

25

For 25 years we've been opening doors



For 25 years, Domino's Pizza has been opening doors to new customers, new stores, new locations, new ideas and new business opportunities. We aim to be a familiar and welcome sight on every doorstep and every high street.

Contents



For more information visit:

www.dominos.co.uk

www.dominos.ie

www.takeafreshlook.co.uk

Highlights	1	Group financial statements	60
Domino's in numbers	2	Statement of Directors' responsibilities	60
Chairman's statement	4	Independent auditor's report	61
Operating and financial review	6	Group income statement	62
Chief Executive Officer's review	6	Group statement of comprehensive income	63
Key performance indicators	16	Group balance sheet	64
Chief Financial Officer's review	18	Group statement of changes in equity	65
Principal risks and uncertainties	22	Group cash flow statement	66
Corporate social responsibility report	26	Notes to the group financial statements	67
Board of Directors	32	Company financial statements	104
Directors' report	34	Independent auditor's report	104
Corporate governance	40	Company balance sheet	105
Report on Directors' remuneration	48	Notes to the company financial statements	106
		Five year financial summary	116
		Shareholder information	IBC

Highlights

System sales¹

£485.3m

2009: £406.9m

Operating margins

20.2%

2009: 19.4%

Profit before tax²

£38m

2009: £29.9m

Diluted earnings per share²

16.75p

2009: 13.49p

**Delivered to
four million
households**

**Created c1,700
new jobs**

**Like-for-like sales³ in 553 mature stores
up by 11.9%** (2009: 8.4% in 501 stores)

**Total dividend increased by 31.6% to 10.20p
per share** (2009: 7.75p)

Opened a record 57 new stores (2009: 55)

Online system sales increased by 63.0%
(2009: 40.4%) **to £128.0m**

**Online sales accounted for 35.8% of UK
delivered sales** (2009: 27.8%)

Adjusted net debt⁴ to EBITDA of 0.2:1 (2009: 0.5:1)

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

² Pre-exceptional items

³ Like-for-like sales are sales in stores that were open before 28 December 2008

⁴ Excludes Domino's Leasing Limited's non-recourse loans and in the prior year the share buyback obligation



Our mission is to be the best pizza delivery company in the UK and the Republic of Ireland. Last year we opened another 57 stores, created around 1,700 new jobs and served up an average of one million pizzas per week.



Number of franchises

134

Stores per franchisee (average)

5

Number of team members

20,000+

Number of Group employees

386

Number of stores

665

Number of new stores

57

England (stores)

527

Scotland

47

Northern Ireland

15

Republic of Ireland

48

Wales

26

Isle of Man

1

Mobile units

1

Other doors we opened this year included the 28 doors on the loading bay of our new state-of-the-art commissary at West Ashland, Milton Keynes.



Chairman's statement

**For 25 years...
we've been
delivering success**



Highlights

System sales (2009: 16.0%)

+19.3%

Profit before tax¹ (2009: 27.8%)

+27.3%

Dividend per share (2009: 31.4%)

+31.6%

¹ Pre exceptional items



Stephen Hemsley
Non-Executive Chairman



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

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

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

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

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

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

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

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

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

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

Stephen Hemsley

Non-Executive Chairman
15 February 2011

Chief Executive Officer's review

For 25 years...
we've been
performing

 **Highlights**

Like-for-like sales (2009: 8.4%)

+11.9%

New stores opened (2009: 55)

+57

E-commerce sales (2009: 40.4%)

+63.0%



Chris Moore
Chief Executive Officer



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

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

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

Passionate about winning

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

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

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

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

Passionate about Service

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

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

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

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

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



Make that to go, and quick: For the first time in its 28 year history, the trophy for the World's Fastest Pizza Maker left American soil when Pali Grewal broke the world record, making three pizzas in 39.1 seconds, and giving the competition a damn good thrashing in the process! Pali has been making pizzas since he was 13, when he first started working with his brothers Moonpal and Satnam in their Domino's store in Slough. In Las Vegas in July 2010 all that hard work paid off in incredible style! He is a true Domino's legend.

We are passionate about the quality of our ingredients. Our 100% mozzarella is made in North Wales with milk from cows tended by farmers like Siôn Roberts on the Isle of Anglesey. The cows are milked, the milk made into mozzarella and the mozzarella is on your pizza all within three days. Now that's fresh!

For 25 years we have sourced the finest ingredients



Passionate about Quality

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

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

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

The Company upheld its commitments to the Food Standards Authority and, during 2010, we removed three tonnes of salt from our customers' diets with small reductions in salt across our menu.

We will be looking for further areas where we can reduce fat and salt in our product without noticeable change to the flavour profile. We have also updated our food information guide at www.takeafreshlook.co.uk to ensure that all our customers have access to relevant nutritional information as and when they need it.

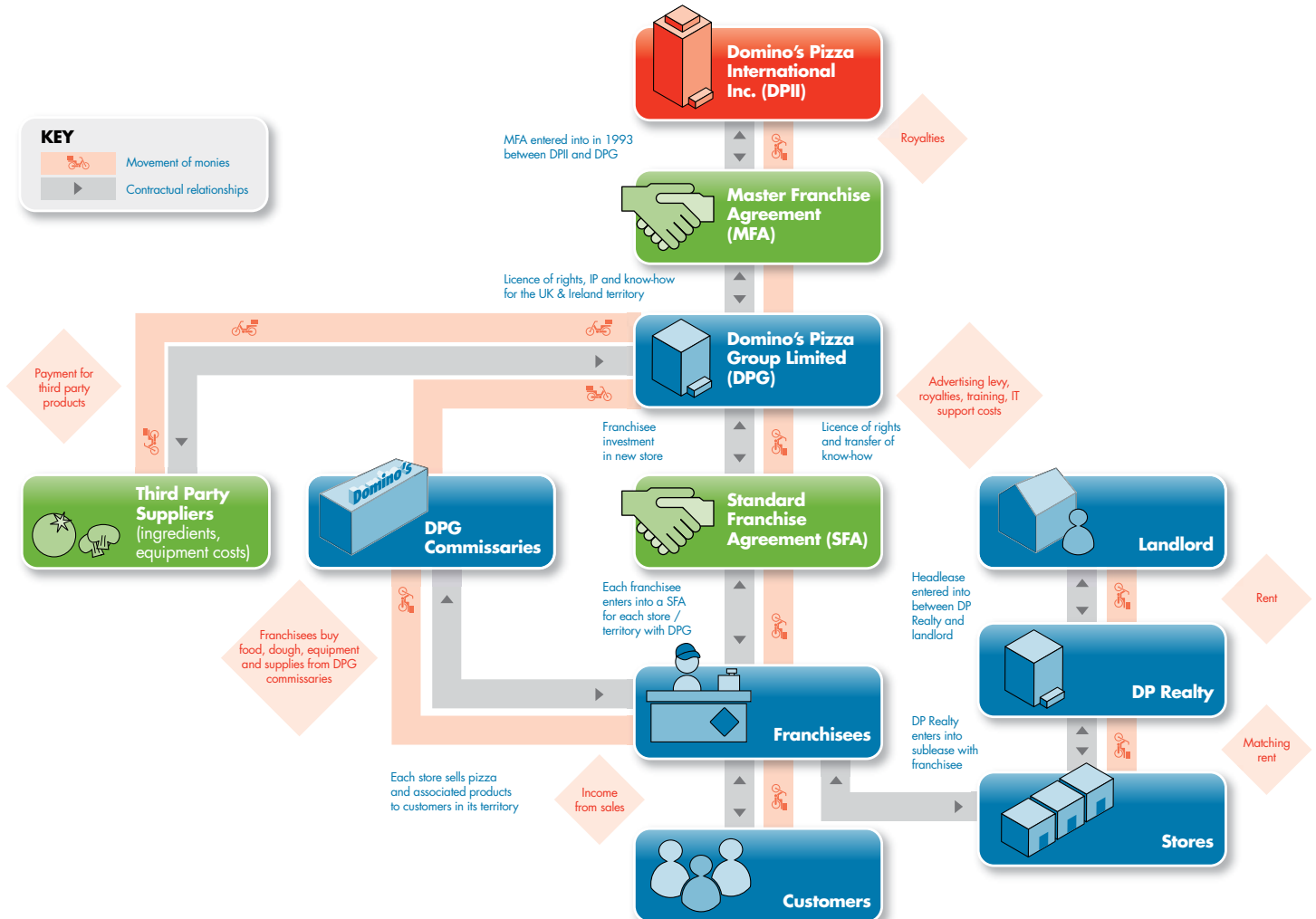
Under Ian Douglas' stewardship, we are confident that the high quality of our products will improve still further and we will continue to create new recipes and use innovative new products. In addition, Ian will be looking to use our scale to ensure optimum supplier production efficiency as well as re-engineering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

Passionate about Relationships

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

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

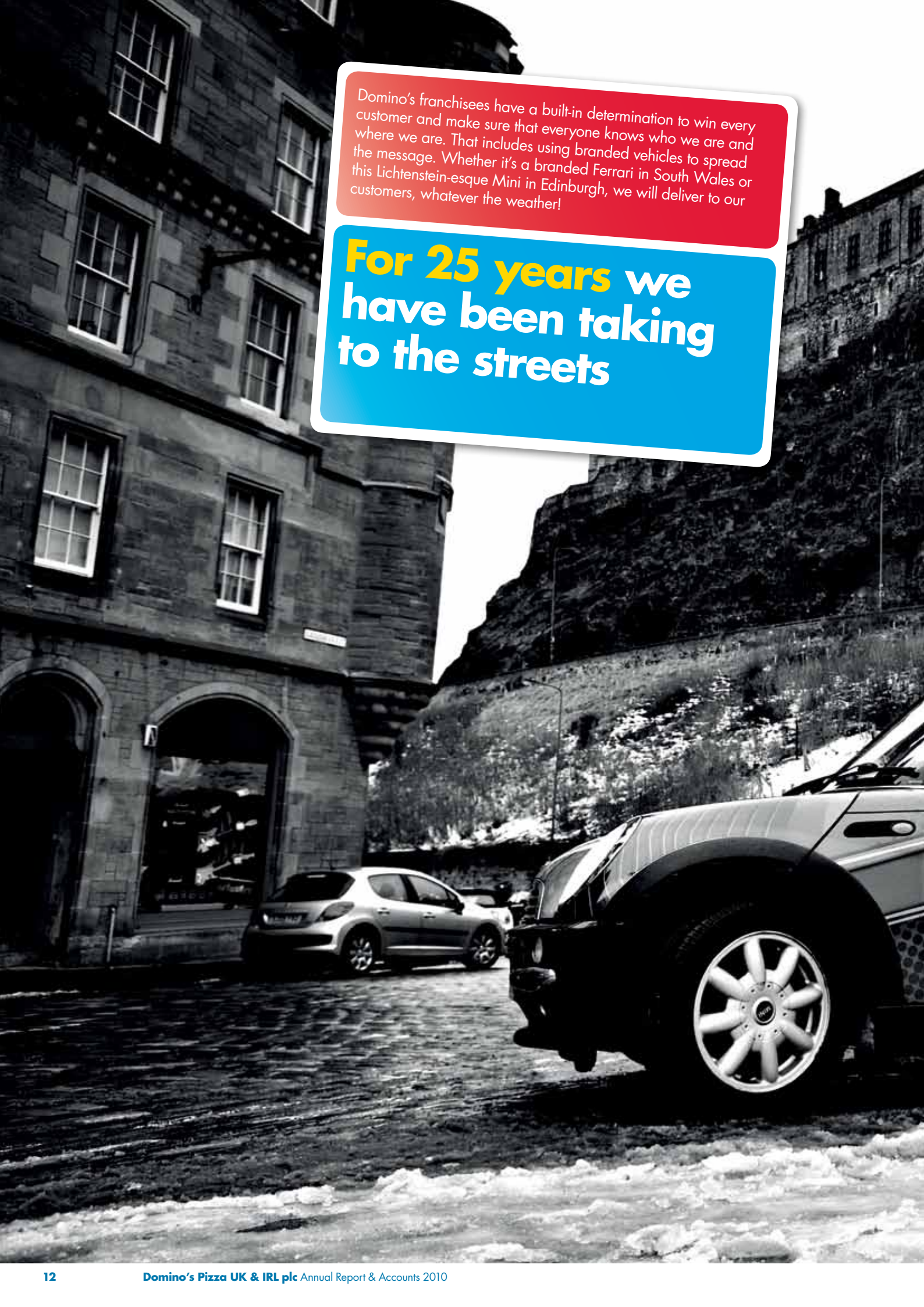
Our business model explained



Relationships are everything in our business – whether it's with customers, franchisees, suppliers or anyone else we come into contact with. We encourage people to get on and build those relationships and some, like Faisal and Julija who met at our Chingford store, even end in marriage.

For 25 years we have been building relationships





Domino's franchisees have a built-in determination to win every customer and make sure that everyone knows who we are and where we are. That includes using branded vehicles to spread the message. Whether it's a branded Ferrari in South Wales or this Lichtenstein-esque Mini in Edinburgh, we will deliver to our customers, whatever the weather!

For 25 years we
have been taking
to the streets



In 2010, we delivered to over four million households – and a wide variety of other locations too. Take Swayne and Partners vets in Newmarket for instance. The team have Domino's as a regular treat during their busy working day – although we should stress that it is solely for human consumption!

For 25 years we
have been
delivering great
customer service



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

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

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

Going Forward

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

On 27 June 2011, Lee and I will be joined by Lance Batchelor when he commences his new role of Deputy Chief Executive Officer. This will further strengthen the senior management team and we are both very much looking forward to working with Lance. Having someone of this calibre and experience, who can see the business with fresh eyes, combined with the experienced team already in place, can only add a new dimension and thinking to some of our business practices.

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

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

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

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

Chris Moore

Chief Executive Officer
15 February 2011



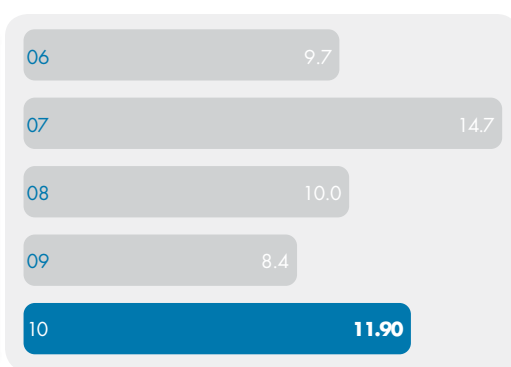
Key performance indicators

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.

11.9%
2009: 8.4%

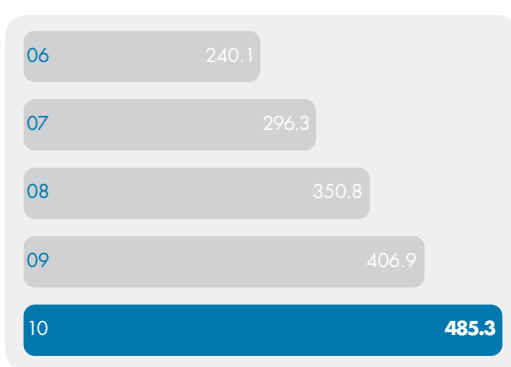
Same stores like-for-like sale growth (%)



Same stores like-for-like sales growth – the total sales of all stores opened on or before 28 December 2008 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 553 stores that were open in both periods being compared grew by 11.9% against tough comparatives (2009: 8.4% growth in 501 stores). Over the last 5 years the average like-for-like growth is 10.9% (2009: 10.0%).

+19.3%
2010: £485.3m
2009: £406.9m

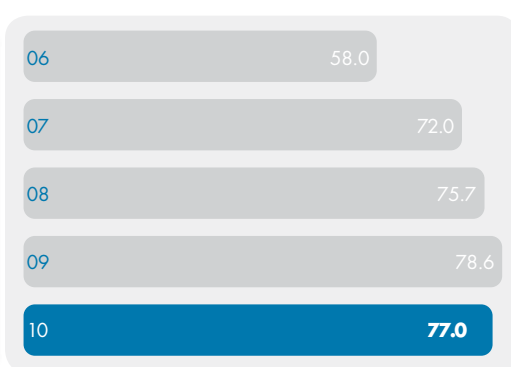
System sales growth (£m)



System sales growth – the total sales of the Group's franchisee system in the UK and Republic of Ireland, 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 and Republic of Ireland. In 2010, system sales grew by 19.3% (2009: 16.0%) to £485.3m (2009: £406.9m).

77%
2009: 79%

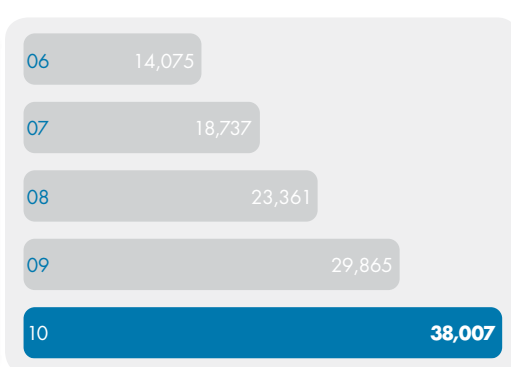
Out The Door Times <15 mins (%)



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 13.7 (2009: 13.4) minutes of the order being placed.

+27.3%
2010: £38.0m
2009: £29.9m

Adjusted profit before tax (PBT) growth (%)

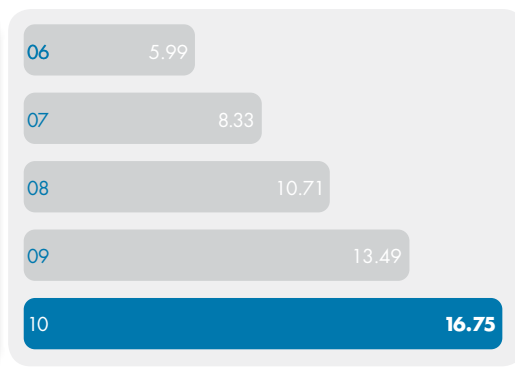


Adjusted Profit before Tax (PBT) growth – Group profit before exceptional items and before the deduction of taxation compared to the same period in the prior year. PBT growth is a good indicator of the efficiency of the business model to the benefit of shareholders, and franchisees alike. PBT for the period was up 27.3% to £38.0m (2009: £29.9m).

+24.2%

2010: 16.75p
2009: 13.49p

Adjusted Diluted Earnings Per Share (EPS) growth (pence)

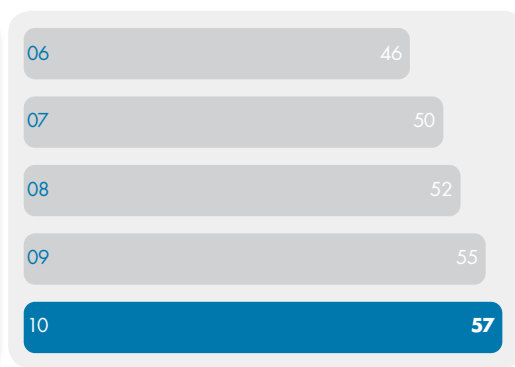


Adjusted Diluted Earnings Per Share (EPS) growth – total earnings, before operating and non-operating exceptional items, divided by the total number of dilutive outstanding shares, expressed as a percentage. Adjusted Diluted earnings per share for the period was up 24.2% to 16.75p (2009: 13.49p).

57

2009: 55

New store openings (stores)

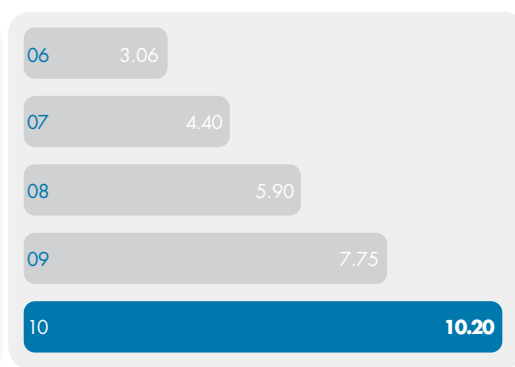


New store openings – number of new stores opened during the period. 57 new stores were opened during the 52 weeks ended 26 December 2010 (2009: 55).

