Registered No: 2882515

Domino's Pizza UK & Ireland Limited

Report and Financial Statements

27 December 2015

Registered No: 2882515

Company information

Directors
S G Hemsley
M A Botha
C D Rees
S Wallis
D J Wild
S V McLeod
N Wyncoll
R Caley
A Bushnell

Secretary
A Bushnell

Auditors
Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Bankers
Barclays Bank Plc
669 Midsummer Boulevard
Central Milton Keynes
Buckinghamshire
MK9 3BQ

Registered office
1 Thornbury
West Ashland
Milton Keynes
MK6 4BB

Strategic report

The directors present their strategic report and financial statements for the year ended 27 December 2015.

Results and dividends

The profit before tax for the period amounted to £73,161,324 (2014: £45,576,737). Ordinary dividends of £60,000,000 (2014: £49,928,574) were paid during the period.

Review of the business

In 2015, system sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 17.2% to £877.2m (2014: 14.9% to £748.2m). Like-for-like sales in the 765 stores that were open in both periods grew by 11.7% (2014: 11.3% growth in 724 stores).

E-commerce continues to be our fastest-growing channel to market. In 2015, the sales of the stores in the UK and ROI, to external customers, via the website grew by 30.2% (2014: 30.3%) to £573.6m (2014: £440.3m).

Turnover was 10.1% (2014: 12.6%) ahead of the prior financial period, due to the opening of 61 new stores (2014: 40), year on year increases in like-for-like sales and the launch of new products. Gross margin is ahead of the prior financial period at 42.2% (2014: 40.3%) due to cheaper food costs.

Interest receivable in the profit and loss account is predominantly generated on loans to franchisees, loans to group companies, and cash surpluses placed on deposit. The interest charge in the profit and loss account primarily relates to the unwinding of discounting on interest-free loans to franchisees.

During 2015, 61 new stores were opened (2014: 40) bringing the year-end store count to 916 (2014: 861).

In the UK and ROI, our success in 2015 is rooted in revenue-driven profit growth based on continued investment in e-commerce initiatives and record levels of new store openings, underpinned by improving franchisee profitability.

In the opinion of the directors, the size of the business and the staffing levels are sufficient to deal with the forecast volume of business for the following financial year.

Both the level of business and the year-end financial position were satisfactory, and the company looks forward to a promising year of further growth in 2016.

Our strategy

The strategy for our business is simple and clear. We aim to be the number one pizza company in each neighbourhood in which we operate, through a commitment to offering the best product, service and quality to our customers

STRATEGIC OBJECTIVES

- Grow like-for-like sales driven predominantly by an increase in like-for-like order count.
- Open new stores in existing and virgin territories.
- Improve marketing spend effectiveness.
- Increase incidence of sales from online and mobile.
- Improve commercial performance of online and mobile platforms.
- Innovate in digital to ensure the brand remains top of mind, places customers in control of the ordering process and gives them confidence

Strategic report (continued)

UK

The UK business delivered an impressive set of results from the 869 stores that were trading at the year-end (2014: 813). System sales were 16.8% ahead, driven by strong like-for-like performance with growth of 11.7%. Like-for-like order volumes were ahead by 9% whilst average order value grew by 2.4%, helped by an increased proportion of bundle deals offering value for money.

We believe that our continued focus on the three priorities set out in our preliminary announcement last year remains fundamental to our success in the UK:

- e-commerce: We have continued to increase investment in our digital offering, driving a higher number of customer visits, improved conversion rates and larger order values.
- New store openings: The rate of openings accelerated in the period with a record number of 61 new stores in the UK in 2015; these continue to perform well, providing a foundation for future growth and confirming our long-term opportunity.
- Franchisee profitability: The Group has maintained its focus on franchisee profitability by continuing to pass on cost savings, therefore increasing the appetite for further investment by franchisees.

<u>e-commerce</u>

The Group's investment in e-commerce software development increased significantly in 2015 and it is expected to rise further in 2016, reflecting our continued commitment to providing the business, our customers and franchisees with a best-in-class digital platform. In the UK, e-commerce sales now represent 77.7% of all delivered sales, up from 70.8% in 2014, with app-based sales accounting for 48.6% of online sales. Being digitally enabled allows us to drive further growth in the UK business.

Digital channels deliver a number of benefits for both the consumer and our franchisees. From a consumer perspective, promotional offers are more easily accessed, ensuring that consumers get the best value. Franchisees benefit through store labour efficiencies and being better able to target local marketing campaigns, particularly through customer relationship management.

As a result of this strategy online orders in the UK were 28.6% ahead and average order value was 1.7% ahead of last year. App-based orders were 41.1% ahead and order value was 2.0% ahead. 11.5m customers have downloaded the app.

