in respect of awards granted to beneficiaries in periods that have not been protected by HMRC and for which the period in which HMRC is entitled to raise an enquiry has expired; and
- the beneficiaries of the arrangements, which among others include the Chairman and certain former directors and employees, have provided the Group with indemnities to repay to the Group an amount equivalent to their share of future tax liabilities should they crystallise and become payable by the Group to HMRC together with related interest. Based on the amount of employment tax currently provided, the amount estimated to be demanded from the beneficiaries under the terms of their indemnities equates to the £8.4m employees NIC and PAYE, calculated at the prevailing tax rates at the time, and related interest. Details in respect of the Chairman's interest in this matter are disclosed within in note 3. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities. In view of the probable time scale and potential uncertainty of recovery of the amounts under indemnities from the beneficiaries, no contingent asset has been recognised in the financial statements.

We are working with advisors to determine an agreed course of action. In due course the Company will engage with the beneficiaries with a view to recovering monies under the indemnities.

2. Segmental information

For management purposes, the Group changed how it viewed its segments due to acquisitions made in the period. The Group is now organised into two geographical business units based on the operating models of the regions: the United Kingdom and Ireland operating more mature markets with a sub-franchise model and limited corporate stores, and International whose markets are at an earlier stage of development and which operate predominantly as corporate stores. The International segment includes Switzerland, Germany, Iceland, Norway and Sweden. These are considered to be the Group's operating segments as the information provided to the chief operating decision makers, who are considered to be the Executive Directors of the Board, is based on these territories. Revenue included in each includes all sales (royalties, sales to franchisees and rental income income) made to franchise stores and by corporate stores located in that segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing (including finance costs and finance revenue) and income taxes are managed on a Group basis and are not allocated to operating segments. The comparative segment disclosures have been updated to reflect these changes.

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the share buyback obligation, bank revolving facility and taxation liabilities.

	At 31 December 2017 £m	At 25 December 2016 £m
Deferred tax asset	8.3	6.1
Cash and cash equivalents	29.0	23.1
Unallocated assets	37.3	29.2
Current tax liabilities	8.2	6.2
Deferred tax liabilities	7.8	0.4
Bank revolving facility	113.9	56.7
Share buyback obligation	18.3	10.0
Unallocated liabilities	148.2	73.3

Operating segments

	53 weeks ended 31 December 2017			52 weeks ended 25 December 2016		
	International £m	**UK & Ireland £m**	**Total £m**	International £m	UK & Ireland £m	Total £m
Revenue						
Sales to external customers	73.0	401.6	474.6	15.6	345.0	360.6
Segment revenue	**73.0**	**401.6**	**474.6**	**15.6**	**345.0**	**360.6**
Results						
Underlying segment result	(0.7)	92.7	92.0	(1.3)	84.3	83.0
Non-underlying items	(6.4)	(14.0)	(20.4)	(3.1)	-	(3.1)
Underlying share of profit of associates and joint ventures	1.5	2.4	3.9	1.0	2.1	3.1
Group operating profit	**(5.6)**	**81.1**	**75.5**	**(3.4)**	**86.4**	**83.0**
Net gain on step acquisition of foreign operation			5.8			**-**
Net finance costs			(0.1)			(0.5)
Profit before taxation			**81.2**			**82.5**
Taxation			(14.4)			(17.3)
(Loss)/profit for the period from discontinued operations			(0.2)			6.6
Profit for the year			66.6			71.8
Other segment information						
Depreciation	4.9	4.1	9.0	1.5	3.4	4.9
Amortisation	0.5	4.9	5.4	-	2.7	2.7
Share-based payment charge	0.1	1.6	1.7	0.1	2.1	2.2
Entity-wide disclosures						
Royalties, franchise fees, sales to franchisees and corporate store income	73.0	377.4	450.4	15.6	326.5	342.1
Rental income on leasehold and freehold property	-	24.2	24.2	-	18.5	18.5
	73.0	401.6	474.6	15.6	345.0	360.6
Segment assets						
Segment current assets	6.6	54.0	60.6	1.1	51.0	52.1
Segment non-current assets	70.7	183.6	254.3	23.3	84.7	108.0
Equity accounted investments - investment in associates	14.2	13.2	27.4	46.8	11.9	58.7
Assets relating to discontinued operations			1.3			8.3
Unallocated assets			37.3			29.3
Total assets	91.5	250.8	380.9	71.2	147.6	256.4
Segment liabilities						
Liabilities	18.6	146.5	165.1	3.9	69.1	73.0
Liabilities relating to discontinued operations			2.9			2.9
Unallocated liabilities			148.2			73.3
Total liabilities	18.6	146.5	316.2	3.9	69.1	149.2

* Revenue from external customers is made up of sales from corporate stores to the public and sales to non-corporate stores.

