Domino's Pizza UK & IRL plc
Annual Report & Accounts
2011

It's what we do...

Domino's Pizza

Highlights

System sales
£530.6m[1]
2010: £485.3m

Adjusted operating margins
20.9%[5]
2010: 20.2%

Adjusted profit before tax
£43.6m[5]
2010: £38.0m

Adjusted diluted earnings per share
19.24p[2]
2010: 16.75p

Last year Domino's delivered piping hot, delicious pizza to 4.3 million households and delivered over 1,800 new jobs.

The contents…

The details…

- Like-for-like sales[3] in 604 mature stores up by 3.0% (2010: 11.9% in 553 stores) with the UK stores up by 3.7%
- Earnings per share[2]:
  - Basic earnings per share up 12.2% to 19.48p (2010: 17.36p)
  - Diluted earnings per share up 14.9% to 19.24p (2010: 16.75p)
  - Diluted earnings per share, pre-Germany, up 18.6% to 19.86p (2010: 16.75p)
- Total dividend increased by 20.6% to 12.30p per share (2010: 10.20p)
- 62 new stores opened in the year (2010: 57 stores) and three closed (2010: nil) resulting in a total of 726 stores at the year end (2010: 665)
- Online system sales increased by 43.0% (2010: 63.0%) to £183.1m (2010: £128.0m) with online sales accounting for 44.3% of UK delivered sales (2010: 35.8%)
- Adjusted net debt[4] to EBITDA of 0.4:1 (2010: 0.2:1), highlighting our low financial leverage.

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

It's what we do...

In 2011 we opened a new international market, 62 new stores, created two new apps – one for the iPad and one for the Android platform, launched nine new pizzas – including the Domino's Stuffed Crust and the new Gourmet range, created over 1,800 new jobs, launched a new brand ad campaign, developed a whole new customer service programme and hired a new chief executive.

It's what we do!

The story of the year...

This year saw two major new product launches... Without doubt, 2011 was the year of the Domino's Stuffed Crust, and the launch of the Gourmet range.

Our iPad and smartphone apps show our real appetite for innovation... During 2011, Domino's launched two new apps – one for the iPad and one for the Android platform – as well as an online ordering site for our German business.

Our European expansion continues with new store openings in Germany... In April 2011, we acquired a majority stake in the exclusive master franchise to own, operate and franchise Domino's Pizza stores in Germany.

Our partnership with the Pennies Foundation has raised some real money... Our customers have donated an incredible £185,000 since the initiative was launched.

Domino's at a glance

Our mission is to be the best pizza delivery company in the UK, the Republic of Ireland and Germany. Last year we opened 62 new stores and made nearly 66 million pizzas – an average of over 1.25 million per week.

Number of franchisees	Number of employees
127	513
Average number of stores per franchisee	Number of team members
5.7	21,000+

Number of stores	Northern Ireland
726	19
Number of new stores	Isle of Man
62	1
England	Mobile Unit
575	1
Scotland	Republic of Ireland
48	48
Wales	Germany
28	6

Moving into new territories...

This year saw our first outlets open in Germany. There are now five Domino's stores in Berlin and one in Bonn, with plans to open 12 next year in further cities across the country.

Chairman's statement

Key highlights

System sales
+9.3%
2010: +19.3%

Adjusted profit before tax
+10.9%
2010: +27.3%

Dividend per share
+20.6%
2010: +31.6%

> The underlying strengths of our business continue to be innovation in both our product range and our marketing approach, excellent franchisees running profitable businesses with exceptional customer service, and strong cash generation with a focus on operating margins.

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

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

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

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

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

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

> I have been impressed by the seamless handover and how quickly Lance has found his feet, got to know the business and the franchisees and started to add his own elements to the Company's strategy.

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

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

Stephen Hemsley
Non-Executive Chairman
15 February 2012

We do... Fresh

This year saw two major new product launches...

Without doubt, 2011 was the year of the Domino's Stuffed Crust. This new product, using traditional Domino's classic dough, was launched in June and has been well received by Domino's fans across the UK.

Stuffed Crust had been the most requested product not on the Domino's menu and the product was supported by the irreverent "Get Stuffed" advertising campaign. The marketing activity included advertising on bus sides, which was named Outdoor Campaign of the Month by Marketing magazine.

ideas

Domino's also launched a new Gourmet range during the year.

Initially comprising of three pizzas – Rustica, Florentine and Firenze – the range also uses traditional Domino's dough, but stretched out to form an Italian style, thinner base. The toppings included some new flavours to the Domino's range such as feta cheese, baby spinach, ventricina salami and baby plum tomatoes.

A fourth flavour – Quattro Formaggio – was added in October. The Gourmet range has performed particularly well in the Republic of Ireland where it has been supported by celebrity chef Andrew Rudd.

For more on our new products, see page 9

12.3%
The amount of Gourmet Pizzas sold in the Republic of Ireland as a percentage of speciality pizzas

Chief Executive Officer's review

Key highlights

Like-for-like sales
+3.0%
2010: +11.9%

New stores opened
+62
2010: +57

E-commerce sales
+43.0%
2010: +63.0%

Chief Executive Officer Lance Batchelor (left) with former Chief Executive Chris Moore

> Much of my time has been spent with our franchisees, who add so much to the energy and creativity of this wonderful brand. Their passion and drive to take the business to the next level is compelling, and is matched by the commitment of the head office and commissary teams.

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

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

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

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

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

More Fabulous Products

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

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

> When I review our rollout plans I really feel that the future holds so much potential for our franchisees, our stakeholders and our customers.

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

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

In addition, we launched the Spanish Sizzler in February, two versions of a Reggae Reggae pizza with Levi Roots of Dragon's Den fame in April and the Meatilicious in October. All of these pizzas have created excitement with our customers and we have used www.dominos.co.uk | www.dominos.ie | www.dominos.de

We do... Food...

at your fingertips

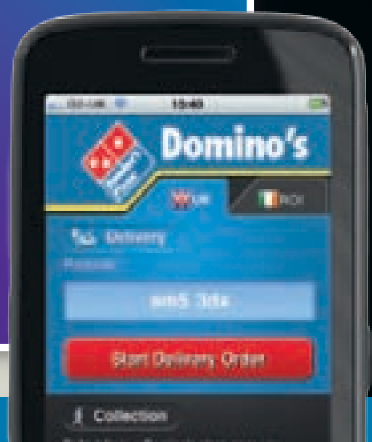
Our iPad and smartphone apps show our real appetite for innovation

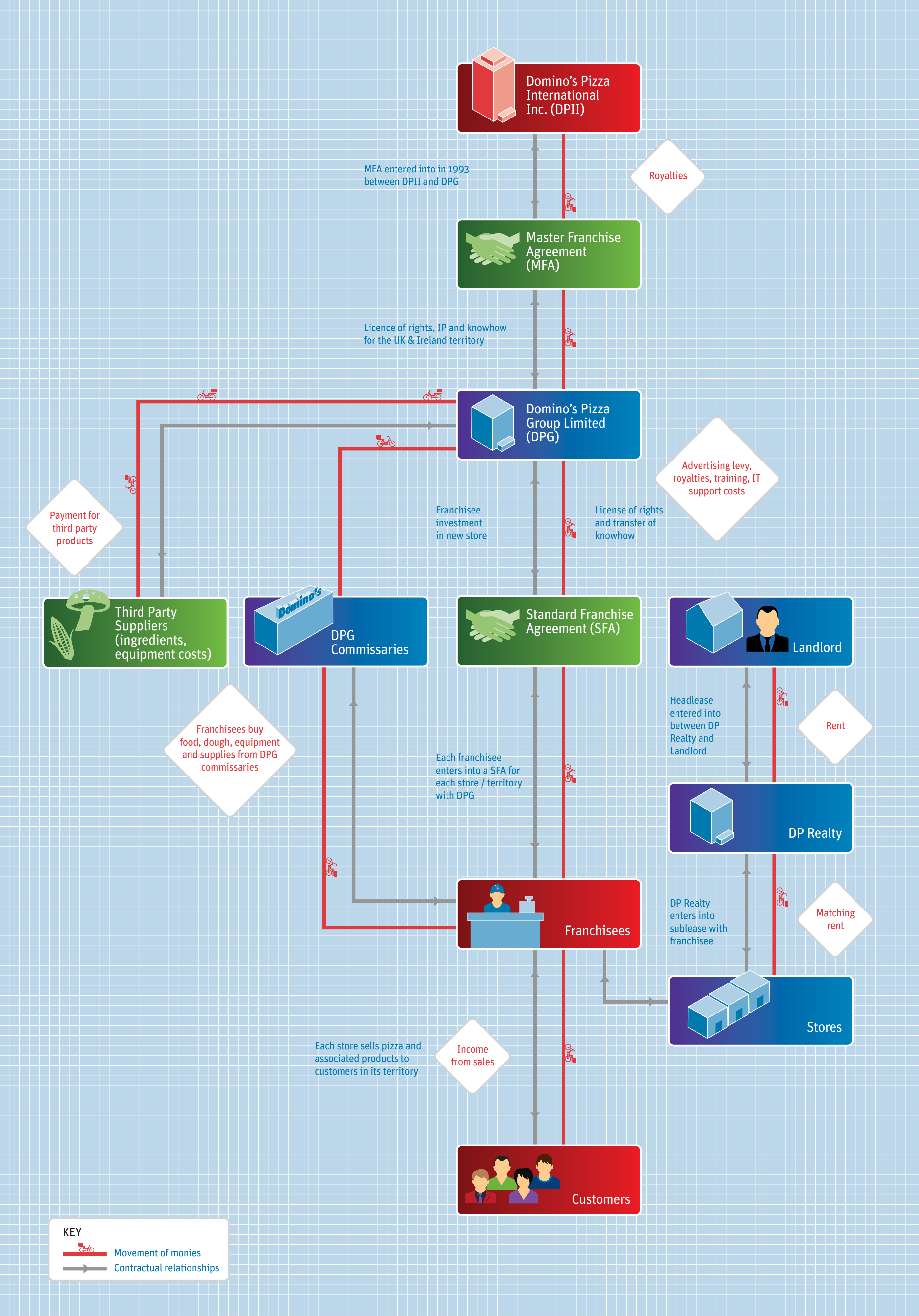
During 2011, Domino's launched two new apps – one for the iPad and one for the Android platform – as well as an online ordering site for our German business. As online sales grow, the percentage of those sales taken over a mobile device continues to grow too and accounted for 14% of online sales during the last quarter of the year.

During the year, we broke the million pound mark for online sales – 17 times. In fact online sales continued to rise, hitting a peak of over £1.26 million in December. Already in 2012 we have launched an app for the Windows 7 platform and improved our website with new functionality such as a Meal Deal wizard to help consumers ensure they are getting the best value for money on their orders. We also continue to build on our social media presence with new offers for Facebook fans and Twitter followers in the UK, the Republic of Ireland and in Germany.

+43%
The rise in online sales for the UK and the Republic of Ireland

For more on innovation, see page 13




Domino's Pizza International Inc. (DPII)
MFA entered into in 1993 between DPII and DPG
Royalties
Master Franchise Agreement (MFA)
Licence of rights, IP and knowhow for the UK & Ireland territory
Domino's Pizza Group Limited (DPG)
Payment for third party products
Franchisee investment in new store
License of rights and transfer of knowhow
Advertising levy, royalties, training, IT support costs
Third Party Suppliers (ingredients, equipment costs)
Domino's
DPG Commissaries
Standard Franchise Agreement (SFA)
Landlord
Franchisees buy food, dough, equipment and supplies from DPG commissaries
Each franchisee enters into a SFA for each store / territory with DPG
Headlease entered into between DP Realty and Landlord
Rent
DP Realty
Franchisees
DP Realty enters into sublease with franchisee
Matching rent
Stores
Each store sells pizza and associated products to customers in its territory
Income from sales
Customers
KEY
Movement of monies
Contractual relationships

We do non-traditional formats...

At Domino's, we have never been scared of trying something new – so this year saw Domino's stores open in a number of new and interesting locations including a shopping centre in Basildon and a Tesco Extra in Dudley.

Not all of these new concepts are right for Domino's – we tried opening a site in a motorway service station at Leigh Delamere, but it didn't take off as we had hoped it would, so the trial with Moto, the motorway services operator, has now finished – but we have other sites to try in the pipeline.

We will continue to experiment and try new concepts and we have created a special projects team to look at these new format opportunities. In the Basildon shopping centre, we are trying a new, more rustic look to help us stand out in a busy food court and both this and the Tesco store are our first stores that don't do deliveries. It all started with our mobile unit in 2009 – but now we are keen to make sure that we can provide delicious, piping-hot pizza to even more people in even more places.

Facebook to offer a special, exclusive deal during the week before the official launch, solely for our 300,000 plus Facebook fans.

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

Innovative Marketing

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

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

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

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

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

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

Exceptional Service

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

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

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

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

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

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

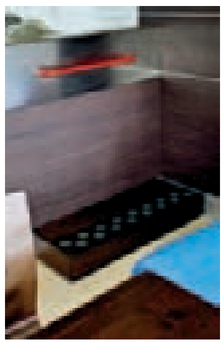
The Republic of Ireland

The Republic of Ireland continues to be a tough market in the current economic climate, but I am encouraged to see a gradual slowdown in the decline, although we are now up against some easier comparative figures. Like-for-like sales in the Republic of Ireland were down by 4.1% (2010: down by 8.4%) but our very high coverage of the TV schedules coupled with product innovation has

We do new store designs...

At Domino's, we don't like standing still – so we have been busy rolling out a new look for our stores. Starting with our store in Carterton, Oxfordshire, the new look includes a bright red corian Domino's panel on the counter for high visibility and an enhanced customer area with a more contemporary feel using stone and timber effects.

We continue to provide brightly-lit interiors so customers can see their pizzas being made and we even put a step in the customer area at the counter so small children can also get a good view as their dough is slapped, the pizza is sauced and cheesed and the toppings are applied with military precision.



We do customer service...

Great customer service is one the key pillars of our business and this year we launched our new Black Apron programme to make great customer service brilliant.

Store staff attending the course learn new ways of turning an unhappy customer into a Domino's ambassador as well as getting enhanced product knowledge so they can wow their customers with interesting facts about the quality ingredients we use in our stores. All those who complete the course and pass the test at the end receive the coveted black apron itself and can play the role of concierge within the stores. From entertaining kids to helping new customers through the menu, our concierges help to keep our customers happy – and we know that ensures they always come back for more.

1,036
The number of store team members that have completed the Black Apron programme

ensured that we are still outperforming the competition. During the year, we opened only one new store in the territory but we still anticipate growth in this market in the future. In addition, to provide additional focus for our Irish franchisees, Procurement Director Ian Douglas has taken on responsibility for the day to day running of Ireland in a new role of Market Director – Ireland, in addition to his procurement agenda.

Germany

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

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

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

Going Forward

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

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

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

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

Lance Batchelor
Chief Executive Officer
15 February 2012

We do... European

Our expansion continues with new store openings in Germany

In April 2011, we acquired a majority stake in the exclusive master franchise to own, operate and franchise Domino's Pizza stores in Germany.

At the time, there were just two stores in Berlin. Since April, we have opened a store in Bonn and three more in Berlin. We've launched a website and embarked on a steep learning curve with regards to the culinary preferences of our German consumers. We have put a full team in place to run the operation and we are just starting to franchise stores in the region. As well as some exciting German entrepreneurs, we have had a lot of interest from UK franchisees too – keen to explore this virgin territory. It's an exciting opportunity for Domino's and we are looking forward to opening up the German market.

4
The number of new stores opened in Germany in 2011

For more on Germany, see page 15

expansion

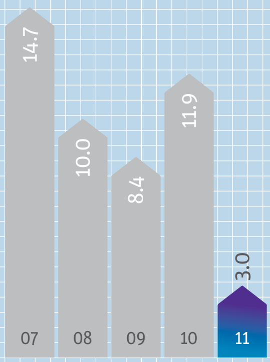
Key performance indicators

We use eight financial and non financial key performance indicators (KPIs) to implement and monitor the performance of the Group against our strategy, in addition to income statement measures of performance. Furthermore, it is a key principle of the Group to align the interests of the Directors and other employees with those of its shareholders. Executive remuneration therefore includes two measures linked to our KPIs, namely adjusted profit before tax growth (used for the Annual Performance Bonus scheme) and adjusted diluted earnings per share growth (used for the Long Term Incentive Plan), details of which can be found in the Report on Directors' remuneration. The eight KPIs and how we performed against them are set out below.

Same stores like-for-like sales growth (%)

+3.0%

2010: 11.9%

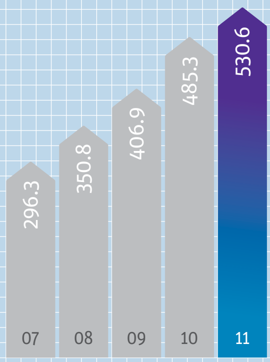


Same stores like-for-like sales growth – the total sales of all stores opened on or before 27 December 2009 in the Group's franchisee system in the UK and Republic of Ireland compared to the same period in the prior year that were open in both periods being compared. Like-for-like sales growth represents a very useful barometer of organic growth, and is an accepted measure of performance across all retailing sectors. Like-for-like sales in the 604 stores that were open in both periods being compared grew by 3.0% against tough comparatives (2010: 11.9% growth in 553 stores). Over the last 5 years the average like-for-like growth is 9.6% (2010: 10.9%).

System sales growth (£m)

£530.6m

2010: £485.3m

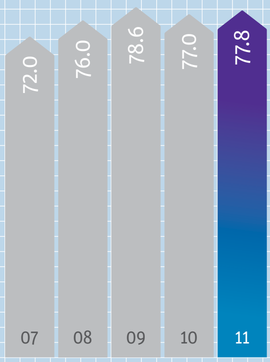


System sales growth – the total sales of the Group's franchisee system in the UK, Republic of Ireland and Germany, to external customers, compared to the same period in the prior year, expressed as a percentage. This represents the most useful indicator of the overall strength of the Domino's brand in the UK, Republic of Ireland and Germany. In 2011, system sales grew by 9.3% (2010: 19.3%) to £530.6m (2010: £485.3m).

Out the Door times <15 mins (%)

77.8%

2010: 77.0%

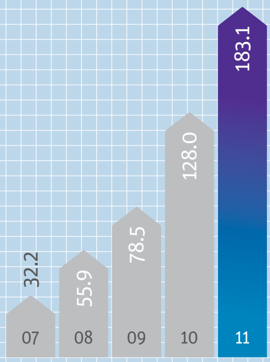


Out the Door times (OTD) – the Group's target is to safely deliver its product to its customer within 30 minutes of an order being placed. To accomplish this, the focus in-store is on efficiency and speed of process. OTD is the average time it takes to get the customer's order out of the door of the store and on its way to be delivered to the customer. The average delivery now leaves the store within 13.2 (2010: 13.7) minutes of the order being placed.

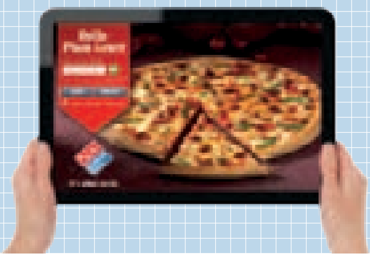
E-commerce sales (£m)

£183.1m

2010: £128.0m



E-commerce sales – the sales of the Group's franchisee system in the UK, Republic of Ireland and Germany, to external customers, via the websites (www.dominos.co.uk/www.dominos.ie/www.dominos.de). In 2011, e-commerce sales grew by 43.0% to £183.1m (2010: £128.0m).



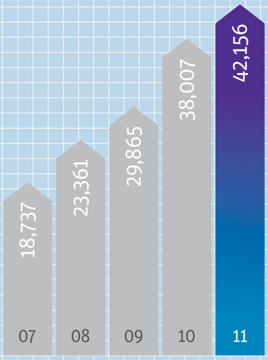
New products have played a part in like-for-like sales growth of

+3.0%

Adjusted profit before tax (PBT) growth (£000)

£42,156

2010: £38,007

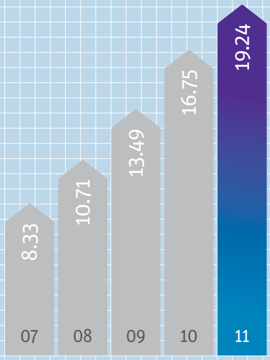


Adjusted profit before tax (PBT) growth – group profit before exceptional items and before the deduction of taxation compared to the same period in the prior year. PBT growth is a good indicator of the efficiency of the business model to the benefit of shareholders, and franchisees alike. PBT for the period was up 10.9% to £42.2m (2010: £38.0m).

Adjusted diluted earnings per share (EPS) growth (pence)

19.24p

2010: 16.75p

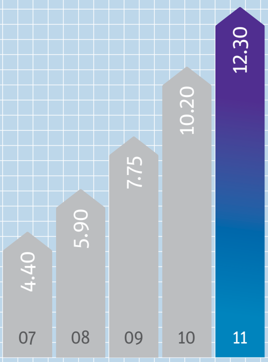


Adjusted diluted earnings per share (EPS) growth – total earnings, before operating and non-operating exceptional items, divided by the total number of dilutive outstanding shares, expressed as a percentage. Adjusted diluted earnings per share for the period was up 14.9% to 19.24p (2010: 16.75p).

Dividend per share (pence)

12.3p

2010: 10.2p

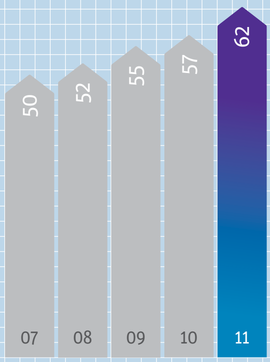


Dividend per share – the interim dividend paid and the final dividend proposed divided by the number of shares eligible for dividends. Dividend per share for the period was up 20.6% to 12.3p (2010: 10.2p).

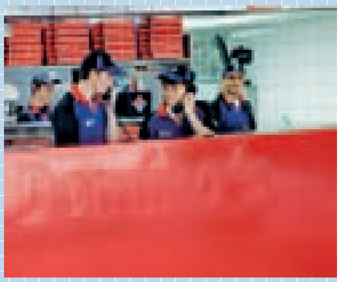
New store openings (number of stores)

62

2010: 57



New store openings – number of new stores opened during the period. 62 new stores were opened during the 52 weeks ended 25 December 2011 (2010: 57).



Chief Financial Officer's review

Key highlights

System sales
£530.6
2010: £485.3m

Adjusted profit before tax
£42.2m
2010: £38.0m

Adjusted diluted earnings per share
19.24p
2010: 16.75p

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

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

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

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

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

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

Group trading results

System sales increased by 9.3% to £530.6m (2010: £485.3m). The main drivers of this growth were:

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

During 2011, certain commodity prices reached record highs (in particular wheat and vegetable oil prices). By working closely with and leveraging the strong long-term relationships we have with our key suppliers, we managed to mitigate the resultant impact by securing longer term fixed price contracts. In doing so we managed to avoid the record peaks in wheat prices, which avoided the need for us to increase pricing to franchisees. Strong supplier negotiations and the re-engineering of the supply chain not only resulted in maintaining our pricing but also had the added benefit of increasing the quality of our products.

One of the areas where we did feel the pressure of increased costs over 2011 was the substantial increase in fuel costs. The rising price of petrol and diesel cost the Group over £0.25m which we had to absorb.

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

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

	2011	2010	% Change
Group system sales	**530,636**	485,282	9.3%
Germany system sales	**(660)**	–	
Group system sales excluding Germany	**529,976**	485,282	9.2%
Group revenue	**209,863**	188,634	11.3%
Germany segment revenue	**(579)**	–	
Group revenue excluding Germany	**209,284**	188,634	10.9%
Adjusted operating profit – excluding Germany	**43,714**	38,035	15.3%
Net finance costs	**(159)**	(28)	
Adjusted profit before tax – excluding Germany	**43,555**	38,007	14.6%
Germany results (including intangible amortisation of £231k and net interest payable of £58k)	**(1,399)**	–	
Adjusted profit before tax – including Germany	**42,156**	38,007	10.9%

	2011	2010	% Change
Adjusted operating profit as % of Group sales			
– Excluding Germany results	**20.9%**	20.2%	
– Including Germany results	**20.2%**	20.2%	
Adjusted profit before tax as % of system sales			
– Excluding Germany results	**8.2%**	7.8%	
– Including Germany results	**7.9%**	7.8%	
Adjusted diluted earnings per share			
– Excluding Germany acquisition	**19.86**	16.75	18.6%
– Including Germany acquisition	**19.24**	16.75	14.9%

International

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

- United Kingdom
- Republic of Ireland
- Germany

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

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

Exceptional items

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

- Operating exceptional items of £3.0m
  - On 26 April 2011 the Company acquired a 75% shareholding in DP Cyco Limited, a company which holds the MFA for Germany. Domino's incurred £1.2m of costs directly associated with the acquisition of the shareholding.
  - During the year three stores closed, two in the United Kingdom and one in the Republic of Ireland. As a result of these store closures, and other identified onerous leases, the Group has provided for £0.9m in relation to onerous lease charges.
  - As a result of the Group reviewing the carrying value compared to the recoverable amount of assets held for sale, the Group has incurred an impairment charge of £0.8m for the year.
- Non-operating exceptional items of £0.4m
  - As a result of the acquisition of Domino's Leasing Limited in the prior year, the Group has recognised £0.4m (2010: £0.4m) as an exceptional interest charge due to the unwinding of the discount on the deferred consideration of the transaction. This is a non-cash interest charge – refer to note 7 for further details.
- Taxation – net effect of £1.2m

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

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

  - Following the acquisition of Domino's Leasing Limited in 2009, the Group recorded a deferred tax asset of £29.1m as a result of the availability of certain tax reliefs from its ownership of equipment under Domino's Leasing Limited's leasing business, which are available to the wider Group. This tax asset was recorded at a corporation tax rate of 28% effective at the time of acquisition. Effective 1 April 2011, the corporation tax rate reduced from 28% to 26%, and will further reduce to 25% on 1 April 2012. The impact of this change is to reduce the deferred tax asset by £1.3m. This change has been recorded in the exceptional items in the Group income statement.
  - The taxation impact of the operating and non-operating exceptional items is a reduction of £0.1m (2010: £0.5m) in the overall corporation tax for the year (see note 12 earnings per share). This is as a result of the non-tax deductibility of the majority of the acquisition costs associated with acquiring a 75% shareholding in DP Cyco Limited as mentioned above under operating exceptional items.

Earnings per share

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

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

Dividends

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

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

Cash flow and net debt

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

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

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

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

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

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

The Group monitors the ratio of net debt to EBITDA on a quarterly basis as this is one of the financial covenants for the £25m five-year facility. The Group includes within net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes non-recourse and non-controlling shareholder loans. The ratio of net debt to EBITDA remains exceptionally low at 0.4 (2010: 0.2) against a covenant of 2.5:1.

Banking facilities

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

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

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

Capital employed

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

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

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

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

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and regularly monitored by the Board. Further details are given in note 30 to the Accounts.

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

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

Conclusion

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

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

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

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

Lee Ginsberg
Chief Financial Officer
15 February 2012

Board of Directors

1. Lance Batchelor (48)
Chief Executive Officer

Lance became Chief Executive Officer on 26 December 2011, having previously been the Deputy Chief Executive Officer since June 2011. He originally joined the Board as a Non-Executive Director in July 2010 whilst the Chief Executive Officer of Tesco Mobile, part of Tesco plc. Lance previously held senior roles at Vodafone Group plc, Amazon.com and Procter & Gamble. He began his career in The Royal Navy where he served as an officer in submarines. Lance holds an MBA from Harvard Business School. He is a Trustee of The National Gallery.

2. Stephen Hemsley (54)
Non-Executive Chairman

Stephen joined the Company as Finance Director in 1998. In 2001 he was appointed Chief Executive. Stephen was appointed Executive Chairman of the Group at the beginning of 2008 and became Non-Executive Chairman with effect from the close of the 2010 AGM. Stephen is a chartered accountant by profession.

3. Lee Ginsberg (54)
Chief Financial Officer

Lee joined the Company in 2004 as Finance Director and Company Secretary. He previously held the post of Group Finance Director for Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive. Lee is a chartered accountant by profession.

4. Christopher Moore (52)
Chief Executive Officer in FY2011

Chris was Chief Executive Officer from January 2008 until the end of FY2011. He joined Domino's Pizza Inc. in 1990 to set up the Company's European Marketing Department and has concentrated on the UK and Ireland since 1993 when he joined Domino's Pizza Group Limited. Chris became a Director in 1999 and Chief Operating Officer in 2005.

5. Michael Shallow (57) ● ○ ○
Non-Executive Director

Michael was appointed to the Board in 2006. He is Chairman of both the Audit Committee and the

Nomination Committee and Senior Independent Director of the Company. Michael is also a non-executive director of Britvic plc and has worked in the food and drinks sector for the past 16 years. Michael was previously the Finance Director for Greene King plc.

6. Syl Saller (54) o
Non-Executive Director

Syl was appointed to the Board in September 2011. She is currently the Global Innovation Director for Diageo. Prior to this she held senior marketing and general management roles within Allied Domecq, the Holson Burnes Group and Gillette and has an MBA from Harvard Business School.