Despite these strong results we are striving to deliver further digital innovation in order to improve our customer experience even more.
In July 2015 we launched our mobile responsive website which adapts and responds to the mobile device that the customer is using. Enhanced customer usability ultimately drives sales and profitability through improved engagement and conversion rates. During the fourth quarter we introduced the one-touch order button, which allows for credit card details and favourite baskets to be saved for future use, making the experience even more convenient. More enhancements are planned for the year ahead.

<u>Brand</u>

2015 saw our 30th anniversary in the UK as we concentrate on building our brand image. The success of our app downloads has enabled us to switch some advertising spend from digital to conventional, and we commenced sponsorship of the TV show 'Hollyoaks' in January 2015, which reaches 10 million viewers in the 16-34 age group. This has generated a media value of almost £12.0m, and has helped to drive spontaneous awareness of Domino's to 73% and improve brand recognition among teens and families. Our sponsorship of the X-Factor app ensures brand salience during the key weekend evening slots (2015 downloads: 2.4m). We launched our 'Pizza Legends' initiative, where customers can 'create their own' pizza, with great success across all channels, with almost 0.4m creations to date. The Channel 4 documentary 'A Slice of Life' demonstrated the truly extraordinary passion that our team members have, with over one million views resulting in a significant increase in recruitment applications.

Strategic report (continued)

Product

We continue to innovate, refresh and improve our product range to respond to changing customer demand: in terms of pizza development we saw the introduction of the Tikka Pizza and we reintroduced the hot dog stuffed crust. In stores we slowed oven speeds to allow for a longer cook time and to increase the quality of our finished product across the range.

The 'basket' composition has continued to evolve in the UK, as the Group has focused on providing value oriented, full meal solutions through bundle offers. On a like-for-like basis, pizza volumes are 8.1% ahead, side orders are 12.1% ahead, while dessert and drink volumes are 14.8% and 32.7% ahead of 2014 respectively.

New stores

2015 saw record store openings of 61 in the UK, bringing the total portfolio to 869 (2014: 813). The performance of these new stores has been excellent with average weekly unit sales ('AWUS') 14.5% ahead of similar openings in 2014. These include both virgin territories and those existing areas which have been 'split', increasing density, improving service for customers, and increasing sales and profitability for franchisees. 26 of the 61 stores opened were splits. We provide incentive packages to franchisees to encourage proactive opening of stores in areas that meet our strategic requirements for the estate, including lower address counts and splits. Depending on the nature of the incentive these may be spread over the life of the lease. The total incentives cost in 2015, including the impact from previous years, was £1.7m. Five stores were closed in 2015. Four of these were non-traditional formats, which had initially been launched as a trial in 2013 but did not generate sufficient volumes to make them viable. A full provision was made in 2014 for the costs associated with closing these stores.

Franchisees

Our franchisees sit at the heart of everything we do. They have both driven and shared in our success. The Group is committed to ensuring that they are successful, and in 2015 profitability improved year on year, primarily as a result of the benign food price environment combined with the Group's purchasing power. In 2015, we passed on savings of £11m from lower food costs, primarily from cheese and dough. The Group has agreed the prices of its main food costs, except for dairy, well into the first half of 2017 and therefore does not anticipate any 2016 impact on its input prices as a result of the UK's decision to leave the EU.

Supply chain

We are particularly proud of our supply chain in the UK, which is one of the most sophisticated and efficient across the Domino's global network. Our main facility is located at West Ashland, Milton Keynes, with a secondary plant in the North-west in Penrith, and we opened a satellite base in Livingston, Scotland, during the year. We have commenced our building project for a new main facility in Warrington which is due to open in early 2018, and are also opening a further satellite base in the South-west. Although the supply chain handled record volumes in 2015, it did so whilst improving on already excellent service levels to stores, with delivered-on-time-to stores measures increasing to 99.8%.

It is our commitment to franchisees that we provide them with high quality product at low cost. Our philosophy is based on establishing long-term relationships and we are able to leverage the system's buying power to secure the most competitive deals with quality suppliers.

ROI

ROI delivered a good set of results despite currency headwinds, with system sales of €56.0m (2014: €51.7m) in local currency, with a sterling value of £40.7m (2014: £41.8m). In local currency sales were ahead by 8.3%, but in sterling they were 2.7% behind, reflecting the relative strength of sterling against the euro. We now operate 47 stores across the ROI with the Dublin stores performing well and benefiting from the continued economic recovery. We are looking at upgrading and relocating our supply chain centre.