Major customers

Annual revenue from two franchisees amounted to £84.7m (2016: £76.9m) and £71.3m (2016: £67.4m) respectively, arising from sales reported in the UK and Ireland segment.

3. Items excluded from non-GAAP measures:
Non-underlying items included in financial statements

	53 weeks ended 31 December 2017			52 weeks ended 25 December 2016		
	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total
	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	474.6	-	474.6	360.6	-	360.6
Cost of sales	(280.7)	-	(280.7)	(215.7)	-	(215.7)
Gross profit	**193.9**	**-**	**193.9**	**144.9**	**-**	**144.9**
Other operating costs	(101.9)	(19.7)	(121.6)	(61.7)	-	(61.7)
	92.0	(19.7)	72.3	83.1	-	83.1
Share of post-tax profits of associates and joint ventures	3.9	(0.7)	3.2	3.1	(3.2)	(0.1)
Operating profit	**95.9**	**(20.4)**	**75.5**	**86.2**	**(3.2)**	**83.0**
Net gain on step acquisition of foreign operations	-	5.8	5.8	-	-	-
Profit before interest and taxation	**95.9**	**(14.6)**	**81.3**	**86.2**	**(3.2)**	**83.0**
Finance income	1.8	-	1.8	0.7	-	0.7
Finance expense	(1.5)	(0.4)	(1.9)	(1.2)	-	(1.2)
Profit before taxation	**96.2**	**(15.0)**	**81.2**	**85.7**	**(3.2)**	**82.5**
Taxation	(17.5)	3.1	(14.4)	(17.3)	-	(17.3)
Profit for the period from continuing operations	**78.7**	**(11.9)**	**66.8**	**68.4**	**(3.2)**	**65.2**
Discontinued operations						
Profit for the period from discontinued operations	(0.2)	-	(0.2)	6.0	0.6	6.6
Profit for the period	**78.5**	**(11.9)**	**66.6**	**74.4**	**(2.6)**	**71.8**
Profit attributable to:						
- Equity holders of the parent	78.0	(10.5)	67.5	74.4	(2.6)	71.8
- Non-controlling interests	0.5	(1.4)	(0.9)	-	-	-
Profit for the period	**78.5**	**(11.9)**	**66.6**	**74.4**	**(2.6)**	**71.8**

Reversionary share plan – £(11.0)m
A provision for employment taxes has been recorded in the year (see note 1). The related expense of £11.0m has been included in the compensation to current and former members of the senior management team. The amounts are presented gross and do not reflect future recoveries of the expense from certain members of the senior management team.

As discussed more fully in note 1, the Chairman and certain former directors entered into indemnity contracts with the Group in connection with their participation in some historic share based remuneration schemes. A provision for employment taxes amounting to £11.0m has been recorded in these financial statements, of which the company has estimated that £8.4m could be recoverable under the indemnities. The amount that the Group has estimated it would recover from the Chairman under the indemnity with him and based on the amount provided equates to approximately £3.0m.

Items relating to acquisitions – £0.5m
Acquisition and associated costs of £2.2m have been incurred relating to legal and professional fees on acquisition of controlling shareholdings in Icelandic, Norwegian and Swedish associated undertakings, Dolly Dimple's in Norway and London corporate stores. Refer to note 31 for details. Also included are fees incurred for the acquisition of a further shareholding in the Iceland Domino's operation.

On the step acquisition of the Icelandic, Norwegian and Swedish associated undertakings the deemed disposal of the equity investments at fair value resulted in a charge of £0.8m. Amounts recycled from the translation reserve amounted to a gain of £6.6m.

Store conversion costs of £2.7m have been recognised in relation to the Dolly Dimple's stores, which are being converted to Domino's as required under the Master Franchise Agreement 'MFA' held with DPI.