7. Colin Halpern (75) o
Non-Executive Vice Chairman

Colin acquired the Domino's Pizza Master Franchise Agreement for the UK and Republic of Ireland in 1993 through International Franchise Systems Inc. In November 1999, with Colin as Chairman, the Company was taken public and listed on AIM. Colin is the Managing Director of HS Real Company LLC, Chairman of Calumet Holdings LLC and Dayenn Limited and non-executive director of several other companies.

8. Helen Keays (47) ●
Non-Executive Director

Helen was appointed to the Board in September 2011. Helen is a Non-Executive Director of Majestic Wine plc and Mattioli Woods plc. She is also a trustee of The Shakespeare Birthplace Trust. Helen has previously been a Director of Chrysalis plc and The Britannia Building Society and held senior roles within Vodafone Group plc and GE Capital.

9. John Hodson (65) ●o o
Non-Executive Director

John joined the Board in 2005 having previously been Chairman and Chief Executive Officer of Singer and Friedlander Group. He is currently Chairman of Strategic Equity Capital plc.

10. Nigel Wray (63)
Non-Executive Director

Nigel was appointed to the Board in 1999. He is Chairman of Saracens Rugby Club and non-executive director of several public and private companies.

11. Adam Batty (39)
General Counsel & Company Secretary

Adam joined the Company in 2009 from leading pub company Mitchells & Butlers plc where he was the Director of Legal Affairs. He is a qualified solicitor and has previously held the position of Corporate Lawyer at Six Continents plc and Norton Rose LLP.

Key to Committees
- ● Member of the Audit Committee
- o Member of the Nomination Committee
- o Member of the Remuneration Committee
- – Indicates Chairman of Committee

* Ages of Directors are as at 15 February 2012

** Peter Klauber was a Non-Executive Director until 30 September 2011

Corporate social responsibility report

This section recognises our responsibilities and provides an insight into our Corporate Social Responsibility (CSR) activity. Our commitment to CSR means that we consider our impact on the environment, our employees, the communities in which we operate and all other stakeholders in everything we do. We operate our business responsibly from the way we run our head office and commissaries and how we stipulate our franchisees run their stores, to how we support our local communities and the products we source.

Community – Delivering more to support those we serve

Contributing to the communities in which they operate is second nature to our franchisees. From pizzas at school fetes through sponsored car washes to a whole group of franchisees working together to raise money for a nationwide appeal – across the UK and the Republic of Ireland, our franchisees work hard to improve the lives of others and give a little something back to the communities in which they operate.

Without a doubt though, it is the generosity of our customers that has been the highlight of 2011. In last year's CSR report, we spoke about the Pennies initiative that was launched in November 2010. This simple system allows our customers to round up their online orders to the nearest pound and in its first year, they donated an incredible £185,000. Further information on Pennies can be seen in the panel to the right.

In addition, we continued to support our two corporate charities – Special Olympics Great Britain (SOGB) in the UK and Barretstown (see panel on page 29) in the Republic of Ireland. We donated £25,000 to SOGB and €10,000 to Barretstown with our franchisees in the Republic of Ireland donating an additional €5,000 to the latter. Franchisees across the UK have raised further funds for SOGB with athletes attending store openings and special events during the year. Our franchisees in Scotland also supported the Scottish Television Appeal – see panel on page 28.

Throughout our territories, stores regularly support local causes and charities to raise money and our in-house magazine, Slice, is full of photos and stories regarding these activities. It is very difficult to quantify the amount of money raised in this way, but we believe it to at least match that donated by the Company.

We also recognise these efforts with our Delivering More award. This is a quarterly prize of £500 awarded to the store or individual who we feel has gone beyond the call of duty. This can be a charitable activity or it might just be an act of random kindness, or a neighbourly gesture. As well as the four quarterly prizes, one will also win the annual Delivering More award of an additional £1,000, presented at our main awards ceremony. During 2011, the winners

Pennies

Pennies has been one of the great successes of 2011. Domino's was the launch partner for this initiative in November 2010. It works like an electronic version of the counter top charity box. Customers ordering online at www.dominos.co.uk and paying by debit or credit card are given the option at the end of the transaction to round up to the nearest pound and donate pennies to charity. This simple way of raising money has proved very effective and, in the first year of operation, raised an incredible £185,000.

Of the money raised, 75% from customers in England, Wales and Scotland goes to our corporate charity, Special Olympics Great Britain (SOGB). In Northern Ireland, 75% of the money raised goes to the Northern Ireland Children's Hospice. The remaining funds are shared between a number of charities as chosen by the Pennies trustees.

For SOGB, the additional funds have allowed a number of new projects to come into play including a motor activities training programme. This programme is aimed at athletes with profound and multiple impairments and the money will help to pay for three regional training seminars. In addition, the extra funds will help SOGB to recruit and reach out to 3,500 new and young athletes.

We are immensely proud of our customers and delighted to have been part of such a great scheme that is continuing to grow with more retailers coming on board.

> Throughout our territories, stores regularly support local causes and charities to raise money and our in-house magazine, **Slice**, is full of photos and stories regarding these activities. It is very difficult to quantify the amount of money raised in this way, but we believe it to at least match that donated by the Company.

of the quarterly prizes included a store manager who came across someone about to commit suicide and talked him down, a group of stores that, between them, have donated around £10,000 to a local charity and our London stores who received the accolade for the way they responded to the London Riots – see panel on page 28.

Being a good neighbour is a core principle at Domino's and we work hard with new and existing stores to ensure that we are just that. Our stores are fitted to high standards of ventilation and sound-proofing and we encourage all our drivers to treat local residents with respect and consideration when departing and returning on deliveries. Should a problem ever arise, we expect our store managers to deal with the issue in a timely and conciliatory manner.

Environment – Caring for the future of our planet

We recognise that reducing energy consumption makes sound business sense, because it saves us money and enables us to help in our own small way to tackle the effects of climate change. We therefore continue to look at ways to improve energy efficiency in our business to reduce both consumption and energy costs.

During 2011, we moved into our new corporate headquarters which will, going forward, reduce our carbon footprint considerably. This office, like the commissary beside it that opened in 2010, has been built to the BREEAM (Buildings Research Establishment Environmental Assessment Method) Excellent rating – the highest attainable standard. It includes features such as solar panels, rainwater recycling, makes good use of natural light and has a very sophisticated and environmentally friendly temperature control system. We have also included features such as indoor housing for bicycles to encourage employees to cycle to work and we have planted numerous trees in the landscaped gardens around the office as part of our continued focus on sustainability.

We continue to look at our supply chain for ways to reduce our carbon footprint and we are working with WRAP (Waste and Resources Action Programme), the Government-funded initiative, to further reduce food waste and packaging within our business. We hope to become an early signatory to WRAP's proposed Voluntary Agreement for the Hospitality and Food Service Sector, although there are still a few wrinkles to iron out in advance – especially relating to absolute targets, which are difficult to achieve in a rapidly expanding business.

We aim to keep our food waste to a minimum and our three deliveries per week allow our franchisees to quickly adapt to changes in demand. We constantly review our packaging to see where potential improvements can be made. Our boxes are already made from 80% recycled cardboard and are 100% recyclable and we continue to look for new ways to improve the sustainability and recyclability of our boxes.

Improving our sustainability credentials is an ongoing task and we continue to look at areas such as vehicle routing. When we build new stores, they include energy saving devices such as light detectors and lower energy pizza ovens. In 2011, we installed an

New Head Office

With solar panels, rainwater recycling and extensive tree planting, our new corporate headquarters will help us to keep our carbon footprint in check. Situated in the West Ashland suburb of Milton Keynes, adjacent to our main commissary, the new building has attained the BREEAM (Buildings Research Establishment Environmental Assessment Method) Excellent rating. It makes great use of natural light with large windows throughout and has internal bike racks to encourage employees to take the green route to work.

Corporate social responsibility report continued

additional 14 WOW ovens, which can deliver gas savings of between 25% and 50% on average, compared to our standard ovens.

Our franchisees do their bit too in reducing their carbon footprints with some stores using more bicycles and electric bicycles for deliveries.

Workplace – Treating people fairly and with respect

Domino's is an equal opportunities employer and is committed to investing in team member advancement through a broad range of learning and development initiatives for corporate employees, franchisees and in-store teams. This now includes D-Tube – our award-winning online learning system that took the title of E-Learning Programme of the Year at the Training Journal awards in 2011.

As a Company, we invest a considerable amount of time and resource in ensuring we provide a safe and healthy environment for work. We position our approach to occupational health and safety within a wider approach to the well-being of our team members. For example, we provide private medical insurance, an occupational health service, including health checks and annual flu vaccinations, and take steps to encourage staff to live healthy lives through initiatives such as a corporate gym membership deal. We are members of the PERKS scheme too – which offers discounts on a wide range of products – and have participated in the Government's cycle purchase scheme.

Helping after the London Riots

The riots that swept through the country, and particularly London, in August caused problems for many of our stores – but an even larger headache for the police officers who serve in our communities. Some of our London stores did their bit to boost morale for the many officers who were working round the clock to keep the peace by ensuring they were walking the beat on a full stomach with the store's compliments.

Scottish TV Appeal

Scottish pizza lovers tucked in to their favourite Domino's Pizza on Friday 16 September 2011 and raised £7,000 for the STV Appeal, which helps children affected by poverty in Scotland, in the process. Domino's Pizza stores across Scotland supported the STV Appeal, which was launched by STV and The Hunter Foundation in 2011, by donating 50p from every pizza sold on Friday 16 September. A fantastic 42 Scottish stores took part in the mass charity drive and Scottish franchise holder Pat Dunese announced the final fundraising total during a live broadcast from the roof of the STV studio in Edinburgh.

We will continue to identify ways we can support team members at work. In particular we will focus on managing absence to ensure that we can support employees returning to work at the earliest opportunity and to reduce absence wherever possible.

We also provide support for the 20,000+ employees that work in our stores. We also have e-learning tools to provide all the skills they need to do their jobs and develop their careers. In addition, we run an independent team careline for any staff with an issue they feel their franchisee is not dealing with in a timely or professional manner. Last year, we took an average of 23 calls per week to this careline.

Communication continues to be the key to building the employee relationship and our new corporate headquarters includes a large communal area where we hold a monthly update meeting for all employees. We are in the process of overhauling our intranet and during the year we also conducted a feedback survey on Slice, our internal magazine. The response was very positive and, supported by Dominews, which is aimed just at head office staff, we keep employees informed of the progress and process of the Company.

We require all our franchisees to have appropriate people management policies, procedures and documentation in place and to follow best practice in human resource management. To support this we have preferred outsource providers for HR and health and safety.

We actively participate with local schools to encourage the development and skills of young people. Activities this year have included work experience placements, school tours within a number of our stores, and providing judges and advisors for a Dragon's Den style initiative for schools in Milton Keynes. In addition, we also run a Donate a Day programme where employees are encouraged to take a day of the Company's time and use it to support a local charity.

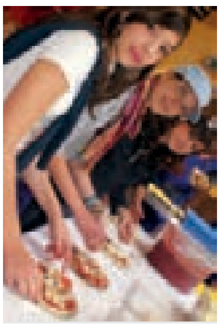
> During 2012, we will focus on the Responsibility Deal and the pledges we sign and we look forward to reporting further reductions in salt and fat in next year's report. We will also be looking to sign some of the supporting pledges in the Responsibility Deal regarding health at work – including regular monitoring and reporting of absentee rates.

Marketplace – Good food at the heart of our operation

We are proud of the food that our stores produce for our customers and this pride starts with the supply chain. As a Company, we relentlessly monitor the quality of our ingredients and constantly work to improve them. Part of this improvement includes reducing the salt and fat content of our products in line with the commitments we made to the Food Standards Agency (FSA) last year.

Barretstown

Founded in 1994, the team at Barretstown believe that every child with serious illness should enjoy their childhood. They do this through the Hole in the Wall Camp – a place where children and their families can lose themselves in a fairytale castle in the foothills of the Wicklow Mountains. Every year, Domino's provides a number of days of pizza making and pizza eating for these brave children and we also ran a Facebook promotion this year where Domino's donated a Euro for every Facebook Like that Barretstown received during a certain time. Overall, our donation to the charity for this year was €15,000.



These commitments have been superseded by the Department of Health's Responsibility Deal and during the coming year we will be signing at least two of the pledges. This will confirm our existing commitment not to use any additional artificial trans fats and will see calories appear on our website at the point of order, alongside the price. During 2011, we successfully reduced the salt in our sausage, meeting the FSA's salt target, which will have an impact on our customers as we use nearly half a million kilograms of sausage each year. We will continue to challenge our suppliers to further reduce salt, fat and calories from the products we sell.

We know that customers continue to show great interest in the products on our menu and we are proud to have no added hydrogenated fats, no GM foods and no artificial colours or flavours on our menu. This consumer interest is reflected in the fact that we had over 385,000 unique views of the Food Guide on our Take a Fresh Look website last year. This website showcases the provenance and quality standards of our food. A large part of the site is dedicated to the composition of food and includes extensive nutritional (calories, fat, saturated fat, salt, sodium, protein, fibre, carbohydrate and sugars) and allergen information on our pizzas and side orders and we add any new products to it as soon as they appear on the menu. We also continue to ensure that we provide the best possible support and information to those with any allergies through our membership of the Anaphylaxis Campaign.

We were delighted during the year to see more of our suppliers sign up to Sedex, the supplier ethical data exchange that allows us to better vet the suppliers we use or may use and ensure that they operate to a code of conduct in line with our own high ethical standards. We now have over 89% of our food suppliers signed up to Sedex in their own right. In addition, we ensure that our suppliers work closely with their chosen farmers to ensure animal welfare is to the required EU or international equivalent standard. This is an area we continue to monitor tightly.

Going Forward

During 2012, we will focus on the Responsibility Deal and the pledges we sign and we look forward to reporting further reductions in salt and fat in next year's report. We will also be looking to sign some of the supporting pledges in the Responsibility Deal regarding health at work – including regular monitoring and reporting of absentee rates.

We will also be continuing to focus on the sustainability of our business, especially through the WRAP initiative and by measuring and evaluating our carbon footprint.

Directors' report

The Directors have pleasure in presenting their report for the 52 weeks ended 25 December 2011.

Principal Activity

Domino's Pizza UK & IRL plc (the Company) and its subsidiary companies (together the Group) hold the master franchise for Domino's Pizza, one of the world's leading home delivery pizza brands, in the UK, the Republic of Ireland and Germany – this includes the Channel Islands and the Isle of Man (the Territory). The Company operates the leading home delivery pizza brand in the UK and the Republic of Ireland and having only recently acquired the master franchise for Domino's Pizza in Germany (26 April 2011) believes the German market offers an exceptional opportunity for the Domino's brand.

As at 25 December 2011, the Group had the following franchised and corporate owned stores in the Territory:

	Franchised	Corporate Owned
UK & Ireland	720	0
Germany	1	5

Driven to Deliver

The Group affiliates its systems to the quality of our product and the service it provides. These factors have led to the creation of the mission statement **"Driven to Deliver"** the best products to our customers in the quickest time it is safe to do so. The Group achieves this through four underpinning values which are at the heart of what the corporate and franchise teams do:

Passionate about winning – being the best by being better than we were yesterday;

Passionate about quality – getting it right every time for our customers;

Passionate about service – knowing who our customers are and beating their expectations every time we serve them; and

Passionate about relationships – treating people with respect and in the way that you would want to be treated.

Business review

Under the provisions of the Companies Act 2006 (the 2006 Act), a company is required to produce a business review containing a fair review of the business of the company and a description of the principal risks and uncertainties facing the company. Shareholders are referred to the Chairman's statement, the Chief Executive Officer's report, the Chief Financial Officer's review, the OFR, and the Corporate Governance report for the required information at pages 4 to 47. Details of the Group's policy on addressing financial risks is given in the OFR and details about financial instruments are shown in note 31 to the financial instruments at page 97. They are intended to provide a balanced and comprehensive analysis of the development and performance of the business, its performance during the year, likely developments and any principal risks and uncertainties associated with the Company's business.

Directors and their interests

Details of the current Directors are given in the Board of Directors section on pages 24 to 25.

The Directors who served during the year were:

Stephen Hemsley	Non-Executive Chairman
Christopher Moore	Chief Executive Officer (retired 26 December 2011)
Lance Batchelor	Deputy Chief Executive (appointed 27 June 2011)
Lee Ginsberg	Chief Financial Officer
Colin Halpern	Non-Executive Vice Chairman
Nigel Wray	Non-Executive Director
John Hodson	Non-Executive Director
Michael Shallow	Non-Executive Director
Peter Klauber	Non-Executive Director (stepped down 30 September 2011)
Syl Saller	Non-Executive Director (appointed 20 September 2011)
Helen Keays	Non-Executive Director (appointed 20 September 2011)

Lance Batchelor was an independent Non-Executive Director of the Company until 27 June 2011 when he was appointed to the role of Deputy Chief Executive. On 28 September 2011, the Company announced that the final quarter of 2011 would be the last with the current Chief Executive, Chris Moore, at the helm. Chris stepped down as Chief Executive and retired from the Board with effect from 26 December 2011 and Lance Batchelor took over as Chief Executive from the start of the 2012 financial year (26 December 2011).

Peter Klauber, having served on the Board for three years, stepped down as a Non-Executive Director with effect from 30 September 2011. Details of the two new Non-Executive Directors, Syl Saller and Helen Keays, were announced on 20 June 2011 and Syl and Helen joined the Board on 20 September 2011.

At the start of the year under review, the Board comprised two Executive Directors and six Non-Executive Directors and the Non-Executive Chairman. With effect from 30 September 2011, the Board comprised three Executive Directors, six Non-Executive Directors and the Non-Executive Chairman. As of 26 December 2011 the Board comprised two Executive Directors, six Non-Executive Directors and the Non-Executive Chairman.

Directors' interests in contracts

At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Conflicts of interest

There are procedures in place to deal with any Directors' conflicts of interest arising under section 175 of the 2006 Act and such procedures have operated effectively since 1 October 2008.

Directors' indemnity

The Directors have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third party indemnity provision, was in force throughout the last two financial years and is currently still in force. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors and officers, although no cover exists in the event Directors or officers are found to have acted fraudulently or dishonestly. No indemnity is provided for the Group's auditors.

Directors' interests in shares, including family interests

	As at 25 December 2011 ordinary shares	As at 26 December 2010 ordinary shares (or date of appointment if later)
Chairman		
Stephen Hemsley[(ii)]	**3,948,914**	3,991,170
Executive Directors		
Christopher Moore	**2,434,360**	2,517,706
Lance Batchelor[(vi)]	**21,775**	–
Lee Ginsberg	**100,320**	100,320
Non-Executive Directors		
Colin Halpern[(i)]	**4,457,900**	4,757,900
Nigel Wray[(iii)]	**16,595,368**	18,295,368
Michael Shallow[(iv)]	**48,000**	48,000
John Hodson[(v)]	**48,000**	48,000
Peter Klauber[(vii)]	**–**	–
Syl Saller[(viii)]	**–**	–
Helen Keays[(ix)]	**–**	–
Total	**27,654,637**	29,758,464

Details of disclosable interests in share options and LTIP awards are given on pages 58 to 59 of the Report on Directors' remuneration.

i. 4,457,900 ordinary shares (2010: 4,757,900) are held by HS Real LLC. HS Real LLC is owned by a discretionary trust, the beneficiaries of which are the adult children of Colin and Gail Halpern. A charging order is currently in place over the 4,457,900 shares held by HS Real LLC which prohibits the transfer of these shares or the payment of any dividend, interest or redemption by the Company relating to them.

ii. 1,000,462 ordinary shares (2010: 1,000,462) ordinary shares are held by CTG Investment Limited, a discretionary trust of which Stephen Hemsley and his family are potential beneficiaries. 2,790,000 ordinary shares in total (2010: 2,790,000) are held by The Stephen Hemsley Trust Nos.1 to 5, a discretionary trust of which Stephen Hemsley and his family are potential beneficiaries. 158,452 ordinary shares (2010: 188,388) are held in Stephen's self invested pension plan.

iii. 407,775 ordinary shares (2010: 407,775) are held by Roy Nominees Limited, which is beneficially owned by the family trusts of Nigel Wray, principal beneficiaries of which are Nigel Wray's children. 16,177,404 shares (2010: 17,877,404 held by Syncbeam Limited a company wholly owned by Nigel Wray) are held by Euroblue Investments Limited, a company wholly owned by Nigel Wray. 10,189 ordinary shares are held by Nigel Wray's son, Joe Wray (2010: 10,189).

iv. 48,000 ordinary shares (2010: 48,000) are held by Brewin Dolphin Securities Limited on behalf of Michael Shallow.

v. 48,000 ordinary shares (2010: 48,000) are held in John Hodson's self invested pension plan.

vi. 21,775 ordinary shares (2010: 0) are held by Lance Batchelor personally.

vii. Peter Klauber stepped down from the Company on 30 September 2011.

viii. Syl Saller was appointed a Non-Executive Director on 20 September 2011.

ix. Helen Keays was appointed a Non-Executive Director on 20 September 2011.

None of the Directors have a beneficial interest in the shares of any subsidiary. Should any ordinary shares be requested to satisfy awards under the Long Term Investment Plan Share Scheme (the LTIP), these may be provided by the employee benefit trust (the EBT). Further details relating to the LTIP and the EBT can be found on pages 50 to 55.

There have been no changes in the interests of the Directors, including share options, in the share capital of the Company as at 15 February 2012.

Results and Dividends

Results

The Group profit for the period after taxation was £26,466,000 (2010: £24,065,000). This is after a taxation charge of £12,323,000 (2010: £11,139,000) representing an effective tax rate of 31.8% (2010: 31.6%). The financial statements setting out the results of the Group for the period ended 25 December 2011 are shown on pages 60 to 104.

Dividends

The Directors recommend the payment of a final dividend of 6.80 pence per ordinary share, to be paid on 29 March 2012 to members on the Register at the close of business on 24 February 2012, subject to shareholder approval. Together with the interim dividend of 5.50p per ordinary share paid on 2 September 2011, the total dividend for the year will be 12.3p compared with 10.2p for the previous year, an increase of 20.6%. Dividends are recognised in the accounts in the year in which they are paid, or, in the case of the final dividend, when approved by shareholders, such that the amount recognised in the 2011 accounts, as described in note 13, is made up of last year's final dividend and this year's interim dividend.

Share Capital

Share capital

As at 25 December 2011, the Company's authorised share capital was £4,000,000 divided into a single class of 256,000,000 ordinary shares of 1.5625 pence each and there were 162,035,784 ordinary shares in issue. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form. Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives are entitled to attend general meetings and to exercise voting rights. All issued ordinary shares are fully paid up.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This is to reflect the Shareholders' Rights Regulations which have amended the 2006 Act. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. None of the ordinary shares carry any special voting rights with regard to control of the Company. The Notice of annual general meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the annual general meeting. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Company's website after the meeting.

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

Shares held by Employee Share Trusts

The Group has an EBT, the trustee of which is Ogier Employee Benefit Trust Limited. As at 25 December 2011, the EBT held 560,523 shares which are used to satisfy awards made under the LTIP. The voting rights in relation to these shares are exercisable by the trustee, however in accordance with investor protection guidelines, the trustee abstains from voting.

Acquisition – Germany

On 26 April 2011, the Company acquired a 75 per cent shareholding interest in the master franchise for Domino's Pizza in Germany (Domino's Germany) via DP Cyco Limited (DP Cyprus) a Cypriot registered subsidiary company of the Company acquired specifically for the acquisition (the German Acquisition). DP Cyprus subsequently acquired the entire share capital of Domino's Pizza Germany GmbH a company registered in Berlin, Charlottenburg Germany. The other 25 percent shareholding interest in Domino's Germany is retained by the vendor of the Domino's Pizza franchise in Germany, Briskas Ltd (Briskas). Briskas is an affiliate of the Grand City Hotels Group, the second largest hotel operator in Germany and with over 100 hotels in Europe. Briskas was awarded the master franchise for Domino's Pizza in April 2010 by Domino's Pizza Overseas Franchising B.V (DPOF) and at the time of acquisition by the Company had two corporate owned Domino's Pizza stores in Berlin. As at 25 December 2011 Domino's Germany had 5 corporately owned Domino's Pizza stores in Berlin and 1 franchised store in the Bonn region of Germany.

Under the terms of the German Acquisition, the Company purchased the 75 per cent interest in Domino's Germany for a total consideration of 2,200,000 ordinary shares of the Company of 1.5625 pence each (the Ordinary Shares). The Company issued 1,320,000 Ordinary Shares on completion of the Germany Acquisition (the Initial Consideration Shares) and a further 880,000 Ordinary Shares will be issued to Briskas on the opening of the 35th Domino's Pizza store in Germany. The Initial Consideration Shares were admitted to trading on 3 May 2011 and rank pari passu in all respects with the existing Ordinary Shares in the Company.

In order to fund the development of Domino's Germany the Company provided Domino's Germany with a €7,500,000 loan facility (the Purchaser Loan) from the Company's existing cash reserves. €1,000,000 of the Purchaser Loan was drawn down at completion of Domino's Germany. The Purchaser Loan is in addition to a €2,500,000 million of loan capital provided by Briskas to Domino's Germany.

Purchase of own shares

At the annual general meeting of shareholders held on 30 March 2011 (2011 AGM), a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its ordinary shares. As at 15 February 2012, 500,000 ordinary shares with a nominal value of 1.5625 pence each had been bought back and cancelled under this authority at a total cost of £2,219,000, representing 0.3% of the Company's called up share capital as at 28 March 2012, the date of the 2012 annual general meeting of shareholders (2012 AGM). The Company engages in share buybacks to create value for shareholders, when cash flows permit and there is no immediate alternative investment use for the funds. Taking into account all of the buybacks since 2004, 16.3% of the Company's issued ordinary share capital has been purchased. Shareholders will be requested to renew this authority at the forthcoming 2012 AGM. It is the Company's present policy to cancel any ordinary shares it buys back, rather than hold them in treasury.

Substantial shareholdings

As at 25 December 2011, the Company has been notified of the following interests in 3% or more of the issued share capital of the Company:

	% of share capital*
Wellington Management	5.5
Vontobel Asset Management	5.3
Barclays Stockbrokers (EO)	4.7
Moonpal Grewal	3.7
Oppenheimer Funds	3.7
Standard Life Investments	3.6
Montanaro Investment Managers	3.1

* Using the total voting rights figure as at 25 December 2011 of 162,035,784.

Nigel Wray, a Non-Executive Director, has an interest of 3% or more in the issued share capital of the Company. Please see the Directors' report on page 32 for the full details of all of the Directors' shareholdings.

Except for the above, the Group is not aware of any ordinary shareholders with interests of 3% or more in the issued share capital of the Company. The Company has not been notified of any other changes to the notifiable voting rights in its shares up to 15 February 2012.

Employees

United Kingdom and ROI

In the United Kingdom and the Republic of Ireland, the Group employed an average of 425 people in 2011 (up to and including 25 December 2011) (2010: 386) at its head office and three commissaries. Through its shareholding interest in one Domino's Pizza store, the Group indirectly employed on average an additional 41 people in 2011 (2010: 47).

Head Office – United Kingdom	193
Milton Keynes Commissary	147
Penrith Commissary	55
Naas Commissary	30

Germany

In Germany, the Group employed an average of 88 people from 26 April 2011 to 25 December 2011 (2010: 0 – the acquisition of Domino's Germany took place on 26 April 2011).

Head Office – Germany	7
German Commissary	1
Domino's Pizza Store – Charlottenburg (Berlin)	25
Domino's Pizza Store – Schöneberg (Berlin)	25
Domino's Pizza Store – Zehlendorf (Berlin)	21
Domino's Pizza Store –Tempelhof (Berlin)	4
Domino's Pizza Store – Mitte (Berlin)	5

Employment policies

The Group is committed to the principle of equal opportunity in employment. The Group recruits and selects applicants for employment based solely on their qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Group's policy to recruit the most capable person available for each position. The Group recognises the need to treat all employees honestly and fairly. The Group is committed to ensuring that its employees feel respected, valued and are able to fulfill their potential and recognises that the success of the business relies on their skill and dedication.

The Group gives full and fair consideration to applications for employment from disabled persons, with regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment.

Procedures, diversity and inclusivity

Group HR practices and procedures, including those relating to pay, benefits, promotions, terminations, training and self-development opportunities, comply with relevant legislation, without discrimination regardless of gender, race, colour, ethnic or national origin, religious belief, political opinion, or affiliation, sex, marital status, sexual orientation, gender reassignment, age or disability. The Group does not tolerate harassment of any employee.

Training

During the year the Company won the Training Journal's e-learning Programme of the Year 2011 Award. Competing against companies such as the BBC, Aviva and HSBC, the Company landed the e-learning award for its D Tube programme, which was developed to help in-store managers improve their HR knowledge of discipline and grievance and includes a series of videos to highlight and test managers on various in-store scenarios.

To ensure the very highest brand standards and to maximise the abilities of the Group's employees, the Group offers a comprehensive training and development programme for all its employees and franchisees. The Group's dedicated training centre provides the ideal environment for franchisees to participate in the Group's franchise development programme and numerous other training programmes for franchisees and their staff offered by the Group. Corporate staff are encouraged to participate in both internally held and externally provided training courses.

Following the successful mentoring pilot project delivered over the last year the Group is planning to develop mentoring to the next stage. Many of the Group's employees have valuable expertise, knowledge and skills that can be shared with others. The Group will be looking for experts to become specialist mentors and to provide development opportunities to other employees in a meaningful and effective way.