+31.6%

2010: 10.20p
2009: 7.75p

Dividend per share (pence)



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 31.6% to 10.20p (2009: 7.75p).

+63.0%

2010: £128m
2009: £78.5m

E-commerce sales (£m)



E-commerce sales – the sales of the Group's franchisee system in the UK and Republic of Ireland, to external customers, via the website (www.dominos.co.uk / www.dominos.ie). In 2010, e-commerce sales grew by 63.0% to £128.0m (2009: £78.5m).

Chief Financial Officer's review

For 25 years...
we've been delivering
growth in sales and
cash flow



Highlight

System sales (2009: £406.9m)

£485.3m



Lee Ginsberg
Chief Financial Officer



The Group has had another incredibly strong year of growth in what continues to be a tough consumer environment. The year has brought both challenges and opportunities in economic conditions that have been fragile and uncertain in terms of recovery. Consumers continue to search for both value and quality in their discretionary spend. During the year the Group has benefited from the continuing trend of consumers staying at home more and entertaining in their homes.

In a highly uncertain consumer spending environment, management and the Board has yet again delivered record results by continuing to focus on the quality of our product, unrelenting devotion to service and our innovative marketing strategy.

For the year we have delivered double digit growth for system sales, group revenue and adjusted profit before tax and adjusted diluted earnings per share. Total system sales grew 19.3% to £485.3m (2009: £406.9m). Group revenue, which includes the sales generated by the Group from royalties, fees on new store openings, food sales, finance lease and rental income as well as the turnover of the stores in subsidiary undertakings, grew by 21.4% to £188.1m (2009: £155.0m).

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

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

Trading results

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

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

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

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

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

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

Unadjusted profit before tax decreased by 14.1% to £35.2m (2009: £41.0m). This decrease was due to the exceptional credit of £15.1m from the goodwill arising on the acquisition of Domino's Leasing Limited during the prior year (see note 7 on exceptional items). Adjusted profit before tax increased by 27.3%. The ratio of adjusted profit before tax to system sales, a key ratio which highlights the strength of the underlying operational gearing of the business, grew to 7.8% in 2010 (2009: 7.3%). This highlights the benefits that come from substantially higher volumes flowing through our system, greater efficiencies from improvements in our procurement and distribution processes and a tight control over overheads in the business.

Exceptional items

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

Operating exceptional items

- Due to the vesting conditions of LTIP grants awarded during 2008 being achieved on the publication of the financial results for the period ended 26 December 2010 the Group has taken an accelerated IFRS 2 charge relating to these awards of £0.5m (2009: £1.0m) during the year. This charge had no impact on the cash flow of the Group for the year.
- As a result of the impact of the difficulties being experienced in the current economy of the Republic of Ireland ('ROI') and the impact on system sales, DP Pizza Limited, our ROI subsidiary, took the decision to support our Irish franchisees during these more challenging times and has paid and provided for an exceptional charge of £0.5m (2009: £nil) for the year.
- Due to the rapid growth of the business and in particular the online platforms that are generating significant growth in sales, the Group undertook a strategic review of its entire IT structure and processes. As a result of this review, the Group has incurred restructuring and reorganisation costs of £0.8m (2009: £0.3m).
- With our new Head Office due to be completed at the end of the third quarter in 2011 and the decision taken from the strategic review noted above to outsource our website hosting and central IT infrastructure, the Group has taken an accelerated depreciation charge of £0.6m relating to the IT infrastructure and Head Office equipment used in the current Head Office. In 2009 the Group took an impairment charge of £2.7m relating to the Milton Keynes Kingston commissary.

Non-operating exceptional items

- A loss on sale of non-current assets and assets held for sale of £nil (2009: gain of £0.2m).
- As a result of the acquisition of Domino's Leasing Limited in the prior year, the Group has recognised £0.4m (2009: £0.2m) as an exceptional interest charge due to the unwinding of the discount on the deferred consideration of the transaction. This is a non-cash interest charge – refer to note 7 for further details.

Taxation

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

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

- Following the acquisition of Domino's Leasing Limited during 2009, the Group recorded a deferred tax asset of £29.1m as a result of the availability of certain tax reliefs from its ownership of equipment under Domino's Leasing Limited's leasing business, which are available to the wider Group. This tax asset was recorded at a corporation tax rate of 28.0% effective at the time of acquisition. Effective 1 April 2011, the corporation tax rate will reduce from 28.0% to 27.0%. The impact of this change is to reduce the deferred tax asset by £0.8m. This change has been recorded in the exceptional items in the Group income statement.
- The taxation impact of the operating and non-operating exceptional items is a reduction of £0.5m (2009: £0.8m) in the overall corporation tax for the year (see note 12 on earnings per share). This is due to the tax deductibility of the exceptional charge for ROI franchisee support, the restructuring and reorganisation costs and the deferred tax impact of the accelerated depreciation detailed under exceptional items.

Earnings per Share

Adjusted basic earnings per share for the period of 17.36p was up 25.7% on the prior year (2009: 13.81p). Adjusted diluted earnings per share for the period of 16.75p, was up 24.2% on the prior year (2009: 13.49p).

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

Dividends

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

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

Cash flow and net debt

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

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

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

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

DP Capital Limited continued to provide leasing support to franchisees for their in-store equipment as well as the refit of existing stores, with new advances of £1.6m (2009: £1.6m). After repayments, the balance outstanding at the year end on these leases was £3.5m (2009: £3.3m). These facilities are financed by a limited recourse facility and the amount drawn down at the end of the year stood at £2.7m (2009: £2.7m).

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

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

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

Banking facilities

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

Capital employed

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

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

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

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

Treasury management

The Group's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Group is determined and monitored by the Board.

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

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

Conclusion

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

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

Lee Ginsberg

Chief Financial Officer
15 February 2011

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. 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. 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.

Our principal risks and uncertainties relating to the business of the Group at present are as follows:

Market driven risks

Detrimental economic environment/Consumer spending

Description: Changes in the general economic climate, such as those caused by a UK and/or Irish recession, can have a detrimental effect on consumer expenditure and therefore Group revenues. Sustained food cost price inflation on the Group's key food items could have a detrimental effect on franchisee profit margins and/or the Group's margins.

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 franchisee food costs escalate, their profitability could be adversely impacted and this could limit their growth plans, which could have an adverse impact on the Group's own growth plans.

Mitigation activities: 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. The Group constantly works with its franchisees 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. In terms of marketing power and therefore brand awareness, each store contributes between four and five per cent of net sales to a national advertising fund which gives significant marketing spending power (over £22 million in 2010). The Group maintains a close relationship with suppliers to help them take cost out of their supply base.

Consumer relevance

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 effect 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 Company continues to look at new product development to ensure the menu has broad appeal and reflects consumer trends.

Risks specific to the business of the Group

Key contracts

Description: The Master Franchise Agreement (MFA) (which grants Domino's Pizza Group Limited (DPG) the right to franchise the Domino's Pizza brand in the United Kingdom, Republic of Ireland, the Channel Islands, the Isle of Man, the Isle of Wight and such other territories as Domino's Pizza International Inc. (DPIL) revise from time-to-time (Territory)) and the Know-How Agreement (pursuant to which DPG is granted the right by DPIL to establish and operate the commissaries) are the two contracts that the Group is most dependent on. The term of the MFA continues indefinitely until all of the franchise agreements that DPG has with its franchisees have not been renewed or have been terminated. Franchise agreements have an initial term of 10 years and can be renewed for a further ten years at the franchisee's option. Therefore, if all DPG's franchisees do not renew their franchise agreements and DPG cannot find replacement franchisees, there would eventually come a time when there are no franchise agreements in effect and as a result the term of the MFA (and related Know How Agreement) would end. The chances of this situation arising are remote as, to date, all franchisees

have renewed their franchise agreements for a further term or sell their store to another franchisee, whereupon a new ten year term with DPG starts.

Impact: A large-scale refusal by existing franchisees to renew their franchise agreements and a related failure to find replacement, or to have sufficient public interest, or a negative brand reputation to recruit new franchisees could have a material adverse effect on the Group's future results.

Mitigation activities: One of the Group's key focuses is to ensure that franchisees are able to maximise the profitability of their stores, thereby making the stores themselves valuable assets that the franchisees want to keep for the long term. Due to the financial attractiveness of the stores, franchisee demand for renewal is very high and through DPG's marketing of the brand to potential franchisees, there is a strong demand for new/existing stores from both new and existing franchisees.

Continued expansion

Description: DPG's right to grant franchises for new Domino's stores in the Territory is dependent on the continuation of the development term of the MFA. The development term is a 10 year renewable term which was last renewed with effect from 1 January 2007 and requires DPG to increase the number of stores in the territory by 27 stores per year over the following 10 years, from a base of 450 stores. The ability to open the target number of 27 stores per year will depend on a number of factors (for example general economic conditions, the approval of planning applications and the availability of adequate financing for franchisees), some of which are beyond the Group's control. If the 27 store targets are not met, DPG would not receive a royalty waiver which would mean that DPG would have to pay DPIL a higher annual royalty. If DPG fails to open and maintain the minimum number of stores or is in material breach of the MFA, DPIL is not obliged to offer any subsequent development term.

Impact: This would mean that although DPG would continue to serve as the franchisor to all existing stores, it would not be able to grant franchises for any new Domino's stores. An inability to expand the business by opening new stores could have a material adverse effect on the Group's future results. It could also give competitors the opportunity to expand and develop their brand during any such period of inactivity by the Group.

Mitigation activities: Currently the Group has significant headroom and if it continues opening stores at the rate of 57 per year as it did in 2010, the full requirement of the current 10 year development term would be met before the end of 2012. As mentioned above, the Group works very hard to ensure that new stores are financially attractive to existing and potential new franchisees and this is done by securing the best sites available and continuing to invest heavily in the brand in terms of marketing and operational excellence.

Adverse changes to planning regimes

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.

Termination of the Master Franchise Agreement

Description: The MFA may be terminated by DPIL on 90 days' notice if DPG breaches any material term of the MFA. All potential breaches of the MFA are within the direct control of DPG. Depending on the nature of the breach, DPG at times has the right to cure the breach within an allocated time period rather than DPIL automatically terminating the MFA.

Impact: On any termination of the MFA by DPIL, DPIL has the right to require the sale or the assignment to it of any stores or franchise

agreements at their fair market value. This could have a material adverse effect on the Group's future financial condition.

Mitigation activities: The Board constantly monitors the Group's compliance with all of the terms of the MFA and various safeguards are in place meaning that there is little possibility of termination by DPIL. The Group actively maintains a strong working relationship with DPIL.

Major food safety scares

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 DPG 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 DPG 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. A full sustainability plan is currently being worked up within the Group which covers all aspects of food safety from product sourcing to animal welfare.

Franchisee concentration

Description: Certain franchisees already individually account for in excess of 10% of the total franchise system, so there could be a significant impact on the Group should such a franchisee's business get into financial difficulties and cease trading. Alternatively, the concentration of such a large number of stores in the hands of a very small number of franchisees could mean that such franchisees seek to renegotiate certain elements of the current franchise arrangement (for example fees and royalties), seek to form a trade association with other franchisees, or seek to open their own commissaries.

Impact: The financial failure of a major franchisee could lead to unpaid bills for goods supplied, unpaid royalty income and closed stores (which could deter banks from lending to potential franchisees in future), all of which could have a material adverse affect on the future financial performance of the Group's business and could possibly lead to a significant amount of adverse publicity for the brand. The Group's commissary operations are a major source of its income and profitability, therefore franchisees setting up their own commissaries could have a material adverse affect on the Group's

future results of operations and its financial condition. Any franchisee association which was formed could potentially slow growth and opportunity for the Group and may result in deteriorating relationships with the franchisee community as a whole.

Mitigation activities: The Group maintains especially close working relationships with its largest franchisees and undertakes regular business reviews to ascertain their financial health, funding position and to ensure they are happy with their current growth plans. There is regular communication between the largest franchisees and the Group and therefore there are ample opportunities for franchisees to convey their views about how the business is being run. The Group also ensures that the commissaries continue to deliver excellent quality, service and value and due to the Group's size and buying power it has considerable negotiation strength which aids in the attempt to negate any temptation on the part of the largest franchisees to open their own commissaries.

Damage to the brand

Description: The Group depends, in large part, 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 that is made public in respect of one or more stores could lead to significant media interest and bad publicity. All of the Domino's stores are owned and operated by franchisees that are responsible for delivering the high standards of the Domino's brand to customers.

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.

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.

Commissary production issues

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, 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. This resilience has been strengthened further by the opening of the Group's new commissary in Milton Keynes on 1 August 2010. This 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 in place across each production facility.

IT infrastructure

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 Group's IT Disaster Recovery Plan is an integral part of the Group's Business Continuity Plan within which every potential point of IT failure has been analysed and measures put in place to mitigate against any identified risks. Hardware and communications running critical systems have built in resilience so there should be no single point of failure and critical business systems form part of maintenance contracts so should any failure occur at any time, the downtime is minimised. All software is fully tested before going live and system changes are managed by a change management process allowing for all changes to be considered and monitored.

Regulatory risks

Compliance

Description: The Group's operations are subject to a broad range of regulatory requirements, particularly in relation to planning, health and safety, employment, advertising and licensing laws and in terms of regulations over the Group's products and services. Health and safety and fire legislation is likely to evolve in a manner which will require higher standards and greater enforcement.

Impact: Non-compliance with legal and regulatory requirements can lead to the imposition of fines, damage to the brand and business interruption. In certain cases, for example a material breach of Health & Safety legislation in one of the Group's commissaries,

this could lead to loss of life as well as a significant fine and damage to the Company's brand. This could have a material adverse affect on the Group and its financial condition.

Mitigation activities: The Group monitors regulatory developments and has a strong training and compliance regime in place to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. A Health and Safety Committee is in place in order to oversee the operation of the Group's numerous health and safety policies and procedures. Franchisees are also subject to regular safety and security audits.

Corporate social responsibility report





Domino's has supported Special Olympics Great Britain for several years. This fantastic charity provides a year-round sports programme for people with learning disabilities. This programme includes unified football, which brings Special Olympics athletes and volunteers together in the same team, such as this one in Folkestone, Kent.

For 25 years we
have been caring
about our
communities

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.

We are striving to raise awareness across the business of the importance of these values in order to create a more cohesive CSR programme and have been working with Business in the Community (BITC) to achieve this. BITC has undertaken the first stages of a programme aimed at identifying areas of good CSR practice within our business and those areas where there is room for improvement. Having assessed our position, we are therefore moving forward with the implementation of this programme during 2011.

The BITC programme looks at CSR in four key areas – community, environment, workplace and marketplace.

Community – Delivering more to support those we serve

As a company, we are very conscious of the role we play in our communities. Our franchisees are all charged with *Delivering More* in their local area. There are a number of ways to do this – supporting local charities, getting involved in local groups and events, and running tours and pizza making workshops for local schools are just some examples.

Activities undertaken this year by franchisees include selling pizzas at school fetes to raise money for school equipment, supporting local competitions and charitable activities, feeding fire brigades on Bonfire night, digging ambulances out of the snow when they are on their way to maternity units and even feeding stranded passengers at UK airports and train stations! Moving forward, as part of the CREATE programme, BITC has suggested that we embed these strategies into franchisees' business plans and make them part of a wider staff development programme.

The *Delivering More* programme includes a quarterly prize for the store that we feel has gone the furthest in making a difference to their community as well as an annual prize for the overall winner. In addition, we actively promote those stores that make a real contribution through our in-house magazine, *Slice*.

On a wider front, we are very anxious to make sure that we are seen as good neighbours wherever we do business. This culture of responsible growth sees Domino's working hard with planners and local residents to ensure we minimise our impact on the social environment in terms of noise, litter, odours and traffic by using a high specification of ventilation, encouraging our customers not to generate litter and by only cooking our products in an oven, thereby creating odours similar to a bakery.

Electronic charity box

Alison Hutchinson, CEO of The Pennies Foundation said "Domino's has been a great launch partner, leading the way and giving Pennies national reach from day one. Our aim in launching the electronic charity box is simple: to give the public an opportunity to easily and privately give a few pennies to charity whenever they want to. It's the modern equivalent of the charity box on the shop counter, but reflects the fact that we use cards more and more to pay.

"Customer donations through Pennies, combined with Domino's corporate contributions and staff fundraising, are allowing Special Olympics Great Britain to help thousands more people with learning disabilities develop their skills and confidence through sport."



Pennies!
The electronic
charity box

Domino's undertakes a programme of charitable giving both at a corporate level and through its franchisees and stores. Our main corporate charities are Special Olympics Great Britain in the UK and Barretstown, a charity for children with serious illnesses in the Republic of Ireland. We have supported Special Olympics Great Britain for five years and have an agreement in place to support it for at least another year. Special Olympics provides year round, local-level sports training for people with learning disabilities as well as local, national and international competitions.

As well as the two main charities, we support a number of charities local to our headquarters in Milton Keynes, including the Milton Keynes Community Foundation and Ride High, a riding programme for disadvantaged children. The total amount donated to charity by the Company in 2010 was over £39,000. Unfortunately, we are not able to measure the amount donated by our franchisees and their store teams but we believe this to be at least a matching amount.

In November 2010, we were delighted to become the launch partner for a new way of fundraising – The Pennies Foundation. We developed our online ordering system to allow customers the choice to round up online orders to the nearest full pound. The change is given to the Pennies Foundation and distributed to UK registered charities. Of the money raised from Domino's customers, 75% is donated to Special Olympics Great Britain and the remainder goes to UK people charities chosen by the trustees of the Pennies Foundation.

The response from Domino's customers has been phenomenal. In the first eight weeks, over 100,000 customers donated, raising over £25,000. The initiative has received widespread support, and other retailers are now joining this very worthwhile initiative.

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. Reducing our total carbon footprint continues to provide challenges for the Company as we not only have a dual site operation in Milton Keynes while building continues on our new head office, but also as we continue to expand our business through the addition of new stores. However, we are committed to working to reduce our relative carbon emissions per commissary and per store.

Delivering More

In 2010, the following people received *Delivering More* Awards:

- **Asif Ishaq and Pervaiz Akhtar, Maidenhead.** In the snow in early 2010, the Maidenhead store received a call from an elderly lady who was trapped inside due to sickness and the snow. In need of some basic essentials, Asif and Pervaiz took it upon themselves to deliver her pizza – and her shopping.
- **Melanie Tanner, Waterlooville.** Melanie received a call from a local school who were in trouble. They were having a school production but the school chef was stranded in Spain due to the volcanic ash cloud. Melanie sprung into action, delivering enough piping hot pizzas at very short notice to a very grateful local school.
- **The Vision Ten Team.** Vision Ten run stores across Essex and Suffolk and are famed locally for their incredible charitable exploits. Events during 2010 raised in excess of £6,000 and included attending school fairs, selling pizza at carnivals, building floats, donating a percentage of each pizza sold and a whole host of other fundraising activities.
- **Muhaned Arbab, Edinburgh.** While on a delivery in the snow during December 2010, Muhaned's car became stuck and he had to start shovelling. However, he soon stopped when he saw an ambulance also become stuck while on its way to the maternity unit of the local hospital. Muhaned stopped digging his own car out and rushed to help the ambulance. He would have been an unsung hero had the store manager not received a call from a very grateful new mum!



Working with a local company called TEAM, we calculated our carbon emissions in September 2008 and again in 2010 and identified areas where they could be reduced. Comparison between the two figures has not been possible as we opened our new commissary in the summer of 2010 but have been running both the old and the new site for much of 2010. In 2010, we reported our carbon emission and climate change data for the first time through the Carbon Disclosure Project. We will continue to monitor and report our emissions going forward.

Our distribution fleet is compliant with Euro V emissions standard and we use route planning software to minimise mileage, an on-board system that encourages drivers to drive in a manner that minimises fuel consumption, and Saltron to improve diesel quality and reduce emissions. Many of our franchisees have switched their delivery vehicles to low emission cars and a few stores use bicycles.

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.

Where we build new stores, they include energy saving devices such as light detectors and we are currently working on a number of further energy saving initiatives including the introduction of the next generation pizza ovens, which can deliver gas savings of between 25% and 50% on average. We installed 40 of these new ovens in 2010.