On acquisition and consolidation of Pizza Pizza EHF and DP Norway AS ('DPN', formerly Pizza Pizza Norway AS) and the subsequent hive out of PPS Foods AB the put options held by the non-controlling shareholders over their shares were recognised at the present value of the gross obligation. The underlying assets are denominated in foreign currencies, and the foreign exchange movement in the period has given rise to a reduction in liability of £0.2m. Non-underlying foreign exchange losses of £0.6m relating to the acquisition of Pizza Pizza EHF were incurred during the period. These two items are recognised under finance expense.

Impairment and non-underlying amortisation and depreciation - £(3.8)m
Impairment of property, plant and equipment of £2.0m relates to impairment to recoverable value for assets no longer used for operating purposes. Accelerated depreciation of £1.2m and amortisation of £0.4m have been recognised against Dolly Dimple's fixtures and fitting and the brand as the store conversion programme to Domino's branded stores progresses. An additional £0.2m relates to the amortisation of the SFA recognised on acquisition of the London corporate stores.

Joint venture store conversion – £(0.7)m
Acquisition and store network conversion costs of £0.7m relate to the rebranding and associated costs to execute the conversion of the Joey's Pizza stores to comply with Domino's international brand standards in relation to support for franchisee store fit-outs and other costs. These costs are considered non-underlying as they are one-off charges that would not give an accurate reflection of the Group's profit were they to be included in underlying profit.

Non-underlying tax - £3.1m
The tax credit of £3.1m relates to the non-underlying expenses.
The non-underlying items in the year have resulted in a net cash outflow of £5.1m.

4. Taxation

Tax on profit on ordinary activities

	Continuing operations		Discontinued operations		Total	
	53 weeks ended 31 December 2017 £m	52 weeks ended 25 December 2016 £m	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m
Tax charged in the income statement						
Current income tax:						
UK corporation tax:						
– current period	15.5	15.5	0.2	1.8	15.7	17.3
– adjustment in respect of prior periods	(0.7)	0.3	0.2	(0.4)	(0.5)	(0.1)
	14.8	15.8	0.4	1.4	15.2	17.2
Income tax on overseas operations	1.6	0.6	-	0.9	1.6	1.5
Total current income tax charge	16.4	16.4	0.4	2.3	16.8	18.7
Deferred tax:						
Origination and reversal of temporary differences	(2.2)	0.6	-	0.3	(2.2)	0.9
Effect of change in tax rate	0.5	0.3	-	0.1	0.5	0.4
Adjustment in respect of prior periods	(0.3)	-	-	-	(0.3)	-
Total deferred tax	(2.0)	0.9	-	0.4	(2.0)	1.3
Tax charge in the income statement	14.4	17.3	0.4	2.7	14.8	20.0
The tax charge in the income statement is disclosed as follows:						
Income tax expense	14.4	17.3	0.4	2.7	14.8	20.0
Tax relating to items credited/(charged) to equity						
Reduction in current tax liability as a result of the exercise of share options	0.4	0.6	-	-	0.4	0.6
Origination and reversal of temporary differences in relation to unexercised share options	0.1	(0.5)	-	-	0.1	(0.5)
Tax credit in the Group statement of changes in equity	0.5	0.1	-	-	0.5	0.1

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

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

Earnings

Continuing operations	Notes	**53 weeks ended 31 December 2017 £m**	52 weeks ended 25 December 2016 £m
Profit attributable to owners of the parent		67.7	65.2
Non-underlying items:			
– Included in operating profit	3	19.7	-
– Amounts included within share of post-tax result of associates and joint ventures	3	0.7	3.1
– Net gain on step acquisition of foreign operations	3	(5.8)	-
– Net finance costs	3	0.4	-
– Tax	3	(3.1)	-
– Attributable on non-controlling interests		(1.4)	-
Underlying profit attributable to owners of the parent		78.2	68.3
Continuing and discontinued operations			
Continuing operations profit attributable to owners of the parent		67.7	65.2
Discontinued operations (loss)/profit attributable to owners of the parent		(0.2)	6.6
Total profit attributable to owners of the parent		67.5	71.8

Weighted average number of shares

	At 31 December 2017 Number	At 25 December 2016 Number
Basic weighted average number of shares (excluding treasury shares)	489,375,873	496,496,866
Dilutive effect of share options and awards	6,690,858	7,453,287
Diluted weighted average number of shares	496,066,731	503,950,153

The performance conditions relating to share options granted over 2,041,160 shares (2016: 2,380,181) 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 has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2016: nil). See note 32 for further information on reversionary interests and share options.