Whistleblowing

A "whistleblowing" policy and procedure is in place and has been notified by the Group to all employees. The policy enables employees to report any concerns on matters affecting the Group or their employment, without fear of recrimination.

Employee engagement & wellbeing

There is a close correlation between levels of employee motivation, organisational performance and the provision of a safe and healthy workplace. The Group aims to continue to provide a high quality work experience for all its employees to ensure they feel supported, valued and involved in the work of their team. Most importantly the Group endeavours for employees to feel proud to be a part of Domino's Pizza and to recognise that they contribute to the Group's success.

The Group is committed to asking employees about their employment experience and to addressing areas which have been identified as needing improvement in the eyes of the employee. This is achieved through regular employee surveys and interaction with employee groups. The feedback received helps to create action plans and strategies and to enhance the general working experience.

Internal communications are designed to ensure that employees are well informed about the business of the Group. These include a staff magazine called 'Slice' and new for 2012 will be monthly staff briefing sessions hosted by the Chief Executive and attended by the Domino's Pizza Group Limited board of directors (the Executive Committee). A cross functional team has been established to develop and implement 'DOMcard', the Group's performance scorecard. This team have worked with the Executive Committee to identify and communicate the key strategic priorities for the Group. Progress will now be cascaded to all employees through the intranet and the monthly staff briefing sessions.

A number of regular training and motivational events for franchisees, hosted by corporate employees, facilitate the development of strong relationships. Employees are actively encouraged to become shareholders of the Group through a variety of schemes, principally the Company Share Option Plan (CSOP) and the Share Save Scheme.

General Information

Annual General Meeting

The Notice convening the 2012 AGM to be held at 1 p.m. on Wednesday 28 March 2012 at The Training Centre, Unit B, Kingston Centre, Winchester Circle, Kingston, Milton Keynes, MK10 0BA is contained in a circular sent to all shareholders with this report. Full details of all resolutions to be proposed are provided in this shareholder circular.

The Directors consider that all of the resolutions set out in the notice of 2012 AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

Significant agreements and change of control provisions

The principal risks and uncertainties section of the Corporate Governance report set out on pages 44 to 47 provides details (or refers to where details can be found) of the three most significant agreements to the Group's business, which are as follows:

- UK and ROI Master Franchise Agreement (UK MFA);
- Know How Licence Agreement; and
- German Master Franchise Agreement (German MFA),

pursuant to which certain of the Group's companies are granted the right to franchise stores and operate commissaries in the Territory.

The Group's agreements (listed above) do not terminate on a change of control. The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Group's share schemes and plans may cause options and awards granted to employees and Directors under such schemes and plans to vest on a takeover. The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Articles of Association

The Company's articles of association remain unchanged during the 2011 financial year.

Environmental and Social responsibility

The Group acknowledges that it is part of a wider community and recognises that it has a responsibility to act in ways that respect the environment and the social well-being of others. Details of the Group's approach to these issues are set out in the Corporate Social Responsibility report at pages 26 to 29.

Charitable donations

Financial donations to a range of charities and good causes amounted to £41,000 (2010: £39,000). Principally this comprised a donation to Special Olympics Great Britain and a donation to Barretstown, a specially-designed camp in Ireland that provides therapeutic recreation programmes for children with serious illnesses, and their families.

The Company makes no political donations (2010: £nil).

Key Performance Indicators (KPIs)

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

Payments to suppliers

The Group understands the benefits to be derived from maintaining good relationships with its suppliers and where possible payment terms and conditions are agreed with suppliers in advance based on the Group's standard terms and conditions for the supply of goods and services. Where such terms have not been agreed it is the Group's policy to pays its creditors on a pay on time basis which varies according to the type of product and service provided by the supplier but is typically between 7 and 28 days and is agreed with suppliers in advance.

The average numbers of days of payments outstanding for the Group at the financial period end was 24 (2010: 27). The Company has no trade creditors as these are assumed and settled by another Group company.

Auditors

Ernst & Young LLP have signified their willingness to continue in office as auditors to the Company and the Group is satisfied that Ernst & Young LLP is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be proposed at the 2012 AGM.

Directors' statement of disclosure of information to auditors

Having made the requisite enquiries, the Directors in office at the date of this Annual Report and financial statements have each confirmed that:

- so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the OFR on pages 8 to 29. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 20 to 23. In addition, notes 30 and 31 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

As highlighted in note 30 to the financial statements, the Company has a bank revolving facility that is due for renewal on 31 December 2012. The current economic conditions create uncertainty particularly over the general availability of bank finance in the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its existing facilities, subsequent to the repayment of the £25m term facility. The Company will open renewal negotiations with its bank in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However, the Company has held discussion with its bank about its future borrowing needs and no matters have been drawn to the Company's attention to suggest that renewal may not be forthcoming on acceptable terms.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

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

Cautionary statement

This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance, rather they are based on current views and assumptions as at the date of this Annual Report and are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward looking information. The Group undertakes no obligation to update these forward looking statements.

By order of the Board

Adam Batty
Company Secretary
15 February 2012

Corporate governance

Stephen Hemsley
Chairman

Chairman's Overview

Dear Shareholder

On behalf of the Board, I am pleased to present the corporate governance report for the financial year ended 25 December 2011.

The purpose of this report is to provide a clear and accessible explanation of what governance means to the Group in terms of its impact on decision making in the operation of our business.

As a Board, we share the belief that good governance supports the long term success of the Company and that this is best realised through effective leadership and collaboration. We work hard to ensure that our corporate governance framework translates into meaningful practice at all levels within the business and assists us in driving continuous improvement in standards and performance across the business.

I personally welcome the drive for more transparent reporting which is improving business conduct in these challenging times. In line with the new UK Corporate Governance Code and following on from our external Board Evaluation exercise last year, we have spent considerable time this year reviewing the make-up of our Board, as we acknowledge the real benefits of greater board diversity.

There has been substantial debate about diversity more broadly, and we feel it is necessary to strike the right balance of independence, relevant knowledge and experience and enthusiasm for our brand. This emphasis on a broad spectrum of skills and attributes has directly led to the changes that I have reported in my Chairman's Statement, namely the recent appointment of Syl Saller and Helen Keays as Non-Executive Directors of the Company. I believe that these changes, combined with the introduction of our new Chief Executive Officer, have re-invigorated the Board for the challenges ahead. As a result of these appointments and other Board changes, I am pleased to report that the Company is now in full compliance with the UK Code.

A more detailed report on our corporate governance arrangements is set out on the following pages.

Stephen Hemsley
Chairman

How did we comply with the Governance Code?

The principal corporate governance rules applying to UK companies listed on the London Stock Exchange (LSE) for the year ended 25 December 2011 are contained in the new UK Corporate Governance Code adopted in June 2010 (the Code) and the UK Financial Services Authority (FSA) Listing Rules, which require companies listed on the Main Market of the LSE to describe in their annual report their approach to corporate governance in terms of adherence to the Code's main principles and also non-compliance with any of the Code's provisions.

On the basis of reporting against these two elements of the Code, shareholders should be able to make a judgment of the Company's corporate governance positioning in relation to the Code which represents best practice. The Code is available under the heading 'Corporate Governance' at www.frc.org.uk.

The Board considers that the Company has complied in all respects with the provisions of the Code for the year ended 25 December 2011, except for a short transitional period in the year due to the changes to the Board that have taken place, as follows and explained in more detail below:

B1.2 Less than half the Board (excluding the Chairman) comprising independent Non-Executive Directors (part of year only);

B2.1 Not a majority of independent Non-Executive Directors comprising the Nominations Committee (part of year only);

C3.1 Less than three independent Non-Executive Directors comprising the Audit Committee (part of year only); and

D2.1 Less than three independent Non-Executive Directors comprising the Remuneration Committee (part of year only).

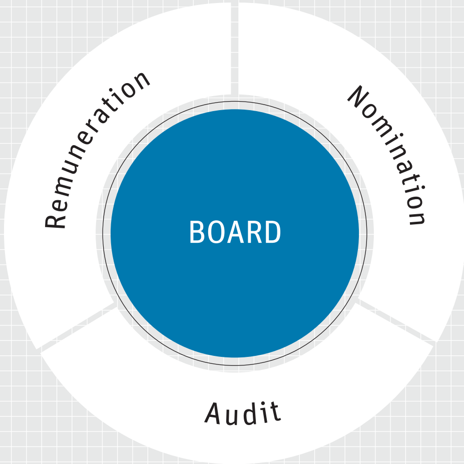
Following the changes to the Board and committees we have now returned to full compliance with the Code.

The information required by DTR 7.1 is set out in the Audit Committee section of this report on page 41 and the information required by DTR 7.2 is set out in this report, other than that required under DTR 7.2.6 which is set out in the Directors' report on pages 30 to 35.

Leadership
The Board and the Committees

The purpose of the Board is to provide entrepreneurial leadership of the Company within a suitable framework of effective controls, in order to promote the success of the business for the benefit of its members as a whole.

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



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

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, for the effectiveness of the systems of internal control and regulatory and financial risk management and for monitoring the objectivity and effectiveness of the external auditors and to keep under review the need for an internal audit function.

Membership and attendance for the period ended 25 December 2011

	Board Meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings held	9	2	4	3
Executive Directors				
Chris Moore	9			
Lance Batchelor[1]	9	1	2	1
Lee Ginsberg	9			
Non-Executive Directors				
Stephen Hemsley (Chairman)	8			
Colin Halpern (Vice-Chairman)	9	2		
John Hodson	8	1	4	2
Peter Klauber[2]	6		2	2
Michael Shallow	9	2	4	3
Nigel Wray	7			
Syl Saller[3]	3		2	
Helen Keays[4]	2			

1 Lance Batchelor became Deputy Chief Executive on 27 June 2011 and resigned from all committees

2 Peter Klauber stepped down as a Non-Executive Director on 30 September 2011

3 Syl Saller was appointed as a Non-Executive Director on 20 September 2011 and was appointed to the Remuneration Committee on 23 November 2011

4 Helen Keays was appointed as a Non-Executive Director on 20 September 2011 and was appointed to the Audit Committee on 22 November 2011

As required by the Code, there is a clear division of responsibilities between the Board and the Executive team and between the Chairman and the Chief Executive Officer. The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. Once agreed by the Board as a whole, it is the Chief Executive Officer's responsibility to ensure delivery of the strategic and financial objectives.

At the start of the year under review, the Board comprised two Executive Directors and seven Non-Executive Directors, four of whom were deemed to be independent under the Code. The following changes took place during the year:

- On 27 June 2011, Lance Batchelor, who until such time had been an independent Non-Executive Director, was appointed to the role of Deputy Chief Executive.

- On 20 September 2011, Syl Saller and Helen Keays were each appointed as independent Non-Executive Directors.
- On 30 September 2011, Peter Klauber stepped down as an independent Non-Executive Director.
- On 26 December 2011, Chris Moore resigned as Chief Executive Officer and Lance Batchelor was promoted to the role of Chief Executive Officer.

At the end of the year under review, the Board has therefore been reconstituted with two Executive Directors, and seven Non-Executive Directors, four of whom are deemed to be independent under the Code. This reconstitution now means that the Company is fully compliant with the Code.

Colin Halpern and Nigel Wray have served on the Board of the Company for twelve years. Due to their respective material shareholdings in the Company and, in Colin Halpern's case, because of his previous executive role, neither Colin Halpern nor Nigel Wray is considered an independent non-executive director for Code purposes. However, we strongly believe that both Colin Halpern and Nigel Wray bring invaluable knowledge, entrepreneurial flair and business experience to the Board that is key to the continued success of the Group.

The independent Non-Executive Directors through their diversity of experience, backgrounds and insight from other businesses, play a key governance role in protecting shareholders' interests and complement the skills and experience of the Executive Directors. The Board recognises the diversity challenges set by Lord Davies in his 'Women on Boards' report, but rather than set any target, the Board feels that the challenge has been directly addressed through the new Non-Executive appointments, although the appointments were made totally on merit as opposed to being driven by any wish on the Board's part to simply increase female representation on the Board. All of the independent Non-Executive Directors are tasked with ensuring Board and Company matters are effectively challenged from a range of external perspectives.

All of the Non-Executive Directors bring independent judgment to the Board's deliberations, have a mindset to do what is right for the business, and fulfil the following key roles:

- Overview and review of internal control;
- Constructive challenge to the Executive Directors, and holding of management to account for performance;
- Support of the Executive team in the shaping and delivery of the strategic goals of the business;
- Ensuring the business fulfils its accountability to shareholders and other stakeholders as appropriate;
- Optimisation of shareholder return and protection of shareholder assets; and
- Ensure suitable diversity in light of governance recommendations but still maintain an optimum mix of skills, relevant experience and entrepreneurial flair.

As stated above, for a brief period in the year under review, the Board composition was not in accordance with the Code, but the Board is of the view that at all times there has been a suitable balance on the Board and the prospective benefit of the changes made to the membership of the Board more than outweigh the temporary technical non-compliance.

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

Through the Nomination Committee, the Board deals with leadership needs of the business and ensures that plans are in place for succession at both Board and senior management level.

The core focus during the year under review was the induction of the new Deputy Chief Executive Officer and the search for, and induction of our two new Non-Executive Directors. Following Lance Batchelor's smooth transition into the role of Deputy Chief Executive, the Board confirmed his appointment to the role of Chief Executive from the start of the 2012 financial year, following the retirement of Chris Moore after 21 years in the business.

The Board decided to implement provision B.7.1 of the Code with immediate effect at the 2011 AGM so each Director retired voluntarily and submitted themselves for re-election. All were successfully re-elected.

Details of the Executive Directors' service contracts are set out on page 56. The Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours.

Terms of reference for all Board committees, which are approved by the Board and reviewed annually, are available on the Company's website.

Senior Independent Director

Michael Shallow is the Senior Independent Director, chairs the Audit Committee and the Nomination Committee, and is a member of the Remuneration Committee. The Senior Independent Director is available to shareholders if they have concerns which are not resolved through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer or for which such contact is inappropriate.

Board effectiveness evaluation

In 2010, the Board undertook an evaluation of the Board and its Committees, externally facilitated by MBS Limited, a consultancy which has expertise in the field of governance and performance evaluation. A number of recommendations were made and taken forward, and are reflected in the changes made to the Board during the year.

In 2011, the Board undertook a formal evaluation of its own performance and that of its committees and individual Directors. The evaluation was prepared and carried out by the Chairman and the Company Secretary and built on the key evaluation themes that arose from the 2010 evaluation exercise, with questions posed to assess how the Board was progressing against the areas highlighted the previous year. Each Director was provided with a comprehensive questionnaire for completion and a consolidated report of the output from the evaluation was prepared for review and consideration by the Board. This exercise concluded that the Board and its Committees continue to provide leadership and operate effectively but highlighted a number of areas that required improvement.

In addition to the above process, the Senior Independent Director meets with the Non-Executive Directors and uses a tailored questionnaire to assess the Chairman's performance and effectiveness. This review also takes into account the views of the Executive Directors. In 2011, the conclusion of the review was that the Chairman continues to provide effective leadership of the Board. The Remuneration Committee also reviews Executive Directors' performance when it reviews remuneration packages each year.

Governance in action

Board responsibilities and processes	Board achievements during the year
• making and reviewing of major business decisions • monitoring of current trading against previously approved plans • exercise of control by annual review of 'matters reserved' for the Board • changes to the Company's capital structure • acquisitions • significant contractual commitments • review of corporate governance arrangements • review of major risks and mitigation strategies • review and control of capital expenditure	Approval of key decisions • Acquisition of the majority interest in the German Domino's business • Interest free loans to franchisees • Redesign of the five-year strategic plan • Approval of 2011 budget and operational plan • Redesign of the Company reward and incentive structure Review of development targets • Strengthening Board independence • Understanding and developing the next generation of business leaders • Supervising transition into role of new Chief Executive

There were nine scheduled Board meetings in the period ended 25 December 2011, together with an off-site strategy and business planning day. Ad hoc meetings were also convened to deal with corporate and transactional matters between scheduled meetings as appropriate. The executive and non-executive elements of the Board maintain a close dialogue as appropriate between meetings. The Chairman meets the Non-Executive Directors without the Executive Directors present at least annually and the Chairman meets the Chief Executive Officer at least once a month.

The independent Non-Executive Directors meet at least twice during the year, under the leadership of the Senior Independent Director.

Decision making

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

In line with the Companies Act 2006 (the 2006 Act), the Board introduced procedures for Directors to formally disclose any actual or potential conflicts to the whole Board for authorisation as necessary. All new conflicts are required to be disclosed as and when they arise. There is an annual review of conflicts disclosed and authorisations given. The register of Directors' conflicts is maintained by the Company Secretary.

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

At each Board meeting, a senior manager is invited to make a presentation to the Board and there are a number of formal and informal social occasions each year which enable the Board members to meet senior management. Where a Director is unable to attend a meeting (due to other business commitments or illness), they are provided with all of the papers and information relating to that meeting and are able to discuss matters arising directly with the Chairman and/or Chief Executive Officer.

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

Information and professional development

- The Chairman, assisted by the Company Secretary, regularly discusses any development or training needs with individual directors. As a result, in the year under review, a number of individual training needs were identified and action was taken to address these needs.
- Non-Executive Directors are encouraged to attend major franchisee events to gain further insight into the business.
- During 2011, the Non-Executive Directors spent additional time within the business, especially in the stores and at the Company's head office.

Newly appointed directors receive a personalised induction program, tailored to their experience, background and particular areas of focus, which is designed to ensure that they have the necessary knowledge and understanding of the Company and its activities. The program will usually include an overview of the business model and the Board processes, meetings with the Executive Committee, senior managers and major franchisees, store visits and briefings on key governance and compliance issues. The Board also recognizes the importance of ongoing training and education, particularly regarding new laws and regulations which are relevant to the Group. Such training or education is kept under review by the Company Secretary, who is responsible for Director induction and the on-going training of Directors.

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

Board and Executive Committees

Nomination Committee

Michael Shallow (Chairman)

Members

- Michael Shallow (Chairman)
- Colin Halpern
- Lance Batchelor (until 27 June 2011)
- Peter Klauber (until 30 September 2011)
- John Hodson (appointed 25 October 2011)

Chairman's Overview

It has been an unusually busy year for the Committee, meeting to discuss the structure, size and composition of the Board and recommending the changes which led to the appointment of two new Non-Executive Directors. We also, as a Committee, helped to oversee the transition of Lance Batchelor from a Non-Executive to an Executive Director.

We have focused on ensuring we have the optimum mix of Directors to lead and support the business for the future, informed by the governance and diversity challenges raised in the FRC's 'Board Effectiveness' guidance and Lord Davies' report 'Women on Boards'.

Spencer Stuart provided considerable assistance in terms of creating the ideal candidate profiles and presenting a number of outstanding candidates, who were then comprehensively interviewed by Committee members and the wider Board.

Activities

The Committee met on two occasions during the year and in addition to agreeing the process, timetable and recommendations for the appointment of the two new Non-Executive Directors, the Committee considered:

- the re-appointment of all Directors retiring at the 2011 AGM;
- the findings of the 2010 Board evaluation exercise;
- Board Committee memberships following the Board changes; and
- the support of Chris Moore and Lance Batchelor through the transition of Lance Batchelor becoming Deputy Chief Executive Officer and then Chief Executive Officer in FY2012.

Remuneration Committee

John Hodson (Chairman)

Members

- John Hodson (Chairman)
- Michael Shallow
- Lance Batchelor (until 27 June 2011)
- Peter Klauber (until 30 September 2011)
- Syl Saller (appointed 23 November 2011)

Chairman's Overview

At all times during the financial year, the Remuneration Committee comprised only independent Non-Executive Directors. At the invitation of the Remuneration Committee, the Chairman of the Board normally attends meetings and the Chief Executive Officer attends as appropriate.

Activities

The Committee met four times this year. Further details about the Remuneration Committee, its activities during the year and an explanation of how it applies the Directors' remuneration principles of the Code are set out in the Report on Directors' remuneration on pages 48 to 59.

Audit Committee

Michael Shallow (Chairman)

Members

- Michael Shallow (Chairman)
- John Hodson
- Lance Batchelor (until 27 June 2011)
- Peter Klauber (until 30 September 2011)
- Helen Keays (appointed 22 November 2011)

In accordance with the Code, Michael Shallow and Peter Klauber, (before he stepped down) are identified as having recent and relevant financial experience.

Chairman's Overview

Significant time throughout the year has been spent by the Committee on internal controls and risk management, which the Committee and Board believe are fundamental for the Company to achieve its strategic objectives.

As a Committee, we have overseen a detailed review of how strategic and operational risk is identified, assessed and reported, which has led to a number of changes being made to the reporting of major risks. In respect of financial risks, we have also improved the way that internal controls are operated, tested and disclosed.

The belief and confidence that the Committee has in the effectiveness of the Company's external auditors, Ernst & Young LLP (Ernst & Young), is an important aspect of the Committee's confidence in the Company's approach to controls and risks and the integrity of its financial reporting. Their independence is evident through their robust challenge to management. Ernst & Young's effectiveness enables the Committee to recommend their reappointment for 2012. The external auditor is also subject to professional standards which safeguard the integrity of the auditing role.

In terms of assessing the need for an internal function, the Committee after lengthy debate satisfied itself that there was sufficient rigour and objectiveness in the internal control review and risk assessment processes to obviate the need for an internal audit function.

There was no non-audit work carried out by the external auditors in the year under review.

There is a formal policy governing the conduct of non-audit work by the auditors in line with the Auditing Practice Board's Ethical Standards. Under this policy, any appointments in respect of non-audit work require the prior approval of the Audit Committee within an established budget and non-audit work cannot be undertaken where there is an identifiable risk that the work of the individual from the external audit firm could conflict or compromise the quality or independence of the audit. This prohibits the external auditors from providing certain additional services to the Group such as bookkeeping, internal audit, valuations and financial systems design and implementation.

Details of the audit and non-audit fees for 2011 are given in note 6 to the financial statements.

Activities

The Committee met three times this year to:

- Review all results announcements and the 2010 Annual Report and Accounts, including half year results and interim management statements;
- Receive regular reports from the Chief Financial Officer, the Financial Controller, the Audit Partner and the Company Secretary (on risk and compliance matters);
- Request and oversee the creation of an independently designed internal controls testing framework;
- Approve the annual controls testing plan;
- Assess the need for an internal audit function;
- Review emerging risks and material risk profile;
- Discuss the Company's tax strategy;
- Discuss the Company's approach and implementation plan for the Bribery Act 2010;
- Agree the recommendations of the re-appointment of the existing auditor;
- Review and monitor the external auditors independence and objectivity and the effectiveness of the audit process; and
- Approve the auditors remuneration.

In terms of other business of the Committee, it also oversees the dedicated "whistleblowing" facility for all employees, which allows employees to raise concerns about possible improprieties in financial reporting or other matters. The Committee also reviewed fees charged by Ernst & Young for the audit and for non-audit services.

Executive Committee

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Members

In addition to Lance Batchelor and Lee Ginsberg, the Executive Board comprises:

1 Adam Batty, General Counsel and Company Secretary
2 Gareth Franks, Food Services Director
3 Ian Douglas, Procurement Director
4 Simon Wallis, Sales and Marketing Director
5 Kerri Hayman, Operations Director
6 Jane Franks, HR Director
7 Michael Botha, Group Financial Controller
8 Andrew Emmerson, Business Development Director
9 Colin Rees, IT Director
10 Patricia Thomas, International Development Director

Overview

The Executive Committee is responsible for the day-to-day management of the Group's operations within the limits contained in the Board's delegation of authority and for delivering the Group's strategy. In addition, the Committee has a schedule of matters specifically reserved for its approval.

Senior managers on the Committee receive an executive licence setting out their specific limits of authority in terms of entering into financial and other business commitments and they in turn are responsible for ensuring the specified process of delegation is followed in their departments.

Activities

The Committee has delegated certain tasks to the following operational sub-committees and receives regular updates from them:

- Store Opening Committee (Andrew Emmerson) – ensures stores are identified, acquired and opened in accordance with the Company's store opening plan.
- Health & Safety Committee (Adam Batty) – promotes the well being and safety of our employees, franchisee employees and customers and minimizes the risk of prosecution and financial penalties
- Marketing Advisory Committee (Simon Wallis) – comprising ten franchisees that have been elected to stand and represent the interests of franchisees in their area, the Committee is tasked with aligning on marketing strategy, promotional planning and execution as well as deployment of the National Advertising Fund.

Assurance

Focus on risk management and internal controls

Accepting that risk is an inherent part of doing business, the Group's risk management system is designed both to encourage entrepreneurial spirit and also to provide assurance that risk is fully understood and managed. The Board expressly recognizes its overall responsibility for the Group's system of risk management and internal control and for monitoring its effectiveness within the context of achieving the Group's objectives. The Directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's brand and reputation is fundamental to its continued growth and success and therefore active management of operational and other risks is seen as being critical in ensuring that these are maintained as valuable assets. There is an ongoing, embedded process across the business, which has been in place for the whole year, for identifying, evaluating and managing significant risks. Risks are prioritised according to their expected likelihood of occurring and financial impact if they were to occur. Detailed mitigation strategies have been worked up. The register and the updating process for the register is managed by the Company Secretary who oversees the process at an operational level through the holding of quarterly meetings with the risk owners on the Executive Committee. The results are then reviewed by the Audit Committee and at least annually by the Board, in order to assist with their annual assessments of all material internal controls.

All key business activities including franchising, marketing, procurement, production, distribution and information technology are controlled by the Executive Directors, with all activity being organised within a defined structure built around responsibility and authority levels and a structured reporting framework. The key features of the Group's internal controls are as follows:

- a comprehensively re-worked, prioritised risk register which is regularly reviewed by the Executive Committee, Audit Committee and Board;
- an independently designed internal controls testing framework introduced at the start of the year and reported on at each Audit Committee meeting;
- defined authorisation levels over all departments as part of a comprehensive contracts authorisation and execution policy (the Authority Policy);
- a monthly reporting pack that is circulated in advance of each Board meeting which includes consolidated management accounts. Each period annual budgets and forecasts are compared against actual performance;
- daily statements of system sales and royalty income. Rolling cashflow forecasts and forecast banking covenant compliance is regularly tested;
- a system whereby all invoices presented for payment are reviewed by the Accounts Payable team in Finance to ensure that they have been authorised in accordance with the Authority Policy. All on-line banking payments are authorised by two finance managers and the weekly invoice payment run is reviewed and approved by the Chief Financial Officer;
- the financial reporting process includes control and reconciliation processes which ensure there is an audit trail between the Group's operations and the consolidated financial statements and describes the system and controls that are to be applied. A review of the consolidation and financial statements is completed by management to ensure that the financial performance and position of the Group are appropriately recorded, together with the review of results announcements and annual reports by the Audit Committee;
- annual business reviews with each franchisee to review operational standards, management and audited accounts, cashflow forecasts and general financial health, in addition to monthly monitoring of franchisee management accounts and regular unannounced operational standards audits; and
- a comprehensive system of health and safety training and compliance monitoring. Best practice management tools have been introduced and a health and safety committee established with representatives from and meetings at each production facility.

The Board's review of the system of internal control

Through the monitoring processes described above, during the year the Audit Committee on behalf of the Board reviewed the effectiveness and structure of the system of internal controls. The Audit Committee satisfied itself that there is an ongoing process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ended 25 December 2011 and up to the date of approval of the financial statements, that it is reviewed regularly by the Audit Committee, and that it meets the requirements of the Turnbull guidance for directors on the Code. This review has not identified any failings or weaknesses which the Audit Committee has determined to be significant.

The Group has in place an experienced insurance broker to advise on and co-ordinate all insurance matters across the Group (both corporate insurance and the franchisee insurance programme). The Group regularly reviews both the type and amount of external insurance that it buys, with guidance from its brokers, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Principal risks and uncertainties

The Board has overall responsibility for the Group's internal control and risk management. Risk is an inherent part of doing business and the Board is fully committed to identifying, evaluating and monitoring significant risks facing the business and this is described in more detail in the Corporate Governance section of this Annual Report and Accounts. It is important that risks are identified, assessed and prioritised in a timely manner and that the controls designed to manage such risks operate effectively and are tested. The Group's approach to risk management includes developing key business plans and policies relating to areas which are likely to have a severe impact on the Group's business. Each identified risk has a business owner who manages and reports on that particular risk to the Executive Committee. The Executive Committee assists the Board in the review of risk management processes and takes responsibility for designing the appropriate departmental specific internal control systems and policies with each business owner. The Board is therefore able to feed emerging risks into the formulation and management of its strategic objectives.

Last year's summary of principal risks and uncertainties relating to the business in the Annual Report contained reference to Key Contracts, Continued Expansion and Termination of the Master Franchise Agreement (in relation to the United Kingdom and Ireland), Franchisee Considerations, Corporate Governance, Relationship with DPII (the master franchisor for Domino's Pizza) and Advertising Restrictions. The Group recognises that the above mentioned risks are still present and confirms they are managed accordingly (alongside other risks not previously listed) but in this Annual Report we have made the decision to disclose those risks of most concern to the business at the current time and those which have been the subject of most debate at recent Executive Committee, Audit Committee and Board meetings.