In addition, our new commissary is built to the BREEAM (Buildings Research Establishment Environmental Assessment Method) Excellent rating – the highest attainable standard. It includes features such as rainwater recycling and is an environmental flagship for Domino's. Our adjoining new head office, which is currently under construction, will be built to the same rating. In addition, at our new site, we have also ensured there are numerous trees planted around the area as part of our continued focus on sustainability.

As a company, we are aware that there is more we could be doing and our new procurement director of Domino's Pizza Group Limited, Ian Douglas, will be responsible for leading the sustainability agenda going forward.

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.

During 2010, we had a significant focus on promoting the four key values of Domino's that, when combined together, make us *Driven to Deliver*. Work in this area has included an employee survey for head office and commissary staff, which has been used to improve communication, and the publication of a new quarterly newsletter just for head office and commissary staff. We have a code of conduct which describes the standards of behaviour expected from those who work for us and an independently administrated whistle-blowing hotline for employees.

We regularly communicate with our staff, franchisees and store teams through our intranet and portal systems and our quarterly magazine, *Slice*. We encourage two-way communication and there is a Team Member Care Line for store employees who may have issues with their franchisees that they cannot resolve directly.

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 in Milton Keynes for the second year running. 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.

Edinburgh recycling scheme

In November 2010, staff at Domino's Pizza in Gilmerton, Edinburgh, launched an eco-friendly initiative to recycle by offering customers the opportunity to get rid of their used pizza boxes.

The recycling initiative was the brainchild of Domino's store manager Adam Grigg, who encourages customers to bring into the store ANY used pizza box, be it Domino's or another takeaway brand, to be recycled. In return, customers are offered any pizza any size for a discounted price of £8.99.

The scheme is beginning to pick up and the store is currently recycling around 50 boxes per month. The recyclables are collected on a weekly basis from the Domino's store and additional provision for pick-ups has been made should the initiative prove to be very popular.

Marketplace – Good food at the heart of our operation

We are proud of the food that our stores produce for our customers. During the year, we updated our commitments to the Food Standards Agency, particular with regards to the salt and fat content of our products. As a result, we are working with our suppliers to reduce the amount of both salt and fat in the coming years and we are committed to reporting on our progress. We have a reduced fat mozzarella option for our customers, which is promoted on our menu and we are, to the best of our knowledge, still the only major pizza delivery company to offer a reduced fat option. During the year, through minor product reformulation, we have also made a material reduction in the amount of salt on our menu. We have no added hydrogenated fats, no GM foods and no artificial colours or flavours on our menu.

During the year, we continued to develop our *Take a Fresh Look* website, www.takeafreshlook.co.uk, to communicate to our customers improved information about the food we offer, its composition and origins. A large part of the site is dedicated to our Food Guide – this 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 all new products to the Food Guide. As part of our work on allergens, we are still investigating the possibilities of a gluten-free base suitable for coeliacs.

We are members of Sedex, the supplier ethical data exchange, to allow 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 80% of our food suppliers signed up to Sedex in their own right and, during 2011, we will be working with our remaining food suppliers and our non-food suppliers to ensure they also become members. 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.

School tours

During 2010, we revamped our school tours brochure to help franchisees work with local schools and teach children about the food they eat.

Store teams focus on how children can make pizzas healthier by substituting processed meats for vegetables, ordering smaller sizes or larger sizes to share and through replacing traditional cheese with reduced fat mozzarella.

The events are well received by teachers and pupils and all those who attend receive a pizza maker's certificate.



Going Forward

We will continue to work with BITC to improve and measure our CSR activity and we look forward to further reducing our relative carbon footprint and creating an even more cohesive CSR strategy that will underpin all our business activities.



Board of Directors

1. Stephen Hemsley (53)

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.

2. Colin Halpern (73)

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, Dayenn Limited and Non-Executive Director of several other companies.

3. Christopher Moore (51)

Chief Executive Officer

Chris was promoted to Chief Executive Officer in January 2008. 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.

4. Lee Ginsberg (53)

Chief Finance 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.

5. Nigel Wray (62)

Non-Executive Director

Nigel was appointed to the Board in 1999. He is the Non-Executive Chairman of Saracens Limited and Environ and a Non-Executive Director of Prestbury Investment Holdings Limited, Networkers International plc, English Wines Group plc and several other private companies.

6. John Hodson (64)

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.

7. Michael Shallow (56)

Non-Executive Director

Michael was appointed to the Board in 2006. He is Chairman of the Audit 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 15 years. Michael was previously the Finance Director for Greene King plc.



8. Peter Klauber (55)

Non-Executive Director ●●

Peter was appointed to the Board in September 2008. Peter is an FCA and has worked in private practice for 30 years, 10 years of which were at Ernst & Young LLP where he was a senior partner. Peter is involved in a number of businesses and ventures including being Chairman of the Hotel Chocolat Group, Non-Executive Director of Boparan Ventures, Trustee of the Pennies Foundation (a UK charity) and Chairman of the Finance Committee of World ORT (a global charity).

9. Lance Batchelor (47)

Non-Executive Director ●○○

Lance Batchelor joined the Board as a Non-Executive Director on 13 July 2010 whilst the Chief Executive Officer of Tesco Telecoms and Mobile. It was announced on 21 January 2011 that Lance would take up the executive position of Deputy Chief Executive Officer of the Company with effect from 27 June 2011. Lance has previously held senior roles at Vodafone Group plc, Amazon.com and Procter & Gamble. He started his career with The Royal Navy where he served as a Submarine Warfare Officer, after which he completed his MBA at Harvard Business School. Lance is a trustee of The National Gallery.

10. Adam Batty (38)

General Counsel & Company Secretary

Adam joined the Company in 2008 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
- Member of the Nomination Committee
- Member of the Remuneration Committee
- Indicates Chairman of Committee

* Ages of Directors are as at 16 February 2011



Directors' report

The Directors have pleasure in presenting their report for the 52 weeks ended 26 December 2010, which should be read in conjunction with the Chairman's statement on page 4 and the Operating and Financial Review (the OFR) on pages 6 to 31, including the Chief Executive Officer's report, the Chief Financial Officer's review and the Corporate Governance report. Details of the Group's policy on addressing financial risks are given in the OFR and details about financial instruments are shown in note 30 to the financial statements. Together these sections include information about the Group's business, its financial performance during the year, likely developments and any principal risks and uncertainties associated with the Group's business.

Principal Activity

Domino's Pizza UK & IRL plc (the Company) and its subsidiary companies (together the Group) hold the master franchise in the UK and the Republic of Ireland, including the Channel Islands and the Isle of Man (the Territory) for Domino's Pizza, one of the world's leading home delivery pizza brands. The Group operates the leading home delivery pizza brand in the Territory, with 665 franchised stores as at 26 December 2010.

We affiliate our systems to the quality of our product and the service we provide. These factors have led to the creation of the mission statement that we are *Driven to Deliver* the best products to our customers in the quickest time it is safe to do so. We achieve 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.

Results

The Group profit for the period after taxation was £24,065,000 (2009: £33,493,000). This is after a taxation charge of £11,139,000 (2009: £7,475,000) representing an effective tax rate of 31.6% (2009: 18.2%). The financial statements setting out the results of the Group for the period ended 26 December 2010 are shown on pages 60 to 103.

Dividends

The Directors recommend the payment of a final dividend of 5.7 pence per ordinary share, to be paid on 31 March 2011 to members on the Register at the close of business on 25 February 2011, subject to shareholder approval. Together with the interim dividend of 4.5p per ordinary share paid on 20 August 2010, the total dividend for the year will be 10.2p compared with 7.75p for the previous year, an increase of 31.6%. 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 2010 accounts, as described in note 13, is made up of last year's final dividend and this year's interim dividend.

Share capital

As at 26 December 2010, 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 160,903,435 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 Companies Act 2006 (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 employee benefit trust (EBT), the trustee of which is Ogier Employee Benefit Trust Limited. As at 26 December 2010, the EBT held 3,404,829 shares which are used to satisfy awards made under the Long Term Investment Plan share scheme (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.

Purchase of own shares

At the annual general meeting of shareholders held on 30 March 2010 (2010 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 28 February 2011, 1,225,000 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 £4.7m, representing 0.8% of the Company's called up share capital as at 30 March 2011, the date of the 2011 annual general meeting of shareholders (2011 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, 16.1% of the Company's issued ordinary share capital has been purchased. Shareholders will be requested to renew this authority at the forthcoming 2011 AGM. It is the Company's present policy to cancel any ordinary shares it buys back, rather than hold them in treasury.

Major shareholders

In accordance with the Disclosure and Transparency Rules (DTR), the Company has been notified under DTR 5, as at the date of this report, of the following significant holdings of voting rights in its shares:

	% of share capital*
Wellington Management	5.90
Standard Life Investments	5.48
Barclays Stockbrokers (EO)	5.12
Moonpal Grewal	4.24
Capital Research & Management	3.14
Vonotobel Asset Management	3.12

* Using the total voting rights figure announced to the London Stock Exchange on 26 December 2010 of 160,903,435.

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 36 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.

Directors and their interests

The Directors who served during the year were:

Stephen Hemsley	Non-Executive Chairman
Christopher Moore	Chief Executive Officer
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
Dianne Thompson	Non-Executive Director (retired 30 March 2010)
Lance Batchelor	Non-Executive Director (appointed 13 July 2010)

With effect from the conclusion of the 2010 AGM, Stephen Hemsley moved from the role of Executive Chairman to Non-Executive Chairman and Dianne Thompson, having served on the Board for over 4 years, retired as a Non-Executive Director of the Company.

Lance Batchelor joined the Board on 13 July 2010 as a new, independent Non-Executive Director and on Friday, 21 January 2011 the Company announced the appointment of Lance as Deputy Chief Executive. Lance will take up his executive responsibilities as Deputy Chief Executive Officer with effect from 27 June 2011.

Under the Company's Articles of Association (the Articles), all Directors are subject to retirement by rotation and to re-election by shareholders at intervals of no more than three years and any Director who is appointed during the year is required to retire and seek election at the next annual general meeting. Lance Batchelor will accordingly retire and, being eligible, seek election at the 2011 AGM. In light of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in May 2010 (the New Code), which provides that all directors of FTSE 350 companies should be put forward for re-election every year, the Directors resolved to adopt annual re-elections of Directors, with each Director offering themselves for re-election at the 2011 AGM.

Details of Directors' share options granted under the Save As You Earn (Sharesave) are contained in the Report on Directors' Remuneration set out on pages 48 to 59. In addition, the Report on Directors' Remuneration contains details of the awards made to Directors under the LTIP.

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.

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, as detailed by section 234 of the 2006 Act, 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. No indemnity is provided for the Group's auditors.

Disclosable interests of the Directors, including family interests disclosable under DTR 3.1.2

	As at 26 December 2010 ordinary shares	As at 27 December 2009 ordinary shares (or date of appointment if later)
Chairman		
Stephen Hemsley ⁽ⁱⁱ⁾	3,991,170	4,042,782
Executive Directors		
Christopher Moore	2,517,706	2,517,706
Lee Ginsberg	100,320	100,320
Non-Executive Directors		
Colin Halpern ⁽ⁱ⁾	4,757,900	5,007,900
Nigel Wray ⁽ⁱⁱⁱ⁾	18,295,368	24,995,368
Michael Shallow ^(iv)	48,000	48,000
John Hodson ^(v)	48,000	48,000
Dianne Thompson ^(vi)	—	—
Peter Klauber	—	—
Lance Batchelor ^(vii)	—	—
Total	29,758,464	36,759,437

Details of disclosable interests in share options and LTIP awards are given on pages 53 to 55 of the Directors Remuneration Report.

- i. 4,757,900 ordinary shares (2009: 5,007,900) 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.
- ii. Stephen Hemsley was Executive Chairman until the 2010 AGM whereupon he became Non-Executive Chairman. 1,000,462 ordinary shares (2009: 1,000,462) 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 (2009: 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. 188,388 ordinary shares (2009: 240,000) are held in Stephen's self invested pension plan and 12,320 by Stephen personally (2009: 12,320).
- iii. 407,775 ordinary shares (2009: 6,970,175) are held by Roy Nominees Limited and no ordinary shares (2009: 137,600) are held by S & F Nominees Limited, which are beneficially owned by the family trusts of Nigel Wray, principal beneficiaries of which are Nigel Wray's children. 17,877,404 shares (2009: 17,877,404) are held by Syncbeam Limited, a company wholly owned by Nigel Wray. 10,189 ordinary shares are held by Nigel Wray's son, Joe Wray (2009: 10,189).
- iv. 48,000 ordinary shares (2009: 48,000) are held by Brewin Dolphin Securities Limited on behalf of Michael Shallow.
- v. 48,000 ordinary shares (2009: 48,000) are held in John Hodson's self invested pension plan.
- vi. Dianne Thompson was a Non-Executive Director until 30 March 2010.
- vii. Lance Batchelor was appointed a Non-Executive Director on 13 July 2010.

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 LTIP, these may be provided by the EBT.

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 2011.

Employees

The Group employed an average of 386 people in 2010 (up to 26 December 2010) (2009: 355) 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 47 people in 2010 (2009: 115 across three Domino's pizza stores).

Head Office	177
Milton Keynes Commissary	131
Penrith Commissary	50
Naas Commissary	28

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. 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 fulfil their potential and recognises that the success of the business relies on their skill and dedication.

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

To ensure the very highest brand standards and to maximise the abilities of our 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.

Whistleblowing

A "whistle-blowing" 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

The importance of good relations and communications with employees is fundamental to the continued success of the Group's business and employee engagement has had a positive impact on the competitiveness and performance of the Group. 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 regular staff briefing sessions, including updating staff via podcasts from the Chief Executive Officer. A number of regular training and motivational events for franchisees, hosted by corporate employees, facilitate the development of strong relationships. Staff opinions are of great value to the Group and are researched through confidential surveys. Employees are actively encouraged to become shareholders of the Group through a variety of schemes, principally the Company Share Option Plan (CSOP), the LTIP and the Sharesave scheme.

General Information

Annual General Meeting

The Notice convening the 2011 AGM to be held at 1 p.m. on Wednesday 30 March 2011 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.

Significant agreements and change of control provisions

The Group is required to disclose any contractual or other arrangements which it considers are essential to its business. The principal risks and uncertainties section of the OFR set out on pages 22 to 25 provides details of the Master Franchise Agreement (MFA) and related Know How Agreement pursuant to which the Group is granted the right by Domino's Pizza International Inc. (DPII) to franchise stores and operate commissaries. These two agreements remain the two most significant to the Group's business.

The Group's agreements with DPII do not terminate on a change of control and 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 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.

Amendment of Articles of Association

The Company's Articles were amended by special resolution at the 2010 AGM. Shareholders were asked to approve a number of amendments to the Company's Articles primarily to reflect the implementation of the Shareholder Rights Regulations and the remaining provisions of the 2006 Act which came into force throughout 2010. Other changes included changes of a minor, technical or clarificatory nature.

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 31.

Political and charitable donations

Financial donations to a range of charities and good causes amounted to £39,000 (2009: £49,000). Principally this comprised a sponsorship agreement with the 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. There were no political donations (2009: £nil).

Key Performance Indicators (KPIs)

Details of the Group's KPIs can be found in the OFR on pages 16 and 17.

Supplier payment

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. The Group 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 27 (2009: 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. In accordance with section 489 of the 2006 Act, a resolution to re-appoint Ernst & Young LLP as auditors of the Company and the Group will be proposed at the 2011 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 of the Directors have 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 financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review on pages 18 to 21. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources together with long term contracts with DPIL, its franchisees and its key suppliers. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully despite the ongoing uncertain economic outlook.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Events after the Balance Sheet date

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 2011

Domino's Pizza UK & IRL plc
Company registration number 03853545

Corporate governance



Governance Practice

Dear Shareholder

On behalf of the Board, I am pleased to present the corporate governance report for the financial year ended 26 December 2010.

The purpose of this report is to give a clear sense of how the Group, through the Board and Executive Committee, seek to achieve high standards of corporate governance through its structures and procedures.

The Board shares the belief that good governance supports the long term success of the Company and that the key focus should be on behaviours not process and therefore corporate governance should never be just a compliance exercise. We believe that governance assists us in our goal to treat our shareholders, employees, customers, franchisees and suppliers in an appropriate way all of the time, which benefits our brand and ultimately all of our shareholders and stakeholders.

We also recognise that governance extends beyond the boardroom and seek whenever possible to develop a broad understanding of governance within our franchisees and all other stakeholders.

The role of the chairman in leading the board, the role of the non-executive directors in challenging executive directors and helping on strategy through the mix of experience, skills and independence that they possess are principles that the Company already embraces. In the light of changes within corporate governance expectations, the Directors and I believe that the Company's Board already exhibits the requisite behaviours and is therefore well prepared to meet the more comprehensive, qualitative requirements of the future.

Stephen Hemsley

Chairman



Adam Batty
Company Secretary

Governance principles

The principal corporate governance rules applying to UK companies listed on the London Stock Exchange (LSE) for the year ended 26 December 2010 are contained in The Combined Code on Corporate Governance as updated and published by the FRC in June 2008 (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 judgement 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.

How did we comply with the Code?

The Board considers that the Company has complied in all respects with the provisions of the Code for the year ended 26 December 2010, except as follows:

- A3.2 Less than half the Board (excluding the Chairman) comprising independent Non-Executive Directors (part of year only); and
- A4.1 Not a majority of independent Non-Executive Directors comprising the Nominations Committee (part of year only).

These are explained in more detail in the sections below.

The information required by DTR 7.1 is set out in the Audit Committee section of this report on pages 45 and 46 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 34 to 39.

During 2010 there have been a number of commentaries and reviews on UK corporate governance, largely as a result of the recent economic downturn. Perhaps the most significant reviews have been the review of the Code by the FRC and Sir David Walker's review of the governance of banks and financial institutions. The review of the Code led to the publication of the New Code which applies to financial years commencing on or after 29 June 2010. Therefore the New Code will not apply to the current year under review but several of the key themes of the New Code are consistent with the Company's current approach to corporate governance.

The Company must also comply with corporate governance rules contained in the DTRs, together with certain related provisions in the 2006 Act.

Board of Directors

Board composition and independence

From the start of the year under review until 30 March 2010, the Board comprised two Executive Directors and seven Non-Executive Directors, four of whom were independent of management and free from any business or other relationship, including those relationships and circumstances referred to in provision A.3.1 of the Code that could materially interfere with the exercise of objective and independent judgement.

- On 30 March 2010, Dianne Thompson retired as an independent Non-Executive Director and Stephen Hemsley moved from Executive Chairman to Non-Executive Chairman.
- On 13 July 2010, Lance Batchelor was appointed as an independent Non-Executive Director.

Therefore, from 13 July 2010 to 26 December 2010, the Board once more comprised of two Executive Directors and seven Non-Executive Directors, four of whom were independent.

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. All of the Non-Executive Directors bring independent judgement to the Board's deliberations and have a mindset to do what is right. Individually and collectively they bring constructive challenge to the Executive Directors and ensure that the key business strategies are challenged, discussed and reviewed.

For part of the year under review, as less than half of the Board comprised independent Non-Executive Directors, the Board composition was not in accordance with provision A.3.2 of the Code, but the Board is of the view that at all times there has been a suitable balance on the Board. 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 and a unified vision of the definitions of success and the appropriate risk. The Board believes it continues to have the optimum blend of individuals to provide support and challenge to the Executive team and in so doing create confidence in all stakeholders in the integrity of the business.

At the 2010 AGM, Stephen Hemsley switched from Executive Chairman to Non-Executive Chairman. There is a clear division of responsibilities between the Non-Executive Chairman and the Chief Executive Officer, this division of responsibilities having been reviewed and amended by the Nomination Committee to reflect the move of the Chairman to a non-executive capacity. 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.

Colin Halpern and Nigel Wray have served on the Board of the Company for eleven 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, the Chairman and the rest of the Board have confirmed again that both Colin Halpern and Nigel Wray bring extensive knowledge and business experience to the Board that is invaluable to the continued success of the Group.