Earnings per share

Continuing operations	53 weeks ended 31 December 2017	52 weeks ended 25 December 2016
Basic earnings per share	13.8p	13.1p
Diluted earnings per share	13.6p	12.9p
Underlying earnings per share:		
Basic earnings per share	16.0p	13.8p
Diluted earnings per share	15.8p	13.6p
Discontinued operations		
Basic profits/(losses) per share	-	1.3p
Diluted profits/(losses) per share	-	1.3p
Continuing and discontinued operations		
Basic earnings per share	13.8p	14.5p
Diluted earnings per share	13.6p	14.3p

6. Dividends paid and proposed

	53 weeks ended 31 December 2017 £m	52 weeks ended 25 December 2016 £m
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2016: 4.50p (2015: 3.92p)	22.0	19.5
Interim dividend for 2017: 3.75p (2016: 3.50p)	18.4	17.5
Dividends paid	40.4	37.0
Proposed for approval by shareholders at the AGM (not recognised as a liability at 31 December 2017 or 25 December 2016)		
Final dividend for 2017: 5.25p (2016: 4.50p)	25.2	22.0

Dividends per share in the comparative period have been restated to reflect the sub-division of shares in the prior year.

7. Financial liabilities

	At 31 December 2017 £m	At 25 December 2016 £m
Current		
Current instalments due on other loans	0.2	0.6
Current instalments due on finance leases	0.4	0.1
	0.6	0.7
Put option liabilities	5.6	-
	6.2	0.7
Share buyback obligations	18.3	10.0
	24.5	10.7
Non-current		
Bank revolving facility	113.9	56.7
Non-current instalments due on other loans	3.7	0.3
Put option liabilities	34.7	-
	152.3	57.0

Banking facilities
At 31 December 2017 the Group had a total of £359.5m (2016: £180.0m) of banking facilities, of which £241.3m (2016: £118.3m) was undrawn.

Bank revolving facility
On 8 July 2017, the Group extended the existing multi-currency syndicated revolving credit facility by one year to 8 July 2022. Subsequently, on 13 December 2017 the revolving credit facility was amended and extended to £350.0m with a term of five years.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent) when the Group's leverage is less than 1:1 up to 1.80% per annum above LIBOR for leverage above 2.5:1. A further utilisation fee is charged if over one-third utilised at 0.15% which rises to 0.30% of the margin rate if over two-thirds is drawn. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

Arrangement fees of £3.2m (2016: £1.4m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the term of the facility. Arrangement fees of £0.2m previously capitalised have been written off in the year.

An ancillary overdraft and pooling arrangement is in place with Barclays Bank Plc for £10.0m covering the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, and DP Pizza Limited. An ancillary overdraft is in place with Barclays Bank Plc for €5.0m for Domino's Pizza UK and Ireland Limited. Interest is charged at the same margin as applicable to the revolving credit facility above bank base rate.

The facility is secured by an unlimited cross guarantee between the Company, Domino's Pizza UK and Ireland Limited, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited, DP Cyco Switzerland Limited and Domino's Pizza GmbH.

Other loans
Other loans include loans entered into to acquire assets which are then leased on to franchisees under finance lease agreements. The Group has an asset finance facility of £5.0m (2016: £5.0m) with a term of five years. The balance drawn down on this facility and held within "other loans" as at 31 December 2017 is £0.2m (2016: £0.9m). The loans are repayable in equal instalments over a period of up to five years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza UK & Ireland Limited (limited to an annual sum of £0.3m) and a mortgage charge over the assets financed. The interest rate on these loans is fixed at an average of 5.9% (2016: 5.9%).

DP Norway AS has access to a NOK 4.0m (£0.4m) overdraft and NOK 50.0m (£4.5m) five year term loan facility provided by Nordea Bank AB. Interest is charged 0.6% above NIBOR for each overdraft utilisation plus a yearly commission of 0.9%. At 31 December 2017 NOK 40.0m (£3.6m) was drawn on the term loan facility. Interest is charged at 1.35% above NIBOR with a yearly commission of 0.6%. Both the overdraft and loan facility are guaranteed by the Company.

Share buyback obligation
On 14 December 2017 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £20.0m of shares from 18 December 2017. The remaining share buybacks outstanding at the balance sheet date have been recognised as a financial liability of £18.3m (2016: 10.0m). The full obligation had been utilised by 5 February 2018.