External Risks

Detrimental economic environment/Consumer spending

Risk Description: Changes in the general economic climate, such as those caused by a UK or Irish recession or the Eurozone crisis, can have a detrimental effect on consumer confidence and expenditure and therefore the Group's revenues.

Impact: Higher levels of unemployment, increased taxes and general pessimism about the economic outlook for the future could lead to a reduction in consumers' willingness to spend disposable income on buying home delivery food. This could adversely affect the Group's business and results of operations.

If as a result of the Eurozone crisis, a country in which the Group has a key supplier exits the Euro, the price of those goods could increase materially for the Group or the supplier could go out of business. Correspondingly, if the Republic of Ireland was forced to re-introduce its own currency, all of the Group's revenues for that country would be redenominated which could, depending on exchange rates, have a detrimental effect on the Group's revenue and profitability.

Mitigation activities: On a regular basis the Group reviews, in conjunction with its franchisees, its offering and promotional strategy, including competitor activity, to flex the offering so as to ensure that the Domino's proposition for customers is the most compelling in the home delivery pizza market in terms of quality and value.

The Group believes that a number of prevailing trends actually benefit the Group's business, including a population with increasingly greater disposable incomes who are cash rich and time poor and an increased trend of busier and more hectic lifestyles leaving less time for home cooking. In terms of marketing power and therefore brand awareness, each store contributes a percentage of net sales to a national advertising fund which gives significant marketing spending power (over £25 million in 2011).

The Group ensures it has in place contingency plans with suppliers and has back-up suppliers in place, particularly in relation to suppliers who are based in countries which are flagged as possible leavers from the Eurozone.

Competitor Activity

Risk Description: Existing or new competitors growing and operating their businesses more aggressively so that the Group's stores suffer reduced sales and/or suffer margin erosion due to the commencement of a 'price war' in the home delivery pizza market.

Impact: The impact of increased competitor activity could have a material adverse effect on the Group's revenues and profitability and also the profitability of our franchisees, which could result in a reduced willingness to grow their businesses and which in turn could have an adverse impact on the Group's future growth plans.

Mitigation activities: Considerable time and effort is put into clearly differentiating the Domino's brand, i.e. using consumer insight to give customers clear reasons to choose Domino's instead of competitors, whilst continuing to monitor competitor activity and adapting the offering where necessary. As the largest pizza home delivery business in the UK and Ireland, the Group continuously innovates its routes to market and leads the way in terms of ordering options for customers. The Group also has unmatched marketing spending power in the pizza home delivery market.

Failure of a Critical Supplier & Cost of Goods increases

Risk Description: The Group is reliant on the continued operation of various supply contracts with third party suppliers who provide raw materials to the Group. A major supplier could, particularly in the current difficult economic environment, cease trading with little or no advance warning. There could be sustained food cost price inflation on the Group's key food items.

Impact: The failure of a key supplier could mean the Group is unable to supply stores with products or is forced to procure supply from a more expensive or inferior quality source, which could have a material adverse impact on the financial performance of the Group. If franchisee food costs escalate as a result of cost price inflation on key food or other items which the Group is unable to mitigate, or if the Group felt unable to pass on to the franchisee such cost price inflation, the Group's own growth plans and/or profitability from commissary sales could be adversely impacted.

Mitigation activities: All core suppliers are routinely put through a financial risk assessment to monitor their ongoing financial health. Those suppliers found to be at risk are followed up with individually and monitored closely. All have documented contingency plans that are reviewed annually. There is a dual supply approach for products deemed critical to the Group – either two distinct production plants within the same company or two distinct companies. The Group maintains a close relationship with suppliers and works with them to take costs out of their supply base.

Planning Restrictions

Risk Description: New, more onerous, planning restrictions could be imposed by central or local government relating to the type of locations the Group seeks for new stores.

Impact: Should central or local governments put more onerous planning restrictions in place, opening new stores could become much more difficult for the Group and could restrict the Group's ability to expand in desirable areas and achieve its target openings in future years. This could have a materially adverse impact on future revenue and profit growth for the Group.

Mitigation activities: There are legal routes of redress available to the Group should more onerous planning restrictions be enforced. The Group also has the ability to consider purchasing freeholds with existing, suitable planning. The Group's planning consultants actively build relationships with and work closely with local authorities to ensure that there is an understanding of the responsible way in which the Group's stores are operated and the Group's willingness to accept appropriate planning conditions.

Major food safety scares

Risk Description: The Group purchases and supplies to stores a large range of different food products from countries around the world. Food is under increasing scrutiny from government-led monitoring programmes looking at microbiological or chemical standards, as well as from non government organisations and consumer groups. It is possible that a food type that is a component of our core product, pizza, (e.g. dough, tomato sauce or cheese) may become subject to a national or international food safety scare which could mean that the Group would have to withdraw that food type or product from stores. Even if the food type the Group uses is not itself at the centre of the food scare, by association there may be a consumer boycott of all types of that food product.

Impact: Consumers may refrain from purchasing the Group's products if there is a food safety scare relating to a product strongly related with pizza, which is based either on scientific findings or media speculation. If this consumer behaviour was to continue for an extended period of time and no acceptable substitute food products were available for use by the Group, there could be a material adverse impact on the Group's operating results for the period(s) affected.

Mitigation activities: All food products purchased by the Group go through a vigorous product risk assessment. This risk assessment highlights to the Group what makes the product safe and flags if there are any potential hazards with the product. Any potential hazards are noted and the appropriate prevention, elimination and monitoring of such hazards takes place. Ongoing testing and audits are then carried out by the Group or the supplier and this forms part of the Group's stringent supplier assurance programme. Suppliers are also required by the Group to have contingency plans in place should their usual methods of production or raw materials become threatened. All suppliers are communicated with regularly to ensure the business is aware of any emerging food safety scares. The Group also has an efficient communications network through which it will be able to inform franchisees about food safety so that customers can be re-assured, as appropriate. The Group prides itself on maintaining good relationships with suppliers and subscribes to multiple information sources and organisations that deal with food safety, which allows the Group to see current and potential emerging risks and as a result prepare accordingly. The Group has in place crisis and continuity plans that are tested and refreshed regularly.

Operational Risks

Consumer relevance

Risk Description: Food service businesses are affected by changes in consumer tastes, national, regional and local economic conditions, local and national competition and demographic trends. Any material change in market perception of the home delivery and convenience food industry, or the Domino's brand in particular, could adversely affect the business of the Group. In addition, increasing government and media initiatives to create greater awareness of healthy eating could impact on the public's perception of the convenience food industry.

Impact: If the Group fails to anticipate and respond to a change in consumer demand for home delivery pizza, then this could have a material adverse affect on the Group's future results of operations and financial performance.

Mitigation activities: The Group recognises the link between a balanced diet, lifestyle and health and therefore provides nutritional information on its website to allow customers to make an informed choice. The Group also offers a reduced fat mozzarella cheese offering as a pizza topping. The Group works relentlessly to reflect changes in consumer tastes and improve its offering by investing in price, quality and service in order to deliver the optimum home delivery pizza service to its customers. The Group continues to look at new product development to ensure the menu has broad appeal and reflects consumer trends and has committed to the Department of Health's Responsibility Deal, which includes a pledge to work towards setting our calorie information at the point of purchase. The Group is also working to reduce salt levels in the products. The Group's products contain no artificial trans fats and are GM free.

The Group also ensures that its menus and product offerings are updated regularly and reflect the trading environment and consumer tastes of the area in which a store is operating.

Reputational damage to the brand

Risk Description: The Group relies very heavily on the Domino's brand. Over the last few years Domino's has become a very high profile business in the United Kingdom and Republic of Ireland. Therefore, any significant act, omission, harmful allegation (even if unsubstantiated) that is made public in respect of one or more stores, or the product generally, could lead to significant media interest and bad publicity.

Impact: A franchisee could fail to operate to the required standard and as a result attract adverse local and national publicity which, if the failings were of a sufficiently material nature, could lead to lasting damage to the brand with customers of the Group's stores choosing not to buy from Domino's again. A material loss in sales caused by brand damage could adversely affect the Group's future results of operation and financial condition. The Domino's brand is relatively new to the German market and as a result any significant act, bad publicity or failure of the brand in Germany could have severe consequences for the future growth of the brand in that territory.

Mitigation activities: The Group requires that franchisees must adhere to strict quality, safety and image regulations that the Group enforces through the implementation of training and careful monitoring, funded by both the franchisees and the Group and through store visits, inspections and frequent appraisals. In addition, the Group takes a very pro-active approach to monitoring media coverage of the brand and responding suitably to any customer complaints or material that is potentially damaging to the brand.

Commissary production issues

Risk Description: One of the key functions of the Group's business is the manufacture of dough and the distribution of all food and other items used in the stores by the Group's own commissaries based in Milton Keynes (UK), Penrith (UK), and Naas (Republic of Ireland). It is possible that one or more of the commissaries could suffer an interruption to production or distribution caused by factors such as mechanical failure, power failure, staff related problems, fire, failure of a key supplier, adverse weather preventing production or deliveries, or staff unavailability on a large scale.

Impact: There could be a material decrease in the volume of sales of the Group if there were repeated failures in the Group's dough production, distribution of food or other store materials which prevented stores from trading for regular or prolonged periods.

Mitigation activities: The Group works in partnership with its suppliers to manage the risk of any delays or interruptions in the supply chain, especially in the production of dough, which may affect franchisees' trade. The Group has the ability to increase production at its other facilities if one of its commissaries has to reduce or stop production for any reason. The Group's new Milton Keynes facility is the largest commissary in the Group's system and it has sufficient capacity to handle any cessation in production at the other two commissaries. A comprehensive Site Down Recovery Plan is also in place across each production facility, which forms part of the Group's Business Continuity Plan.

IT infrastructure

Risk Description: The success of the Group's sales through channels of e-commerce is highly dependent on the ability of the Group to maintain operational and efficient IT systems in order to facilitate online sales and orders made via smart phones. Furthermore, the stores utilise IT systems which allow franchisees to electronically place delivery orders directly with the Group's commissary sites. The Group also uses that same IT system to calculate the royalties payable by each of the stores.

Impact: If the website fails for an extended period of time, there could be a material loss of resultant orders and this would adversely affect sales for the day(s) in question which, if this occurred on a regular basis may adversely affect the Group's business and results of operations. A failure of the Group's IT system could lead to an inability to accurately calculate royalty payments and for franchisees to place food orders which could, if prolonged or repeated on a regular basis, adversely affect the financial performance of the Group.

Mitigation activities: The Company has invested heavily, during the course of the year in an outsourced Wide Area Network and two externally hosted data centres. There has also been additional investment in a new electronic point of sale system which, when the implementation is complete, will provide higher levels of resilience and better supportability. The Group has in place an IT disaster recovery plan which will enable the Group to continue to operate the systems identified as being critical in the event of a site failure.

International

Germany

Risk Description: The Group acquired the master franchise rights for Germany on 26 April 2011. The Group's strategy for Germany is to increase its international presence and to build a leadership position in the German fast food takeaway market. To deliver this it is crucial that the corporate, operational, people and financial structure which has been put in place is effective.

The Group currently holds one key contract in relation to the German arm of the business, the German Master Franchise Agreement (the German MFA). The term of the German MFA expires on the earlier of (i) 10 years with an option to renew for a further two periods of 10 years each, or (ii) the date on which all sub-franchise agreements entered into pursuant to the German MFA have expired or been terminated. The option to renew is at the sole discretion of the Group and business plans currently in place assume the renewal for the full term of 30 years. The German MFA can be terminated either (a) without an opportunity to cure the default and upon delivery of a notice of termination for a number of critical breaches and/or (b) with an opportunity to cure, in certain circumstances at the master franchisor's discretion. As with the Master Franchise Agreement for the UK and Ireland, all potential breaches of the German MFA are within the Group's direct control.

Impact: The wrong structure could lead to high overheads, failure to become profitable in Germany, loss of faith in management and the inability to flex the Group's business model to take advantage of business opportunities or alternatively protect against damage to the brand. Poor initial performance and inappropriate structure could lead to failure to attract new franchisees and therefore an inability to grow the brand and potentially lead to a failure to meet opening targets and potentially the termination of the German MFA.

Mitigation activities: The Group has put in place an experienced management team to drive the achievement of our growth plans in Germany. The team is focused on building robust systems and processes that align with the German strategy. The Board constantly monitors compliance with all of the terms of the German MFA and safeguards are put in place to protect against termination of the German MFA. A strong working relationship with the master franchisor is maintained at all times.

Relations with shareholders

The Board attaches great importance to having a strong relationship and constructive dialogue with all shareholders. The Board engages with institutional shareholders to understand their views on material issues relating to the business. During the year, the Chairman and John Hodson had a series of meetings with major shareholders (principally relating to remuneration and governance issues) and the Executive Directors held 85 meetings with current and potential investors, with feedback from such meetings being provided in summary form to the Board.

The Senior Independent Director and the other Non-Executive Directors are available for meetings with shareholders as required. Feedback from brokers' analysts and from shareholder meetings is provided regularly to the Board.

The Company's AGM offers the opportunity to all shareholders to communicate directly with the Board. The whole Board attends the meeting and is available to answer questions from shareholders during the meeting and also after the formal proceedings have ended. Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting. All proxy votes received in respect of each resolution at the annual general meeting are counted and the balance for and against, and any votes withheld are indicated. The results are announced at the meeting and published on the Company's website after the meeting, which also contains a host of up to date information on the Company for shareholders and other interested parties.

The Board sees the Annual Report as a key method of communicating with shareholders and allowing them to gain a fuller understanding of the Board's strategic vision for the Company and what underpins delivery against this strategy in terms of financial performance and prospects.

By order of the Board

Adam Batty
Company Secretary
15 February 2012

Report on Directors' remuneration

Dear Shareholder

As described in the Operating and Financial Review, the FY 2011 results illustrate the ability of our business to continue growing despite the tough economic conditions in the United Kingdom and Ireland. The increase in profitability achieved in FY 2011 demonstrates the strength of our business model and brand, the strong and effective leadership of our management team, the talents of our franchisees and the commitment of both corporate and franchisee staff.

In light of Executive Directors' achievements during the year, the Remuneration Committee (the Committee) considers the remuneration paid to the Executive Directors to fairly reflect their performance during the year. As a result of reaching the target set for annual growth in adjusted PBT**, the annual bonus entitlement for the Executive Directors was 60% of salary. Despite this entitlement to 60% of salary, the Executive Directors informed the Committee they wished to see the actual bonuses paid reduced by 25% (i.e. from 60% to 45%) in light of reduced bonus awards made to employees across the Group.

With regard to the Company's longer-term performance, reflecting the Company's successful implementation of its growth strategy, the 2009 Long-Term Incentive Plan awards (measuring performance from 29 December 2008 to 25 December 2011) will vest at 100% as a result of delivering annualised adjusted EPS*** growth of 22.7% over the performance period, which significantly exceeded the LTIP performance targets set.

To ensure that our remuneration policy continues to support the Company's growth strategy in the current economic environment, and reflecting the feedback received from our shareholders following our 2011 AGM, the Committee has recently undertaken a review of its remuneration policy. The key conclusion of the review was that the current policy of providing at or below median base salaries and an upper quartile incentive opportunity for delivery of superior performance remains appropriate. However, a number of modifications are proposed to the current structure. In summary, these include:

1. Adjustments to base salary levels to ensure that they remain appropriate as a result of (i) the promotion of Lance Batchelor to the role of Chief Executive and (ii) the Company's stated remuneration policy of setting an upper quartile total remuneration opportunity from an at or below median base salary.
2. The introduction of a new long-term incentive plan for which shareholder approval is being sought at our 2012 AGM. Full details are set out in the accompanying Notice of AGM.
3. Alignment of the second part of the new Chief Executive's recruitment incentive with the targets set in respect of the new long-term incentive plan to ensure the executive management team are working towards common objectives.
4. Clawback arrangements which will be introduced into 2012 incentive plans.

The above changes are considered necessary by the Committee to ensure that its policy continues to enable recruitment, retention and motivation of the quality of executives required to continue to successfully deliver sustainable growth in our business and further create returns for shareholders. The key pillar of our reward philosophy, competitive rewards only for growing the Company's share price and delivering above market annual rates of EPS growth, remain at the heart of the above revisions. In addition, given that a substantial proportion of the total package is weighted towards long-term performance and share retention, the Committee is comfortable that the amended remuneration policy does not inadvertently encourage undue risk taking.

The Committee looks forward to your support at the 2012 AGM.

John Hodson
Independent Non-Executive Director and chairman of the Remuneration Committee

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** Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.
*** Adjusted earnings per share means diluted earnings per share before operating and non operating exceptional items and before any trading results relating to the German business.
**** Adjusted earnings per share means diluted earnings per share before operating and non operating exceptional items.

Introduction

This report sets out the Company's policy on Directors' remuneration for the forthcoming year, and, so far as practicable, for subsequent years, as well as information on remuneration paid to Directors in the financial year to 25 December 2011.

The report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and has been prepared in line with the recommendations of the Code and the UKLA Listing Rules. The Regulations require the Company's auditors to report on the 'Audited Information' in the report and to state that this section has been properly prepared in accordance with the Regulations. For this reason, the report is divided into audited and unaudited information. This report has been prepared by the Committee and has been approved by the Board and will be put to shareholders for approval at the 2012 AGM.

Part I: Unaudited Information

The Remuneration Committee

The role of the Committee

The Committee is responsible for determining policy on remuneration for Executive Directors and senior managers. The Committee is, within this policy, responsible for determining on behalf of the Board the remuneration packages of individual Executive Directors (including the Chairman of the Company) and for approving the design and operation of all share-based incentive schemes for Executive Directors and senior managers. The terms of reference of the Committee are available for inspection on our website.

Remuneration Committee members:

– John Hodson (Chairman)
– Michael Shallow
– Peter Klauber (until 30 September 2011)
– Lance Batchelor (until 27 June 2011)
– Syl Saller (from 23 November 2011)

The Committee's activities during 2011

The Committee met four times during the year and considered a number of key issues. In particular it:

- reviewed and approved all new LTIP awards by the trustees of the EBT to the Executive Directors and senior management;
- reviewed the Committee's terms of reference;
- approved the FY 2010 Directors' Remuneration report and reviewed the final outcome of AGM voting for the report;
- reviewed and approved (with a number of modifications) remuneration policy for Executive Directors and senior management for FY 2012, including the annual performance bonus and a new long-term incentive plan with appropriate performance measures;
- undertook a review of all share plan performance measures for awards made in 2011 and considered the performance targets to be applied to the 2012 share plan awards;
- undertook a review of Executive Directors and senior managers base salaries and benefits (in conjunction with advisers);
- reviewed and decided upon an alternative long term incentive scheme, for approval at the forthcoming AGM; and
- confirmed that the proposed FY 2012 remuneration policy is not anticipated to inadvertently encourage any undue risk taking.

Advice provided to the Committee

During the year, the Committee has consulted:

- The Chairman of the Company on issues where his experience and knowledge have been of benefit to its discussions and he attends the meetings from time to time by invitation.
- The Chief Executive Officer has also been consulted on proposals concerning the remuneration of senior management and likewise he attends the meetings from time to time by invitation.
- The General Counsel & Company Secretary who acts as secretary to the Committee.
- New Bridge Street (NBS), who acted as independent external adviser to the Committee during the year and who assisted on the review of the remuneration policy and the production of salary benchmarking data.
- BDO LLP (BDO) who were consulted (but not formally appointed as advisers to the Committee) during the year on alternative long term incentive plans.

NBS has no other connection with the Group and nor does its ultimate parent, Aon Corporation. BDO also provide a broad range of tax, share scheme and advisory services to the Group.

Executive Director remuneration – the policy

The Committee believes the principles of accountability and transparency are essential and therefore that the remuneration arrangements must evidence a clear link between reward and achievement. The Committee's remuneration policy has, at its core, the following objectives:

- to set total remuneration at a level sufficient to attract, retain and motivate Executive Directors and senior employees of the highest calibre, whilst controlling cost;
- to weight a significant proportion of remuneration towards variable pay with at or below median base salary vis-à-vis comparable benchmarks and above market incentive opportunity linked to the delivery of superior performance;
- to have demanding short and long term performance targets that are specific, measurable and fully aligned with the Company's business objectives to provide strong linkage between remuneration and performance;
- to create a strong alignment between the interests of senior managers and the delivery of value to shareholders; and
- to avoid creating excessive risks in the achievement of performance targets.

It is intended that this policy, which has applied throughout the reporting year, will, following its review and re-affirmation by the Committee, continue to apply for 2012 (albeit with a long-term incentive opportunity to be provided through a new plan as described in the Notice of AGM). The remuneration policy was reviewed during the year against the objectives set out above and the recommendations included in the Code. The Committee also took into account relevant institutional investor (and shareholder representative bodies) best practice guidelines, together with feedback received from these parties following the publication of the last Directors' Remuneration report.

New Long-Term Incentive Plan (the 2012 Long-Term Incentive Plan, 2012 LTIP)

The current long-term incentive plan is considered by the Committee to have has served the Company well with clear alignment achieved between delivery of the Company's growth strategy and rewarding executives.

Continued use of the current plan for 2012 was reviewed by the Committee in light of the current strategic objectives of the Company, the granting of exceptional awards in 2011 (see section on Long Term Incentive Plan on page 54), the 2011 UK Finance Bill and general market practice.

The conclusion of the review was that a new long-term incentive plan should be put to shareholders in 2012 that, as in previous years, will continue to reward executives for growing the Company's share price (i.e. through structuring 2012 awards as market value options) with vesting subject to the delivery of challenging long-term adjusted EPS**** growth targets. While in principle this structure is similar to the current LTIP, a number of modifications to the approach taken in prior years are to be made to the current plan design to ensure that 2012 incentive policy is clear, transparent and motivational for participants and consistent with current growth expectations for the Company. Full details of the new plan are included in the Notice of AGM.

Aligning reward to strategic priorities

The Board sets stretching performance targets for both the business and its senior managers. In designing an appropriate and sustainable incentive structure for the Executive Directors and senior management, the Committee endeavours to set challenging performance criteria that are aligned with the Group's current strategy for the business (as described earlier in this Annual Report) and the enhancement of shareholder value. It also seeks to strike an appropriate balance between short and long-term performance and encourages Executive Directors to build a meaningful share ownership through operating share ownership guidelines and a share retention policy for vested shares.

The Committee believes that it continues to take into account the principles of sound risk management when setting pay. Regular liaison takes place between the Remuneration and Audit Committees as appropriate as part of an effective remuneration risk assessment process. The Committee has to ensure that the Company is able to attract and retain senior managers of the highest quality, individuals who can not only deliver the required financial results but also appropriately manage risk and behave in an ethical manner. In line with the Association of British Insurers' (ABI) Guidelines on Responsible Investment Disclosure, the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and it takes due account of issues of general operational risk when structuring incentives. The Committee also takes due account of remuneration structures elsewhere in the Group and to the current economic climate when setting pay for the Executive Directors (for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Group).

Overview of remuneration framework for senior management, including Executive Directors

Elements of remuneration	Objective – how this supports the strategy	Opportunity	Summary details
Base salary	Provide threshold level of remuneration set with due consideration given to: • relevant benchmarks • other elements of pay Takes account of experience and personal contribution to Group strategy	2011 Former CEO – £420,000 Deputy CEO – £350,000 CFO – £245,000 2012 New CEO – £430,000 CFO – £265,000	Reviewed annually from 1 January, external benchmarking undertaken as appropriate reflecting size and nature of role, individual's performance, increases awarded to other employees, economic climate, market conditions and Company performance
Annual performance bonus	Incentivises year on year delivery of short term performance goals consistent with medium to long term strategic goals of the business. Aligned to shareholder interests through annual financial performance as well as delivery of overall business strategy	2011 & 2012 CEO – 150% of salary (60% for on-target performance) Other Executive Directors – 125% of salary (60% for on-target performance)	Award subject to achievement against a challenging sliding scale of adjusted Group PBT* (2011) and PBT** (2012) targets. No element of compulsory deferred shares. Clawback provisions will apply from 2012 onwards.
Long Term Incentive Plan (LTIP)	Incentivises long term value creation and alignment with shareholder interests. As the primary long term incentive, aids retention of senior management Targets set are motivating and demonstrably linked to Company performance. Provides focus on increasing the Company's share price over the medium to longer term	2011 Former CEO – 600% of salary (exceptional award) CFO – 600% of salary (exceptional award) 2012 (2012 LTIP) Details are included in Notice of AGM.	Historic LTIP awards were subject to challenging adjusted EPS*** and PBT** targets and a 5 year performance target. Since 2008, the LTIP was subject to a challenging range of adjusted EPS** performance targets (Average annual compound EPS growth of RPI+9 to +12%, with straight-line vesting between 25% and 100%) and a 3 year performance period. Awards are discretionary and participation is reviewed annually. Requirement to hold one third of the award in Company shares for minimum period of 2 years post vesting. 2012 LTIP A new LTIP is proposed for 2012 onwards. The awards will have a 3 year vesting period and be subject to revised but challenging adjusted EPS**** performance targets. Full details of the new plan are set out in the Notice of AGM.
Pension	Provide a market competitive retirement benefit	15% of salary contribution	Cash allowance paid as a percentage of salary.
Lance Batchelor Recruitment Incentive	To facilitate the recruitment of Lance Batchelor Incentive implemented using provision 9.4.2 (2) of the Listing Rules	2011 A market value option over 1,000,000 shares 2012 A Market value option over 1,000,000 shares	The performance target for the award granted in 2011 was as for the 2011 LTIP awards. The performance target for the award to be granted in 2012 will be as for the awards to be granted under the 2012 LTIP (as set out in Notice of AGM) but a five year performance period will operate. The award will be tested against the performance criteria at the end of year five with 75% vesting immediately and 25% vesting after a further year, subject to continued employment.
Other benefits	Provide market competitive benefits	Not applicable	Benefits include private medical insurance, life insurance and use of a Company vehicle or cash equivalent
Share ownership guidelines	Require Executive Directors to build and maintain a significant shareholding Supports alignment with shareholder interests	Not applicable	Executive Directors have historically been required to hold shares equivalent to 100% of salary within a maximum of 5 years from taking office. The Notice of AGM will contain details of how the LTIP retention requirements will work in conjunction with increased share ownership guidelines.

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The extent to which the performance conditions that apply to the performance related elements of the remuneration framework are met is assessed by the Committee, following sign off of the audited Annual Report and Accounts. This process ensures that incentive payments are made following independently audited results being known. Remuneration received in respect of each of these elements by the Executive Directors is shown on pages 57 and 59.

The Committee considers the above remuneration framework, when taken as a whole, ensures there is an appropriate balance between reward for short term success and long term growth.

Balance between fixed and variable pay

Based on the remuneration structure that applied in 2011, for achievement of target levels of performance, significantly more than 40% of total remuneration will be delivered from business performance related elements of the remuneration structure. Therefore remuneration will increase or decrease in line with performance. For performance above target levels, a higher proportion of total remuneration will be delivered via performance related pay. The performance conditions for each variable element are normally the same for each Executive Director.

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

The following charts show the total remuneration package for Executive Directors split between pay at risk and fixed pay for 'on target' and 'maximum' performance in FY2011.

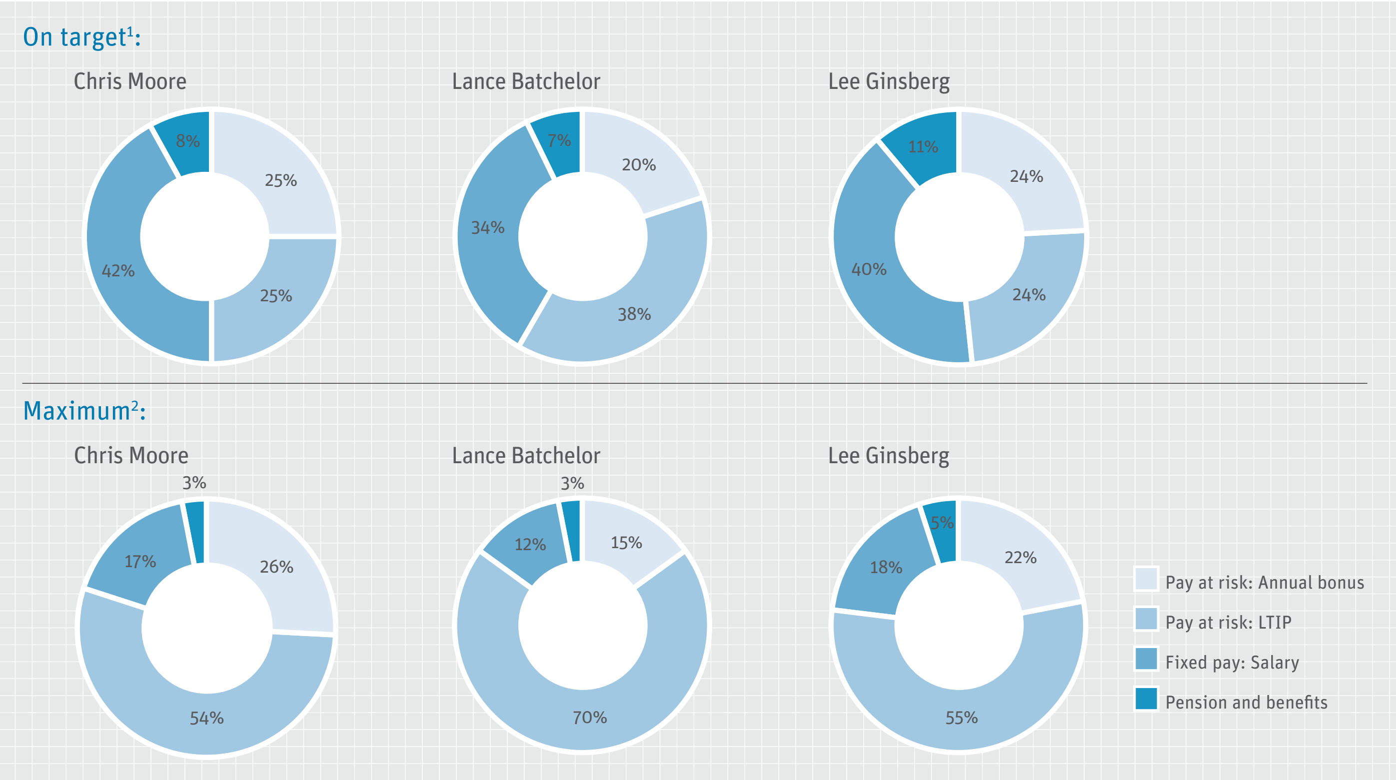
1. In calculating 'on target' performance, the annual performance bonus is valued at 60% of salary with LTIP awards assumed to vest at the threshold of 25% of the total award with, for the purposes of illustration, share price growth assumed at 9% per annum above RPI.