Through the Nomination Committee, the Board ensures that plans are in place for the succession of the Executive and Non-Executive Directors. As evidence of this, the Company announced on 21 January 2011 that Lance Batchelor would be taking up the role of Deputy Chief Executive Officer on 27 June 2011, with a view to succeeding Chris Moore as Chief Executive Officer at a date to be confirmed in 2012, following the completion of a satisfactory transition process. The Board has put such an arrangement in place to secure an outstanding candidate and to ensure a smooth transition and the ongoing success of the Company.

The Board has decided to implement provision B.7.1 of the New Code with immediate effect at the 2011 AGM and therefore each Director will now retire voluntarily and submit themselves for annual re-election. In light of the planned switch by Lance Batchelor to an executive role with effect from 27 June 2011, the Nomination Committee has commenced a search for two new independent non-executive directors so as to ensure compliance with the Code in terms of board composition and independence. The Board considers that Lance Batchelor will retain his independence as a Non-Executive Director until he takes up the role of Deputy Chief Executive on 27 June 2011.

Details of the Executive Directors' service contracts are set out on page 55. The Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours.

Senior Independent Director

Michael Shallow is the Senior Independent Director and the chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination 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 responsibilities and processes

The Board makes and reviews major business decisions and monitors current trading against plans which it has previously approved. In addition, it exercises control by determining matters specifically reserved to it in a formal schedule which is reviewed annually and which is published on the Company's website. These matters include changes to the Company's capital structure, acquisitions, significant contractual commitments, reviewing corporate governance arrangements, review of major risks and mitigation strategies and capital expenditure.

There were nine scheduled Board meetings in the period ended 26 December 2010, 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.

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

The table below shows the attendance of Directors at regular Board meetings and at meetings of the Nomination, Remuneration and Audit Committees during the year. Where a Director was unable to attend a meeting, they were provided with all of the papers and information relating to that meeting and were able to discuss matters arising directly with the Chairman and/or Chief Executive Officer.

Members' attendance during the period ended 26 December 2010

	Board Meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings held	9	1	2	3
Executive Directors				
Stephen Hemsley ¹	9			
Chris Moore	9			
Lee Ginsberg	9			
Non-Executive Directors				
Colin Halpern	8	1		
John Hodson	9		2	3
Peter Klauber	9		2	3
Michael Shallow	9	1	2	3
Dianne Thompson ²	2	1	1	1
Nigel Wray	9			
Lance Batchelor ³	4		1	1

1. Stephen Hemsley was Executive Chairman until 30 March 2010, whereafter he became Non-Executive Chairman.

2. Dianne Thompson retired from the Board and each committee on 30 March 2010.

3. Lance Batchelor was appointed to the Board on 13 July 2010 and to the Audit Committee, the Remuneration Committee and Chairman of the Nomination Committee on 21 September 2010.

In line with 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.

Information and professional development

- 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 submitted to the Board, together with supporting documentation, as part of the Board or Committee papers circulated one week prior to the relevant meeting to allow adequate time for review and preparation.
- At each Board meeting, the Chief Executive Officer briefs the Directors on results, key issues and strategy.
- At most Board meetings, 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.
- Non-Executive Directors are also encouraged to attend major franchisee events to gain further insight into the business.
- For 2011, the Non-Executive Directors will be encouraged to spend additional time within the business, especially in the stores themselves and at the Company's head office.

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.

Newly appointed directors receive a personalised induction programme, 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 programme will usually include an overview of the business model and the Board processes, meetings with the Executive team, senior managers and major franchisees, site visits and briefings on key governance and compliance issues. The Board also recognises 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 effectiveness evaluation

Each year the Board undertakes a formal and rigorous evaluation of its own performance and effectiveness, its committees and each Director's own contribution. For the year under review, an external independent consultant was used. The process included for the first time, one on one interviews with each Director and a presentation to the Board of the key findings and recommendations. The challenge of how to drive better governance in the business was addressed, particularly independent challenge around leadership strategy and succession and ensuring greater interaction outside of the formal structure of the Board and its committees. Output from the Board effectiveness evaluation exercise was compiled into a report which was discussed between the Chairman and the rest of the Board and the output will be further considered by the Nomination Committee (especially in the forthcoming recruitment of two new independent Non-Executive Directors) to ensure that the appropriate balance of skills, knowledge and experience is represented on the Board and that the Board and its committees continue to work effectively. The way the Board operates in 2011 will be influenced by this evaluation exercise. For example, for 2011, it is envisaged that a number of the Board meetings will have an extended format to allow more time for in depth analysis and discussion.

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. The Remuneration Committee also reviews Executive Directors' performance when it reviews remuneration packages each year.

Relations with shareholders

The Board is committed to having a constructive dialogue with all shareholders to ensure that the Group understands what is important to them and to allow the Group the opportunity to regularly present its position.

The Chief Executive Officer and Chief Financial Officer meet current or potential significant shareholders in the UK, US and mainland Europe to gain a first-hand understanding of their concerns and key issues. In addition, there are investor roadshows, LSE announcements, analyst briefings, meetings with management and site visits. 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 annual general meeting offers the opportunity to communicate directly with all shareholders. 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 annual general meeting 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. 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.

Committees

- The Non-Executive Directors fulfil a key role in corporate accountability through their presence on the Audit, Remuneration and Nomination Committees.
- These Committees are properly authorised under the constitution of the Company to take decisions and act on behalf of the Board within the parameters laid down by the Board.
- The Board is kept fully informed of the work of these Committees and any issues requiring resolution are referred to the full Board as appropriate.
- The Company Secretary acts as secretary to each Committee and attends each meeting.
- The Committees of the Board each have written terms of reference approved by the Board, which are reviewed annually and are available on the Company's website.

Nomination Committee

The Nomination Committee leads the process for identifying and making recommendations to the Board regarding candidates for appointment as new directors of the Company and as company secretary, giving full consideration to succession planning and leadership needs of the Group, as well as making recommendations for the membership of the other committees. It regularly reviews the structure, size and composition of the Board and has a rigorous and transparent procedure for the appointment of new directors.

During the year it led the process for the recruitment of an independent, Non-Executive Director following Dianne Thompson's retirement on 30 March 2010. The services of an external headhunter were retained for this search process, with the Nomination Committee providing the initial brief and reviewing prospective candidates before involving the wider Board in the final interview selection process. As a result of the search, Lance Batchelor was appointed as an independent Non-Executive Director on 13 July 2010. In recommending to the Board the appointment of Lance Batchelor as an independent Non-Executive Director, the Nomination Committee placed great emphasis on the new skills and highly relevant marketing, retail and technology experience that it felt Lance Batchelor would bring to the Board.

Dianne Thompson was the chairperson of the Nomination Committee until her retirement on 30 March 2010. Between 30 March 2010 and 21 September 2010, Michael Shallow (an existing Committee member) acted as interim chairman of the Nomination Committee. The other member is Colin Halpern, meaning it comprised a majority of independent non-executive directors for only approximately half of the year, in contravention of provision A4.1 of the Code. The Nomination Committee is also responsible for reviewing the output of the Board effectiveness review. It met once formally during the year to consider the Board evaluation results for 2009 and the process for and appointment of a new Non-Executive Director.

As part of regular informal communications between Nomination Committee members, the Nomination Committee also had initial discussions during the year on potential succession to the role of Chief Executive Officer. Lance Batchelor's appointment as Deputy Chief Executive Officer, which was announced on 21 January 2011, was a decision taken by the full Board with the full support and agreement of the other members of the Nomination Committee, given the significance of the appointment and Lance Batchelor's position as chairman of the Nomination Committee at the time the decision was taken to consider him for the role. It was not felt necessary by the Nomination Committee or the Board to use the services of an external head hunter for the recruitment of the new Deputy Chief Executive Officer, given the extensive process that had been undertaken to recruit Lance Batchelor as a Non-Executive Director and his outstanding suitability for the role.

Remuneration Committee

The Remuneration Committee's role is to determine and recommend to the Board the remuneration of the Executive Directors and senior management in order to attract and retain leaders of the highest quality. It also monitors the levels and structure of remuneration for senior management. Throughout the financial year, the members of the Remuneration Committee were John Hodson (chairman of the Committee), Michael Shallow and Peter Klauber. On 21 September 2010, Lance Batchelor was appointed to the Committee. Dianne Thompson left the Committee when she retired as a Director on 30 March 2010. 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.

The Committee met twice 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

The Audit Committee's principal responsibilities lie in reviewing the Group's financial statements for the full and half year, monitoring its internal controls and risk management system (further details of which are set out below), and for corporate governance matters. The Audit Committee also oversees the dedicated "whistleblowing" facility for all employees, which allows them to raise concerns about possible improprieties in financial reporting or other matters. The Audit Committee is responsible for ensuring that an appropriate relationship between the Company and the external auditor is maintained, which includes reviewing fees and non-audit services. The Audit Committee also has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor.

The members of the Audit Committee throughout the financial year were Michael Shallow (chairman of the Committee), John Hodson and Peter Klauber. On 21 September 2010, Lance Batchelor was appointed to the Committee. Dianne Thompson left the Audit Committee when she retired as a Director of the Company on 30 March 2010.

The Board has determined that the chairman of the Audit Committee has requisite experience in accounting and financial management and that the other members have the experience and skills necessary to contribute meaningfully to the deliberations of the Audit Committee.

At the invitation of the chairman of the Audit Committee, the Chief Financial Officer, the Financial Controller and representatives of the external auditors regularly attend Audit Committee meetings. The Audit Committee met three times during the year. When appropriate, the Audit Committee has private meetings with the external auditors during the year and the chairman of the Audit Committee holds preparatory meetings with senior management prior to Committee meetings.

The Audit Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

In the year ended 26 December 2010, the Audit Committee discharged its responsibilities by reviewing matters including:

- the major risk register and changes therein;
- the audit fee payable to the Group's external auditor;
- the Group's financial statements and interim results statement prior to Board approval, having reviewed the external auditor's related reports;
- the external auditor's audit plan for the FY2010 accounts, which included details of the proposed audit fee and confirmations of auditors independence;
- the Company's processes for detecting fraud, misconduct and control weaknesses and a consideration of the Company's response to any such occurrence; and
- the structure of the comprehensive annual report on the Group's system of internal control (the actual report was reviewed by the Committee in January 2011) and testing schedule for FY2011.

Risk Management and Internal control

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. In anticipation of the application of the New Code, the Board has decided to expressly recognise 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 Board delegates responsibility for implementing the Group's strategic plan, maintaining the necessary control systems and for management of the Group to the Executive Committee, which comprises the two Executive Directors and eight members of senior management with valuable operational experience, all of whom are directors of the Group's main operating company, Domino's Pizza Group Limited (DPG). The Executive Committee is chaired by the Chief Executive Officer. The Company Secretary also attends in his capacity as a director of DPG. The attendance of senior management/departmental heads facilitates the communication of the Executive Committee's decisions to the rest of the Group. The Executive Committee has authority for decision-making in all areas except those reserved for Board decision and meets formally every week which facilitates the addressing of financial, human resource, legal, risk management and other control issues.

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 impact if they were to occur, both on the business and on employees and stakeholders in the business. 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 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 comprehensive, prioritised risk register which is regularly reviewed by the Audit Committee, Board and Executive Committee;
- 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; 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 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.

The Audit Committee reviews at least annually, on behalf of the Board, the effectiveness of the Group's system of internal control, by undertaking reviews covering all material controls, including financial, operational and compliance controls and risk management systems and the Board reports to shareholders that it has done so. The Committee also seeks regular feedback from the external auditors on internal control as part of its review of the interim and annual financial statements. As a result of such reviews, necessary actions are taken to remedy any significant identified control failings or weaknesses. After comprehensive debates on two separate occasions during the year, the Audit Committee concluded that the process review would not be enhanced by a formal internal audit function, given the nature of the Group's operations. This position will be subject to annual review by the Audit Committee.

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 26 December 2010 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.

Audit Independence

The engagement and independence of external auditors is considered annually by the Audit Committee before it recommends their appointment to the Board. During the year under review, the audit partner was rotated in line with the Auditing Practice Board's Ethical Standards and the auditor's own audit partner rotation policy and the Audit Committee were closely involved in the new appointment.

As at the date of this report and for the year under review, the Audit Committee has satisfied itself that the external auditor, Ernst & Young LLP, is independent, sufficiently challenging on management and that there are adequate controls in place to safeguard its objectivity. The external auditor is also subject to professional standards which safeguard the integrity of the auditing role. 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 no non-audit work can 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. The only non-audit work carried out by the external auditors in FY2010 was an IT effectiveness review.

Details of the audit and non-audit fees for 2010 are given in note 6 to the financial statements.

By order of the Board

Adam Batty

Company Secretary
15 February 2011

Report on Directors' remuneration



Dear Shareholder

Despite the tough economic conditions in the UK and Ireland, the FY2010 results illustrate the ability of our business to continue growing, to further increase the profile of our brand, the strong and effective leadership of our management team, the talents of our franchisees and the commitment of both corporate and franchisee staff.

The Remuneration Committee (the Committee) and I believe that the remuneration paid to senior management in FY2010 fairly and reasonably reflects the efforts and the achievements of the senior team, which led to the delivery of the very impressive financial results described in more detail in the business review. This meant that the stretching annual performance bonus targets were surpassed and bonuses paid out in full. We have endeavoured to ensure that the Company can attract and retain senior managers of the highest quality, who we incentivised to deliver business goals, building on the Company's long term position as the UK and Ireland's leading pizza home delivery business, in a manner consistent with the interests of the Company's shareholders. We have been careful not to encourage excessive risk taking or short termism which would not be in the long term interests of the Company's shareholders. However, our remuneration strategy ensures that a material part of senior manager's packages are performance related.

The Company's remuneration strategy continues to provide a base salary that is at or below appropriate comparative median benchmarks with an incentive opportunity that enables an upper quartile total remuneration positioning to be achieved for the delivery of superior performance. This approach operates for the current Executive Directors and the same principles were applied by the Committee when structuring Lance Batchelor's remuneration package which is to apply from his appointment as the new Deputy Chief Executive Officer from 27 June 2011.

With regard to the remuneration package that will apply to the Deputy Chief Executive Officer, it has been purposefully weighted towards the delivery of the "Vision 2015" mid-term strategic vision of the Company, with the quantum awarded taking into account the value of incentives that are to be forfeited on joining the Company from his previous employer. The mid term strategic vision is described in more detail in the Chief Executive Officer's report on page 7. In addition, for 2011 only, exceptional awards are to be made under the LTIP to the current Executive Directors that reflect the need to retain and motivate our highly regarded management team during a period of executive change at the most senior level of the Company, as the Company focuses on the delivery of its mid-term strategic vision. The Committee has again taken into account risk in its annual review of senior management remuneration for 2011. Given the Group's franchise led business model and the need to recruit and retain executives of the calibre required to take the business forward, the balance between fixed and variable pay set for 2011 for all Executive Directors is considered appropriate by the Committee with a substantial proportion of the total remuneration package linked to the delivery of challenging long-term performance targets that are aligned with the Company's mid-term strategic vision for the Company. For achievement of target levels of performance, more than 40% of total remuneration is delivered from performance related elements of our remuneration structure, and for performance above target levels, a higher proportion (over 60%) of total remuneration is delivered via performance related pay and, particularly, through long-term incentives. The Committee believes that the 2011 remuneration packages of the senior team strike an appropriate balance between risk and reward.

The Committee looks forward to your support at the 2011 AGM.

John Hodson

Independent Non-Executive Director and chairman of the Remuneration Committee

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 26 December 2010.

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 2011 AGM.

Part I: Unaudited Information The Remuneration 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.

During the year under review, the Committee consisted solely of the Company's independent Non-Executive Directors, John Hodson (chairman), Michael Shallow, Dianne Thompson (until 30 March 2010) Peter Klauber, and Lance Batchelor (from 21 September 2010). Lance Batchelor was not involved in any Committee discussions in relation to his remuneration package as Deputy Chief Executive Officer.

The Committee met twice during the year under review to consider and agree, amongst other matters:

- review and approval of all new LTIP awards by the trustees of the EBT to the Executive Directors and senior management;
- committee terms of reference;
- approval of the FY2009 Directors Remuneration report;
- review of and approval of total reward framework for Executive Directors and senior management, including long-term and short-term incentives and any associated performance measures;
- annual review of Executive Directors and senior managers base salaries and benefits; and
- remuneration arrangements for the new Deputy Chief Executive Officer.

No Committee member had or has any personal financial interest, conflict of interest arising from cross-directorships, or day-to-day involvement in running the business. 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 by invitation. Neither the Chairman of the Company nor the Chief Executive Officer attended the part of the meetings dealing with matters relating to their own remuneration. The Company Secretary acts as secretary to the Committee and attends meetings (save where his own remuneration is under consideration).

The Committee continued to retain the services of Hewitt New Bridge Street (HNBS), an independent external consultancy with wide experience of executive remuneration in UK listed companies. This advice related to developing its remuneration policy, particularly in relation to the production of bespoke benchmarking data in respect of the remuneration of Executive Directors and senior management. HNBS has no other connection with the Group and nor does Aon Corporation, the ultimate parent company of HNBS. BDO LLP also provided a broad range of tax, share scheme and advisory services to the Group during 2010.

Report on Directors' remuneration Remuneration philosophy and principles

The Committee is committed to the principles of accountability and transparency to ensure that remuneration arrangements evidence a clear link between reward and achievement. The Committee's remuneration policy for senior management, including Executive Directors has, at its core, the following core objectives:

- to align the interests of senior managers with those of shareholders;
- 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 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; and
- significant opportunities to acquire Company shares should be provided as part of encouraging a wider share ownership culture.

It is intended that this policy, which has applied throughout the reporting year, will continue to apply for 2011.

Remuneration policy is reviewed on a regular basis against the objectives set out above and the recommendations included in the Code. The Committee also takes due account of relevant institutional investor (and shareholder representative bodies) best practice guidelines. The current policy is considered to remain appropriate in light of these guidelines, our corporate strategy and the New Code.

The Board sets stretching performance targets for both the business and its senior managers. Exceptional performance must be delivered to achieve or surpass the targets set. The annual performance bonus aims to reward the delivery of short term financial goals with appropriate levels of remuneration. The purpose of the LTIP is to reward long term sustained performance and create alignment with the delivery of value for shareholders. 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 strategy for the business (as described earlier in this Annual Report) and the enhancement of shareholder value. Under both schemes, if the demanding targets are met, substantial awards may be earned.

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 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 for award	Objective	Performance period	Summary details
Base salary	Provide threshold level of remuneration set with due consideration given to: <ul style="list-style-type: none"> • relevant benchmarks • other elements of pay 	Not applicable	Reviewed annually, 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	One financial year	Award subject to achievement against a challenging sliding scale of adjusted Group PBT* targets No element of compulsory deferred shares
Long Term Incentive Plan (LTIP)	Incentivises long term value creation. 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	Historic LTIP awards were subject to a 5 year performance period Since 2008 LTIP has had a 3 year performance period	Historic LTIP awards were subject to challenging adjusted EPS** and PBT* targets The LTIP is subject to a challenging range of adjusted EPS** performance targets. Awards are discretionary and participation is reviewed annually
Pension	Provide a market competitive retirement benefit	Not applicable	Cash allowance paid as a percentage of salary
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 required to hold shares equivalent to 100% of salary within a maximum of 5 years from taking office

* 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.

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 to 59.

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

Balance between fixed and variable pay

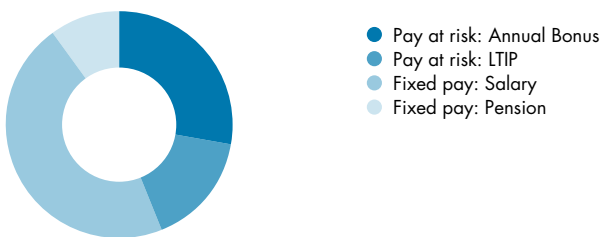
Based on the remuneration structure that applied in 2010, for achievement of target levels of performance, more than 40% of total remuneration will be delivered from business performance related elements of our remuneration structure. Therefore remuneration will increase or decrease in line with performance. 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 the same for each Executive Director. For 2011, an even greater proportion of the total package will be performance related.