Put options liabilities
On acquisition of Pizza Pizza EHF and DPN, and the subsequent hive out of PPS Foods AB, a liability at the present value of the gross amount of the put options held by the non-controlling interests over the remaining shareholding has been recognised on consolidation amounting to £34.8m and by 31 December 2017 has been revalued to £34.7m.

The value of the financial liabilities is the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The put option liability is based on a forecast EBITDA multiple of the respective businesses during the exercise period. The options are exercisable from 1 July 2019 until 30 June 2020.

On acquisition of London corporate stores on 5 October 2017, a liability at the present value of the gross amount of the put options was held by the non-controlling interests over the remaining shareholding has been recognised on consolidation amounting to £5.6m. The option is exercisable at this value from six months of the acquisition date for a period of six months. If the option is not exercised, the option reverts to fair value based on EBITDA multiple from three years after acquisition date.

8. Business combinations

The acquisitions in the period have been accounted for as business combinations. The provisional fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

Transaction costs relating to the acquisitions detailed in this section are detailed in note 3.

	Domino's Iceland	Domino's Norway and Sweden	Dolly Dimple's Norway	London Corporate Stores	Total
	£m	£m	£m	£m	£m
Consideration transferred					
Cash	1.3	13.7	5.7	24.4	45.1
Deferred consideration	-	-	-	3.6	3.6
Non-cash consideration	-	-	-	5.6	5.6
Total	1.3	13.7	5.7	33.6	54.3
Fair value of net assets acquired (provisional)					
Property, plant and equipment	4.7	3.4	1.3	1.1	10.5
Intangible assets	22.1	18.7	1.7	4.5	47.0
Inventories	0.6	0.4	0.2	0.1	1.3
Trade and other receivables	4.1	0.8	1.1	1.3	7.3
Deferred tax assets	-	1.2	1.4	-	2.6
Assets held for sale	-	0.2	-	-	0.2
Cash and cash equivalents	14.7	0.9	3.1	4.9	23.6
Total assets acquired	46.2	25.6	8.8	11.9	92.5
Trade and other payables	(4.7)	(2.9)	(2.9)	(4.3)	(14.8)
Loans	(1.6)	(2.7)	-	-	(4.3)
Provisions	-	-	(2.3)	-	(2.3)
Deferred tax liabilities	(4.4)	(4.3)	(0.4)	(0.5)	(9.6)
Total liabilities acquired	(10.7)	(9.9)	(5.6)	(4.8)	(31.0)
Net identifiable assets acquired at fair value	35.5	15.7	3.2	7.1	61.5
Goodwill arising on acquisition					
Consideration transferred	1.3	13.7	5.7	33.6	54.3
Transfer of equity at acquisition	29.2	3.8	-	-	33.0
Non-controlling interests	17.4	4.6	-	-	22.0
Fair value of net assets acquired (provisional)	(35.5)	(15.7)	(3.2)	(7.1)	(61.5)
Goodwill	12.4	6.4	2.5	26.5	47.8

Acquisition of Domino's Iceland

On 19 April 2017 the Group acquired 2% of the share capital of its associated undertaking Pizza Pizza EHF, taking the Group's shareholding to 51% and in doing so gaining control of the Icelandic-based Domino's master franchise holder.
The acquisition balance sheet has been adjusted to reflect provisional fair value adjustments. Adjustments to the completion balance sheet primarily relate to intangible assets of the MFA acquired with Pizza Pizza EHF and recognition of necessary provisions. The MFA has been valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.
Since the acquisition date, Pizza Pizza EHF contributed £2.7m to operating profit. If the acquisition of Pizza Pizza EHF had taken place on 26 December 2016, the Group underlying operating profit would have been £96.5m and revenue for continuing operations would have been £487.3m.

Acquisition of Domino's Norway and Sweden

On 19 April 2017 the Group acquired an additional 51% of the share capital of its associated undertaking DP Norway AS ('DPN', formerly Pizza Pizza Norway AS), taking the Group's shareholding to 71% and in doing so gaining control of the Norway and Sweden-based Domino's master franchise holder. This allowed access to two fast growing markets and facilitated the subsequent acquisition of Dolly Dimple's Norges AS.
The acquisition balance sheet has been adjusted to reflect provisional fair value adjustments.
Adjustments to the completion balance sheet primarily relate to intangible assets of the MFA acquired with DPN for Norway and Sweden and recognition of necessary provisions. The MFA has been valued using a cost approach taking into account forecast revenue and a discount rate applied. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.
The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.
Since the acquisition date, DPN contributed an operating loss of £6.2m. If the acquisition of DPN had taken place on 26 December 2016, the Group adjusted operating profit would have been £95.2m and revenue for continuing operations would have been £478.8m.