2. 'Maximum' performance assumes maximum annual bonus awards payable with full vesting under the LTIP with, for the purposes of illustration, share price growth is assumed at 12% per annum above RPI.

Pay and Conditions across the Group

We do take the pay and conditions across the Group into account when setting the remuneration of the senior management, including Executive Directors. This can be illustrated by the following:

- As a Group, we ensure that all employees are paid by reference to the market rate for their roles;
- Business KPIs are cascaded down through the organisation;
- Bonus schemes operate across the Group and are all performance-based;
- Share option plans are open to all employees in the UK and Germany and SAYE schemes are open to all UK employees; and
- A range of other benefits are available to all employees.



1 In calculating 'on target' performance, the annual performance bonus is valued at 60% of salary with LTIP awards assumed to vest at the threshold of 25% of the total award with, for the purposes of illustration, share price growth assumed at 9% per annum above RPI.

2 'Maximum' performance assumes maximum annual bonus awards payable with full vesting under the LTIP, for the purposes of illustration, share price growth is assumed at 12% per annum above RPI.

In relation to Executive Directors and senior executives, the Committee determines base salaries by reference to individual performance and market rates for similar positions in broadly comparable companies.

Fixed Remuneration

Executive Directors' salary

In setting the base salary of each Executive Director, the Committee considers salary levels in comparably sized companies, individual performance and experience, any change in the size and nature of the role and the salary budget for the Group as a whole. With regard to benchmarking Executive Directors' remuneration for the purposes of setting pay for the 2012 financial year, similar sized companies were considered from the FTSE Travel & Leisure Sector and from across all FTSE sectors more generally. This approach was similar to that taken in prior years with the 2012 salary levels set being, on average, around the average lower quartile benchmark considered for each position.

The salary levels of the current Executive Directors for 2012 are as follows:

- Chief Executive (Lance Batchelor): £430,000
- Chief Financial Officer (Lee Ginsberg): £265,000

With regard to Lance Batchelor's salary, this reflects the salary of the former Chief Executive with a cost of living increase awarded that, at around 2%, is consistent with the salary increase budget set for the Group as a whole. The Committee was comfortable with the increase on the basis that (i) the salary is commensurate with the responsibilities of the role (ii) the market positioning achieved by the revised salary is consistent with the Company's remuneration policy and (iii) the individual's performance in post which has resulted in a seamless transition of leadership responsibilities from the former Chief Executive. As disclosed in last year's Directors' Remuneration report, Lance Batchelor received a base salary of £350,000 from his date of appointment as Deputy Chief Executive until his promotion to Chief Executive.

The salary increase awarded to the Chief Financial Officer for 2012, at around 8%, ensures that his salary is set at around the average of the lower quartile market data considered by the Committee. Maintaining a lower quartile base salary position is considered the threshold salary positioning for a Chief Financial Officer in a company of Domino's size, particularly in light of his continued strong performance in post.

Chairman's fee

The fee for the Chairman reflects the level of responsibility and commitment to the role and is determined by the Remuneration Committee and the Board. In 2011, the fee payable to Stephen Hemsley was £191,000 and following a review of Non-Executive Director fees which takes place every two years, the fee payable in 2012 will increase by 2% to £195,000. This increase is consistent with the salary increase budget operated for the Group as a whole.

Non-Executive Directors fees

Non-Executive Directors are paid a basic fee with additional fees for chairing of the Committee and the Audit Committee. No additional fee is paid for chairing the Nominations Committee. The Senior Independent Director is also paid a fee given the additional responsibility and time commitment required of this position. The fees are determined and approved by the Board on the recommendation of the Executive Directors. Since 2009, the fees have comprised a £38,000 base fee with an additional fee of £7,000 payable for chairmanship of the Committee and the Audit Committee and an additional fee of £5,000 for the position of Senior Independent Director. Following the above mentioned review that took place in December 2011, with effect from 1 January 2012, the base fee has increased by 2% to £39,000.

The Company's policy on Chairman's and Non-Executive Directors' fees can be summarised as follows:

- the Chairman and Non-Executives should not participate in any of the Company's incentive schemes;
- the fees should be sufficient to attract, motivate and retain first class Non-Executives; and
- the fees are reviewed every two years in light of other companies of a similar size, anticipated work load and responsibilities.

Colin Halpern, the Non-Executive Vice Chairman, is seconded to the Company from HS Real LLC under the terms of a management agreement originally entered into in 1999. Colin Halpern has played an integral part for 19 years in building our business and continues to provide regular advice and assistance to the Executive Directors, and as an international ambassador for the Company was closely involved in securing the acquisition opportunity for Germany. As disclosed in previous years, the management fees are reviewed annually. The figure for 2011 was agreed and equated to £260,000, including expenses. Following the review of fees noted above, the figure for 2012 is £265,000.

Variable Remuneration

Annual Performance Bonus (APB) – short term incentive

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

In 2011, bonus awards were based solely on achieving and exceeding challenging adjusted PBT* growth targets.

The table below summarises the structure of the 2011 APB and the awards receivable for performance in 2011.

Executive Director	95% of target	100% of target	102.5% of target	110% of target	Actual bonus achieved
Chris Moore					
(% salary payable)	20%	60%	100%	150%	60%
Lance Batchelor (pro-rated)					
(% salary payable)	20%	60%	100%	125%	60%
Lee Ginsberg					
(% salary payable)	20%	60%	100%	125%	60%

Actual APB awards made to Executive Directors for 2011 are shown on page 57. The achievement of adjusted PBT* growth above the target set led to a payout entitlement for the Executive Directors of 60% of salary (with the Deputy Chief Executive's bonus payable based on his pro-rated salary based on the part of the year he served as an Executive Director). The actual profit delivered during the year under review was, for the third year running, a record result for the Company and a strong result given it was delivered against a background of continuing difficult economic conditions.

Despite this entitlement to 60% of salary, the Executive Directors informed the Committee they wished to see the actual bonuses paid reduced by 25% (i.e. from 60% to 45%) in light of reduced bonus awards made to employees across the Group.

With regard to the 2012 bonus structure, there is no change to the maximum bonus opportunity or plan structure so that the Executive Directors will again have to significantly surpass the adjusted PBT** target figure for 2012, which itself again represents a significant stretch on the record adjusted PBT* figure achieved in 2011, for a maximum bonus to become payable. The Committee considers the 2012 bonus structure to be extremely challenging.

Long Term Incentive Plan (LTIP)

Since 2009, the Executive Directors and senior management have been eligible, at the discretion of the trustees of the EBT that holds shares for the purpose of operating the Company's share plans, to be awarded an interest in the growth in value of a specific sub-fund of the EBT (reversionary interests), represented by the increase in value of the Company's shares. The economic impact of the arrangement from a participant's perspective is such that, subject to achieving the LTIP performance targets, the increase in value of the said sub-fund may be settled on vesting, in the form of shares.

This type of plan has been designed to incentivise Executive Directors and senior managers to strive for long term sustainable performance. Awards have typically been made on an annual basis with the level of award considered for each year.

The key features of this current version of LTIP are as follows:

Maximum Award Limit

An individual's award is limited to an interest in the growth in value of a sub-fund of the EBT to 300% of salary in any financial year (600% of salary in exceptional circumstances such as recruitment or retention).

Granting awards at up to a value of 300% of salary in normal circumstances has, since 2008, been considered appropriate by the Committee to ensure that the total remuneration package is competitive and the Company is to be able to continue to recruit, retain and motivate senior executives of the necessary calibre. In 2011, however, as disclosed in last year's Directors' Remuneration report, it was considered appropriate to grant an exceptional award under the LTIP at 600% of salary to provide a clear incentive to deliver the Company's mid-term strategic vision and to recognise the need to retain a highly regarded management team given the Company's continued growth relative to the market which had also resulted in normal awards at 300% of salary falling below the Company's stated policy of delivering an upper quartile long-term incentive opportunity given the Company's policy of setting below median market base salary levels.

Performance Conditions for awards in 2011

The performance targets that applied to awards granted in 2011, as per the awards granted since 2008, required the following challenging adjusted EPS*** growth condition to be met over three years:

Average annual compound EPS growth	Level of Vesting
Less than RPI +9%	0%
RPI +9%	25%
RPI +12% (or better)	100%
Between RPI +9% and RPI +12%	Straight-line vesting between 25% and 100%

For the avoidance of doubt, this condition is only tested at the end of three years with the award lapsing if the condition is not met at that time. EPS is a key internal long term measure of financial performance used by the Board and accordingly it has been used as the sole measure of long-term performance in the Company's long-term incentive plans to date. In each year, the Committee has reviewed the adjusted EPS*** growth conditions prior to making any awards and has retained the same range of targets since 2009.

The Committee considered the above targets to be challenging in respect of awards granted in 2011 given awards have been granted off a base adjusted EPS*** figure (16.75p for the financial year ending 26 December 2010) that itself represented a record for the Company.

Under the terms of its awards, the Committee retains discretion to test adjusted EPS on a consistent basis should any relevant events take place during the performance period that it considers to result in the original performance target becoming any more or less challenging in light of the event in question.

As disclosed in prior years, awards granted prior to 2009 were granted under a similar LTIP structure but with performance conditions tested over a five year period.

Recruitment Incentive: Lance Batchelor

As disclosed in last year's Directors' Remuneration report, in order to facilitate the recruitment of Lance Batchelor, a special recruitment incentive (the Recruitment Incentive) was agreed with Lance Batchelor that became effective on his commencing executive employment on 27 June 2011. The Recruitment Incentive took into account the incentives that were forfeited from his former employer on joining the Company along with the Committee's objective of fully incentivising him to work towards delivery of the Board's mid-term strategic vision.

The Recruitment Incentive included two parts (i) the grant of a market value option over 1,000,000 shares (the First Award) that took place on 9 August 2011 and a (ii) a further market value option to be granted over 1,000,000 shares as soon as practicable following his appointment as Chief Executive (the Second Award). It was initially anticipated that the Recruitment Incentive would be granted using a similar structure to the Company's current LTIP (i.e. a growth award over assets held in a sub-fund of the Company's EBT) on appointment but this structure was replaced by a more simplified conventional market value option which has the same economic benefit to the recipient.

As agreed on appointment, the exercise price of the First Award was set at 386.8p, being the market value of an Ordinary Share on 27 June 2011, the date of his appointment. The exercise price of his Second Award will be set at 398 pence, reflecting the date at which he became Chief Executive.

The performance targets to apply to the First and Second Awards were anticipated being the same targets that would apply to the Company's LTIP awards but with the First Award being subject to a three year performance period and the Second Award being subject to a five year performance period. With regard to the Second Award the award will be tested against the performance criteria at the end of year five with 75% vesting immediately and 25% vesting after a further year subject to continued employment.

The performance targets applying to the First Award are as per those described above for the LTIP Awards granted in 2011. The performance targets to apply to his Second Award are intended to be as per those described below in the Notice of AGM for LTIP awards to be granted in the current financial year. This approach ensures that the entire senior management team are motivated to achieve consistent annual growth rates.

In addition to the above, the Committee are proposing an increase in the shareholding requirement for Executive Directors (as described in the Notice of AGM). Furthermore, given the quantum of the aggregate awards to be granted, it is currently intended that Lance Bachelor will not be granted a long term incentive award in 2013.

As required under the relevant legislation, the other key features of the Recruitment Incentive are as follows:

- The Recruitment Incentive is non-pensionable and non-transferable (other than on death).
- If Lance Batchelor ceases employment with the Group the Recruitment Incentive will lapse, unless he leaves in certain good leaver situations where the Recruitment Incentive will vest on cessation.
- The Recruitment Incentive will vest on a takeover of the Company. The Recruitment Incentive will not ordinarily vest on an internal reorganisation but will instead be exchanged for an equivalent award over shares in the new holding company.
- The Recruitment Incentive will not confer any shareholder rights upon Lance Batchelor unless and until either part of it is exercised.
- In the event of any variation of the Company's share capital, the number of shares subject to the Recruitment Incentive and the exercise price(s) may be adjusted in such manner as the Committee determines to be fair and reasonable.

New Long-Term Incentive Plan (the 2012 Long-Term Incentive Plan, 2012 LTIP)

As noted previously, continued use of the current LTIP for 2012 was reviewed by the Committee in light of the current strategic objectives of the Company, the granting of exceptional awards in 2011, the 2011 UK Finance Bill and general market practice.

The conclusion of the review was that a new long-term incentive plan should be put to shareholders in 2012 at the AGM. The 2012 LTIP will provide a more conventional approach to granting awards than the current LTIP which enabled the award of an interest in the growth of a specific sub-fund of the EBT (a reversionary interest). Full details of the 2012 LTIP will be set out in the Notice of AGM.

Clawback

In light of recommendations in the ABI Guidelines and the Code, the Committee has considered the merits of introducing a clawback provision in incentive plans in relation to future awards only. The Committee has decided that clawback provisions should be introduced under the APB and LTIP from March 2012. Full details of the way in which the provisions will work is set out in the Notice of AGM.

Other share option plans

Each eligible employee with at least 6 months service, including each Executive Director, has the opportunity to participate in the HMRC approved savings-related share option scheme (Sharesave) on the same terms. Participants can save a fixed sum of up to £250 a month for three years and may use the sum generated by their savings contracts to exercise options to acquire shares which are usually granted at a 20% discount to market price. Further details on this share plan are provided in Note 33 to the financial statements. Performance targets do not apply to Sharesave.

Executive Directors are not eligible to participate in the CSOP currently in place for other employees within the Company.

Share-based awards and dilution

We ensure that the aggregate of all share-based awards does not exceed the guidelines laid down by the ABI. These guidelines provide that outstanding awards granted to employees over new issue shares under the Company's employee share schemes when aggregated to new shares issued in relation to exercised historic share awards should not exceed 10% of the Company's issued share capital in any 10 year rolling period. Shares issued or to be issued under awards or options granted before the Company was admitted to trading on AIM in 1999 are excluded from this limit.

Pension provision

The Committee reviews the pensions arrangements for the Executive Directors to ensure the benefits provided are consistent with those provided by other similar companies and take account of changes in relevant legislation. The Company does not offer a defined benefit pension scheme. Instead, it makes contributions to an approved pension scheme of the Executive Director's choice. In 2011, the Company contribution to each Executive Director was 15% of basic salary to the pension plan of their choice.

Save as set out above, there are no other pension arrangements for the Executive Directors.

Executive Directors' outside appointments

We recognise that Executive Directors may be invited to become non-executive directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to pre-agreed conditions, and with prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive director in another listed company. The Executive Director is permitted to retain any fees paid for such service. However, none of the Executive Directors currently hold a directorship of another listed company.

Service Agreements

It is the Company's policy for the notice periods of Executive Directors to normally be of 12 months or less. The Executive Directors' current contracts provide for rolling 12 month periods, terminable by the Company giving one year's notice, or by the Executive Director giving six months' notice. The contracts include provisions on non-competition and non-solicitation. If an Executive Director's employment is terminated (other than pursuant to the notice provisions in the service agreement or by reason of resignation or unacceptable performance or conduct), for any unexpired notice period, the Company will pay a sum calculated on the basis of basic salary and any accrued annual bonus entitlement for the period of the year served to the date of termination (taking into account bonus payments in the previous three financial years), together with benefits. For the purposes of clarity, there is no payment in lieu of any unearned bonus on termination. There would be no special payments made after a change in control.

Executive Director	Effective date of contract
Chris Moore	1 January 2008 (as Chief Executive)
Lance Batchelor	27 June 2011 (as Deputy Chief Executive)
Lee Ginsberg	1 November 2004 (as Chief Financial Officer)

Chris Moore did not receive any payments on ceasing to be an Executive Director on 26 December 2011.

Chairman and Non-Executive Directors' policy and terms

Unless otherwise determined by the Board, Non-Executive Directors are appointed for terms of three years with a maximum term of nine years. The Non-Executive Directors do not have service contracts with the Company but their terms are set out in letters of appointment. There is no provision for termination payments and the appointments are terminable on one month's notice by either party.

With effect from the 2011 AGM, all Directors wishing to continue retire voluntarily and submit themselves for re-election by the shareholders every year.

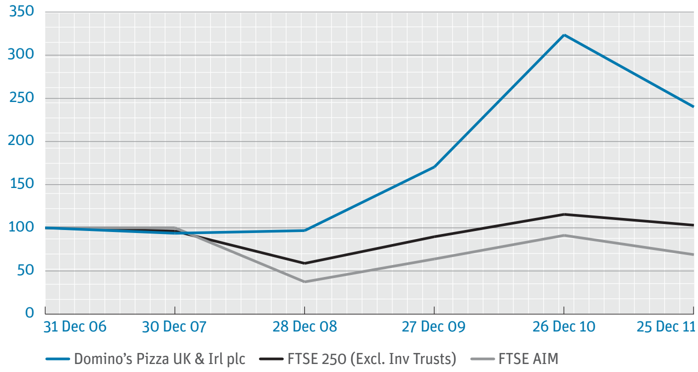
Non-Executive Director	Date of initial appointment to Board	Commencement date of current term	Expiry date of current term
Colin Halpern	15 November 1999	Rolling Annual	N/A
Nigel Wray	15 November 1999	8 May 2011	8 May 2014
John Hodson	14 February 2005	14 February 2011	14 February 2014
Michael Shallow	1 January 2006	1 January 2012	1 January 2015
Syl Saller	20 September 2011	20 September 2011	20 September 2014
Helen Keays	20 September 2011	20 September 2011	20 September 2014

Total Shareholder Return

The following graph illustrates the performance of the Company measured by total shareholder return (TSR) for the five years to 25 December 2011 against the TSR performance of the AIM Index and the FTSE 250 Index over the same period. TSR is the product of the share price plus reinvested dividends. As required by The Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008, the Company's TSR performance is required to be shown against a recognised share index. The AIM index has been selected for this comparison because up until admission to the Official List on 19 May 2008, this was the index in which the Company's shares were quoted and it provides a broad based comparator group of retail and non retail companies. The FTSE 250 Index (excluding investment trusts) has been selected for this comparison because this is the index in which the Company's shares have been quoted since admission to the Official List. TSR provides a useful, widely used benchmark to illustrate the Company's performance over the last five years.

Total Shareholder Return

Source: Thomson Reuters



This graph shows the value, by 25 December 2011, of £100 invested in Domino's Pizza UK & IRL plc on 31 December 2006 compared with the value of £100 invested in the FTSE AIM Index and the FTSE 250 Index (excluding Investment Trusts). The other points plotted are the values at intervening financial year-ends.

Part II: Audited information

Supplementary information on Directors' remuneration

Directors' remuneration

	Salary or fees 52 weeks ended 25 December 2011 £000	Bonus 52 weeks ended 25 December 2011 £000	Benefits[1] 52 weeks ended 25 December 2011 £000	Total 52 weeks ended 25 December 2011 £000	Total 52 weeks ended 26 December 2010 £000
Executive Directors					
Christopher Moore	420	189	21	630	809
Lee Ginsberg	245	110	33	388	550
Lance Batchelor[4]	169	78	9	256	–
Non-Executive Directors					
Stephen Hemsley (Chairman)	191	–	5	196	276
Colin Halpern[2]	260	–	31	291	291
Nigel Wray[3]	38	–	–	38	38
John Hodson	45	–	–	45	45
Michael Shallow	50	–	–	50	50
Lance Batchelor (until 26 June 2011)[4]	20	–	–	20	17
Dianne Thompson (resigned 30 March 2010)	–	–	–	-	12
Syl Saller (appointed 20 September 2011)	11	–	–	11	–
Helen Keays (appointed 30 September 2011)	11	–	–	11	–
Peter Klauber (retired 30 September 2011)	31	–	–	31	38
Total	1,491	377	99	1,967	2,126

1 The value of benefits relates primarily to the provision of a company car or equivalent allowance.

2 Colin Halpern is not remunerated by the Company. A management fee of £260,000 (2010: £260,000) was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 (2010: £31,000) relating to life insurance premiums was paid to HS Real Company LLC during the year.

3 Nigel Wray was not directly remunerated by the Company. A management fee of £38,000 (2010: £38,000) was paid to Brendon Street Investments Limited, a company of which Nigel Wray is a director (and has a controlling interest), in respect of his services.

4 Lance Batchelor was appointed as a Non-Executive Director on 13 July 2010. He became an Executive Director on 27 June 2011

Pension contributions

	Pension contributions 52 weeks ended 25 December 2011 £000	Pension contributions 52 weeks ended 26 December 2010 £000
Lee Ginsberg	37	34
Christopher Moore	61	47
Lance Batchelor	17	–
Total	115	81

Reversionary interests

The following is a summary of the awards made to Directors under the LTIP:

	At 26 December 2010 No. shares represented by	Vested during the year No. shares represented by	Awards made during the year No. shares represented by	At 25 December 2011 No. shares represented by
Stephen Hemsley				
Grant date				
06 March 2007	1,600,000	(1,600,000)	–	**–**
Christopher Moore				
Grant date				
22 February 2008	1,260,000	(1,260,000)	–	**–**
02 June 2009	381,091	–	–	**381,091**
27 February 2010	288,991	–	–	**288,991**
9 August 2011	–	–	576,527	**576,527**
	1,930,082	(1,260,000)	576,527	**1,246,609**
Lee Ginsberg				
Grant date				
22 February 2008	750,000	(750,000)	–	**–**
02 June 2009	260,606	–	–	**260,606**
27 February 2010	211,009	–	–	**211,009**
9 August 2011	–	–	336,307	**336,307**
	1,221,615	(750,000)	336,307	**807,922**
Total	4,751,697	(3,610,000)	912,834	**2,054,531**
Weighted average initial value of the awards	222.65p	211.11p	437.10p	**338.20p**

The total aggregate value of awards that vested during 2011 was £11,262,000 (2010: £7,528,000).

Chris Moore retired as Chief Executive on 26 December 2011 and, as such, was eligible to be treated as a 'good leaver' under the terms of the LTIP. In a good leaver event, awards vest, subject to performance, at their normal vesting date. Chris Moore remains a director of a subsidiary company in the Group to assist with a number of strategic initiatives agreed with the Board. In fulfilling his role he will not receive remuneration nor will the treatment of his outstanding LTIP awards be any more favourable than the good leaver provisions in the LTIP.

Share Options

The following is a summary of the awards made to Directors under the Recruitment Incentive (market value share option):

	Options held at 26 December 2010	Options granted during the year	Options exercised during the year	Exercise price for options granted	Dates exercisable from	Dates exercisable to
Lance Batchelor	–	1,000,000	–	386.8p	28 July 2014	27 July 2021

The following is a summary of the performance criteria and vesting conditions relating to the reversionary interests granted to the Directors:

	Potential vesting period[4]	Initial price per share on grant Pence	Adjusted EPS[2] required for vesting Pence	Adjusted PBT[1] required for vesting £
22 February 2008	22 February 2011 – February 2013	212.00	16.40	37,000,000
2 June 2009	2 June 2012	206.25	Footnote 3	N/A
17 February 2010	17 February 2013	327.00	Footnote 3	N/A
9 August 2011	9 August 2014	437.10	Footnote 3	N/A

1 Adjusted PBT means profit before tax and before operating and non-operating exceptional items and before any trading results relating to the German business.

2 Adjusted EPS means diluted earnings per share before operating and non-operating exceptional items and before any trading results relating to the German business.

3 Performance condition is achievement of annual compound growth in adjusted EPS at between RPI plus 9% and RPI plus 12% or more to get 100% of award.

4 Absent a person being declared a Good Leaver, a Relevant Transaction occurring or the early attainment of the Performance Condition (each as defined in the LTIP Deed of Appointment).

The performance conditions for the reversionary interests granted during 2009 as represented by 641,697 Ordinary shares have been met but will not be capable of vesting until June 2012. Based on the year end share price of 398p, the increase in value of the reversionary interests will be met on vesting by 309,160 Company shares and these have been included in the diluted earnings per share (see note 12). The vesting of the interests will be met with Company shares as follows:

	Eligible to vest during 2012 No.	Value at 25 December 2011 share price	Eligible to vest during 2011 No.	Value at 26 December 2010 share price
Stephen Hemsley	–	–	987,978	5,424,000
Christopher Moore	183,604	730,742	773,443	4,246,200
Lee Ginsberg	125,556	499,712	460,383	2,527,500

The market price of the Company's shares on 25 December 2011 was 398p per share and the high and low share prices during the year were 586p and 377p respectively.

Directors' interests in share options

Interests of the Executive Directors in the 2009 Sharesave Scheme. There have been no movements during the year.