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.

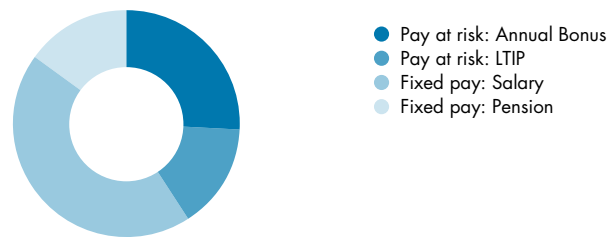
The following charts show the total remuneration package for Executive Directors split between pay at risk and fixed pay for 'on target' and 'maximum' performance in FY2010.

On Target¹

Chris Moore

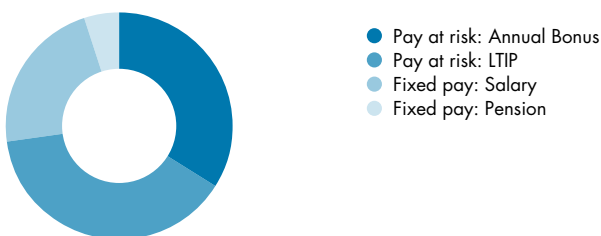


Lee Ginsberg

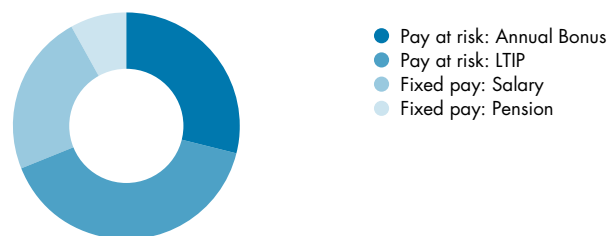


Maximum Performance²

Chris Moore



Lee Ginsberg



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.

Base salaries and benefits for Executive Directors

In setting the base salary of each Executive Director, the Committee takes into account salary levels in comparably sized companies, individual performance and experience, any changes in size and nature of the role and remuneration policy within the Group. Base salaries are set at or below median. With regard to benchmarking Executive Directors' remuneration for the purposes of setting pay for the 2011 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. In addition to base salary, the Executive Directors also receive benefits in kind which principally comprise pension contributions, life assurance, a healthcare scheme and use of a company car.

In setting the base salary for the new position of Deputy Chief Executive Officer, the Committee, in conjunction with the Nomination Committee, took advice from HNBS about salary levels in appropriately sized comparator companies, alongside the other component parts of the package, to attract the desired calibre of individual.

Following the 2011 salary review, the salaries that will apply for the current Executive Directors in the 2011 financial year are set out below.

- Chief Executive Officer: £420,000 (2010: £315,000)
- Chief Financial Officer: £245,000 (2010: £230,000)

The salary increase awarded to the Chief Executive Officer was the final staged increase (following his promotion to the role in January 2008) to a threshold level of base salary for a chief executive officer of a company of Domino's size, given the calibre of the individual and his performance in post. Due account was also taken of the salary set for the Deputy Chief Executive Officer when finalising the Chief Executive Officer's salary for 2011. The Company delivered another record year in terms of turnover and profitability in 2010 under the current Chief Executive Officer's leadership and, as a result, the Committee considered it appropriate to award the increase noted above. The increase remains consistent with the Committee's policy of providing a salary that is at or below median versus companies of a comparable size with an incentive opportunity that enables an upper quartile total remuneration positioning to be achieved for the delivery of superior performance.

The increase awarded to the Chief Financial Officer maintains a threshold salary positioning for a Chief Financial Officer in a Company of Domino's size with the increase also taking into account his continued strong performance in post and the salary increase budget more generally.

With regard to the recently announced appointment of Lance Batchelor as Deputy Chief Executive Officer, he will receive a basic salary of £350,000 on appointment to the role (27 June 2011). This level of salary was set by the Committee to secure the employment of a high calibre candidate and remains consistent with the Company's overall remuneration policy.

Annual Performance Bonus (APB)

Each year, the Committee set annual incentive targets to take account of current business plans and conditions, and there is a threshold performance below which no award is paid. The purpose of the APB is to incentivise participants' year on year delivery of short term performance goals that are based on stretching targets set by the Committee in the previous year with reference to the annual operating plan. In 2010, bonus awards were based solely on achieving and exceeding challenging adjusted PBT* growth targets.

Under the APB in 2010, the maximum bonus opportunity available was 150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer.

The table below summarises the structure of the 2010 APB and the awards receivable for performance in 2010.

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%	150%
Lee Ginsberg (% salary payable)	20%	60%	100%	125%	125%

Actual APB awards made to Executive Directors for 2010 are shown on page 57. Adjusted PBT* growth performance of 27.3% led to a maximum payout for the Executive Directors (exceeding the target by 16.9%). The actual profit delivered during the year under review was, for the second year running, a record result for the Company and an exceptional result given it was delivered against a background of continuing difficult economic circumstances.

With regard to the 2011 bonus structure, a similar sliding scale of bonus targets will operate and in order to achieve their respective maximum potential of 150% and 125% of salary, the Executive Directors will again have to significantly surpass the adjusted PBT* budget figure for 2011, which itself again represents a significant stretch on the record adjusted PBT* figure achieved in 2010, for a maximum bonus to become payable. The Committee considers the 2011 bonus structure to be extremely challenging. For 2011, adjusted PBT* will be retained as the sole performance measure.

On becoming Deputy Chief Executive Officer, Lance Batchelor's entitlement to an APB for 2011 will be set at 125% of salary with the same targets applying as per the current Executive Directors.

Long Term Incentive Plan (LTIP)

Since 2004, 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 Chairman, as a former Executive Director, did receive awards under the LTIP until 2007, and, as set out in the table on page 58 still has an award made in 2007 that he can call for the vesting of.

Between 2004 and 2008 awards normally operated with a five year performance period with vesting determined by performance against challenging adjusted EPS** and adjusted PBT* targets. For vesting to take place, the Company's adjusted PBT* and adjusted EPS** were required to double by the end of the five year performance period. However, vesting could be accelerated if at any time during the performance period, the EPS and PBT targets set were achieved (following the publication of the relevant set of Annual Report and Accounts).

Following a review in 2008 of the Company's long term incentive arrangements vis-à-vis institutional investors' best practice guidelines (specifically those of the ABI) and the recommendations set out in the Code, a new LTIP arrangement was introduced in anticipation of the Company's move to the Official List. Since 2009, awards under the revised LTIP have been structured as a reversionary interest in the growth in value of a sub-fund of the EBT, as represented by the Company's shares. As with the previous LTIP, 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 (i.e. only the growth in value of the initial award may ultimately be delivered to the participant).

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 is 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. This is considered particularly important given the Company's approach to setting base salary at or below the median of appropriate benchmarks, which was a key issue discussed with the Company's major institutional investors and the key shareholder representative bodies ahead of the first awards under the revised LTIP in 2009.

Performance Conditions for awards in 2010

As in 2009, performance is tested over three years subject to the following challenging adjusted EPS** growth condition:

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 can only be 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. As a result, the Committee considers it to be the most appropriate measure to use to incentivise and reward Executive Directors and senior management. 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 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.

Proposed LTIP Awards for 2011

For 2011 only, the Committee proposes that exceptional awards are to be made under the long-term incentive plan to the current Executive Directors that reflect the need to retain and motivate the current highly regarded management team during a period of executive change at the most senior levels in the Company. The Company continues to set ambitious growth objectives over the medium term and the current management team is considered crucial in continuing to build the platform for its delivery and executing the Board's mid-term strategic vision. As a result, awards are to be granted up to 600% of salary in 2011 to retain and motivate the current Executive Directors.

The targets to apply to awards granted in 2011 will be the same range of growth targets as set for the 2010 awards. The Committee is comfortable that awards up to 600% of salary are appropriate given (i) the need to retain the current highly regarded management team that have delivered market leading returns to the Company's shareholders and are considered best placed by the Committee to deliver the Company's mid-term strategic vision, (ii) the EPS growth targets will once again be set from a base EPS that is a record year and the range of targets are very challenging by market standards and (iii) only the growth in value of the initial award under the LTIP may ultimately be delivered to the participant. In addition, the Committee is mindful of the fact that the current Executive Directors now have to retain one third of vested LTIP awards as Company shares for at least two years post vesting.

In relation to the recruitment of the Deputy Chief Executive Officer, a special recruitment incentive will operate. The recruitment incentive will include an initial award over the growth in value of assets held in a sub-fund of the EBT to the value of one million shares on appointment as Deputy Chief Executive Officer. A further award will also be granted when Lance Batchelor becomes Chief Executive Officer which would also be structured as the growth in value of assets held in a sub-fund of the EBT to the value one million shares. With regard to both awards, the increase in value of the said sub-fund may be settled on vesting, in the form of shares. The structure of the awards is similar to the current LTIP.

The first award made to Lance Batchelor will be the subject of a three year performance target and the second award will be the subject of a five year performance target. The Committee felt it was appropriate to distinguish the awards in this way, so that on becoming an Executive Director, Lance Batchelor's first award is consistent in terms of vesting period as the other Executive Directors, but that on becoming Chief Executive the vesting period is aligned to not just the end of the mid-term strategic vision but also the next stage of the Company's growth beyond that.

It is intended that the performance target for the first award will be set from the adjusted EPS** figure from 2010 financial year and the second award will be set from the adjusted EPS** figure from the prior year to the year of grant, tested over three and five years respectively with the same sliding scale of vesting as per the awards made in 2010.

In respect of the second LTIP award made upon Lance Batchelor becoming Chief Executive Officer, based on the extent to which the performance targets are met at the end of the five year performance period for the award, 75% of the award will be eligible for vesting immediately with 25% eligible to vest after a further year. In addition, there will be a shareholding requirement that Lance Batchelor must build a shareholding equal to 100% of basic salary within five years of becoming Deputy Chief Executive Officer.

In respect of the recruitment incentive, the Committee considered it necessary to facilitate Lance Batchelor's appointment. The size and structure of the two awards took into account the incentives that will be 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 awards will be granted under Listing Rule 9.4.2 (2). It is currently intended that further LTIP awards will not be granted to Lance Batchelor in 2013 and only modest awards in 2014, 2015 and 2016.

Whilst it is currently intended that the above mentioned awards under the current LTIP scheme will be made during 2011, in light of the proposed changes to the taxation of incentive structures as set out in the Finance Bill, the Committee is reviewing the ongoing use of the LTIP. Any changes made to the LTIP scheme arising from this review that are not minor alterations permitted by the LTIP scheme rules to be made without the prior consent of shareholders will be set out and disclosed to shareholders at the appropriate time.

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 32 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.

Share Ownership Guidelines

All Executive Directors are currently required to build and maintain over a defined period of time a shareholding of at least one times their annual salary. This policy reflects the Board's belief that its most senior leaders should also be shareholders. In addition, the Committee determined in 2009 that from 2010 awards onwards, the current Executive Directors would be required to hold, on the actual vesting of each LTIP award, one third of the award in the Company's shares for a minimum period of two years following vesting. The current status of the Executive Directors shareholding requirement is shown in the table on page 56.

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 2010, 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.

Chairman and Non-Executive Directors' policy, terms and fees

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.

Due to their respective lengths of service on the Board, since 2008 both Colin Halpern and Nigel Wray have been putting themselves forward for re-election at each AGM, (taking into account the Code provisions A.3.1 and A.7.2).

Colin Halpern's and Nigel Wray's appointments as Non-Executive Directors were renewed at the 2010 AGM of the Company. With effect from the 2011 AGM, all Directors wishing to continue will retire voluntarily and submit themselves for re-election by the shareholders every year.

The next review of Non-Executive Director and Chairman fees is likely to take place in December 2011 with any changes expected to take effect on 1 January 2012.

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. There was a review of Non-Executive fees during 2009 which saw fees rise to 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 with effect from 1 January 2010. The annual fee payable to the Chairman is £191,000.

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 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 18 years in building our business and continues to provide regular advice and assistance to the Executive Directors, with a specific focus on acting as an international ambassador for the Company. As disclosed in previous years, the management fees are reviewed annually. The figure for 2010 was agreed and equated to £260,000, including expenses.

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	1 June 2005	8 May 2011
John Hodson	14 February 2005	14 February 2008	14 February 2011
Michael Shallow	1 January 2006	1 January 2009	1 January 2012
Peter Klauber	29 September 2008	29 September 2008	29 September 2011
Lance Batchelor*	13 July 2010	13 July 2010	13 July 2013

* Lance Batchelor will move to the executive position of Deputy Chief Executive Officer on 27 June 2011.

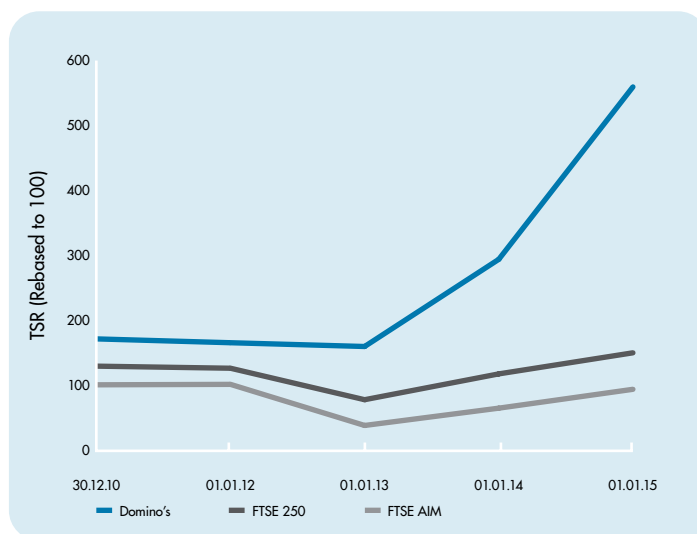
Shares and other interests

The beneficial interests of the Directors in office at 26 December 2010 in the ordinary shares of the Company are shown in the table below.

		Ordinary shares	
		As at 26 December 2010	As at 27 December 2009 or date of appointment
Chairman	Stephen Hemsley	3,991,170	4,042,782
Executive Directors	Chris Moore	2,517,706	2,517,706
	Lee Ginsberg	100,320	100,320
Non-Executive Directors	Colin Halpern	4,757,900	5,007,900
	Nigel Wray	18,295,368	24,995,368
	Michael Shallow	48,000	48,000
	John Hodson	48,000	48,000
	Peter Klauber	—	—
	Dianne Thompson (retired 30 March 2010)	—	—
	Lance Batchelor (appointed 13 July 2010)	—	—

Total Shareholder Return

The following graph illustrates the performance of the Company measured by total shareholder return (TSR) for the five years to 26 December 2010 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 (Accounts 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.



Source: Thompson Datastream

Part II: Audited information

Supplementary information on Directors' remuneration

Directors' remuneration

	Salary or fees 52 weeks ended 26 December 2010 £000	Bonus 52 weeks ended 26 December 2010 £000	Benefits ¹ 52 weeks ended 26 December 2010 £000	Total 52 weeks ended 26 December 2010 £000	Total 52 weeks ended 27 December 2009 £000
Executive Directors					
Stephen Hemsley	191	48	37	276	417
Christopher Moore	315	473	21	809	672
Lee Ginsberg	230	288	32	550	516
Non-Executive Directors					
Colin Halpern ²	260	–	31	291	291
Nigel Wray ³	38	–	–	38	36
John Hodson	45	–	–	45	42
Michael Shallow	50	–	–	50	42
Dianne Thompson ⁴	12	–	–	12	36
Peter Klauber	38	–	–	38	36
Lance Batchelor ⁵	17	–	–	17	–
Total	1,196	809	121	2,126	2088

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 (2009: £260,000) was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 (2009: £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 (2009: £36,000) 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 Dianne Thompson retired on 30 March 2010.

⁵ Lance Batchelor was appointed on 13 July 2010.

Pension contributions

	Pension contributions 52 weeks ended 26 December 2010 £000	Pension contributions 52 weeks ended 27 December 2009 £000
Stephen Hemsley	0	19
Lee Ginsberg	34	32
Christopher Moore	47	39
Total	81	90

Reversionary interests and share options

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

	At 27 December 2009 No. shares represented by	Vested during the year No. shares represented by	Awards made during the year No. shares represented by	At 26 December 2010 No. shares represented by
Stephen Hemsley				
Grant date				
27 April 2006	1,600,000	(1,600,000)	–	–
06 March 2007	1,600,000	–	–	1,600,000
	3,200,000	(1,600,000)	–	1,600,000
Christopher Moore				
Grant date				
06 March 2007	1,120,000	(1,120,000)	–	–
22 February 2008	1,260,000	–	–	1,260,000
02 June 2009	381,091	–	–	381,091
27 February 2010	–	–	288,991	288,991
	2,761,091	(1,120,000)	288,991	1,930,082
Lee Ginsberg				
Grant date				
06 March 2007	400,000	(400,000)	–	–
22 February 2008	750,000	–	–	750,000
02 June 2009	260,606	–	–	260,606
27 February 2010	–	–	211,009	211,009
	1,410,606	(400,000)	211,009	1,221,615
Total	7,371,697	(3,120,000)	500,000	4,751,697
Weighted average initial value of the awards	197.53p	180.03p	327.00p	222.65p

The total aggregate value of awards that vested during 2010 was £7,528,000 (2009: £2,175,000). In addition, the performance conditions for the 2007 award to Stephen Hemsley have been met and therefore are eligible for vesting but Stephen Hemsley has yet to call for vesting and therefore the award is outstanding. As at 26 December 2010 987,978 shares would have been eligible to vest at a value of £5,424,000 (based on the year end share price of 549.00p) under this award, if called.

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 £
27 April 2006	27 April 2009 – February 2011	151.56	9.66	22,300,000
6 March 2007	6 March 2010 – February 2012	210.00	12.50	28,600,000
22 February 2008	22 February 2011 – February 2013	212.00	16.40	37,000,000
2 June 2009	2 June 2012	206.25	Note 3	N/A
17 February 2010	17 February 2013	327.00	Note 3	N/A

1 Adjusted PBT means profit before tax and before operating and non-operating exceptional items.

2 Adjusted EPS means diluted earnings per share before operating and non-operating exceptional items.

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 February 2008 as represented 2,010,000 Ordinary shares have been met but will not be capable of vesting until February 2011. Based on the year end share price of 549.00p, the increase in value of the reversionary interests will be met on vesting by 1,233,826 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 2011 No.	Value at 26 December 2010 share price	Eligible to vest during 2010 No.	Value at 27 December 2009 share price
Stephen Hemsley	987,978	5,424,000	465,248	1,377,600
Christopher Moore	773,443	4,246,200	325,674	964,321
Lee Ginsberg	460,383	2,527,500	116,312	344,400
	2,221,804	12,197,700	907,234	2,686,321

The market price of the Company's shares on 26 December 2010 was 549.00p per share and the high and low share prices during the year were 560.50p and 295.40p respectively.

Directors' interests in share options

Interests of the Executive Directors in the 2009 Sharesave Scheme.

	Interests at 26 December 2010	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 2011

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 the 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 32 and 33 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

Chris Moore

Chief Executive Officer
15 February 2011

Lee Ginsberg

Chief Financial Officer
15 February 2011

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 period ended 26 December 2010 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 36. 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 Directors' Responsibilities Statement 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.