Acquisition of Dolly Dimple's

On 2 May 2017 the Group acquired 100% of the share capital of Dolly Dimple's, a leading Norway-based pizza chain operator with 42 stores. The stores will be converted to Domino's stores and provide scale to the operations in Norway.
The acquisition balance sheet has been adjusted to reflect provisional fair value adjustments.
Adjustments to the completion balance sheet primarily relate to intangible assets of the store franchise network and brand acquired with Dolly Dimple's, revaluation of property, plant and equipment in accordance with IFRS 13 and recognition of provisions relating to out of market leases and other necessary provisions. The store franchise network has been valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. The brand has been valued using the cost approach. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.
The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Since the acquisition date, Dolly Dimple's contributed an operating loss of £1.4m to operating profit. If the acquisition of Dolly Dimple's had taken place on 26 December 2016, the Group adjusted operating profit would have been £95.1m and revenue for continuing operations would have been £480.8m.

Transfer of Domino's Sweden

On 27 April 2017 the shares of the Group subsidiary PPS Foods AB, the Sweden-based Domino's master franchise holder, were transferred at market value from DPN to the shareholders of DPN in proportion of existing shareholding. This resulted in an additional payment of £1.7m from the non-controlling interests, which has been accounted for in equity. The Group therefore retains control and the same ownership interest in the Company after the transfer in proportion to existing shareholdings.

Acquisition of London corporate stores

On 5 October 2017 the Group acquired 100% of the share capital of Sheermans SS Limited, Sheermans Harrow Limited and WAP Partners Limited, a franchisee group that operates 25 Domino's stores in London. The acquiring Company, Sell More Pizza Limited, is 25% owned by the former majority shareholder in each of the subsidiaries acquired with a non-cash contribution of £5.6m for the shares. The acquisition provides access to the West London area through the Standard Franchise Agreement 'SFA', and the growth opportunities available in this market.

Deferred consideration is a working capital adjustment payable in January 2018. The acquisition balance sheet has been adjusted to reflect the provisional fair value adjustments.

9. Additional cash flow information

	Notes	53 weeks ended 31 December 2017 £m	52 weeks ended 25 December 2016 £m
Other movements			
Loss/(profit) on disposal of non-current assets		0.4	(0.1)
Share of post-tax (profits)/losses of associates and joint ventures		(3.2)	0.1
Net gain on step acquisition of foreign operations	3	(5.8)	-
Discontinued operations		(0.7)	1.4
Increase/(decrease) in provisions		11.1	(4.9)
Share option and LTIP charge		1.7	2.3
		3.5	(1.2)
Working capital movements			
Decrease/(increase) in inventories		2.2	(2.9)
Decrease/(increase) in receivables		3.0	(17.4)
Increase in payables		7.6	8.2
Increase in deferred income		5.8	1.3
		18.6	(10.8)

10. Post balance sheet events

On 15 January 2018, the Group acquired a further 44.3% of Pizza Pizza EHF for consideration of ISK3,721.2m (£26.8m), increasing the proportion of voting rights and share capital to 95.3%. This increase in shareholding is a transaction with non-controlling interest and will be accounted for within equity.

The Group financed the acquisition through its existing debt facilities. On completion of the Transaction the financial effects on the Group included:

- debt increased by the value of consideration;

- an additional 44.3% of the share capital of is owned by the Group and it will receive an additional 44.3% of earnings from the date of completion of the transaction; and

- net assets will change by the difference between the reduction in value of the put option liability as at the date of completion of the acquisition and the consideration payable for the acquisition.

On 8 January 2018, the Group increased its investment by €6.0m (£5.4m) and loaned an additional €6.0m (£5.4m) to Daytona JV Limited in order to maintain its 33.3% ownership in order to acquire an existing pizza chain in Germany, Hallo Pizza GmbH. The impact of this transaction on the Market Access Fee has not been reflected in the financial statements for the period.