	Interests at 26 December 2010 and 25 December 2011	Exercise price pence	Expected date for which exercisable
Stephen Hemsley	6,682	135.81p	February – July 2012
Christopher Moore	6,682	135.81p	February – July 2012
Lee Ginsberg	6,682	135.81p	February – July 2012

On behalf of the Board

John Hodson
Chairman of the Remuneration Committee
15 February 2012

Statement of Directors' responsibilities

in relation to the Group and Company financial statements

Directors' responsibility statement

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

In preparing the Group financial statements, the Directors are required to:
- Select suitable accounting policies in accordance with "IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors" and then apply them consistently;
- Present information, including accounting policies, in a manner which presents relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

In preparing the Company financial statements, the Directors are required to:
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Annual Report and financial statements comply with the Companies Act 2006 and with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

A copy of the financial statements of the Company is posted on the Company's website. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DTR 4.1 statement

Each of the Directors, the names and functions of whom are set out on pages 24 and 25 confirms that to the best of his knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities and financial position and profit of the Group and the Company and of the Group's income statement for that period. In addition, each of the Directors confirms that the management report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board

Lance Batchelor
Chief Executive Officer
15 February 2012

Lee Ginsberg
Chief Financial Officer
15 February 2012

Independent auditor's report

to the members of Domino's Pizza UK & IRL plc

We have audited the group financial statements of Domino's Pizza UK & IRL plc for the 52 weeks ended 25 December 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 25 December 2011 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement, set out on page 35, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Domino's Pizza UK & IRL plc for the 52 weeks ended 25 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Simon O'Neill
Senior statutory auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
15 February 2012

Group income statement

	Notes	52 weeks ended 25 December 2011 Before exceptional items £000	52 weeks ended 25 December 2011 Exceptional items (Note 7) £000	52 weeks ended 25 December 2011 Total £000	52 weeks ended 26 December 2010 Before exceptional items £000	52 weeks ended 26 December 2010 Exceptional items (Note 7) £000	52 weeks ended 26 December 2010 Total £000
Revenue	3	**209,863**	**–**	**209,863**	188,634	(485)	188,149
Cost of sales		**(132,939)**	**–**	**(132,939)**	(117,495)	–	(117,495)
Gross profit		**76,924**	**–**	**76,924**	71,139	(485)	70,654
Distribution costs		**(13,026)**	**–**	**(13,026)**	(11,539)	–	(11,539)
Administrative costs		**(21,860)**	**(3,007)**	**(24,867)**	(21,784)	(1,887)	(23,671)
		42,038	**(3,007)**	**39,031**	37,816	(2,372)	35,444
Share of post tax profits of associates		**335**	**–**	**335**	219	–	219
Operating profit	5	**42,373**	**(3,007)**	**39,366**	38,035	(2,372)	35,663
Loss on the sale of non-current assets and assets held for sale		**–**	**–**	**–**	–	(11)	(11)
Profit before interest and taxation		**42,373**	**(3,007)**	**39,366**	38,035	(2,383)	35,652
Finance income	9	**334**	**–**	**334**	196	–	196
Finance expense	10	**(551)**	**(360)**	**(911)**	(224)	(420)	(644)
Profit before taxation		**42,156**	**(3,367)**	**38,789**	38,007	(2,803)	35,204
Taxation	11	**(11,141)**	**(1,182)**	**(12,323)**	(10,878)	(261)	(11,139)
Profit for the period		**31,015**	**(4,549)**	**26,466**	27,129	(3,064)	24,065
Profit for the period attributable to:							
Owners of the parent				**26,746**			24,036
Non-controlling interests				**(280)**			29
				26,466			24,065
Earnings per share (post-exceptional items)							
– Basic (pence)	12			**16.65**			15.40
– Diluted (pence)	12			**16.45**			14.85
Earnings per share (pre-exceptional items)							
– Basic (pence)	12			**19.48**			17.36
– Diluted (pence)	12			**19.24**			16.75

Group statement of comprehensive income

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

Group balance sheet

	Notes	At 25 December 2011 £000	At 26 December 2010 £000
Non-current assets			
Intangible assets	15	**16,611**	2,234
Property, plant and equipment	14	**55,564**	47,378
Prepaid operating lease charges	16	**676**	570
Trade and other receivables	22	**2,705**	–
Net investment in finance leases	17	**5,745**	6,558
Investments in associates	18	**1,423**	1,158
Deferred tax asset	11	**16,349**	22,658
		99,073	80,556
Current assets			
Inventories	20	**3,878**	5,054
Trade and other receivables	22	**24,343**	16,014
Net investment in finance leases	17	**1,532**	1,793
Prepaid operating lease charges	16	**165**	138
Cash and cash equivalents	23	**24,427**	31,128
		54,345	54,127
Non-current assets held for sale	24	**–**	938
Total assets		**153,418**	135,621
Current liabilities			
Trade and other payables	25	**(29,444)**	(31,707)
Deferred income		**(136)**	(77)
Financial liabilities	26	**(26,529)**	(1,793)
Deferred consideration	21	**(2,164)**	(4,346)
Current tax liabilities		**(4,248)**	(2,255)
Provisions	29	**(66)**	–
		(62,587)	(40,178)
Non-current liabilities			
Financial liabilities	26	**(19,222)**	(42,772)
Deferred income		**(2,021)**	(1,100)
Deferred consideration	21	**(7,875)**	(9,746)
Deferred tax liabilities	11	**(1,078)**	(44)
Provisions	29	**(971)**	(119)
Total liabilities		**(93,754)**	(93,959)
Net assets		**59,664**	41,662
Shareholders' equity			
Called up share capital	32	**2,532**	2,514
Share premium account		**15,358**	9,592
Capital redemption reserve		**414**	406
Capital reserve – own shares		**(1,151)**	(5,526)
Currency translation reserve		**96**	1,013
Other reserve		**3,432**	–
Retained earnings		**37,179**	33,512
Equity shareholders' funds		**57,860**	41,511
Non-controlling interests		**1,804**	151
Total equity		**59,664**	41,662

Lee Ginsberg
Chief Financial Officer
15 February 2012

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

Group cash flow statement

	Notes	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Cash flows from operating activities			
Profit before taxation		**38,789**	35,204
Net finance costs		**577**	448
Share of post tax profits of associates	18	**(335)**	(219)
Amortisation and depreciation (including accelerated depreciation)	14,15,16	**3,280**	2,815
Impairment		**837**	82
Loss on disposal of non-current assets		**–**	11
Share option and LTIP charge (including accelerated LTIP charge)		**1,499**	1,432
Decrease/(increase) in inventories		**1,180**	(2,347)
Increase in receivables		**(9,910)**	(3,696)
(Decrease)/increase in payables		**(2,341)**	7,304
Increase in deferred income		**980**	22
Increase/(decrease) in provisions		**918**	(8)
Cash generated from operations		**35,474**	41,048
UK corporation tax		**(3,751)**	(5,107)
Overseas corporation tax paid		**(241)**	(349)
Net cash generated by operating activities		**31,482**	35,592
Cash flows from investing activities			
Interest received		**175**	196
Dividends received from associates		**70**	21
Decrease/(increase) in loans to associates		**30**	(150)
(Increase)/decrease in loans to franchisees		**(1,447)**	338
Payments to acquire finance lease assets		**(1,112)**	(1,749)
Receipts from repayment of franchisee finance leases		**2,186**	2,372
Purchase of property, plant and equipment		**(9,841)**	(9,862)
Acquisition of subsidiary – deferred consideration for Domino's Leasing	21	**(4,413)**	–
Purchase of other non-current assets		**(3,171)**	(1,740)
Receipts from the sale of other non-current assets	24	**585**	60
Net cash used by investing activities		**(16,938)**	(10,514)
Cash inflow before financing		**14,544**	25,078
Cash flow from financing activities			
Interest paid		**(521)**	(224)
Issue of ordinary share capital		**593**	1,594
Purchase of own shares		**(2,219)**	(4,715)
New long-term loans		**1,327**	1,629
Repayment of long-term loans		**(2,225)**	(2,493)
Equity dividends paid		**(18,025)**	(13,632)
Net cash used by financing activities		**(21,070)**	(17,841)
Net (decrease)/increase in cash and cash equivalents		**(6,526)**	7,237
Cash and cash equivalents at beginning of period		**31,128**	23,997
Foreign exchange loss on cash and cash equivalents		**(175)**	(106)
Cash and cash equivalents at end of period		**24,427**	31,128

Notes to the Group financial statements

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

The financial statements of Domino's Pizza UK & IRL plc and its subsidiaries (the Group) for the 52 weeks ended 25 December 2011 were authorised for issue by the board of directors on 15 February 2012 and the balance sheet was signed on the Board's behalf by Lee Ginsberg. Domino's Pizza UK & IRL plc is a public limited company (the Company) incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB. The Company's ordinary shares are listed on the Official List of the FSA and traded on the main market of the LSE.

The principal accounting policies adopted by the Group are set out in note 2.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the period ended 25 December 2011.

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the 52 weeks ended 25 December 2011 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 25 December 2011.

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

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

Changes in accounting policy

IAS 24 Related Party Disclosures (Revised)

The revision to the standard clarified the definition of a related party to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. The revised standard did not have any impact on the financial position or performance of the Group, nor did it identify any additional related parties that were not previously disclosed.

Improvements to International Financial Reporting Standards (issued 2010)

The following standards relevant to the Group were impacted by this addition of annual improvements issued by the IASB: IFRS 3 Business Combinations, IFRS 7 Financial Instruments Disclosures and IAS 1 Presentation of Financial Statements. The improvements did not have any impact on the financial position or performance of the Group.

Judgements and key sources of estimation uncertainty

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- A key judgement was required in determining the impact of the acquisition of Domino's Leasing Limited during the 52 weeks ended 27 December 2009. This has been accounted for as a business combination in accordance with IFRS3 and resulted in the recognition of deferred tax assets, contingent consideration and a credit to the income statement relating to the accounting for the excess of fair value of net assets over consideration. See note 21 for further details. Had this transaction been accounted for as an asset purchase, the deferred tax assets and day one exceptional credit in the income statement would not have been reflected. Instead, the Group tax charge would have benefitted from tax relief over the period of the leases acquired with Domino's Leasing Limited.
- Franchisees within the Domino's Pizza system pay a percentage of their sales into a central fund designed to build store sales through increased public recognition of the Domino's Pizza brand. The Fund is managed for the benefit of franchisees in the system with the objective of driving revenues for the franchised stores. The Fund is used to pay for national marketing strategies and promotional plans. The Fund is planned to operate at breakeven with any short-term timing surplus or deficit carried in the Group balance sheet. As all Fund income is designated for specific purposes and does not result in a profit or loss for the Group, the revenue recognition criteria as outlined in our accounting policy are not met and therefore the income and expenses of the Fund are not included in the group income statement.

  The assets and liabilities relating to the Fund are included in the appropriate headings in the Group balance sheet as the related legal, but not beneficial, rights and obligations rest with the Group. These assets and liabilities include the short-term timing surpluses and deficits and any receivables and payables related to the fund.

  The cash flows relating to the fund are included within 'Cash generated from operations' in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.

Notes to the Group financial statements continued

2. Accounting policies (continued)

Changes in accounting policy (continued)

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

- A key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the estimation of share-based payment costs. The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.
- The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The final resolution of certain of these items may give rise to material income statement and or cash flow variances.
- Residual values and useful lives are determined with reference to manufacturer's guidelines, past experience and market trends. If useful lives were shorter than estimated a reassessment of the future depreciation charge may be required. Useful lives are reassessed annually which may lead to an increase or reduction in depreciation accordingly.

Basis of consolidation

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

Basis of consolidation from 1 January 2010

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

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

Non-controlling interests represent the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated balance sheet, separately from equity attributable to owners of the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences are carried forward in certain instances from the previous basis of consolidation:

Non-controlling interests represent the portion of the profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholder's equity.

Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consolidation and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not allocated between non-controlling interests and the parent shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date of control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

Interests in associates

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

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

2. Accounting policies (continued)

Interests in associates (continued)

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Financial statements of associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies used in line with those of the Group; to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

Foreign currencies

Foreign operations

The income and expenses of overseas subsidiaries are translated at the spot rate on the transaction date. The balance sheet of the overseas subsidiary undertaking is translated into Sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising, if any, are included in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed.

The Group utilised the exemption available in IFRS 1 whereby cumulative translation differences were deemed to be zero at 1 January 2006 (the date of transition to IFRS).

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

Foreign currency transactions

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

Business combinations and goodwill

Business combinations from 1 January 2010

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

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

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

Notes to the Group financial statements continued

2. Accounting policies (continued)

Business combinations and goodwill (continued)

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

Business combinations prior to 1 January 2010

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is accounted for using the parent-entity extension method, whereby the difference between the consideration paid and the book value of the share in the net assets acquired is recognised in goodwill.

Goodwill is initially measured at cost being the excess of the cost business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, the difference is recognised in profit and loss. Goodwill recognised as an asset at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying amount being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value maybe impaired.

The carrying amount of goodwill allocated to cash generated units is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Intangible assets

Computer software

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

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:
- Freehold land – Not depreciated
- Freehold buildings – 50 years
- Assets under construction – Not depreciated
- Leasehold improvements – Over the life of the lease
- Fixtures and fittings – Over 5 to 10 years
- Commissary equipment – Over 3 to 30 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. The majority of assets within commissary equipment are being depreciated over ten years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

All items of property, plant and equipment are reviewed for impairment in accordance with IAS 36, Impairment of Assets, when there are indications that the carrying value may not be recoverable.

Prepaid short leasehold costs

Prepaid short leasehold property costs are classified as current and non-current prepayments. On initial recognition these assets are held at cost and subsequently at amortised cost over the length of the lease.

2. Accounting policies (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met if a sale is expected to materialise within twelve months after the balance sheet date and the asset is available for immediate disposal in its present condition. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. After classification as assets held for sale, no further depreciation is provided for on the assets.

Leases

Group as lessee

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

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

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

Group as lessor

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

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

Impairment of assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation and where the amount of the obligation can be reliably measured.

Inventories

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

Trade and other receivables

Trade receivables, which generally have 7 – 28 days terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Notes to the Group financial statements continued

2. Accounting policies (continued)

National advertising fund

In addition to franchise fees, franchisees pay contributions which are collected by the Group for specific use within the National advertising fund. The Group operates the funds on behalf of the franchisees with the objective of driving revenues for their stores. The fund is specifically used to pay for marketing and advertising. The fund is planned to operate at breakeven with any short term timing surplus or deficit carried in the Group balance sheet within working capital. As all fund contributions are designated for specific purposes and do not result in a profit or loss for the Group, revenue recognition criteria are not met and therefore the income and expenses of the fund are not included in the Group income statement.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Income taxes

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

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

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

Income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the income tax is also dealt with in other comprehensive income or equity respectively. Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to set off current tax assets and liabilities and the deferred tax relates to income taxes levied by the same tax jurisdiction on either the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities are expected to be settled or recovered.

Derecognition of financial assets and liabilities

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

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

Pensions

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

Capital reserve – own shares

Domino's Pizza UK & IRL plc shares held by the Company and the Group are classified in shareholders' equity as "Capital reserve – own shares" and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

The Employee Benefit Trust (EBT) has waived its entitlement to dividends. The Group will meet the expenses of the EBT as and when they fall due.

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns, rebates and value-added taxes.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from pizza delivery, commissary and equipment sales is recognised on delivery to customers and franchisees.

Franchise fees

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

Royalties

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

Rental income

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

Finance income

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

Borrowing costs

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

Capitalisation of borrowing costs should commence when:
- expenditures for the asset and borrowing costs are being incurred; and
- activities necessary to prepare the asset for its intended use are in progress.

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

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

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 trends in financial performance.

Share-based payments

The Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair values of employee share option plans are calculated using the Black-Scholes and Binomial models. In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions and/or service conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or in the case of an instrument subject to a market condition, be treated as vested as described above.

Notes to the Group financial statements continued

2. Accounting policies (continued)

Share-based payments (continued)

The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with the corresponding increase in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. This includes any where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 12).

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

New standards and interpretations not applied

The IASB and IFRIC have issued standards and interpretations with an effective date for periods starting on or after the date on which these financial statements commence. The following applicable standards and interpretations have been issued, none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant disclosure.

	Effective date
International Financial Reporting Standards ('IFRS')	
Amendment to IFRS 7: Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2013
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
International Accounting Standards ('IAS')	
Amendment to IAS 12: Deferred Taxes – Recovery of Underlying Assets	1 January 2012
Amendment to IAS 1: Presentation of Items of Other Comprehensive Income	1 July 2012

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Royalties and sales to franchisees	**196,135**	175,280
Rental income on leasehold and freehold property	**13,416**	12,483
Finance lease income	**312**	386
	209,863	188,149

4. Segment information

For management purposes, the Group is organised into three geographical business units, the United Kingdom, Ireland and Germany, based on the territories governed by the Master Franchise Agreement ("MFA"). 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, commissary sales, rental income and finance lease income) made to franchise stores located in that segment. Segment results for the Ireland segment include both the Republic of Ireland and Northern Ireland as both of these territories are served by the same commissary. The new Germany operating segment is in respect of business acquired in Germany during the period.

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

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the bank revolving facility, bank loans, deferred consideration and taxation liabilities. In the prior year all assets held for sale are included within the United Kingdom operating segment.

	At 25 December 2011 £000	At 26 December 2010 £000
Deferred tax asset	**16,349**	22,658
Cash and cash equivalents	**24,427**	31,128
Unallocated assets	**40,776**	53,786
Deferred consideration	**10,039**	14,092
Current tax liabilities	**4,248**	2,255
Deferred tax liabilities	**1,078**	44
Bank revolving facility	**25,000**	25,000
Bank loans	**12,035**	12,035
Unallocated liabilities	**52,400**	53,426

Notes to the Group financial statements continued

4. Segment information (continued)

Operating segments

	52 weeks ended 25 December 2011				52 weeks ended 26 December 2010		
	Germany £000	Ireland £000	United Kingdom £000	Total £000	Ireland £000	United Kingdom £000	Total £000
Segment revenue							
Sales to external customers	579	19,130	190,154	209,863	17,955	170,194	188,149
Results							
Segment result	(1,341)	4,261	39,118	42,038	4,476	33,340	37,816
Exceptional items	–	(1,061)	(1,946)	(3,007)	(485)	(1,887)	(2,372)
Share of profit of associates	–	–	335	335	–	219	219
Group operating profit	(1,341)	3,200	37,507	39,366	3,991	31,672	35,663
Loss on the sale of non-current assets and assets held for sale	–	–	–	–	–	(11)	(11)
	(1,341)	3,200	37,507	39,366	3,991	31,661	35,652
Net finance costs				(577)			(448)
Profit before tax				38,789			35,204
Assets							
Segment current assets	436	738	28,858	30,032	430	22,569	22,999
Segment non-current assets	13,607	2,135	65,445	81,187	1,818	55,860	57,678
Equity accounted investments	–	–	1,423	1,423	–	1,158	1,158
Unallocated assets	–	–	–	40,776	–	–	53,786
Total assets	14,043	2,873	95,726	153,418	2,248	79,587	135,621
Liabilities							
Segment liabilities	3,111	1,100	37,143	41,354	1,144	39,389	40,533
Unallocated liabilities	–	–	–	52,400	–	–	53,426
Total liabilities	3,111	1,100	37,143	93,754	1,144	39,389	93,959
Capital expenditure, property, plant and equipment							
– Freehold land and buildings	–	3	275	278	35	1,042	1,077
– Assets under construction	–	–	6,565	6,565	231	6,836	7,067
– Leasehold improvements	–	–	3	3	2	–	2
– Commissary equipment	–	495	1,211	1,706	60	1,257	1,317
– Fixtures and fittings	770	–	519	1,289	–	399	399
Intangible assets	13,288	–	2,896	16,184	–	1,537	1,537
Prepaid operating lease charges		–	275	275	–	138	138
Depreciation	–	134	1,962	2,143	99	1,066	1,165
Accelerated depreciation	47	–	–	–	–	583	583
Amortisation	–	–	905	1,137	–	1,067	1,067
Share-based payment charge	232	–	1,499	1,499	–	1,432	1,432
Write-off of inventories	–	–	48	48	–	–	–
Unwinding of discount	–	–	360	360	–	420	420
Entity wide disclosures							
Royalties and sales to franchisees	579	18,128	177,428	196,135	16,892	158,388	175,280
Rental income on leasehold and freehold property		1,002	12,414	13,416	1,063	11,420	12,483
Finance lease income	–	–	312	312	–	386	386
	579	19,130	190,154	209,863	17,955	170,194	188,149

Major customers

Annual revenue from two franchisees amounted to £30,051,000 (2010: £25,034,000) and £25,465,000 (2010: £22,142,000) respectively, arising from sales reported in the United Kingdom segment.

5. Group operating profit

This is stated after charging:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Depreciation of property, plant and equipment	**2,143**	1,748
Amortisation of prepaid lease charges	**142**	130
Amortisation of intangible assets	**995**	937
Total depreciation and amortisation expense	**3,280**	2,815
Profit on disposal of non-current assets held for sale	**119**	–
Net foreign currency loss	**173**	58
Cost of inventories recognised as an expense	**95,518**	86,142
Write-down of inventories to net realisable value	**48**	–
Operating lease payments (minimum lease payments)		
– land and buildings	**13,678**	12,373
– plant, machinery and vehicles	**2,478**	2,315
Total operating lease payments recognised in the income statement	**16,156**	14,688

6. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Audit of the financial statements*	**111**	85
Other fees to auditors		
– Local statutory audit for subsidiaries	**34**	34
– IT services	**–**	41
– Tax services	**–**	3
– Other services pursuant to legislation	**16**	10
	50	**88**

* of which £2,000 (2010: £2,000) relates to the Company.

7. Exceptional items

Recognised as part of operating profit

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Acquisition costs and one off costs relating to Domino's Pizza Germany (Note 19)	**1,232**	–
Onerous lease provision	**938**	–
Support provided to Irish stores	**–**	485
Accelerated LTIP charge	**–**	467
Restructuring and reorganisation	**–**	755
Accelerated depreciation and impairment	**837**	665
	3,007	**2,372**

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

Costs of £1,232,000 (2010: £nil) have been incurred during the period in relation to the acquisition of DP Cyco Limited (formerly Intergrowth Enterprises Limited), the master franchisor for Domino's Pizza Germany. See note 19 for further details. The costs relating to the acquisition of Domino's Germany result in a £90,000 reduction in the Group's tax charge for the period.

Notes to the Group financial statements continued

7. Exceptional items (continued)

Onerous lease provision

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

Accelerated depreciation and impairment

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

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

Support provided to Irish stores

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

Accelerated LTIP charge

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

Restructuring and reorganisation

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

Recognised below operating profit

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

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

Unwinding of discount

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

Change in tax rates

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

8. Employee benefits and directors' remuneration

(a) Employee benefits expense

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Wages and salaries	**17,056**	16,193
Social security costs	**1,749**	1,578
Other pension costs	**403**	336
Share-based payment charge	**1,499**	1,432
	20,707	19,539

During the period ended 26 December 2010 the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted in 2008 increased as the performance targets had been achieved earlier than expected, resulting in an accelerated charge of £467,000 included in the share-based payments charge above. This charge was not and will not become deductible for taxation purposes (note 11). This charge had no impact on the cash flow of the Group during the period.

8. Employee benefits and directors' remuneration (continued)

(a) Employee benefits expense (continued)

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

	52 weeks ended 25 December 2011 No.	52 weeks ended 26 December 2010 No.
Administration	**201**	177
Production and distribution	**233**	209
Store employees	**121**	47
	555	433

(b) Directors' remuneration

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Directors' remuneration	**1,967**	2,126
Aggregate contributions to defined contribution pension schemes	**115**	81
Number of directors accruing benefits under:		
– Defined contribution schemes	**3**	2

Additional information regarding directors' remuneration is included in the Report on Directors' remuneration on pages 48 to 59.

9. Finance income

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Bank interest receivable	**161**	52
Franchisee loans	**39**	33
Other interest	**134**	111
Total finance income	**334**	196

The finance income relates to financial assets at amortised cost. Total interest on financial assets not at fair value through profit or loss, including finance lease revenue is £646,000 (2010: £582,000).

10. Finance expense

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Bank loan in relation to the EBT	**167**	154
Bank revolving credit facility interest payable	**325**	64
Other interest payable	**59**	6
Unwinding of discount	**360**	420
	911	644

The finance expense relates to financial liabilities at amortised cost. Total interest on financial liabilities not at fair value through profit or loss, including loans cost related to DP Capital Limited and Domino's Leasing Limited reported within cost of sales is £1,169,000 (2010: £968,000). A further £54,000 (2010: £231,000) of interest paid during the period has been capitalised under IAS 23 and included with additions in the period in note 14, resulting in total cash flows relating to interest payable of £863,000 (2010: £779,000).

Notes to the Group financial statements continued

11. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

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

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

(b) Reconciliation of the total tax charge

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

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

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

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

11. Taxation (continued)

(c) Temporary differences associated with Group investments

At 25 December 2011, there was no recognised deferred tax liability (2010: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates, as:

- there are no corporation tax consequences of the Group's UK or Irish subsidiaries or associates paying dividends to their parent companies.

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

(d) Deferred tax

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

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

	At 25 December 2011 £000	At 26 December 2010 £000
Gross movement in the deferred income tax account		
Opening balance	**22,614**	28,649
Tax (charge)/credit to equity	**(177)**	229
Income statement charge	**(6,121)**	(6,264)
Arising on acquisition of subsidiary undertaking (note 19)	**(1,045)**	–
Closing balance	**15,271**	22,614

Deferred tax arising in the UK on non-capital items

	Share-based payments £000	Accelerated capital allowances £000	Lease inducements £000	Goodwill and amortisation £000	Provisions £000	Total £000
At 27 December 2009	481	27,892	315	(15)	33	28,706
Credit to equity	229	–	–	–	–	229
Credit/(charge) to income	103	(6,355)	(32)	1	6	(6,277)
At 26 December 2010	813	21,537	283	(14)	39	22,658
Charge to equity	(177)	–	–	–	–	(177)
Credit/(charge) to income	126	(6,426)	(30)	1	197	(6,132)
At 25 December 2011	**762**	**15,111**	**253**	**(13)**	**236**	**16,349**

A deferred tax asset of £16,349,000 (2010: £22,658,000) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

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

Notes to the Group financial statements continued

11. Taxation (continued)
(d) Deferred tax (continued)
Deferred tax arising in Ireland and the UK on capital gains

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

Deferred tax arising on the acquisition of subsidiary

	Acquisition of subsidiary £000	Total £000
At 26 December 2010	–	–
Arising on acquisition of subsidiary undertaking (note 19)	(1,045)	(1,045)
Credit to income	22	22
At 25 December 2011	**(1,023)**	**(1,023)**

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

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

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

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

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

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

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

The performance conditions for reversionary interests granted over 4,531,403(2010: 3,751,611) shares and share options granted over 3,662,061 (2010: 2,598,990) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end have not been included in the diluted earnings per share calculation.

Share options granted over 476,737 (2010: nil) shares have not been included in the diluted earnings per share calculation because they are anti dilutive. See note 33 for further information on reversionary interests and share options.

12. Earnings per share (continued)

Earnings per share pre exceptional items

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

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

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Basic earnings per share	**19.48p**	17.36p
Diluted earnings per share	**19.24p**	16.75p

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

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

13. Dividends paid and proposed

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2010: 5.70p (2009: 4.25p)	**9,144**	6,596
Interim dividend for 2011: 5.50p (2010: 4.50p)	**8,881**	7,036
Dividends paid	**18,025**	13,632
Proposed for approval by shareholders at the AGM (not recognised as a liability at 25 December 2011 or 26 December 2010)		
Final dividend for 2011: 6.80p (2010: 5.70p)	**10,980**	8,977

Notes to the Group financial statements continued

14. Property, plant and equipment

	Freehold land and buildings £000	Assets under construction £000	Leasehold improvements £000	Fixtures and fittings £000	Commissary equipment £000	Total £000
Cost or valuation:						
At 27 December 2009	13,915	23,507	322	4,988	9,288	52,020
Additions	1,077	7,067	2	399	1,317	9,862
Disposals	–	–	–	–	–	–
Foreign exchange on translation	(75)	(3)	(2)	–	(44)	(124)
Reclassification	16,849	(29,509)	–	–	12,660	–
At 26 December 2010	31,766	1,062	322	5,387	23,221	61,758
Additions	278	6,565	3	1,289	1,706	9,841
Disposals	–	–	–	(3,869)	(1,254)	(5,123)
Foreign exchange on translation	(30)	–	(1)	–	(41)	(72)
Reclassification	1,617	(7,627)	–	710	5,300	–
Acquisition of subsidiary	–	–	–	534	–	534
At 25 December 2011	**33,631**	**–**	**324**	**4,051**	**28,932**	**66,938**
Depreciation and impairment:						
At 27 December 2009	3,125	–	107	3,958	5,467	12,657
Provided during the year	168	–	22	262	713	1,165
Accelerated depreciation	–	–	–	583	–	583
Disposals	–	–	–	–	–	–
Foreign exchange on translation	(7)	–	6	–	(24)	(25)
At 26 December 2010	3,286	–	135	4,803	6,156	14,380
Provided during the year	470	–	30	468	1,175	2,143
Disposals	–	–	–	(3,869)	(1,254)	(5,123)
Foreign exchange on translation	(4)	–	–	–	(22)	(26)
Reclassification	(116)	–	–	–	116	–
At 25 December 2011	**3,636**	**–**	**165**	**1,402**	**6,171**	**11,374**
Net book value at 25 December 2011	**29,995**	**–**	**159**	**2,649**	**22,761**	**55,564**
Net book value at 26 December 2010	28,480	1,062	187	584	17,065	47,378

Freehold land and buildings
Included within freehold land and buildings is an amount of £4,689,000 (2010: £4,689,000) in respect of land which is not depreciated.

Assets under construction
Included in freehold land and buildings is an amount of £1,117,000 (2010: £1,085,000) of capitalised interest, of which £54,000 (2010: £231,000) was capitalised in the current period and included with additions. This interest relates to the £25,000,000 revolving credit facility used to finance the building of the new commissary and head office. Tax relief on capitalised interest is claimed in full in the period in which the interest is paid.

Accelerated depreciation and impairment
As a result of the new Milton Keynes head office being completed at the end of November 2011, the Group reconsidered the residual value and remaining life of assets at the existing Milton Keynes head office as at 26 December 2010. Consequently, the Group took an accelerate depreciation charge of £583,000.

For details of property, plant and equipment pledged as security for liabilities see note 26.

15. Intangible assets

	Goodwill £000	Franchise fees £000	Software £000	Total £000
Cost or valuation:				
At 27 December 2009	–	1,035	2,379	3,414
Additions	–	–	1,537	1,537
At 26 December 2010	–	1,035	3,916	4,951
Additions	–	–	2,896	2,896
Acquisition of subsidiary (Note 19)	2,835	10,453	–	13,288
Disposals	–	–	(1,834)	(1,834)
Foreign exchange on translation	(176)	(600)	–	(826)
At 25 December 2011	**2,659**	**10,838**	**4,978**	**18,475**
Depreciation and impairment:				
At 27 December 2009	–	747	1,033	1,780
Provided during the year	–	72	865	937
At 26 December 2010	–	819	1,898	2,717
Provided during the year	–	285	710	995
Disposals	–	–	(1,834)	(1,834)
Foreign exchange on translation	–	(14)	–	(14)
At 25 December 2011	**–**	**1,090**	**774**	**1,864**
Net book value at 25 December 2011	**2,659**	**9,748**	**4,204**	**16,611**
Net book value at 26 December 2010	–	216	2,018	2,234

Franchise fees consist of costs relating to the Master Franchise Agreements (MFA) for the UK and Ireland and Germany. The UK and Ireland MFA runs into perpetuity, with a development clause which is renewable on a 10 year basis. The addition in the period relates to the German MFA which has a term of 30 years.

The amortisation of intangible assets is included within administration expenses in the income statement.

16. Prepaid operating lease charges

	At 25 December 2011 £000	At 26 December 2010 £000
Balance at the beginning of the period	**708**	760
Additions	**275**	138
Disposals	**–**	(60)
Amortisation	**(142)**	(130)
Balance at the end of the period	**841**	708
Analysed as follows:		
Non-current assets	**676**	570
Current assets	**165**	138
	841	708

Notes to the Group financial statements continued

17. Financial assets

The balance shown in franchisee leasing consists of leases over store equipment granted to franchisees on terms of between one and five years bearing interest at fixed rates of an average of 8.1% (2010: 7.4%). Other leases include leases over assets which were acquired with Domino's Leasing Limited. They are repayable over terms of up to six years and bear interest at 0.5% above LIBOR.