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 26 December 2010 and of its profit for the period 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.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion:

- The information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement set out on pages 40 to 47 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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; or
 - A Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 39, 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 June 2008 Combined 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 period ended 26 December 2010 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 2011

Group income statement

	Notes	52 weeks ended 26 December 2010			52 weeks ended 27 December 2009		
		Before exceptional items £000	Exceptional items (note 7) £000	Total £000	Before exceptional items £000	Exceptional items (note 7) £000	Total £000
Revenue	3	188,634	(485)	188,149	155,044	–	155,044
Cost of sales		(117,495)	–	(117,495)	(95,597)	–	(95,597)
Gross profit		71,139	(485)	70,654	59,447	–	59,447
Distribution costs		(11,539)	–	(11,539)	(9,993)	–	(9,993)
Administrative costs		(21,784)	(1,887)	(23,671)	(19,999)	(3,950)	(23,949)
		37,816	(2,372)	35,444	29,455	(3,950)	25,505
Share of post tax profits of associates		219	–	219	553	–	553
Operating profit	5	38,035	(2,372)	35,663	30,008	(3,950)	26,058
(Loss)/profit on the sale of non-current assets and assets held for sale		–	(11)	(11)	–	247	247
(Loss)/profit on the sale of subsidiary undertakings		–	–	–	–	(30)	(30)
Excess of fair value of assets acquired over consideration		–	–	–	–	15,053	15,053
Profit before interest and taxation		38,035	(2,383)	35,652	30,008	11,320	41,328
Finance income	9	196	–	196	165	–	165
Finance expense	10	(224)	(420)	(644)	(308)	(217)	(525)
Profit before taxation		38,007	(2,803)	35,204	29,865	11,103	40,968
Taxation	11	(10,878)	(261)	(11,139)	(8,291)	816	(7,475)
Profit for the period		27,129	(3,064)	24,065	21,574	11,919	33,493
Profit for the period attributable to:							
Owners of the parent				24,036			33,484
Non-controlling interests				29			9
				24,065			33,493
Earnings per share (post exceptional items)							
– Basic (pence)	12			15.40			21.45
– Diluted (pence)	12			14.85			20.95
Earnings per share (pre exceptional items)							
– Basic (pence)	12			17.36			13.81
– Diluted (pence)	12			16.75			13.49

Group statement of comprehensive income

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

Group balance sheet

	Notes	At 26 December 2010 £000	At 27 December 2009 £000
Non-current assets			
Intangible assets	15	2,234	1,634
Property, plant and equipment	14	47,378	39,363
Prepaid operating lease charges	16	570	622
Net investment in finance leases	17	6,558	7,229
Investments in associates	18	1,158	960
Deferred tax asset	11	22,658	28,706
		80,556	78,514
Current assets			
Inventories	20	5,054	2,735
Trade and other receivables	21	16,014	12,514
Net investment in finance leases	17	1,793	1,745
Prepaid operating lease charges	16	138	138
Cash and cash equivalents	22	31,128	23,997
		54,127	41,129
Non-current assets held for sale	23	938	954
Total assets		135,621	120,597
Current liabilities			
Trade and other payables	24	(31,707)	(24,345)
Deferred income		(77)	(77)
Financial liabilities	25	(1,793)	(1,772)
Financial liabilities – Share buyback obligation	26	–	(10,592)
Deferred consideration	19	(4,346)	–
Current tax liabilities		(2,255)	(3,644)
		(40,178)	(40,430)
Non-current liabilities			
Provisions	28	(119)	(127)
Financial liabilities	25	(42,772)	(43,657)
Deferred income		(1,100)	(1,078)
Deferred consideration	19	(9,746)	(13,672)
Deferred tax liabilities	11	(44)	(57)
Total liabilities		(93,959)	(99,021)
Net assets			
Shareholders' equity			
Called up share capital	31	2,514	2,519
Share premium account		9,592	8,012
Capital redemption reserve		406	387
Capital reserve – own shares		(5,526)	(7,200)
Currency translation reserve		1,013	1,299
Retained earnings		33,512	16,437
Equity shareholders' funds		41,511	21,454
Non-controlling interests		151	122
Total equity		41,662	21,576

Lee Ginsberg

Chief Financial Officer
15 February 2011

Group statement of changes in equity

	Share capital £000	Share Premium account £000	Capital Redemption reserve £000	Capital Reserve own shares £000	Currency Translation reserve £000	Retained earnings £000	Equity Shareholders' funds £000	Non-Controlling interests £000	Total equity £000
At 28 December 2008	2,523	5,917	346	(7,897)	1,853	9,986	12,728	52	12,780
Profit for the period	–	–	–	–	–	33,484	33,484	9	33,493
Other comprehensive income – exchange differences	–	–	–	–	(554)	–	(554)	–	(554)
Total comprehensive income for the period	–	–	–	–	(554)	33,484	32,930	9	32,939
Proceeds from share issue	37	2,095	–	–	–	–	2,132	–	2,132
Share buybacks	(41)	–	41	–	–	(7,569)	(7,569)	–	(7,569)
Share transaction charges	–	–	–	–	–	(55)	(55)	–	(55)
Vesting of LTIP grants	–	–	–	697	–	(697)	–	–	–
Share option and LTIP charge	–	–	–	–	–	1,897	1,897	–	1,897
Tax on employee share options	–	–	–	–	–	449	449	–	449
Equity dividends paid	–	–	–	–	–	(10,466)	(10,466)	–	(10,466)
Share buyback obligation	–	–	–	–	–	(10,592)	(10,592)	–	(10,592)
Non-controlling interest movement	–	–	–	–	–	–	–	61	61
At 27 December 2009	2,519	8,012	387	(7,200)	1,299	16,437	21,454	122	21,576
Profit for the period	–	–	–	–	–	24,036	24,036	29	24,065
Other comprehensive income – exchange differences	–	–	–	–	(286)	–	(286)	–	(286)
Total comprehensive income for the period	–	–	–	–	(286)	24,036	23,750	29	23,779
Proceeds from share issue	14	1,580	–	–	–	–	1,594	–	1,594
Share buybacks	(19)	–	19	–	–	(4,586)	(4,586)	–	(4,586)
Share transaction charges	–	–	–	–	–	(129)	(129)	–	(129)
Vesting of LTIP grants	–	–	–	1,674	–	(1,674)	–	–	–
Share option and LTIP charge	–	–	–	–	–	1,432	1,432	–	1,432
Tax on employee share options	–	–	–	–	–	1,036	1,036	–	1,036
Equity dividends paid	–	–	–	–	–	(13,632)	(13,632)	–	(13,632)
Share buyback obligation	–	–	–	–	–	10,592	10,592	–	10,592
At 26 December 2010	2,514	9,592	406	(5,526)	1,013	33,512	41,511	151	41,662

Group cash flow statement

	Notes	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Cash flows from operating activities			
Profit before taxation		35,204	40,968
Excess of fair value of assets acquired over consideration	19	–	(15,053)
Net finance costs		448	360
Share of post tax profits of associates	18	(219)	(553)
Amortisation and depreciation (including accelerated depreciation)	14,15,16	2,815	2,014
Impairment		82	2,706
Loss/(profit) on disposal of non-current assets		11	(217)
Share option and LTIP charge (including accelerated LTIP charge)		1,432	1,897
Increase in inventories		(2,347)	(224)
(Increase)/decrease in receivables		(3,696)	932
Increase in payables		7,304	3,464
Increase/(decrease) in deferred income		22	(48)
Decrease in provisions		(8)	(14)
Cash generated from operations		41,048	36,232
UK corporation tax		(5,107)	(5,158)
Overseas corporation tax paid		(349)	(353)
Net cash generated by operating activities		35,592	30,721
Cash flows from investing activities			
Interest received		196	165
Dividends received from associates		21	383
(Increase)/decrease in loans to associates		(150)	69
Decrease/(increase) in loans to franchisees		338	(597)
Payments to acquire finance lease assets		(1,749)	(2,058)
Receipts from repayment of franchisee finance leases		2,372	1,993
Purchase of property, plant and equipment		(9,862)	(21,150)
Acquisition of subsidiary	19	–	(509)
Purchase of other non-current assets		(1,740)	(1,358)
Cash proceeds on the disposal of subsidiary undertaking	7	–	23
Receipts from the sale of other non-current assets	16,23	60	2,000
Acquisition of non-controlling interest		–	(216)
Net cash used by investing activities		(10,514)	(21,255)
Cash inflow before financing		25,078	9,466
Cash flow from financing activities			
Interest paid		(224)	(260)
Issue of ordinary share capital		1,594	2,132
Purchase of own shares		(4,715)	(7,624)
Bank revolving facilities – current		–	(4,000)
Bank revolving facilities – non-current		–	16,700
New long-term loans		1,629	1,637
Repayment of long-term loans		(2,493)	(1,788)
Equity dividends paid		(13,632)	(10,466)
Net cash used by financing activities		(17,841)	(3,669)
Net increase in cash and cash equivalents		7,237	5,797
Cash and cash equivalents at beginning of period		23,997	18,602
Foreign exchange loss on cash and cash equivalents		(106)	(402)
Cash and cash equivalents at end of period		31,128	23,997

Notes to the Group financial statements

At 26 December 2010

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 26 December 2010 were authorised for issue by the board of directors on 15 February 2011 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 Domino's House, Lasborough Road, Kingston, Milton Keynes, MK10 0AB. 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.

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 26 December 2010 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 26 December 2010.

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

Changes in accounting policy

Amendment to IFRS2 – Group Cash-settled Share-based Payment Arrangements

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

IFRS3 Business Combinations (Revised)

The revisions to the standard result in significant changes in the accounting for business combinations. The revised standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009. As a result the acquisition of Domino's Leasing Limited in the year ended 27 December 2009 continued to be accounted for under the original standard – IFRS3 Business Combinations.

There have been no further business combinations in the current year to which IFRS3 revised would apply and hence the adoption of the amendment has not had any impact on the financial position or performance of the group in the current year.

For any future business combinations the changes to the standard will affect how transaction costs are accounted for, the valuation of non-controlling interests, the initial and subsequent measurement of contingent consideration and business combinations achieved in stages. The changes will impact the level of goodwill recognised, the results reported in the period of acquisition and future reported results.

IAS27 Consolidated and Separate Financial Statements (Amendment)

The amendment to the standard has the same effective date as the IFRS3 Business Combinations (Revised) detailed above. As a result adoption of this standard has not had 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:

- 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 IFRS 3 (see note 19) and includes the recognition of deferred tax assets and accounting for the excess of fair value of net assets over consideration. Tax benefits are not recognised unless it is probable that the benefit will be obtained (see note 11).

2. Accounting policies continued

Judgements and key sources of estimation uncertainty 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.

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; (v) recognises any surplus or deficit in profit or loss; (vi) 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, however, 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 within equity 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 acquiree) 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 acquiree) 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.

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 may be 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 buildings and leasehold properties – 50 years, or the lease term if shorter.
- Plant, equipment, fixtures and fittings and motor vehicles – at rates varying from 3% to 50%.
- Leasehold building improvements – over the life of the lease.
- Freehold land is not depreciated.

Land and buildings under construction and non-current assets held for sale are not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. 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 property, plant and equipment is 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 sales 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.

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 equity, in which case the income tax is also dealt with in equity. 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.

Revenue from franchise fees is recognised on commencement of the franchisee 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 costs that the Group incurs in connection with the borrowing of specific funds. 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.

2. Accounting policies continued

Share-based payments continued

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.

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')	
IFRS 9 – Financial Instruments: Classification and measurement (not yet endorsed by EU)	1 January 2013
Amendment to IFRS 7: Disclosures – Transfers of Financial Assets	1 July 2011
International Accounting Standards ('IAS')	
IAS 24 Related Party Disclosures (Revised)	1 January 2011
Improvements to International Financial Reporting Standards (issued 2010)	
IFRS 3 Business Combinations, IFRS 7 Financial Instruments Disclosures (not yet endorsed by EU), IAS 1 Presentation of Financial Statements	Various

3. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Royalties and sales to franchisees	175,280	143,229
Rental income on leasehold and freehold property	12,483	11,475
Finance lease income	386	340
	188,149	155,044

4. Segment information

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

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

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

	52 weeks ended 26 December 2010			52 weeks ended 27 December 2009		
	Ireland £000	United Kingdom £000	Total £000	Ireland £000	United Kingdom £000	Total £000
Segment revenue						
Sales to external customers	17,955	170,194	188,149	13,684	141,360	155,044
Results						
Segment result ¹	3,991	31,453	35,444	3,039	22,466	25,505
Share of profit of associates	–	219	219	–	553	553
Group operating profit	3,991	31,672	35,663	3,039	23,019	26,058
(Loss)/profit on the sale of non-current assets and assets held for sale	–	(11)	(11)	–	247	247
Loss on the sale of subsidiary undertakings	–	–	–	–	(30)	(30)
Goodwill arising on acquisition	–	–	–	–	15,053	15,053
	3,991	31,661	35,652	3,039	38,289	41,328
Net finance costs			(448)			(360)
Profit before tax			35,204			40,968
Assets						
Segment current assets	430	22,569	22,999	712	16,420	17,132
Segment non-current assets	1,818	55,860	57,678	1,675	48,127	49,802
Equity accounted investments	–	1,158	1,158	–	960	960
Unallocated assets	–	–	53,786	–	–	52,703
Total assets	2,248	79,587	135,621	2,387	65,507	120,597
Liabilities						
Segment liabilities	1,144	39,389	40,533	1,063	32,958	34,021
Unallocated liabilities	–	–	53,426	–	–	65,000
Total liabilities	1,144	39,389	93,959	1,063	32,958	99,021
Capital expenditure, property, plant and equipment						
– Freehold land and buildings	35	1,042	1,077	–	293	293
– Assets under construction	231	6,836	7,067	–	20,196	20,196
– Leasehold improvements	2	–	2	2	26	28
– Equipment	60	1,656	1,716	12	621	633
Intangible assets	–	1,537	1,537	–	546	546
Depreciation	99	1,066	1,165	121	1,596	1,717
Amortisation	–	1,067	1,067	–	297	297
Share-based payment charge	–	1,432	1,432	–	1,897	1,897
Write-off of inventories	–	–	–	6	–	6
Accelerated depreciation	–	583	583	–	2,706	2,706
Unwinding of discount	–	420	420	–	217	217

4. Segment information continued

	52 weeks ended 26 December 2010			52 weeks ended 27 December 2009		
	Ireland £000	United Kingdom £000	Total £000	Ireland £000	United Kingdom £000	Total £000
Entity wide disclosures						
Royalties and sales to franchisees	16,892	158,388	175,280	12,661	130,568	143,229
Rental income on leasehold and freehold property	1,063	11,420	12,483	1,023	10,451	11,474
Finance lease income	–	386	386	–	341	341
	17,955	170,194	188,149	13,684	141,360	155,044

1 Included in the segment results are operating exceptional items of £2,372,000 (2009: £3,950,000), £1,887,000 (2009: all) of which relate to the UK segment.

Major customers

Annual revenue from two customers amounted to £25,034,000 (2009: £18,703,000) and £22,142,000 (2009: £16,624,000) respectively, arising from sales reported in the United Kingdom segment.

5. Group operating profit

This is stated after charging:

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Depreciation of property, plant and equipment	1,748	1,712
Depreciation of assets held under finance leases and hire purchase contracts	–	5
Amortisation of prepaid lease charges	130	138
Amortisation of intangible assets	937	159
Total depreciation and amortisation expertise	2,815	2,014
Net foreign currency loss/(gain)	58	(78)
Cost of inventories recognised as an expense	86,142	68,363
Write-down of inventories to net realisable value	–	6
Operating lease payments (minimum lease payments)		
– land and buildings	12,373	11,193
– plant, machinery and vehicles	2,315	2,035
Total operating lease payments recognised in the income statement	14,688	13,228

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 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Audit of the financial statements ¹	95	95
Other fees to auditors		
– local statutory audit for subsidiaries	34	52
– corporate finance fees	–	38
– IT services	41	–
– Tax services	3	–
	78	90

1 Of which £2,000 (2009: £2,000) relates to the Company.

7. Exceptional items

Recognised as part of operating profit

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Support provided to Irish stores	485	–
Accelerated LTIP charge	467	980
Restructuring and reorganisation	755	264
Accelerated depreciation and impairment	665	2,706
	2,372	3,950

Support provided to Irish stores

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

Accelerated LTIP charge

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

Restructuring and reorganisation

Due to the rapid growth of the business and in particular the online platforms that are generating significant growth in system sales, the Group undertook a strategic review of its entire IT structure and processes. As a result of this review, restructuring and reorganisation costs of £755,000 (2009: £264,000) have been incurred which result in a £211,000 reduction in the Group's tax charge for the period (2009: £74,000 reduction).

Accelerated depreciation and impairment

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

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

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

Recognised below operating profit

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

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

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

The Group disposed of its subsidiary undertaking, DP Peterborough Limited in December 2009 for a total cash consideration of £1,100,000 generating a profit of £191,000. For further details in relation to these disposals please refer to note 23.

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

7. Exceptional items continued

Recognised below operating profit continued

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

Loss on the sale of subsidiary undertakings

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Disposal of 1.5% of DP Milton Keynes Limited	–	(30)
Loss on the sale of subsidiary undertakings	–	(30)

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

Excess of fair value of assets acquired over consideration

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited, a private company based in England which provides funding in the form of finance leases to a number of corporate clients. On 2 July 2009, the company changed its name to Domino's Leasing Limited ('Domino's Leasing'). The resulting excess of fair value of assets acquired over consideration of £15,053,000 arising on acquisition was immediately recognised in the income statement in accordance with IFRS 3. See note 19 for further details.

Unwinding of discount

Included within finance costs is a charge of £420,000 (2009: £217,000) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited during the period.

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

8. Employee benefits and Directors' remuneration

(a) Employee benefits expense

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Wages and salaries	16,193	15,798
Social security costs	1,578	1,462
Other pension costs	336	290
Share-based payment charge	1,432	1,897
	19,539	19,447

During the period the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted in 2008 (2009: 2006 and 2007) has increased as the performance targets have been achieved earlier than expected, resulting in an accelerated charge of £467,000 (2009: £980,000) 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 26 December 2010 No.	52 weeks ended 27 December 2009 No.
Administration	177	165
Production and distribution	209	190
Store employees	47	115
	433	470

(b) Directors' remuneration

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Directors' remuneration	2,126	2,088
Aggregate contributions to defined contribution pension schemes	81	90
Number of directors accruing benefits under:		
– Defined contribution schemes	2	3

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

9. Finance income

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Bank interest receivable	52	52
Franchisee loans	33	15
Other interest	111	98
Total finance income	196	165

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 £582,000 (2009: £506,000).

10. Finance expense

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Bank loan in relation to the EBT	154	286
Bank revolving credit facility interest payable	64	14
Other interest payable	6	8
Unwinding of discount	420	217
	644	525

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 £968,000 (2009: £804,000). A further £231,000 (2009: £380,000) 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 £779,000 (2009: £967,000).

11. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

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

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

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

In his budget of 22 June 2010, the Chancellor of the Exchequer announced Budget tax changes which will have an effect on the group's future tax position. The Budget proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. The effect on the Group of these changes to the UK tax system have been reflected in the Group's financial statements for the 52 weeks ending 26 December 2010 to the extent which they have been substantively enacted as at 26 December 2010.

11. Taxation continued**(b) Reconciliation of the total tax charge** continued

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

(c) Temporary differences associated with Group investments

At 26 December 2010, there was no recognised deferred tax liability (2009: nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates, as:

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

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

(d) Deferred tax

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

	At 26 December 2010 £000	At 27 December 2009 £000
Deferred tax arising in the UK on non-capital items	22,658	28,706
Deferred tax arising in Ireland and the UK on capital gains	(44)	(57)
	22,614	28,649

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

Deferred tax arising in the UK on non-capital items

	Share-based payments £000	Accelerated capital allowances £000	Lease inducements £000	Goodwill and amortisation £000	Provisions £000	Total £000
At 28 December 2008	580	(1,041)	337	(15)	51	(88)
Charge to equity	(143)	–	–	–	–	(143)
Credit/(charge) to income	44	(326)	(22)	–	(18)	(322)
Sale of subsidiary	–	19	–	–	–	19
Acquisition of subsidiary undertaking	–	29,240	–	–	–	29,240
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

11. Taxation continued

(d) Deferred tax continued

A deferred tax asset of £22,658,000 (2009: £28,706,000) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

Deferred tax arising in Ireland and the UK on capital gains

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

12. Earnings per share (EPS)

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

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

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

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

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

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

The performance conditions for reversionary interests granted over 3,751,611 (2009: 5,929,878) shares and share options granted over 2,598,990 (2009: 2,297,313) shares have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end have not been included in the diluted earnings per share calculation.

Share options granted over nil (2009: nil) shares have not been included in the diluted earnings per share calculation because they are anti dilutive at the period end. See note 32 for further information on reversionary interests and share options.

12. EPS continued

EPS pre exceptional items

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

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

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

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

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Profit for the period	24,065	33,493
Adjusted for – non-controlling interests	(29)	(9)
Profit attributable to owners of the parent	24,036	33,484
Exceptional items after tax – attributable to equity holders of the parent	3,064	(11,919)
– Support provided to Irish stores	485	–
– Accelerated LTIP charge	467	980
– Restructuring and reorganisation	755	264
– Accelerated depreciation and impairment	665	2,706
– Loss/(profit) on the sale of non-current assets and assets held for sale	11	(247)
– Loss on the sale of subsidiary undertakings	–	30
– Excess of fair value of assets acquired over consideration	–	(15,053)
– Unwinding of discount	420	217
– Taxation impact	(509)	(816)
– Change in corporation tax rate – impact on deferred tax asset	770	–
Profit before exceptional items attributable to owners of the parent	27,100	21,565

13. Dividends paid and proposed

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

14. Property, plant and equipment

	Freehold land and buildings £000	Assets under construction £000	Leasehold improvements £000	Equipment £000	Total £000
Cost or valuation:					
At 28 December 2008	12,043	7,808	300	11,332	31,483
Additions	293	20,196	28	633	21,150
Disposals	–	–	(3)	(430)	(433)
Foreign exchange on translation	(115)	–	(3)	(62)	(180)
Reclassification	1,694	(4,497)	–	2,803	–
At 27 December 2009	13,915	23,507	322	14,276	52,020
Additions	1,077	7,067	2	1,716	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	28,608	61,758
Depreciation and impairment:					
At 28 December 2008	1,069	–	78	7,372	8,519
Provided during the year	156	–	29	1,532	1,717
Impairment	1,908	–	–	798	2,706
Disposals	–	–	–	(239)	(239)
Foreign exchange on translation	(8)	–	–	(38)	(46)
At 27 December 2009	3,125	–	107	9,425	12,657
Provided during the year	168	–	22	975	1,165
Accelerated depreciation	–	–	–	583	583
Disposals	–	–	–	–	–
Foreign exchange on translation	(7)	–	6	(24)	(25)
At 26 December 2010	3,286	–	135	10,959	14,380
Net book value at 26 December 2010	28,480	1,062	187	17,649	47,378
Net book value at 27 December 2009	10,790	23,507	215	4,851	39,363

Freehold land and buildings

Included within freehold land and buildings is an amount of £4,689,000 (2009: £4,689,000) in respect of land which is not depreciated.

Assets held under finance leases

The net book value of equipment includes an amount of £nil (2009: £nil) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which was £nil (2009: £5,000).

Assets under construction

Included in the reclassification from assets under construction to freehold land and buildings is an amount of £1,085,000 (2009: £736,000) of capitalised interest, of which £231,000 (2009: £380,000) 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. 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 on track for completion at the end of November 2011, the Group has reconsidered the residual value and remaining life of assets at the existing Milton Keynes head office. Consequently, the Group has taken an accelerated depreciation charge of £583,000.

During the 52 weeks ended 27 December 2009 the Group took an impairment charge of £2,706,000.

For details of property, plant and equipment pledged as security for liabilities see note 25.

15. Intangible assets

	Franchisee fees £000	Software £000	Total £000
Cost or valuation:			
At 28 December 2008	1,035	1,833	2,868
Additions	–	546	546
Disposals	–	–	–
At 27 December 2009	1,035	2,379	3,414
Additions	–	1,537	1,537
Disposals	–	–	–
At 26 December 2010	1,035	3,916	4,951
Depreciation and impairment:			
At 28 December 2008	675	946	1,621
Provided during the year	72	87	159
Disposals	–	–	–
At 27 December 2009	747	1,033	1,780
Provided during the year	72	865	937
Disposals	–	–	–
At 26 December 2010	819	1,898	2,717
Net book value at 26 December 2010	216	2,018	2,234
Net book value at 27 December 2009	288	1,346	1,634

Franchisee fees consist of costs relating to the Master Franchise Agreement (MFA) with Domino's Pizza Inc. and are written off over the term of the franchise agreement. The development clause of the MFA is renewable on a 10 year basis and has a remaining life of 6 years.

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

16. Prepaid operating lease charges

	At 26 December 2010 £000	At 27 December 2009 £000
Balance at the beginning of the period	760	874
Additions	138	24
Disposals	(60)	–
Amortisation	(130)	(138)
Balance at the end of the period	708	760
Analysed as follows:		
Non-current assets	570	622
Current assets	138	138
	708	760

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 7.4% (2009: 7.9%). Other leases consist of leases over assets included 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.

	Franchisee leasing £000	Other leases £000	At 26 December 2010 Total £000	Franchisee leasing £000	Other leases £000	At 27 December 2009 Total £000
Net investment in finance leases	3,544	4,807	8,351	3,274	5,700	8,974
Analysis of net investment in finance leases						
Current	944	849	1,793	896	849	1,745
Non-current	2,600	3,958	6,558	2,378	4,851	7,229
	3,544	4,807	8,351	3,274	5,700	8,974

Future minimum payments receivable:

	Franchise leasing £000	Other leases £000	At 26 December 2010 £000	Franchise leasing £000	Other leases £000	At 27 December 2009 £000
Not later than one year	1,135	1,138	2,273	1,107	890	1,997
After one year but not more than five years	2,780	4,331	7,111	2,615	4,769	7,384
After more than five years	–	–	–	–	235	235
	3,915	5,469	9,384	3,722	5,894	9,616
Less: finance income allocated to future periods	(371)	(662)	(1,033)	(448)	(194)	(642)
	3,544	4,807	8,351	3,274	5,700	8,974

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

	Franchise leasing £000	Other leases £000	At 26 December 2010 Total £000	Franchise leasing £000	Other leases £000	At 27 December 2009 Total £000
Not later than one year	944	849	1,793	896	849	1,745
After one year but not more than five years	2,600	3,958	6,558	2,378	4,618	6,996
After more than five years	–	–	–	–	233	233
	3,544	4,807	8,351	3,274	5,700	8,974

18. Investments in associates

	At 26 December 2010 £000	At 27 December 2009 £000
Investment in associates	1,158	960

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 26 December 2010 £000	At 27 December 2009 £000
Share of the associate's balance sheet:		
Current assets	185	148
Non-current assets	1,363	1,260
Current liabilities	(158)	(179)
Non-current liabilities	(635)	(591)
Share of net assets	755	638

18. Investments in associates continued

Share of associate's revenue and profit:

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Revenue	3,715	3,055
Profit after tax for the period	117	485

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

	At 26 December 2010 £000	At 27 December 2009 £000
Share of the associate's balance sheet:		
Current assets	89	69
Non-current assets	793	728
Current liabilities	(186)	(152)
Non-current liabilities	(293)	(323)
Share of net assets	403	322

Share of associate's revenue and profit:

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Revenue	3,229	2,145
Profit after tax for the period	102	68

19. Business combinations

Acquisition of Dresdner Kleinwort Leasing March (2) Limited

On 1 July 2009, the Group acquired 100% of the ordinary shares of Dresdner Kleinwort Leasing March (2) Limited, a private company based in England which provides funding in the form of finance leases to a number of corporate clients. On 2 July 2009, the company changed its name to Domino's Leasing Limited ('Domino's Leasing'). The acquisition was accounted for using the purchase method of accounting.

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

	Fair value to Group £000	Previous carrying value £000
Net investment in finance leases	6,131	6,131
Other receivables	20	20
Deferred tax asset	29,240	–
	35,391	6,151
Loans payable	(6,120)	(6,120)
Other payables	(5)	(5)
	(6,125)	(6,125)
Net assets	29,266	26
Excess of fair value of assets acquired over consideration	(15,053)	
Total acquisition cost	14,213	

19. Business combinations continued

As a company with an established leasing trade, Domino's Leasing owns the leased equipment, it is entitled to an ongoing rental income from each lease for the remaining term of that lease; and is entitled to certain tax reliefs arising from its ownership of the equipment. The tax reliefs available have a total value of £29,240,000.

A deferred consideration up to a maximum aggregate amount of £15,364,000 is payable. The amount and timing for the payments of deferred consideration will depend on the amount and timing of the benefits to the Group which it is anticipated will arise from the date of acquisition and which are described above. The deferred consideration will be paid from January 2011 until April 2016.

The total acquisition costs of £14,213,000 comprised the present value of the expected cash consideration (discounted at 3.2%, the Group's estimated cost of debt) of £13,455,000, costs of £732,000 directly attributable to the acquisition and initial consideration paid of £26,000. During the 52 weeks ended 26 December 2010, a finance expense of £420,000 (nil: £217,000) has been recognised in relation to the unwinding of the discount on the deferred consideration, resulting in a liability of £14,092,000 (2009: £13,672,000) for deferred consideration.

Cash outflow on acquisition:

	£000
Net cash acquired with the subsidiary	–
Cash paid	509
Net cash outflow	509

From the date of acquisition to 27 December 2009, Domino's Leasing contributed £9,000 to the net profit of the Group. If the combination had taken place at the beginning of the 52 weeks ended 27 December 2009, the profit before tax (excluding exceptional items) for the Group would have been £29,874,000 and revenue from continuing operations would have been £155,089,000.

The excess of the fair value of assets acquired over the total consideration was immediately recognised in the income statement in accordance with IFRS 3.

20. Inventories

	At 26 December 2010 £000	At 27 December 2009 £000
Raw materials	227	157
Finished goods and goods for sale	4,827	2,578
Total inventories at lower of cost or net realisable value	5,054	2,735

21. Trade and other receivables

	At 26 December 2010 £000	At 27 December 2009 £000
Trade receivables*	3,130	2,853
Amounts owed by associates*	493	176
Other receivables*	6,143	4,057
Prepayments and accrued income	6,248	5,428
	16,014	12,514

* Financial assets at amortised cost.

21. Trade and other receivables *continued*

Trade receivables are denominated in the following currencies:

	At 26 December 2010 £000	At 27 December 2009 £000
Sterling	2,708	2,276
Euro	422	577
	3,130	2,853

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 26 December 2010, trade receivables at nominal value of £65,000 (2009: £65,000) were provided for. During the 52 weeks ended 26 December 2010 no bad debts were written off (2009: £nil).

The ageing analysis of trade receivables is as follows:

	Total £000	Neither past due nor impaired £000	Past due but not impaired < 30 days £000	Past due but not impaired > 30 days £000
As at 26 December 2010	3,130	2,823	154	153
As at 27 December 2009	2,853	2,656	99	98

The balance owed by associates includes a loan to Full House Restaurants Limited. The loan is repayable over a period of up to five years and bears interest on a quarterly basis at 3.0% above LIBOR.

Included in other receivables is the following:

- Loans to franchisees of £863,000 (2009: £1,159,000), which are repayable within 1–5 years and bear interest on a quarterly basis at an average of 3.0% above LIBOR.
- National Advertising Fund ("NAF") balance of £2,454,000 (2009: £1,801,000), due to the timing of the cash flows of the marketing activities committed to by the fund and the contributions received from the franchisees. The outstanding balance of the NAF bears interest at 2.0% above Barclays Bank plc base rate.

22. Cash and cash equivalents

	At 26 December 2010 £000	At 27 December 2009 £000
Cash at bank and in hand	4,867	4,376
Short-term deposits	26,261	19,621
	31,128	23,997

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% (2009: varied between 0.25% and 3.0%). The fair value of cash and cash equivalents is £31,128,000 (2009: £23,997,000).

At 26 December 2010, the Group had available £3,233,000 (2009: £3,262,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facilities are available until December 2012.

22. Cash and cash equivalents continued

Cash is denominated in the following currencies:

	At 26 December 2010 £000	At 27 December 2009 £000
Sterling	27,930	20,182
Euro	3,198	3,815
	31,128	23,997

23. Non-current assets held for sale

	At 26 December 2010 £000	At 27 December 2009 £000
Balance at the beginning of the period	954	736
Additions:		
– Costs incurred in relation to stores held for sale	66	–
– Acquired from franchisees in the period for immediate resale	–	1,436
Disposals during the period	–	(1,218)
Impairment during the period	(82)	–
Balance at the end of the period	938	954

Non-current assets held for sale represent stores and their associated assets, which are currently being actively marketed for sale. There were no stores disposed of during the period. The Group has undertaken a review of the expected recoverable amount of its assets held for sale as at 26 December 2010. As a result of the review an impairment of £82,000 has been recognised in relation to one of the stores held for sale representing the difference between the previous carrying value and the expected recoverable amount.

The disposals during the 52 weeks ended 27 December 2009 consist of the assets and stock disposed of as part of the sale of DP Peterborough Limited in December 2009 and four stores held for sale:

	DP Peterborough Limited £000	Stores held for sale £000	Total £000
Total disposal consideration (all cash)	1,100	1,050	2,150
Costs of disposal	(474)	(28)	(502)
Net receipts from the sale of non-current assets held for sale	626	1,022	1,648
Non-current assets held for sale disposed of during period	(435)	(783)	(1,218)
Profit on disposal of non-current assets held for sale (note 7)	191	239	430

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

	At 26 December 2010 £000	At 27 December 2009 £000
Net book value of non-current assets	938	954
	938	954

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

24. Trade and other payables

	At 26 December 2010 £000	At 27 December 2009 £000
Trade payables*	11,509	9,457
Other taxes and social security costs	2,869	1,859
Other payables*	3,502	2,475
Accruals	13,827	10,554
	31,707	24,345

* 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.

25. Financial liabilities

	At 26 December 2010 £000	At 27 December 2009 £000
Current		
Current instalments due on other loans	945	924
Current instalments due on non-recourse loans	848	848
	1,793	1,772
Non current		
Bank revolving facility	25,000	25,000
Non-current instalments due on bank loans	12,035	12,035
Non-current instalments due on other loans	1,787	1,779
Non-current instalments due on non-recourse loans	3,950	4,843
	42,772	43,657

Banking facilities

At 26 December 2010 the Group had a total of £43,000,000 (2009: £43,000,000) of banking facilities, of which £3,233,000 (2009: £3,262,000) was undrawn.

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 26 December 2010 was £25,000,000 (2009: £25,000,000). The facility has a remaining term of three years and interest is charged at 0.5% (2009: 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 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 26 December 2010 the balance due under these facilities was £12,035,000 (2009: £12,035,000) all of which is in relation to the Employee Benefit Trust. The loan bears interest at 0.5% (2009: 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 are 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 (2009: £5,000,000) with a term of 5 years. The balance drawn down on this facility and held within 'other loans' as at 26 December 2010 is £2,732,000 (2009: £2,703,000). 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 9.3% (2009: 9.9%).

Non-recourse loans

Non-recourse loans of £4,798,000 (2009: £5,691,000) were acquired with Domino's Leasing Limited. The loans are repayable over terms of up to six years and bear interest at 0.5% above LIBOR. The loans are secured over the related lease receivables and are only repayable provided the related lease receivables are settled in full.

26. 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% 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 has been recognised as a financial liability of £10,592,000.

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.

27. 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 26 December 2010 £000	At 27 December 2009 £000
Not later than one year	12,211	12,448
After one year but not more than five years	44,544	43,799
After five years	104,678	96,890
	161,433	153,137

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 26 December 2010 £000	At 27 December 2009 £000
Not later than one year	11,689	11,322
After one year but not more than five years	38,253	37,928
After five years	25,249	24,445
	75,191	73,695

28. Provisions

	Legal provisions £000	Property provisions £000	Total £000
At 28 December 2008	22	119	141
Utilised during the period	(14)	–	(14)
At 27 December 2009	8	119	127
Utilised during the period	(8)	–	(8)
At 26 December 2010	–	119	119

Legal provisions

The legal provisions relate 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.

29. 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 share buyback obligations.

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 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 versus euro rate %	Effect on profit before tax £000
2010	+25	5
	-25	(8)
2009	+25	(346)
	-25	577

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. There are no significant concentrations of credit risks within the Group.

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 debtor 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.

29. 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 three 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 26 December 2010 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 26 December 2010						
<i>Floating rate borrowings</i>						
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	–	4,469
<i>Fixed rate borrowings</i>						
Other loans	–	274	823	1,928	–	3,025
Trade and other payables	–	28,838	–	–	–	28,838
Deferred consideration	–	2,336	2,010	11,018	–	15,364
		31,838	3,957	54,752	–	89,547
Period ended 27 December 2009						
<i>Floating rate borrowings</i>						
Bank loan EBT	–	37	110	12,476	–	12,623
Bank revolving facility	–	120	360	25,960	–	26,440
Non-recourse loans	–	188	561	4,919	235	5,903
<i>Fixed rate borrowings</i>						
Other loans	–	273	818	1,980	–	3,071
Trade and other payables	–	22,486	–	–	–	22,486
Share buyback obligation	–	10,592	–	–	–	10,592
Deferred consideration	–	–	–	12,707	2,657	15,364
	–	33,696	1,849	58,042	2,892	96,479

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.

	Increase/ decrease in basis points	Effect on profit before tax £000
2010		
Sterling	+50	(46)
Sterling	-15	14
Euro	+50	16
Euro	-15	(5)
2009		
Sterling	+50	(84)
Sterling	-15	25
Euro	+50	19
Euro	-15	(6)

29. Financial risk management objectives and policies continued

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 26 December 2010 and 27 December 2009.

The Group monitors the ratio of adjusted net debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") (excluding the excess of fair value of assets acquired over consideration recognised in the income statement in the prior period). 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 share buyback obligation.

	At 26 December 2010 £000	At 27 December 2009 £000
Bank loan EBT	12,035	12,035
Other loans	2,732	2,703
Bank revolving facilities	25,000	25,000
Less: cash and cash equivalents	(31,128)	(23,997)
Adjusted net debt	8,639	15,741
Non-recourse loans	4,798	5,691
Share buyback obligation	–	10,592
Net debt	13,437	32,024
EBITDA	38,547	30,995
Adjusted gearing ratio	0.2	0.5

For further commentary on cash flow, net debt and gearing see Chief Financial Officer's review.

30. 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 2010 £000	Carrying value 2009 £000	Fair value 2010 £000	Fair value 2009 £000
Financial assets				
Cash and cash equivalents	31,128	23,997	31,128	23,997
Net investment in finance leases	8,351	8,974	8,088	8,800
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	2,732	2,703	3,015	3,005
Floating rate borrowings	4,798	5,691	4,798	5,691

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.

30. Financial instruments *continued*

Fair values *continued*

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.

31. Share capital and reserves

Authorised share capital

	At 26 December 2010	At 27 December 2009
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

	Number	At 26 December 2010 £	Number	At 27 December 2009 £
At 27 December 2009	161,206,518	2,518,852	161,440,111	2,522,502
Issued on exercise of share options	921,917	14,405	2,358,355	36,849
Share buybacks	(1,225,000)	(19,141)	(2,591,948)	(40,499)
At 26 December 2010	160,903,435	2,514,116	161,206,518	2,518,852

During the period 921,917 (2009: 2,358,355) ordinary shares of 1.5625p each with a nominal value of £14,405 (2009: £36,849) were issued at between 64.53p (2009: 13.16p) and 434.60p (2009: 210.00p) for total cash consideration received of £1,594,000 (2009: £2,132,000) to satisfy share options that were exercised.

During the period the Company bought back a total of 1,225,000 (2009: 2,591,948) ordinary shares of 1.5625p each for a total value of £4,715,000 (including costs of £129,000) (2009: £7,624,000 (including costs of £55,000)). The average price for which these shares were purchased was 373.82p (2009: 291.83p) per share.

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 26 December 2010, the Trust held 3,404,833 (2009: 6,091,074) shares, which had a historic cost of £5,525,644 (2009: £7,200,273). These shares had a market value at 26 December 2010 of £18,692,533 (2009: £18,035,670).

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 subsidiary DP Pizza Limited.

32. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 26 December 2010 is £1,432,000 (2009: £1,897,000). This all arises on equity-settled share-based payment transactions.

During the period the Group's IFRS 2 charge relating to reversionary interests in ordinary shares granted on 22 February 2008 (2009: 2006 (27 February, 27 April and 16 May) and 2007 (6 March)) has increased as the performance targets have been achieved earlier than expected, resulting in an accelerated charge of £467,000 (2009: £980,000).