	At 25 December 2011			At 26 December 2010		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Net investment in finance leases	**3,324**	**3,953**	**7,277**	3,544	4,807	8,351
Analysis of net investment in finance leases						
Current	**1,016**	**516**	**1,532**	944	849	1,793
Non-current	**2,308**	**3,437**	**5,745**	2,600	3,958	6,558
	3,324	**3,953**	**7,277**	3,544	4,807	8,351

Future minimum payments receivable:

	At 25 December 2011			At 26 December 2010		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	**1,175**	**692**	**1,867**	1,135	1,138	2,273
After one year but not more than five years	**2,440**	**3,642**	**6,082**	2,780	4,331	7,111
After more than five years	**–**	**–**	**–**	–	–	–
	3,615	**4,334**	**7,949**	3,915	5,469	9,384
Less: finance income allocated to future periods	**(291)**	**(381)**	**(672)**	(371)	(662)	(1,033)
	3,324	**3,953**	**7,277**	3,544	4,807	8,351

The present value of minimum lease payments receivable is analysed as follows:

	At 25 December 2011			At 26 December 2010		
	Franchisee leasing £000	Other leases £000	Total £000	Franchisee leasing £000	Other leases £000	Total £000
Not later than one year	**1,016**	**516**	**1,532**	944	849	1,793
After one year but not more than five years	**2,308**	**3,437**	**5,745**	2,600	3,958	6,558
After more than five years	**–**	**–**	**–**	–	–	–
	3,324	**3,953**	**7,277**	**3,544**	**4,807**	8,351

18. Investments in associates

	At 25 December 2011 £000	At 26 December 2010 £000
Investment in associates	**1,423**	1,158

The Group has a 41% interest in Full House Restaurants Limited, a 50% interest in Dominoid Limited and a 50% interest in Mungo Park Limited, private companies which manage pizza delivery stores in the United Kingdom. Summarised financial information for significant associates is presented below.

The following table illustrates summarised financial information of the Group's investment in Full House Restaurants Limited:

	At 25 December 2011 £000	At 26 December 2010 £000
Share of the associate's balance sheet:		
Current assets	**341**	185
Non-current assets	**1,525**	1,363
Current liabilities	**(288)**	(158)
Non-current liabilities	**(727)**	(635)
Share of net assets	**851**	755

18. Investments in associates (continued)

Share of associate's revenue and profit:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Revenue	**4,132**	3,715
Profit after tax for the period	**178**	117

The following table illustrates summarised financial information of the Group's investment in Dominoid Limited:

	At 25 December 2011 £000	At 26 December 2010 £000
Share of the associate's balance sheet:		
Current assets	**177**	89
Non-current assets	**810**	793
Current liabilities	**(187)**	(186)
Non-current liabilities	**(228)**	(293)
Share of net assets	**572**	403

Share of associate's revenue and profit:

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Revenue	**3,491**	3,229
Profit after tax for the period	**157**	102

19. Business combinations

On 26th April 2011, the Group acquired 75% of the ordinary shares of Intergrowth Enterprises Limited, the master franchisee for Domino's Pizza Germany. On 9 June 2011, the company changed its name to DP Cyco Limited.

The acquisition has been accounted for using the purchase method of accounting. The financial statements include the results of DP Cyco Limited and its wholly owned subsidiary Domino's Pizza Germany Gmbh (known collectively as 'Domino's Germany') for the period from the date of acquisition to the period end. The non-controlling interest is measured at the proportionate share of net assets.

The fair values of the identifiable assets and liabilities of Domino's Germany as at the date of acquisition were as follows:

	Fair value to Group £000
Master franchise agreement	10,453
Property, plant & equipment	534
Inventory	12
Trade and other receivables	92
Cash and cash equivalents	41
Trade and other payables	(136)
Deferred tax liability	(1,045)
Financial liabilities	(2,222)
Fair value of assets acquired	7,729
Non-controlling interest	(1,933)
Net assets acquired	5,796
Goodwill	2,835
Total acquisition cost	8,631
Discharged by:	
Fair value of shares issued (1,320,000 at £3.94)	5,199
Contingently issuable shares (880,000)	3,432
	8,631

Notes to the Group financial statements continued

19. Business combinations (continued)

Under the terms of the acquisition, the Group purchased a 75% interest in Domino's Germany for a total consideration of 2,200,000 ordinary shares, 1,320,000 payable on completion and a further 880,000 on the opening of the 35th Domino's store in Germany. There was no cash outflow arising on acquisition. Costs of £1,232,000 directly attributable to the acquisition have been recognised in the income statement in accordance with IFRS 3R and are included within exceptional items (note 7). The goodwill arising on acquisition is in respect of the opportunities in the German market.

From the date of acquisition, Domino's Germany has contributed a loss of £1,399,000 to the Group. If the combination had taken place at the beginning of the financial period, the profit before tax (excluding exceptional items) would have been £41,318,000 and revenue from continuing operations would have been £210,225,000.

The goodwill acquired through the acquisition of Domino's Germany has been allocated for impairment testing to the Germany cash generating unit. The Group performed its annual impairment test for this goodwill as at 25 December 2011. The recoverable amount of the Germany cash generating unit has been determined based on fair value calculated using discounted future cash flows due to the growth phase of the business. Future cash flows are based on the Group's business plan. The discount rate applied to cash flow projections is 12.5% and cash flows beyond the ten year financial model are extrapolated using a 2.0% growth rate.

The calculation of the fair value is most sensitive to the following assumptions:
- Discount rates
- Store openings in Germany
- Foreign exchange rates

The discount rate reflects management's estimate of the return on capital employed for the investment in Germany. The store openings in Germany are based on the current business model being used by management, which is progressing in line with expectations. The foreign exchange rate used is the average Euro exchange rate for the 52 weeks ended 25 December 2011.

The fair value calculation results in headroom in excess of the carrying value of goodwill and therefore no impairment is required. As at 25 December 2011, no reasonably expected change in the above assumptions would give rise to an impairment charge.

20. Inventories

	At 25 December 2011 £000	At 26 December 2010 £000
Raw materials	**169**	227
Finished goods and goods for sale	**3,709**	4,827
Total inventories at lower of cost or net realisable value	**3,878**	5,054

21. Deferred consideration

	£000
At 27 December 2009	13,672
Paid during the period	–
Unwinding of discount	420
At 26 December 2010	14,092
Paid during the period	(4,413)
Unwinding of discount	360
At 25 December 2011	**10,039**

	At 25 December 2011 £000	At 26 December 2010 £000
Current	**2,164**	4,346
Non-current	**7,875**	9,746
Total	**10,039**	14,092

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited ('Domino's Leasing'), a private company based in England which provides funding in the form of finance leases to a number of corporate clients. As a company with an established leasing trade, Domino's Leasing owns the leased equipment, is entitled to an ongoing rental income from each lease for the remaining term of that lease and it is entitled to certain tax reliefs from its ownership of that equipment. On acquisition, the tax reliefs available had a total value of £29,240,000 and a deferred consideration of £15,364,000 was payable, the amount and timing of the payment for which depend on the amount and timing of the benefits to the Group arising from this tax relief. The deferred consideration is payable until April 2016.

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21. Deferred consideration (continued)

Finance costs reflect the unwinding of the discount on contingent consideration. Therefore, while the cash flow statements reflect lower tax paid as a result of this transaction, this is partly offset by investing cashflows for the consideration paid.

During the period the Group has utilised £17,700,000 (2010: £nil) of the capital allowances which were acquired with Domino's Leasing. The utilisation of these capital allowances reduces the value of the deferred tax asset which was recognised on acquisition, however results in no overall impact on the tax charge for the period as there is an equal and opposite reduction in the Group's corporation tax liability.

22. Trade and other receivables

Included in non-current assets:

	At 25 December 2011 £000	At 26 December 2010 £000
Amounts owed by associates*	114	–
Other receivables*	2,591	–
	2,705	–

Included in current assets:

	At 25 December 2011 £000	At 26 December 2010 £000
Trade receivables*	6,462	3,130
Amounts owed by associates*	329	493
Other receivables*	10,357	6,143
Prepayments and accrued income	7,195	6,248
	24,343	16,014

* Financial assets at amortised cost.

Trade receivables

Trade receivables are denominated in the following currencies:

	At 25 December 2011 £000	At 26 December 2010 £000
Sterling	5,623	2,708
Euro	839	422
	6,462	3,130

The Euro denominated receivables relate to franchisee receivables within the Group's Irish operations which have a Euro functional currency.

Trade receivables are non-interest bearing and are generally on 7 – 28 days terms. As at 25 December 2011, trade receivables at nominal value of £65,000 (2010: £65,000) were provided for. During the 52 weeks ended 25 December 2011 no bad debts were written off (2010: £nil).

The ageing analysis of trade receivables is as follows:

			Past due but not impaired	
	Total £000	Neither past due nor impaired £000	< 30 days £000	> 30 days £000
As at 25 December 2011	**6,462**	**5,797**	**70**	**595**
As at 26 December 2010	3,130	2,823	154	153

Amounts owed by associates

Amounts owed by associated consist of trading and loan balances. Included within the associate loan balance is £120,000 (2010: £150,000) due from Full House Restaurants Limited. This loan is repayable in quarterly instalments over a remaining period of 4 years and bears interest at the 3 month LIBOR rate. Also included within the associate loan balance is £23,000 (2010: £23,000) due from Mungo Park Limited. This loan is repayable in full in 6 years and bears interest at 2.5% above base rate.

Notes to the Group financial statements continued

22. Trade and other receivables (continued)

Amounts owed by associates (continued)

	Trading balance £000	Loan balance £000	Total £000
At 27 December 2009	153	23	176
Movement in trading balance	167	–	167
Increase in loan balance	–	150	150
At 26 December 2010	320	173	493
Movement in trading balance	(20)	–	(20)
Repayment of loan balance	–	(30)	(30)
At 25 December 2011	**300**	**143**	**443**

The movement in the trading balance is included within the 'increase in receivables' in 'cash generated from operations' in the cash flow statement.

Other receivables

Included in other receivables are the following:

- Loans to franchisees of £2,209,000 (2010: £762,000), which are repayable within 1 – 5 years and bear interest on a quarterly basis at an average of 3.0% above LIBOR. The non-current element of loans to franchisees is £1,464,000 (2010: £nil).
- National Advertising Fund ("NAF") balance of £5,475,000 (2010: £2,454,000), due to the timing of the cash flows of the marketing activities committed to by the fund and the contributions received from the franchisees. Total contributions made to the fund during the 52 weeks ended 25 December 2011 were £22,518,000 (2010: £20,173,000). The outstanding balance of the NAF bears interest at 2.0% above Barclays Bank plc base rate.

23. Cash and cash equivalents

	At 25 December 2011 £000	At 26 December 2010 £000
Cash at bank and in hand	**6,363**	4,867
Short-term deposits	**18,064**	26,261
	24,427	31,128

Cash is denominated in the following currencies:

	At 25 December 2011 £000	At 26 December 2010 £000
Sterling	**20,563**	27,930
Euro	**3,864**	3,198
	24,427	31,128

24. Non-current assets held for sale

	At 25 December 2011 £000	At 26 December 2010 £000
Balance at the beginning of the period	**938**	954
Additions:		
– Costs incurred in relation to stores held for sale	**365**	66
Disposals during the period	**(466)**	–
Transferred to property, plant and equipment	**(837)**	(82)
Balance at the end of the period	**–**	938

During the period stores previously classified as held for sale are considered to longer meet the criteria to be disclosed as held for sale. On transfer back into property, plant and equipment the Group identified that the carrying value of these assets exceeded the recoverable amount due to the underlying results of the stores and a lack of an active market in these location. As a result of this an impairment of £837,000 has been recognised.

24. Non-current assets held for sale (continued)

As at the period end the balance consists of the following in relation to stores held for sale:

	At 25 December 2011 £000	At 26 December 2010 £000
Net book value of non-current assets	–	938
	–	938

The above-mentioned assets held for sale are recorded in the United Kingdom operating segment.

25. Trade and other payables

	At 25 December 2011 £000	At 26 December 2010 £000
Trade payables*	**11,078**	11,509
Other taxes and social security costs	**1,995**	2,869
Other payables*	**3,445**	3,502
Accruals	**12,926**	13,827
	29,444	31,707

* Financial liabilities at amortised cost.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 7 – 30 day terms.
- Other payables are non-interest bearing and have an average term of six months.

26. Financial liabilities

	At 25 December 2011 £000	At 26 December 2010 £000
Current		
Current instalments due on other loans	**1,013**	945
Current instalments due on non-recourse loans	**516**	848
Bank revolving facility	**25,000**	–
	26,529	1,793
Non current		
Bank revolving facility	–	25,000
Non-current instalments due on bank loans	**12,035**	12,035
Non-current instalments due on other loans	**3,760**	1,787
Non-current instalments due on non-recourse loans	**3,427**	3,950
	19,222	42,772

Banking facilities

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates depending on the balance on deposit. The interest rate applicable to the short-term deposits during the financial period was 0.25% (2010: 0.25%). The fair value of cash and cash equivalents is £24,427,000 (2010: £31,128,000).

At 25 December 2011 the Group had a total of £43,000,000 (2010: £43,000,000) of banking facilities, of which £3,276,000 (2010: £3,233,000) was undrawn. The facilities are available until December 2012.

Bank revolving facility

On 20 December 2007, the Group entered into an agreement to obtain a revolving credit facility from Barclays Bank plc. The limit for this facility is £25,000,000. The balance drawn down on the facility at 25 December 2011 was £25,000,000 (2010: £25,000,000). The facility has a remaining term of less than one year and interest is charged at 0.5% (2010: 0.5%) per annum above LIBOR. The facility was secured by an unlimited cross guarantee between the Company, Domino's Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Group Developments Limited.

Notes to the Group financial statements continued

26. Financial liabilities (continued)

Bank loans

The Group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 25 December 2011 the balance due under these facilities was £12,035,000 (2010: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.5% (2010: 0.5%) above LIBOR. The loan facility has a term of seven years and matures on 31 January 2014. The limit for this facility is £13,000,000.

Other loans

Other loans include loans entered into to acquire assets which are then leased onto franchisees under finance lease arrangements. The Group has an asset finance facility of £5,000,000 (2010: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 25 December 2011 is £2,689,000 (2010: £2,732,000). The loans are repayable in equal instalments over a period of up to five years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Pizza Group Limited (limited to an annual sum of £300,000) and a mortgage charge over the assets financed. The interest rate on these loans is fixed at an average of 6.8% (2010: 9.3%).

Also included within other loans is a balance of £2,084,000 (2010: £nil) in relation to a loan due to the Non-Controlling Interest in Domino's Germany. This loan was acquired as part of the acquisition of Domino's Pizza Germany. It is repayable in 2016 and bears interest at a rate of 2.5% above the 3 month Euro LIBOR.

Non-recourse loans

Non-recourse loans of £3,943,000 (2010: £4,798,000) were acquired with Domino's Leasing Limited. The loans are repayable over terms of up to six years and bear interest at 0.5% above LIBOR. The loans are secured over the related lease receivables and are only repayable provided the related lease receivables are settled in full.

27. Share buyback obligation

In November 2009 the Group announced a £17,500,000 share buyback programme. On 22 December 2009 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of 3,408,052 shares at up to 105 per cent of the average market value of a share for the five business days immediately preceding the day on which the share is purchased, from 28 December 2009 to 15 February 2010, on their behalf. This agreement entered into regarding share buybacks during the close period was recognised as a financial liability of £10,592,000 at 27 December 2009.

As at the close of business on 15 February 2010 500,000 shares had been repurchased under the share buyback programme at £3.10 per share for a total consideration of £1,550,000. The remaining liability of £9,042,000 expired at the close of business on 15 February 2010.

28. Obligations under leases and hire purchase contracts

Operating lease commitments where the Group is lessee

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease, and then subletting the properties to the franchisees. These leases have an average duration of between 10 and 25 years. Under the terms of the franchise agreement the franchisee is granted an initial period of 10 years to operate a Domino's Pizza delivery store under the Domino's system. Under the agreement the franchisee also has the option to renew for a further 10 years at the end of the initial period, provided at the time of the renewal the franchisee is not in default of any material provision of the franchise agreement. In addition the Group has entered into commercial leases on motor vehicles and items of plant, machinery and equipment. These leases have an average duration of between three and five years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 25 December 2011 £000	At 26 December 2010 £000
Not later than one year	**13,639**	12,211
After one year but not more than five years	**49,982**	44,544
After five years	**102,559**	104,678
	166,180	161,433

28. Obligations under leases and hire purchase contracts (continued)

Operating lease commitments where the Group is lessor

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease (and in a few instances acquiring the freehold), and then subletting the properties to the franchisees. These non-cancellable leases have remaining terms of between five and ten years. All leases include a provision for five-yearly rent reviews according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	At 25 December 2011 £000	At 26 December 2010 £000
Not later than one year	**13,239**	11,689
After one year but not more than five years	**42,743**	38,253
After five years	**18,430**	25,249
	74,412	75,191

29. Provisions

	Onerous lease provisions £000	Legal provisions £000	Property provisions £000	Total £000
At 27 December 2009	–	8	119	127
Utilised during the period	–	(8)	–	(8)
At 26 December 2010	–	–	119	119
Utilised during the period	–	–	(20)	(20)
Arising during the period	938	–	–	938
At 25 December 2011	**938**	**–**	**99**	**1,037**

Legal provisions

The legal provisions related to fees charged in relation to the disposal of subsidiary undertakings as well as litigation matters arising on the sale of stores. The outcome of the litigation is final and full provision for the outstanding costs has been made.

Property provisions

The property provisions relate to outstanding rent reviews, rates, service charges and dilapidation costs for stores sold as part of the sale of subsidiary undertakings during prior years. The completion of the outstanding rent and rates reviews vary depending on the lease and on average are resolved within one to three years following the review dates stipulated in the leases.

Onerous lease provision

The onerous lease provision relates to the outstanding rent obligation for three Domino's stores which were closed during the period and other onerous leases identified.

30. Financial risk management objectives and policies

The Group's financial risk management objectives consist of identifying and monitoring those risks, which have an adverse impact on the value of the Group's financial assets and liabilities or on reported profitability and on the cash flows of the Group.

The Group's principal financial liabilities comprise bank loans, bank revolving facilities, other loans and finance leases. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Group has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. It is, and has been throughout 2010 and 2009, the Group's policy that no trading in derivatives shall be undertaken.

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and monitored by the Board. The Group monitors its cash resources through short, medium and long-term cash forecasting, against available facilities. Surplus cash is pooled into an interest bearing account with the Group's bankers. The Group monitors its overall level of financial gearing monthly, with short and medium-term forecasts showing levels of gearing within targets. It is the Group's policy not to exceed a ratio of 1:1 of adjusted net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA").

The Group includes within adjusted net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes, for this calculation, the Domino's Leasing Limited non-recourse loans and the Domino's Germany non-controlling interest loan. The Domino's Germany non-controlling interest loan is excluded from the Group's net debt calculation as it does not form part of the long term funding strategy of the Group.

Notes to the Group financial statements continued

30. Financial risk management objectives and policies (continued)

The Group Balance Sheet shows a net current liability position as at 25 December 2011. This is because the Group's £25m RCF is due for renewal in December 2012 and has therefore been classified as a current liability. Although current economic conditions create uncertainty over the general availability of bank financing, the Group has no reason to believe that a renewal may not be forthcoming on acceptable terms.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, price risk, liquidity risk and cash flow interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Foreign currency risk

The Group has invested in operations in the Republic of Ireland and Germany and also buys and sells goods and services in currencies other than Sterling. As a result the value of the Group's non-Sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates, the Euro in particular. The Group seeks to mitigate the effect of its currency exposures by agreeing fixed Euro rates with franchisees and suppliers wherever possible. The Board does not consider there to be any significant unmitigated foreign currency risk in relation to the Group's profit before tax.

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against Euro exchange rates with all other variables held constant, of the Group's equity (due to changes in the carrying value of Euro denominated assets in subsidiaries with a Sterling functional currency and Sterling denominated assets in subsidiaries with a Euro functional currency):

	Increase/ decrease in Sterling vs Euro rate %	Effect on profit before tax £000
2011	**+25**	**(504)**
	-25	**840**
2010		
	+25	5
	-25	(8)

Credit risk

Customers who trade on credit terms and obtain finance leasing from the Group are predominantly franchisees and it is considered that the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure.

Non-recourse loans are only repayable provided the related lease receivables are settled in full. This limits the Group's exposure to the non-repayment of other lease receivables.

In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with franchisees that have been subject to the franchisee selection process and provide guarantees as required under the franchisee agreements, there is no requirement for collateral.

It is Group policy that cash deposits are only made with banks that have been approved by the Board and have a high credit rating (in accordance with the Group's treasury policy) to ensure that the Group is not exposed to unnecessary risk.

Price risk

The Board considers that the Group's exposure to changing market prices on the values of financial instruments does not have a significant impact on the carrying value of financial assets and liabilities. As such no specific policies are applied currently, although the Board will continue to monitor the level of price risk and its exposure should the need occur.

30. Financial risk management objectives and policies (continued)

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations with cash collection targets set throughout the Group. All major investment decisions are considered by the Board as part of the project appraisal and approval process. In this way the Group aims to maintain a good credit rating to facilitate fund raising. Financial liabilities due within 3 months of the period end will be settled by the Group using cash and receipts from trade receivables outstanding at the period end.

The table below summarises the maturity profile of the Group's financial liabilities at 25 December 2011 based on contractual undiscounted payments.

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Period ended 25 December 2011						
Floating rate borrowings						
Bank loan EBT	–	32	95	12,161	–	12,288
Bank revolving facility	–	133	25,398	–	–	25,531
Non-recourse loans	–	262	726	3,346	–	4,334
Other loans	–	79	237	2,308	936	3,560
Fixed rate borrowings						
Other loans	–	286	858	1,788	–	2,932
Non-interest bearing						
Trade and other payables	–	27,449	–	–	–	27,449
Deferred consideration	–	616	1,516	8,886	–	11,018
	–	**28,857**	**28,830**	**28,489**	**936**	**87,112**

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Period ended 26 December 2010						
Floating rate borrowings						
Bank loan EBT	–	16	49	12,165	–	12,230
Bank revolving facility	–	78	233	25,310	–	25,621
Non-recourse loans	–	296	842	4,331	–	5,469
Fixed rate borrowings						
Other loans	–	274	823	1,928	–	3,025
Non-interest bearing						
Trade and other payables	–	28,838	–	–	–	28,838
Deferred consideration	–	2,336	2,010	11,018	–	15,364
	–	31,838	3,957	54,752	–	90,547

Interest rate risk

The Board has a policy of ensuring a mix of fixed and floating rate borrowings based on the best available rates. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to benefit from a reduction in borrowing costs when market rates are declining. Conversely, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow interest rate risk as costs are impacted by changes in market rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on the period end floating rate cash balances and borrowings). There is no impact on the Group's equity.

Notes to the Group financial statements continued

30. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

	Increase/ decrease in basis points	Effect on profit before tax £000
2011		
Sterling	**+50**	**(82)**
Sterling	**-15**	**25**
Euro	**+50**	**19**
Euro	**-15**	**(6)**
2010		
Sterling	+50	(46)
Sterling	-15	14
Euro	+50	16
Euro	-15	(5)

Capital management

The primary objective of the Group's capital management is to ensure that it remains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended 25 December 2011 and 26 December 2010.

The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA"). The Group includes within adjusted net debt, interest bearing loans and borrowings, bank revolving facilities, less cash and cash equivalents and excludes, for this calculation, the Domino's Leasing Limited non-recourse loans and the Domino's Germany non-controlling interest loan.

	At 25 December 2011 £000	At 26 December 2010 £000
Bank loan EBT	**12,035**	12,035
Other loans	**2,689**	2,732
Bank revolving facilities	**25,000**	25,000
Less: cash and cash equivalents	**(24,427)**	(31,128)
Adjusted net debt	**15,297**	8,639
Non-recourse loans	**3,943**	4,798
Domino's Germany non-controlling interest loan	**2,084**	–
Net debt	**21,324**	13,437
EBITDA	**42,646**	38,467
Adjusted gearing ratio	**0.4**	0.2

For further commentary on cash flow, net debt and gearing see the Chief Financial Officer's review.

31. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying value 2011 £000	Carrying value 2010 £000	Fair value 2011 £000	Fair value 2010 £000
Financial assets				
Cash and cash equivalents	**24,427**	31,128	**24,427**	31,128
Net investment in finance leases	**7,277**	8,351	**7,027**	8,088
Financial liabilities				
Bank revolving facilities	**25,000**	25,000	**25,000**	25,000
Interest bearing loans and borrowings:				
Bank loan EBT	**12,035**	12,035	**12,035**	12,035
Fixed rate borrowings	**2,689**	2,732	**2,824**	3,015
Floating rate borrowings	**6,027**	4,798	**6,027**	4,798

The fair value of the net investment in finance leases has been calculated by discounting the expected future cash flows at the market interest rate.

The fair value of fixed rate borrowings has been calculated by discounting the expected future cash flows at a market rate of interest.

Trade and other receivables and trade and other payables are excluded from the above analysis as the fair values approximate to the carrying amounts due to their short term nature.

Cash, bank revolving facilities and bank loans are all held with banks that have been approved by the Board and have a high credit rating and as a result they are recorded at carrying value. Interest payable on the bank loan EBT and bank revolving facilities is at floating rate and hence no fair value adjustment is required.

32. Share capital and reserves

Authorised share capital

	At 25 December 2011	At 26 December 2010
Ordinary shares of 1.5625p each		
– Number	**256,000,000**	256,000,000
– Value – £	**4,000,000**	4,000,000

Allotted, called up and fully paid share capital

	At 25 December 2011		At 26 December 2010	
	Number	£	Number	£
At 26 December 2010	**160,903,435**	**2,514,116**	161,206,518	2,518,852
Issued on exercise of share options	**312,349**	**4,880**	921,917	14,405
Issued on acquisition	**1,320,000**	**20,625**	–	–
Share buybacks	**(500,000)**	**(7,813)**	(1,225,000)	(19,141)
At 25 December 2011	**162,035,784**	**2,531,808**	160,903,435	2,514,116

During the period 312,349 (2010: 921,917) ordinary shares of 1.5625p each with a nominal value of £4,880 (2010: £14,405) were issued at between 17.19p (2010: 64.53p) and 341.00p (2010: 434.60p) for total cash consideration received of £593,000 (2010: £1,594,000) to satisfy share options that were exercised.

During the period the Company bought back a total of 500,000 (2010: 1,225,000) ordinary shares of 1.5625p each for a total value of £2,219,000 (including costs of £19,000) (2010: £4,715,000 (including costs of £129,000)). The average price for which these shares were purchased was 439.78p (2010: 373.82p) per share.

Notes to the Group financial statements continued

32. Share capital and reserves (continued)

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's ordinary shares of 1.5625p each.

Share premium

The share premium reserve is the premium paid on the Company's 1.5625p ordinary shares.

Capital redemption reserve

The capital redemption reserve includes the nominal value of shares bought back by the Company.

Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT. The shares held by the EBT were purchased in order to satisfy potential awards under the Long-Term Incentive Plan (LTIP) and other incentive schemes. At 25 December 2011, the Trust held 560,523 (2010: 3,404,833) shares, which had a historic cost of £1,151,169 (2010: £5,525,644). These shares had a market value at 25 December 2011 of £2,230,897 (2010: £18,692,533).

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

Other reserve

The other reserve relates to the contingent consideration payable for the acquisition of Domino's Germany. See Note 19 for further details.

33. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 25 December 2011 is £1,499,000 (2009: £1,432,000). This all arises on equity-settled share-based payment transactions.

During the period ended 26 December 2010 the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted on 22 February 2008 increased as the performance targets had been achieved earlier than expected, this resulted in an accelerated charge of £467,000.

Long Term Senior Executive Incentive Plan

Reversionary interests over assets held in the Domino's Pizza UK & IRL plc employee benefit trust are approved and granted, at the discretion of the trustees, to senior executives. The interests are capable of vesting within a five year period should certain performance targets be achieved by the Group and all awards will be equity-settled. During the period further reversionary interests were granted, represented by 2,507,549 (2010: 2,161,469) shares. At 25 December 2011 reversionary interests represented by 6,259,160 (2010: 8,521,611) shares in Domino's Pizza UK & IRL plc have been granted.

The following table lists the performance criteria attached to the reversionary interests for the period ended 25 December 2011:

	Performance conditions				No. interests represented by			
Grant date	Initial value per interest	Adjusted earnings per share*	Adjusted profit before tax**	As at 26 December 2010	Granted	Vested	Forfeited	As at 25 December 2011
06 March 2007	210.00p	12.50p	£28,600,000	1,600,000	–	(1,600,000)	–	**–**
22 February 2008	212.00p	16.40p	£37,000,000	3,170,000	–	(3,170,000)	–	**–**
02 June 2009	206.25p	Growth of RPI plus 12%		1,727,757	–	–	–	**1,727,757**
17 February 2010	327.00p	Growth of RPI plus 12%		1,123,854	–	–	–	**1,123,854**
17 June 2010	366.10p	Growth of RPI plus 12%		300,000	–	–	–	**300,000**
27 July 2010	424.90p	Growth of RPI plus 12%		300,000	–	–	–	**300,000**
23 September 2010	457.50p	Growth of RPI plus 12%		300,000	–	–	–	**300,000**
09 August 2011	437.10p	Growth of RPI plus 12%		–	2,507,549	–	–	**2,507,549**
				8,521,611	2,507,549	(4,770,000)	–	**6,259,160**

33. Share-based payments (continued)

Long Term Senior Executive Incentive Plan (continued)

The following table lists the performance criteria attached to the reversionary interests for the period ended 26 December 2010:

	Performance conditions				No. interests represented by			
Grant date	Initial value per interes	Adjusted earnings per share*	Adjusted profit before tax **	As at 27 December 2009	Granted	Vested	Forfeited	As at 26 December 2010
27 April 2006	151.56p	9.66p	£22,300,000	1,600,000	–	(1,600,000)	–	–
06 March 2007	210.00p	12.50p	£28,600,000	5,200,000	–	(3,600,000)	–	1,600,000
22 February 2008	212.00p	16.40p	£37,000,000	3,790,000	–	–	(620,000)	3,170,000
02 June 2009	206.25p	Growth of RPI plus 9%		2,139,878	–	–	(412,121)	1,727,757
17 February 2010	327.00p	Growth of RPI plus 9%		–	1,261,469	–	(137,615)	1,123,854
17 June 2010	366.10p	Growth of RPI plus 9%		–	300,000	–	–	300,000
27 July 2010	424.90p	Growth of RPI plus 9%		–	300,000	–	–	300,000
23 September 2010	457.50p	Growth of RPI plus 9%		–	300,000	–	–	300,000
				12,729,878	2,161,469	(5,200,000)	(1,169,736)	8,521,611

* Adjusted earnings per share means diluted earnings per share before operating and non-operating exceptional items.
** Adjusted profit before tax means profit before tax and before operating and non-operating exceptional items.

The weighted average fair value of each reversionary interest granted during the year was 70.3p (2010: 76.0p).

Employee Share-option

On 24 November 1999 participants in the Domino's Pizza Group Limited (Unapproved) Share Option Scheme (which had been in place since 31 March 1999) had the option of exchanging options over shares in Domino's Pizza Group Limited in return for equivalent options over ordinary shares in the Company under Domino's Pizza Share Option (Unapproved) Scheme.

On 23 March 2004, the Company established the Domino's Pizza UK & IRL plc Enterprise Management Incentive Scheme (EMI Scheme).

All employees are eligible for grants of options under these schemes, which are approved by the Board. The options vest over a 3 year period and are exercisable subject to the condition that the growth in basic unadjusted earnings per share in any financial year between grant and vesting exceeds the growth in the Retail Price Index in the previous financial year by at least 5%.

The options lapse after 10 years or in certain other circumstances connected with leaving the Company. There are no cash settlement alternatives and all awards are equity settled.

In July and August 2011 a total of 1,334,050 (2010: 262,781) share options were granted under the Unapproved Share Option Scheme and 160,323 (2010: 622,073) share options were granted under the Approved Share Option Scheme. The options vest after a 3 year period and are exercisable subject to the condition that the growth in basic earnings per share in any financial year between grant and vesting exceeds the real growth by at least 3%. The contractual life of each option granted is 10 years. There are no cash settlement alternatives and all awards are equity settled.

The weighted average fair value of each option granted in 2011 was 86.1p (2010: 71.8p).

Sharesave scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company. Employees have the option to save an amount per month up to a maximum of £250 and at the end of three years they have the option to purchase shares in the company or to take their savings in cash. The contractual life of the scheme is three years. The weighted average fair value of each option granted in 2009 was 46.0p.

Notes to the Group financial statements continued

33 Share-based payments (continued)

Sharesave scheme (continued)

As at 25 December 2011, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 26 December 2010 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 25 December 2011 No.
Domino's Pizza (unapproved) Scheme						
25 October 2001	17.19p	4,800	–	(4,800)	–	**–**
15 December 2005	107.03p	226,875	–	(14,449)	–	**212,426**
30 March 2007	210.00p	271,927	–	(60,047)	(1,002)	**210,878**
3 April 2008	209.00p	479,996	–	(177,800)	(4,730)	**297,466**
29 May 2009	205.50p	189,734	–	–	–	**189,734**
13 April 2010	341.00p	242,672	–	–	–	**242,672**
26 July 2011	482.40p	–	334,050	–	(17,636)	**316,414**
9 August 2011	386.80p	–	1,000,000	–	–	**1,000,000**
		1,416,004	1,334,050	(257,096)	(23,368)	**2,469,590**
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	926,815	–	(9,606)	(36,159)	**881,050**
13 April 2010	341.00p	558,199	–	(6,577)	(41,326)	**510,296**
26 July 2011	482.40p	–	160,323	–	–	**160,323**
		1,485,014	160,323	(16,183)	(77,485)	**1,551,669**
EMI Scheme						
23 March 2004	64.53p	96,507	–	(20,470)	–	**76,037**
Sharesave Scheme						
1 February 2009	135.81p	309,599	–	–	–	**309,599**
1 March 2010	434.60p	51,973	–	–	–	**51,973**
		361,572	–	–	–	**361,572**
		3,359,097	**1,494,373**	**(293,749)**	**(100,853)**	4,458,868
Weighted average exercise price		221.8p	418.4p	193.8p	309.7p	**287.5p**

33. Share-based payments (continued)

Sharesave scheme (continued)

As at 26 December 2010, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 27 December 2009 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 26 December 2010 No.
Domino's Pizza (unapproved) Scheme						
25 October 2001	17.19p	4,800	–	–	–	4,800
15 December 2005	107.03p	433,849	–	(203,819)	(3,155)	226,875
30 March 2007	210.00p	606,476	–	(332,793)	(1,756)	271,927
3 April 2008	209.00p	728,105	–	(229,790)	(18,319)	479,996
29 May 2009	205.50p	207,404	–	(12,531)	(5,139)	189,734
13 April 2010	341.00p	–	262,781	(8,563)	(11,546)	242,672
		1,980,634	262,781	(787,496)	(39,915)	1,416,004
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	1,032,607	–	(33,836)	(71,956)	926,815
13 April 2010	341.00p	–	622,073	(2,535)	(61,339)	558,199
		1,032,607	622,073	(36,371)	(133,295)	1,485,014
EMI Scheme						
23 March 2004	64.53p	194,557	–	(98,050)	–	96,507
Sharesave Scheme						
1 February 2009	135.81p	369,740	–	(10,793)	(49,348)	309,599
1 March 2010	434.60p	–	60,362	(126)	(8,263)	51,973
		369,740	60,362	(10,919)	(57,611)	361,572
		3,577,538	945,216	(932,836)	(230,821)	3,359,097
Weighted average exercise price		179.9p	334.4p	172.4p	233.5p	221.8p

The weighted average remaining contractual life of the options outstanding at 25 December 2011 is 7.3 years (2010: 7.2 years). The weighted average share price for options exercised during 2011 was 455.1p (2010: 406.7p).

The following share options were exercisable at the period end:

	At 25 December 2011 No.	At 26 December 2010 No.
Domino's Pizza (unapproved) Scheme		
25 October 2001	**–**	4,800
15 December 2005	**212,426**	226,875
30 March 2007	**210,878**	271,927
3 April 2008	**297,466**	159,999
	720,770	663,601
EMI Scheme		
23 March 2004	**76,037**	96,507
	796,807	760,108
Weighted average exercise price	**168.3p**	159.40p

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

Notes to the Group financial statements continued

33. Share-based payments (continued)

Sharesave scheme (continued)

The following table lists the inputs to the model used for the period ended 25 December 2011:

	Dividend yield (%)	Expected volatility (%)	Historical volatility (%)	Risk-free rate (%)	Expected term (years)	Initial value/ exercise price (p)	Share price (p)
LTIP (9 August 2011)	**3.0**	**29.3**	**29.3**	**0.9**	**3**	**437.1**	**437.1**
Employee share options (26 July 2011)	**3.0**	**29.3**	**29.3**	**1.2**	**3**	**482.4**	**482.4**
Employee share options (9 August 2011)	**3.0**	**29.3**	**29.3**	**0.9**	**3**	**386.8**	**437.1**

The following table lists the inputs to the model used for the period ended 26 December 2010:

	Dividend yield (%)	Expected volatility (%)	Historical volatility (%)	Risk-free rate (%)	Expected term (years)	Initial value/ exercise price (p)	Share price (p)
LTIP (17 February 2010)	3.5	33.0	35.3	2.5	4	327.0	327.0
LTIP (17 June 2010)	3.5	33.0	35.3	2.5	4	366.1	366.1
LTIP (27 July 2010)	3.5	33.0	35.3	2.5	4	424.9	424.9
LTIP (23 September 2010)	3.5	33.0	35.3	2.5	4	457.5	457.5
Employee share options	3.5	33.0	35.4	2.3	4	341.0	341.0

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

34. Additional cash flow information

Analysis of Group net debt

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

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

35. Capital commitments

At 25 December 2011, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £184,000 (2010: £5,646,000) for the Group, principally relating to the new Milton Keynes head office building.

36. Contingent liabilities

Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations, 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited and as a result the Irish company has been exempted from the filing provisions section 7, Companies (Amendment) Act 1986 of the Republic of Ireland.

37. Related party transactions

The financial statements include the financial statements of Domino's Pizza UK & IRL plc and the subsidiary undertakings listed below.

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% ordinary	Investment
DP Realty Limited	England	100% ordinary	Property management
DP Group Developments Limited	England	100% ordinary	Property development
DP Capital Limited	England	100% ordinary	Leasing of store equipment
American Pizza Company Limited	England	100% ordinary	Dormant
DP Milton Keynes Limited	England	75% ordinary	Management of pizza delivery stores
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% ordinary	Property management
DP Cyco Limited	Cyprus	75 % ordinary	Operation and management of franchise business in Germany
Indirectly held subsidiary undertakings			
Domino's Pizza Group Limited	England	100% ordinary	Operation and management of franchise business and commissaries
DP Newcastle Limited	England	100% ordinary	Dormant
Livebait Limited	England	100% ordinary	Dormant
DP Pizza Limited	Republic of Ireland	100% ordinary	Operation of commissary
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany GmbH	Germany	75% ordinary	Operation of commissary and pizza delivery stores in Germany
Associate undertakings			
Full House Restaurants Limited	England	41% ordinary	Management of pizza delivery stores
Dominoid Limited	England	50% ordinary	Management of pizza delivery stores
Mungo Park Limited	England	50% ordinary	Management of pizza delivery stores

Notes to the Group financial statements continued

37. Related party transactions (continued)

During the period the Group entered into transactions, in the ordinary course of business, with related parties. For details of loan balances due from associates please refer to note 22. Transactions entered into, and trading balances outstanding at 25 December (2010: 26 December) with related parties, are as follows:

	Sales to related party £000	Amounts owed by related party £000
Related party		
Associates		
2011	**3,675**	**443**
2010	3,930	493

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within seven days of invoice. The Group has not provided for or benefited from any guarantees for any related party receivables or payables. During the financial period ended 25 December 2011, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2010: Nil).

Compensation of key management personnel (including directors)

	52 weeks ended 25 December 2011 £000	52 weeks ended 26 December 2010 £000
Short-term employee benefits	**4,998**	4,539
Post-employment benefits	**230**	117
Share-based payment	**1,126**	1,063
	6,354	5,720

The table above includes the remuneration costs of the directors of the Company and the directors of Domino's Pizza Group Limited.

Other related parties

During the period, the Group paid £62,500 (2010: £65,303) to Saracens rugby club, in the normal course of business as part of its ongoing marketing strategy and £9,549 (2010: £nil) to Prestbury Two LLP in respect of Group travel arrangements. Nigel Wray has an interest in each of these entities. Each transaction was paid at arm's length values under normal business terms.

Independent auditor's report

to the members of Domino's Pizza UK & IRL plc

We have audited the parent company financial statements of Domino's Pizza UK & IRL plc for the 52 weeks ended 25 December 2011 which comprise the Company Balance Sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the group financial statements of Domino's Pizza UK & IRL plc for the 52 weeks ended 25 December 2011.

Simon O'Neill (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
15 February 2012

Company balance sheet

	Notes	At 25 December 2011 £000	At 26 December 2010 £000
Fixed assets			
Investment in subsidiary undertakings	3	**15,856**	6,102
Investment in associate undertakings	3	**205**	205
Total investments		**16,061**	6,307
Current assets			
Amounts owed by group undertakings	4	**117,494**	132,828
Deferred tax asset		**2**	18
Total debtors		**117,496**	132,846
Cash at bank and in hand		**10,102**	11,152
		127,598	143,998
Creditors: amounts falling due within one year	5	**(21,226)**	(138)
Net current assets		**106,372**	143,860
Total assets less current liabilities		**122,433**	150,167
Creditors: amounts falling due after more than one year	6	**(12,035)**	(29,285)
Provisions for liabilities	7	**(99)**	(119)
		110,299	120,763
Shareholder's equity			
Called up share capital	8	**2,532**	2,514
Share premium account	10	**15,358**	9,592
Capital redemption reserve	10	**414**	406
Capital reserve – own shares	10	**(1,151)**	(5,526)
Other reserve	10	**3,432**	–
Profit and loss account	10	**89,714**	113,777
Equity shareholders' funds	10	**110,299**	120,763

Lee Ginsberg
Chief Financial Officer
15 February 2012

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The parent company financial statements of Domino's Pizza UK & IRL plc are presented as required by the Companies Act 2006.

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice. The balance sheet is presented in pounds Sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 and the Company has taken the exemption under FRS 1 not to present a cash flow statement.

The Company has taken the advantage of the exemption in paragraph 2D of FRS29 Financial Instruments: Disclosures and not disclosed information required by that standard, as the Group's publicly available consolidated financial statements, in which the company is included provide equivalent disclosures for the Group under IFRS 7 Financial Instruments Disclosures.

Investments

Shares in subsidiary companies and fixed asset investments are stated at cost less provisions for any impairment. Where shares have been issued as part of the consideration for an acquisition these are accounted for at their nominal value in accordance with the exemption under Sections 131 and 133 of the Companies Act 1985 (for issues prior to 1 October 2009) and sections 612 and 615 of Companies Act 2006 thereafter.

Provision is made against the carrying value of investments where there is impairment in value.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Capital reserve – own shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves, as 'Capital reserve – own shares' and recognised at cost. No gain or loss is recognised on the purchase or sale of such shares. The Employee Benefit Trust has waived its entitlement to dividends.

Share-based payment transactions

Directors of the Company receive an element of remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met, see note 9 for the individual vesting conditions for the various schemes.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Notes to the Company financial statements continued

1. Accounting policies (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Company has taken advantage of the transitional provisions in respect of equity-settled awards and has applied FRS 20 only to awards granted after 7 November 2002 that had not vested at 3 January 2005.

The Company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 20 cost in the subsidiary undertakings.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

2. Loss attributable to members of the parent Company

The loss dealt with in the financial statements of the parent Company is £943,000 (2010: Profit of £99,033,000).

3 Investments

	Subsidiary undertakings £000	Associates £000	Total £000
Cost or valuation:			
At 27 December 2009	5,219	205	5,424
Share options granted to subsidiary employees	883	–	883
At 26 December 2010	6,102	205	6,307
Share options granted to subsidiary employees	1,123	–	1,123
Additions	8,631	–	8,631
At 25 December 2011	**15,856**	**205**	**16,061**
Amounts provided for:			
At 26 December 2010 and 25 December 2011	–	–	–
Net book value at 25 December 2011	**15,856**	**205**	**16,061**
Net book value at 26 December 2010	6,102	205	6,307

Additions during the period relate to the acquisition of Domino's Germany. Please refer to note 19 of the Group accounts for further details.

3. Investments (continued)

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Directly held subsidiary undertakings			
DPG Holdings Limited	England	100% ordinary	Investment
DP Realty Limited	England	100% ordinary	Property management
DP Group Developments Limited	England	100% ordinary	Property development
DP Capital Limited	England	100% ordinary	Leasing of store equipment
American Pizza Company Limited	England	100% ordinary	Dormant
DP Milton Keynes Limited	England	75% ordinary	Management of pizza delivery stores
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% ordinary	Property management
DP Cyco Limited	Cyprus	75% ordinary	Operation and management of franchise business in Germany
Indirectly held subsidiary undertakings			
Domino's Pizza Group Limited	England	100% ordinary	Operation and management of franchise business and commissaries in the UK and Ireland
DP Newcastle Limited	England	100% ordinary	Dormant
Livebait Limited	England	100% ordinary	Dormant
DP Pizza Limited	Republic of Ireland	100% ordinary	Operation of commissary in Ireland
Domino's Leasing Limited	England	100% ordinary	Leasing
Domino's Pizza Germany GmbH	Germany	75% ordinary	Operation of commissary and pizza delivery stores in Germany
Associate undertakings			
Full House Restaurants Limited	England	41% ordinary	Management of pizza delivery stores in the UK
Dominoid Limited	England	50% ordinary	Management of pizza delivery stores in the UK
Mungo Park Limited	England	50% ordinary	Management of pizza delivery stores in the UK

4. Debtors

	At 25 December 2011 £000	At 26 December 2010 £000
Amounts owed by Group undertakings	**117,494**	132,828

5. Creditors: amounts falling due within one year

	At 25 December 2011 £000	At 26 December 2010 £000
Amounts owed to Group undertakings	**3,833**	22
Other creditors	**88**	88
Accruals and deferred income	**55**	28
Bank revolving facility	**17,250**	–
	21,226	138

Notes to the Company financial statements continued

6. Creditors: amounts falling due after one year

	At 25 December 2011 £000	At 26 December 2010 £000
Bank revolving facility	–	17,250
Bank loans – wholly repayable within five years	12,035	12,035
	12,035	29,285

Bank revolving facility

On 20 December 2007, the Company entered into an agreement to obtain a revolving credit facility from Barclays Bank plc. The limit for this facility is £25,000,000 of which £17,250,000 is held in the Company. The total balance drawn down by the Group on the facility at 25 December 2011 was £25,000,000 (2010: £25,000,000). The facility has a remaining term of less than one year and interest is charged at 0.5% (2010: 0.5%) per annum above LIBOR. The facility was secured by an unlimited cross guarantee between the Company, Domino's Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Group Developments Limited as well as negative pledges given by the Company, Domino's Pizza Group Limited, DPG Holdings Limited, DP Realty Limited and DP Group Developments Limited.

Bank loans

The Company has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets and an unlimited guarantee provided by the Company. At 25 December 2011 the balance due under these facilities was £12,035,000 all of which is in relation to the Employee Benefit Trust (2010: £12,035,000). The loans bear interest at 0.5% (2010: 0.5%) above LIBOR. The loan facility has a term of seven years and matures on 31 January 2014. The limit for this facility is £13,000,000.

7. Provisions for liabilities

	Property provisions £000	Total £000
At 26 December 2010	119	119
Utilised during the period	(20)	(20)
At 25 December 2011	99	99

Property provisions

The property provisions relate to outstanding rent reviews, rates, service charges and dilapidation costs for stores sold as part of the sale of subsidiary undertakings during prior years. The completion of the outstanding rent and rates reviews vary depending on the lease and on average are resolved within one to three years following the review dates stipulated in the leases. The dilapidation costs are determined at the end of the lease.

8. Authorised and issued share capital

Authorised

	At 25 December 2011	At 26 December 2010
Ordinary shares of 1.5625p each		
– Number	**256,000,000**	256,000,000
– Value – £	**4,000,000**	4,000,000

Allotted, called up and fully paid

	At 25 December 2011 Number	At 25 December 2011 £	At 26 December 2010 Number	At 26 December 2010 £
At 26 December 2010	**160,903,435**	**2,514,116**	161,206,518	2,518,852
Issued on exercise of share options	**312,349**	**4,880**	921,917	14,405
Issued on acquisition	**1,320,000**	**20,625**	–	–
Share buybacks	**(500,000)**	**(7,813)**	(1,225,000)	(19,141)
At 25 December 2011	**162,035,784**	**2,531,808**	160,903,435	2,514,116

During the period 312,349 (2010: 921,917) ordinary shares of 1.5625p each with a nominal value of £4,480 (2010: £14,405) were issued at between 17.19p (2010: 64.53p) and 341.00p (2010: 434.60p) for total cash consideration received of £593,000 (2010: £1,594,000) to satisfy share options that were exercised.

During the period the Company bought back a total of 500,000 (2010: 1,225,000) ordinary shares of 1.5625p each for a total value of £2,219,000 (including costs of £19,000) (2010: £4,715,000 (including costs of £129,000)). The average price for which these shares were purchased was 439.78p (2010: 373.82p) per share.

Please refer to note 9 for details of outstanding share awards in relation to the Company.

9. Share-based payments

The total charge recognised for share-based payments in respect of employee services received during the 52 weeks ended 25 December 2011 is £1,499,000 (2010: £1,432,000). This all arises on equity-settled share-based payment transactions. Of this total £376,000 (2010: £549,000) relates to employees of the Company and £1,123,000 (2010: £883,000) relates to shares options granted to employees of subsidiaries. The FRS 20 cost relating to employees of subsidiaries is recorded as an increase in the cost of investment. For full disclosures relating to the total charge for the period including grants to both employees of the Company and its subsidiaries please refer to note 33 to the Group financial statements.

During the period ended 26 December 2010 the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted on 22 February 2008 increased as the performance targets had been achieved earlier than expected, this resulted in an accelerated charge of £467,000.

Notes to the Company financial statements continued

10. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – own shares £000	Other reserve £000	Profit & loss account £000	Equity shareholder's funds £000
At 27 December 2009	2,519	8,012	387	(7,200)	–	22,741	26,459
Proceeds from share issue	14	1,580	–	–	–	–	1,594
Share buybacks	(19)	–	19	–	–	(4,586)	(4,586)
Share transaction charges	–	–	–	–	–	(129)	(129)
Vesting of LTIP grants	–	–	–	1,674	–	(1,674)	–
Profit for the period	–	–	–	–	–	99,033	99,033
Share option and LTIP charge	–	–	–	–	–	549	549
Share options granted to subsidiary employees	–	–	–	–	–	883	883
Share buyback obligation	–	–	–	–	–	10,592	10,592
Equity dividends paid	–	–	–	–	–	(13,632)	(13,632)
At 26 December 2010	2,514	9,592	406	(5,526)	–	113,777	120,763
Proceeds from share issue	26	5,766	–	–	–	–	5,792
Share buybacks	(8)	–	8	–	–	(2,200)	(2,200)
Share transaction charges	–	–	–	–	–	(19)	(19)
Vesting of LTIP grants	–	–	–	4,375	–	(4,375)	–
Loss for the period	–	–	–	–	–	(943)	(943)
Share option and LTIP charge	–	–	–	–	–	376	376
Share options granted to subsidiary employees	–	–	–	–	–	1,123	1,123
Equity dividends paid	–	–	–	–	–	(18,025)	(18,025)
Contingent consideration	–	–	–	–	3,432	–	3,432
At 25 December 2011	**2,532**	**15,358**	**414**	**(1,151)**	**3,432**	**89,714**	**110,299**

Capital reserve – own shares

This reserve relates to shares held by an independently managed EBT. The shares held by the EBT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes. At 25 December 2011, the Trust held 560,527 (2010: 3,404,833) shares, which had a historic cost of £1,151,169 (2010: £5,525,644). These shares had a market value at 25 December 2011 of £2,230,897 (2010: £18,692,533).

Other reserve

The other reserve relates to the contingent consideration payable for the acquisition of Domino's Germany.

Five year financial summary

	25 December 2011	26 December 2010	27 December 2009	28 December 2008	30 December 2007
Trading weeks	**52**	52	52	52	52
System sales[1] (£m)	**530.6**	485.3	406.9	350.8	296.3
Group revenue (£m)	**209.9**	188.1	155.0	136.0	114.9
Profit before tax (pre exceptional items) (£000s)	**42,156**	38,007	29,865	23,361	18,737
Profit before tax (post exceptional items) (£000s)	**38,789**	35,204	40,968	22,149	18,576
Basic earnings per share[2]					
– Pre exceptional items	**19.48**	17.36	13.81	10.86	8.48
– Post exceptional items	**16.65**	15.40	21.45	10.12	8.38
Diluted earnings per share[2]					
– Pre exceptional items	**19.24**	16.75	13.49	10.71	8.33
– Post exceptional items	**16.45**	14.85	20.95	9.97	8.24
Dividends per share (pence)[2]	**12.30**	10.20	7.75	5.90	4.40
Earnings before interest, taxation, depreciation and amortisation (£000s)	**42,646**	38,467	30,995[3]	24,485	20,212
Adjusted net debt (£000s)[4]	**(15,297)**	(8,639)	(15,741)	(8,174)	(1,568)
Adjusted gearing ratio	**0.4**	0.2	0.5	0.3	0.1
Stores at start of year	**665**	608	553	501	451
Stores opened	**62**	57	55	52	50
Stores acquired	**2**	–	–	–	–
Stores closed	**(3)**	–	–	–	–
Stores at year end	**726**	665	608	553	501
Corporate stores at year end[5]	**5**	–	–	–	1
Like-for-like sales growth (%)	**3.0%**	11.9%	8.4%	10.0%	14.7%

1 Sales made by franchises from all stores in the UK, Republic of Ireland and Germany to the public.

2 Restated after the share split of 3.2 ordinary shares of 1.5625p each for one ordinary share of 5p approved at the AGM held on 26 April 2007.

3 Excludes excess of fair value of assets acquired over consideration recognised in the income statement and impairment charge.

4 Excludes non-recourse loans, Germany non-controlling interest loan and share buy-back obligation.

5 All corporate stores at the end of 2011 are held in the Germany operating segment.

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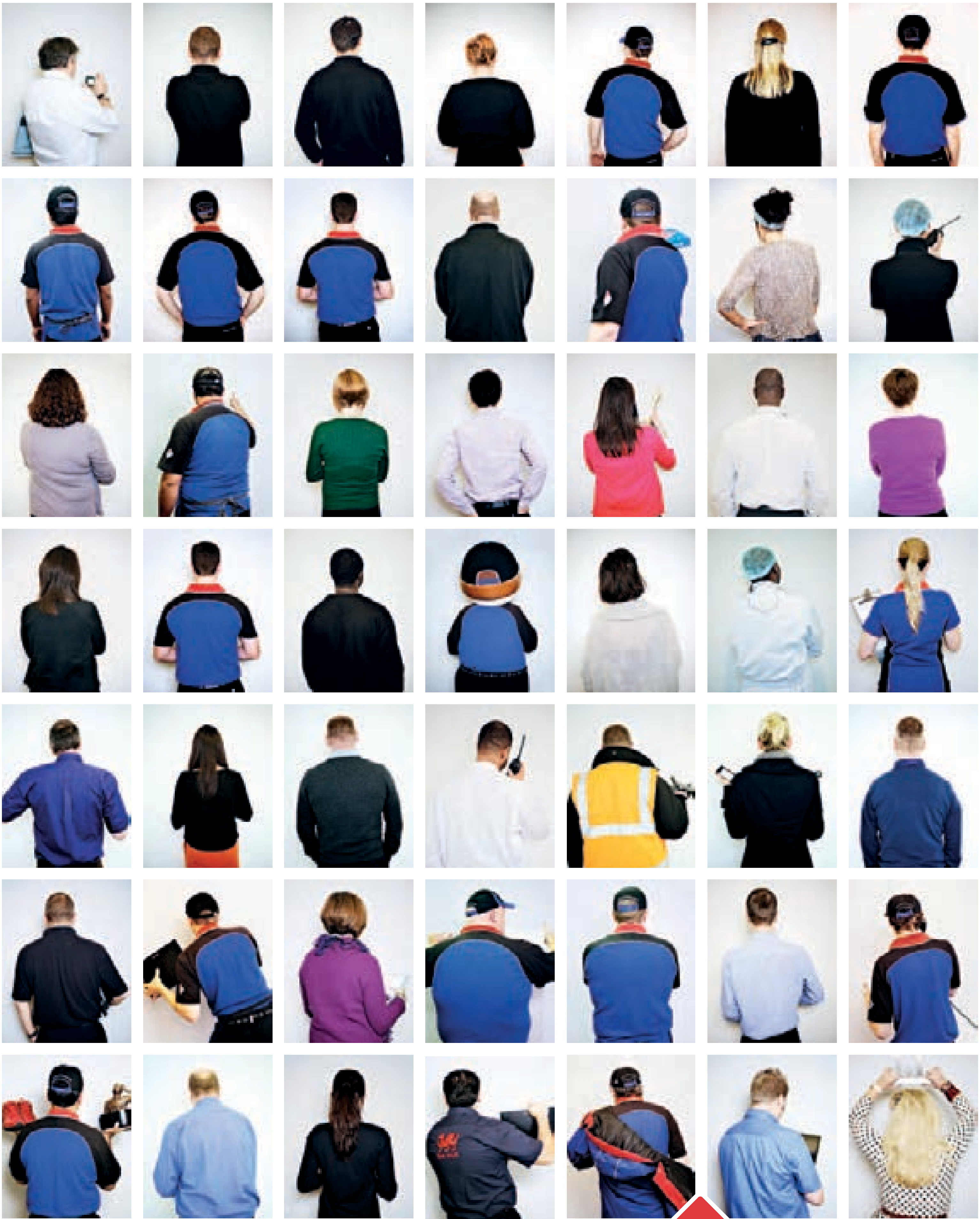

Domino's Pizza