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 2,161,469 (2009: 2,139,878) shares. At 26 December 2010 reversionary interests represented by 8,521,611 (2009: 12,729,878) 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 26 December 2010:

Grant date	Initial value per interest	Performance conditions		As at 27 December 2009	No. interests represented by			As at 26 December 2010
		Adjusted earnings per share*	Adjusted profit before tax**		Granted	Vested	Forfeited	
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 performance conditions for the 2007 awards have been met and the awards are therefore eligible for vesting but have not been called for vesting by all employees.

The performance conditions for the reversionary interests granted in February 2008 have been met but will not be capable of vesting until February 2011. Based on the period end share price of 549.00p the increase in value of the reversionary interests will be met on vesting by 1,945,883 Company shares. The IFRS 2 charge in relation to these awards has been accelerated during the period.

The following table lists the performance criteria attached to the reversionary interests for the period ended 27 December 2009:

Grant date	Initial value per interest	Performance conditions		As at 28 December 2008	No. interests represented by			As at 27 December 2009
		Adjusted earnings per share*	Adjusted profit before tax**		Granted	Vested	Forfeited	
31 October 2005	92.19p	8.44p	£20,000,000	1,200,000	–	(1,200,000)	–	–
27 February 2006	130.16p	9.66p	£22,300,000	480,000	–	(480,000)	–	–
27 April 2006	151.56p	9.66p	£22,300,000	2,720,000	–	(1,120,000)	–	1,600,000
16 May 2006	146.97p	9.66p	£22,300,000	320,000	–	(320,000)	–	–
06 March 2007	210.00p	12.50p	£28,600,000	5,200,000	–	–	–	5,200,000
22 February 2008	212.00p	16.40p	£37,000,000	3,790,000	–	–	–	3,790,000
02 June 2009	206.25p	Growth of RPI plus 9%		–	2,139,878	–	–	2,139,878
				13,710,000	2,139,878	(3,120,000)	–	12,729,878

* 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 76.0p (2009: 36.0p).

32. Share-based payments *continued*

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 three 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 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 April 2010, 262,781 (2009: 207,404) share options were granted under the Unapproved Share Option Scheme and 622,073 (2009: 1,073,056) share options were granted under the Approved Share Option Scheme. The options vest after a three 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 2010 was 71.8p (2009: 38.0p).

32. Share-based payments continued

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.

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		179.91p	334.40p	172.40p	233.50p	221.80p

As at 27 December 2009, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 28 December 2008 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 27 December 2009 No.
Domino's Pizza (unapproved) Scheme						
24 November 1999	13.16p	11,084	–	(11,084)	–	–
24 November 1999	15.63p	331,967	–	(331,967)	–	–
4 August 2000	16.56p	115,200	–	(115,200)	–	–
25 October 2001	17.19p	161,100	–	(156,300)	–	4,800
15 December 2005	107.03p	1,260,699	–	(825,235)	(1,615)	433,849
30 March 2007	210.00p	861,775	–	(219,323)	(35,976)	606,476
3 April 2008	209.00p	916,591	–	(124,551)	(63,935)	728,105
29 May 2009	205.50p	–	207,404	–	–	207,404
		3,658,416	207,404	(1,783,660)	(101,526)	1,980,634
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	–	1,070,629	–	(38,022)	1,032,607
EMI Scheme						
23 March 2004	64.53p	273,391	–	(78,834)	–	194,557
Sharesave scheme						
29 December 2005	75.88p	581,910	–	(495,861)	(86,049)	–
1 February 2009	135.81p	–	369,740	–	–	369,740
		581,910	369,740	(495,861)	(86,049)	369,740
		4,513,717	1,647,773	(2,358,355)	(225,597)	3,577,538
Weighted average exercise price		128.34p	189.86p	90.34p	157.06p	179.91p

32. Share-based payments *continued*

Sharesave scheme *continued*

The weighted average remaining contractual life of the options outstanding at 26 December 2010 is 7.2 years (2009: 7.4 years). The weighted average share price for options exercised during 2010 was 406.69p (2009: 246.48p).

The following share options were exercisable at the period end:

	At 26 December 2010 No.	At 27 December 2009 No.
Domino's Pizza (unapproved) Scheme		
25 October 2001	4,800	4,800
15 December 2005	226,875	433,849
30 March 2007	271,927	404,317
3 April 2008	159,999	242,702
	663,601	1,085,668
EMI Scheme		
23 March 2004	96,507	194,557
	760,108	1,280,225
Weighted average exercise price (pence)	159.40p	152.09p

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

The following table lists the inputs to the model used for the period ended 26 December 2010:

	Dividend yield %	Expected volatility %	Historical volatility %	Risk-free rate %	Expected term Years	Initial value/ exercise price Pence	Share price Pence
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 following table lists the inputs to the model used for the period ended 27 December 2009:

	Dividend yield %	Expected volatility %	Historical volatility %	Risk-free rate %	Expected term Years	Initial value/ exercise price Pence	Share price Pence
LTIP	3.8	30.0	52.3	2.5	3.0	206.25	204.50
Employee share options	3.8	30.0	52.3	2.5	4.0	205.50	205.25
SAYE	3.8	30.0	48.1	2.0	3.5	135.80	173.25

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.

33. Additional cash flow information Analysis of Group net debt

	At 27 December 2009 £000	Cash flow £000	Exchange differences £000	Non-cash movements £000	At 26 December 2010 £000
Cash and cash equivalents	23,997	7,237	(106)	–	31,128
Bank revolving facility	(25,000)	–	–	–	(25,000)
Bank loans	(12,035)	–	–	–	(12,035)
Other loans	(2,703)	(29)	–	–	(2,732)
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)

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

34. Capital commitments

At 26 December 2010, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £5,646,000 (2009: £2,519,000) for the Group, principally relating to the new Milton Keynes head office building (2009: new Milton Keynes commissary).

35. 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.

36. 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
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
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

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 21. Transactions entered into, and trading balances outstanding at 26 December (2009: 27 December) with related parties, are as follows:

Related party	Sales to related party £000	Amounts owed to related party £000
Associates		
2010	3,930	493
2009	3,891	103

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 26 December 2010, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2009: Nil).

Compensation of key management personnel (including directors)

	52 weeks ended 26 December 2010 £000	52 weeks ended 27 December 2009 £000
Short-term employee benefits	4,539	4,288
Post-employment benefits	117	184
Share-based payment	1,063	1,740
	5,720	6,212

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 £65,303 (2009: £47,500) to Saracens rugby club, in the normal course of business as part of its ongoing marketing strategy. Nigel Wray is Chairman of and has an interest in Saracens rugby club.

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 period ended 26 December 2010 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 Directors' Responsibilities Statement 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.

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 26 December 2010;
- 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 period 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 period ended 26 December 2010.

Simon O'Neill

Senior statutory auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

15 February 2011

Company balance sheet

	Notes	At 26 December 2010 £0	Restated at 27 December 2009 £000
Fixed assets			
Investment in subsidiary undertakings	3	6,102	5,219
Investment in associate undertakings	3	205	205
Total investments		6,307	5,424
Current assets			
Amounts owed by group undertakings	4	132,828	55,826
Deferred tax asset		18	13
Total debtors		132,846	55,839
Cash at bank and in hand		11,152	5,502
		143,998	61,341
Creditors: amounts falling due within one year	5	(138)	(10,894)
Net current assets		143,860	50,447
Total assets less current liabilities		150,167	55,871
Creditors: amounts falling due after more than one year	6	(29,285)	(29,285)
Provisions for liabilities	7	(119)	(127)
		120,763	26,459
Shareholder's equity			
Called up share capital	8	2,514	2,519
Share premium account	10	9,592	8,012
Capital redemption reserve	10	406	387
Capital reserve – own shares	10	(5,526)	(7,200)
Profit and loss account	10	113,777	22,741
Equity shareholders' funds	10	120,763	26,459

Lee Ginsberg

Chief Financial Officer
15 February 2011

Notes to the Company financial statements

At 26 December 2010

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.

Changes in accounting policy – FRS 20 Share-based payment

In light of the amendment to FRS 20 "Group cash settled share-based payment arrangements" effective for the first time this year, the Company has amended their accounting policy for share based payment schemes settled in the company's equity where services are received by subsidiary entities. To reflect this change, the Company has recorded an increase in Investment in subsidiary undertakings of £1,341,000 as at 29 December 2008 with a corresponding credit to equity. Further increases of £874,000 and £883,000 have been recorded in the periods to 27 December 2009 and 26 December 2010 respectively.

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.

1. Accounting policies *continued*

Share-based payment transactions *continued*

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.

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. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent Company is £99,033,000 (2009: £25,201,000).

3. Investments

	Subsidiary undertakings £000	Associates £000	Total £000
Cost or valuation:			
At 28 December 2008 – as previously stated	3,116	205	3,321
Prior year adjustment	1,341	–	1,341
At 28 December 2008 – as restated	4,457	205	4,662
Share options granted to subsidiary employees	874	–	874
Additions	217	–	217
Disposals	(329)	–	(329)
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
Amounts provided for:			
At 27 December 2009 and 26 December 2010	–	–	–
Net book value at 26 December 2010	6,102	205	6,307
Net book value at 27 December 2009	5,219	205	5,424

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 country	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
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
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

4. Debtors

	At 26 December 2010 £000	At 27 December 2009 £000
Amounts owed by Group undertakings	132,828	55,826

5. Creditors: amounts falling due within one year

	At 26 December 2010 £000	At 27 December 2009 £000
Amounts owed to Group undertakings	22	40
Other creditors	88	88
Accruals and deferred income	28	174
Share buyback obligation	–	10,592
	138	10,894

6. Creditors: amounts falling due after one year

Loans repayable are analysed as follows:

	At 26 December 2010 £000	At 27 December 2009 £000
Bank revolving facility	17,250	17,250
Bank loans – wholly repayable within five years	12,035	12,035
	29,285	29,285

6. Creditors: amounts falling due after one year *continued*

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. The balance drawn down on the facility at 26 December 2010 was £25,000,000 (2009: £25,000,000). The facility has a remaining term of three years and interest is charged at 0.5% (2009: 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 26 December 2010 the balance due under these facilities was £12,035,000 all of which is in relation to the Employee Benefit Trust (2009: £12,035,000). The loans bear interest at 0.5% (2009: 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

	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

Legal provisions

The legal provisions relate 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. The dilapidation costs are determined at the end of the lease.

8. Authorised and issued share capital

Authorised

	At 26 December 2010	At 27 December 2009
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

	Number	At 26 December 2010 £	Number	At 27 December 2009 £
At 27 December 2009	161,206,518	2,518,852	161,440,111	2,522,502
Issued on exercise of share options	921,917	14,405	2,358,355	36,849
Share buybacks	(1,225,000)	(19,141)	(2,591,948)	(40,499)
At 26 December 2010	160,903,435	2,514,116	161,206,518	2,518,852

8. Authorised and issued share capital continued

During the period 921,917 (2009: 2,358,355) ordinary shares of 1.5625p each with a nominal value of £14,405 (2009: £36,849) were issued at between 64.53p (2009: 13.16p) and 434.60p (2009: 210.00p) for total cash consideration received of £1,594,000 (2009: £2,132,000) to satisfy share options that were exercised.

During the period the Company bought back a total of 1,225,000 (2009: 2,591,948) ordinary shares of 1.5625p each for a total value of £4,715,000 (including costs of £129,000) (2009: £7,624,000 (including costs of £55,000)). The average price for which these shares were purchased was 373.82p (2009: 291.83p) 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 26 December 2010 is £1,432,000 (2009: £1,897,000). This all arises on equity-settled share-based payment transactions. Of this total £549,000 (2009: £1,023,000) relates to employees of the Company and £883,000 (2009: £874,000) 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. The following disclosure relates to the total charge for the period and includes grants to both employees of the Company and its subsidiaries.

During the period the Group's FRS 20 charge relating to reversionary interests in ordinary shares granted on 22 February 2008 (2009: 2006 (27 February, 27 April and 16 May) and 2007 (6 March)) has increased as the performance targets have been achieved earlier than expected, resulting in an accelerated charge of £467,000 (2009: £980,000).

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 2,161,469 (2009: 2,139,878) shares. At 26 December 2010 reversionary interests represented by 8,521,611 (2009: 12,729,878) 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 26 December 2010:

Grant date	Initial value per interest	Performance conditions		As at 27 December 2009	No. interests represented by			As at 26 December 2010
		Adjusted earnings per share*	Adjusted profit before tax**		Granted	Vested	Forfeited	
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

The performance conditions for the 2007 awards have been met and the awards are therefore eligible for vesting but have not been called for vesting by all employees.

The performance conditions for the reversionary interests granted in February 2008 have been met but will not be capable of vesting until February 2011. Based on the period end share price of 549.00p the increase in value of the reversionary interests will be met on vesting by 1,945,883 Company shares. The FRS 20 charge in relation to these awards has been accelerated during the period.

9. 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 27 December 2009:

Grant date	Initial value per interest	Performance conditions		As at 28 December 2008	No. interests represented by			As at 27 December 2009
		Adjusted earnings per share*	Adjusted profit before tax**		Granted	Vested	Forfeited	
31 October 2005	92.19p	8.44p	£20,000,000	1,200,000	–	(1,200,000)	–	–
27 Feb 2006	130.16p	9.66p	£22,300,000	480,000	–	(480,000)	–	–
27 Apr 2006	151.56p	9.66p	£22,300,000	2,720,000	–	(1,120,000)	–	1,600,000
16 May 2006	146.97p	9.66p	£22,300,000	320,000	–	(320,000)	–	–
06 Mar 2007	210.00p	12.50p	£28,600,000	5,200,000	–	–	–	5,200,000
22 Feb 2008	212.00p	16.40p	£37,000,000	3,790,000	–	–	–	3,790,000
02 June 2009	206.25p	Growth of RPI plus 9%		–	2,139,878	–	–	2,139,878
				13,710,000	2,139,878	(3,120,000)	–	12,729,878

* 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 76.0p (2009: 36.0p).

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 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 April 2010, 262,781 (2009: 207,404) share options were granted under the Unapproved Share Option Scheme and 622,073 (2009: 1,073,056) 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 2010 was 71.8p (2009: 38.0p).

Sharesave scheme

During 2009 the Company 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.

9. 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		179.91p	334.40p	172.40p	233.50p	221.80p

9. Share-based payments *continued*

Sharesave scheme *continued*

As at 27 December 2009, the following share options were outstanding:

Date of grant	Exercise price	Outstanding at 28 December 2008 No.	Granted during the period No.	Exercised during the period No.	Forfeited during the period No.	Outstanding at 27 December 2009 No.
Domino's Pizza (unapproved) Scheme						
24 November 1999	13.16p	11,084	–	(11,084)	–	–
24 November 1999	15.63p	331,967	–	(331,967)	–	–
4 August 2000	16.56p	115,200	–	(115,200)	–	–
25 October 2001	17.19p	161,100	–	(156,300)	–	4,800
15 December 2005	107.03p	1,260,699	–	(825,235)	(1,615)	433,849
30 March 2007	210.00p	861,775	–	(219,323)	(35,976)	606,476
3 April 2008	209.00p	916,591	–	(124,551)	(63,935)	728,105
29 May 2009	205.50p	–	207,404	–	–	207,404
		3,658,416	207,404	(1,783,660)	(101,526)	1,980,634
Domino's Pizza (approved) Scheme						
29 May 2009	205.50p	–	1,070,629	–	(38,022)	1,032,607
EMI Scheme						
23 March 2004	64.53p	273,391	–	(78,834)	–	194,557
Sharesave Scheme						
29 December 2005	75.88p	581,910	–	(495,861)	(86,049)	–
1 February 2009	135.81p	–	369,740	–	–	369,740
		581,910	369,740	(495,861)	(86,049)	369,740
		4,513,717	1,647,773	(2,358,355)	(225,597)	3,577,538
Weighted average exercise price		128.34p	189.86p	90.34p	157.06p	179.91p

The weighted average remaining contractual life of the options outstanding at 26 December 2010 is 7.2 years (2009: 7.4 years). The weighted average share price for options exercised during 2010 was 406.69p (2009: 246.48p).

9. Share-based payments continued

Sharesave scheme continued

The following share options were exercisable at the period end:

	At 26 December 2010 No.	At 27 December 2009 No.
Domino's Pizza (unapproved) Scheme		
25 October 2001	4,800	4,800
15 December 2005	226,875	433,849
30 March 2007	271,927	404,317
3 April 2008	159,999	242,702
	663,601	1,085,668
EMI Scheme		
23 March 2004	96,507	194,557
	760,108	1,280,225
Weighted average exercise price	159.40p	152.09p

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 Pence	Share price Pence
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 following table lists the inputs to the model used for the period ended 27 December 2009:

	Dividend yield %	Expected volatility %	Historical volatility %	Risk-free rate %	Expected term Years	Initial value/ exercise price Pence	Share price Pence
LTIP	3.8	30.0	52.3	2.5	3.0	206.25	204.50
Employee share options	3.8	30.0	52.3	2.5	4.0	205.50	205.25
SAYE	3.8	30.0	48.1	2.0	3.5	135.80	173.25

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.

10. Reconciliation of shareholders' funds and movements on reserve

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve – own shares £000	Profit and loss account £000	Equity shareholder's funds £000
At 28 December 2008 – as previously stated	2,523	5,917	346	(7,897)	23,681	24,570
Prior year adjustment	–	–	–	–	1,341	1,341
At 28 December 2008 – as restated	2,523	5,917	346	(7,897)	25,022	25,911
Proceeds from share issue	37	2,095	–	–	–	2,132
Share buybacks	(41)	–	41	–	(7,569)	(7,569)
Share transaction charges	–	–	–	–	(55)	(55)
Vesting of LTIP grants	–	–	–	697	(697)	–
Profit for the period	–	–	–	–	25,201	25,201
Share option and LTIP charge	–	–	–	–	1,023	1,023
Share options granted to subsidiary employees	–	–	–	–	874	874
Share buyback obligation	–	–	–	–	(10,592)	(10,592)
Equity dividends paid	–	–	–	–	(10,466)	(10,466)
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

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 26 December 2010, the Trust held 3,404,833 (2009: 6,091,074) shares, which had a historic cost of £5,525,644 (2009: £7,200,273). These shares had a market value at 26 December 2010 of £18,692,533 (2009: £18,035,670).

Five year financial summary

	26 December 2010	27 December 2009	28 December 2008	30 December 2007	31 December 2006
Trading weeks	52	52	52	52	52
System sales (£m)	485.3	406.9	350.8	296.3	240.1
Group sales (£m)	188.1	155.0	136.0	114.9	95.0
Profit before tax (pre exceptional items) (£000s)	38,007	29,865	23,361	18,737	14,075
Profit before tax (post exceptional items) (£000s)	35,204	40,968	22,149	18,576	14,189
Basic earnings per share ¹					
– Pre exceptional items	17.36	13.81	10.86	8.48	6.10
– Post exceptional items	15.40	21.45	10.12	8.38	6.23
Diluted earnings per share ²					
– Pre exceptional items	16.75	13.49	10.71	8.33	5.99
– Post exceptional items	14.85	20.95	9.97	8.24	6.12
Dividends per share ¹	10.20	7.75	5.90	4.40	3.06
Earnings before interest, taxation, depreciation and amortisation (£000s) ²	38,549	30,995	24,485	20,212	16,114
Adjusted net debt (£000s) ³	(8,639)	(15,741)	(8,174)	(1,568)	(5,582)
Adjusted gearing ratio	0.2	0.5	0.3	0.1	0.3
Stores at start of year	608	553	501	451	407
Stores opened	57	55	52	50	46
Stores closed	–	–	–	–	(2)
Stores at year end	665	608	553	501	451
Corporate stores at year end ⁴	–	–	–	1	2
Like-for-like sales growth (%)	11.9%	8.4%	10.0%	14.7%	9.7%

1 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.

2 Excludes excess of fair value of assets acquired over consideration recognised in the income statement and impairment charge.

3 Excludes non-recourse loans and share buy-back obligation.

4 100% owned.

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