Strategic report (continued)

Our digital channels continue to improve in ROI. Online sales were 30.4% ahead of 2014 and now represent 51.7% of delivered sales, up from 44.3% last year. App-based growth continues to drive digital adoption and now accounts for 60.2% of online sales, up from 46.9% in 2014.

Outlook

Despite the volatile macroeconomic environment, 2015 has been a record year for system sales. The UK and ROI business continues to set sales records, and we sold 82.4m pizzas in the year, averaging over 230,000 per day. We continue to exploit the opportunities of new technology to the full, with e-commerce now being the source of over two thirds of our total sales. This robust base gives us confidence for the future, and during 2016 we expect to be opening around 65 new stores and will be investing in additional supply chain centres in the UK and ROI. We believe that significant growth remains possible in the core UK and ROI business for many years to come.

We have made a good start to 2016, although we are conscious of increasingly tough comparatives for the rest of the year.

Key Performance Indicators

In order to continue to implement, develop and measure the Group's strategic performance, we monitor eight financial and non-financial key performance indicators ('KPIs') in addition to the Group's income statement results.

1) **UK stores like-for-like sales growth (%)**
   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 765 stores that were open in both periods being compared grew by 11.7% (2014: 11.3% growth in 724 stores). Over the last five years the average like-for-like growth was 7.8% (2014: 8.3%).
2) **System sales (£m)**
   System sales represent the most useful indicator of the overall strength of the Domino's brand. The Company measures the total sales of franchisee and corporate stores system in the UK and Republic of Ireland, to external customers, for the 52 week period compared to the 52/53 week historic reporting periods. In 2015, system sales grew by 15.6% to £865.2m (2014: grew by 14.9% to £748.2m).
3) **Delivered on time (%)**
   The UK and ROI's target is to safely deliver its product to its customer within 30 minutes of an order being placed. The percentage performance of orders in 2015 that are delivered within 30 minutes remained steady at 82.0% (2014: 82.0%).
4) **Underlying profit before tax (PBT) (£'000)**
   Underlying profit before tax ("underlying PBT") is a good indicator of the efficiency of the business model for the shareholders and franchisee's alike. Underlying PBT for the period was up 20.9% (2014: 11.9%) to £73.8m (2014: £61.0m).
5) **Ecommerce sales (£m)**
   The focus on digitalisation of the business drives this measure. In 2015, system sales to external customers grew via the website by 30.2% to £573.6m (2014: grew by 30.3% to £440.3m).
6) **New store openings (number of stores)**
   A strong indicator of growth in our business is continued presence by increasing store numbers. In the UK and Republic of Ireland 61 new stores were opened during the 52-week period ended 27 December 2015 (2014: 40).

Strategic report (continued)

RISK MANAGEMENT

The Board has continued to identify, evaluate and monitor risks facing the Group and, during the year under review, a particular focus has been placed on assessing the likely impact that each identified risk could have on the business.

Our approach

All businesses choose to take considered risks in the expectation of earning a return for their shareholders. The Board has determined its risk appetite, stating the risks it seeks to take (or is prepared to face) within the company's business model and the adopted strategy, and has also defined the risks it is not prepared to take. The latter are avoided or eliminated as far as possible, or transferred to insurers.

The Board is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Company. Importantly, we treat identifying and managing risk as an integral part of managing the business, and not as an additional bureaucratic chore. Risks are recorded in the Group's risk register and regularly reviewed and evaluated. Each risk has a business owner, responsible for managing that risk, implementing appropriate controls and mitigating actions and reporting on it to the Leadership Team. In turn, the principal risks are reported on to the Board.

As a sense-check on management's actions, the Board undertakes its own assessment of principal risks in each year, which is then integrated into the risk register. These known risks are taken into account in developing the Company's strategy and business plans.

Principal risks and uncertainties

The business faces a wide range of risks on a daily basis. The Board has undertaken a robust assessment of what it believes are the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table overleaf summarises these principal risks and how they are being managed or mitigated.

The risks in this table have been assessed on a residual basis according to our current view of the potential severity (being the combination of impact and probability) and assume that existing controls are effective. The risks therefore represent a snapshot of what the Board believes are the principal risks and are not an exhaustive list of all risks the Company faces. The environment in which we operate is constantly evolving; new risks may arise, the potential impact of known risks may increase or decrease and/or our assessment of these risks may change.

Strategic report (continued)

Strategic risks	People-related risks	Failure to respond to and overcome competitive pressures	Inability to react to changes in the health debate and public desire for healthier food
Risk	The business is overly dependent on key individuals (either at executive level or in relation to specialist skills), possibly exacerbated by a failure to attract or retain the skilled and experienced people it needs	The business faces strong competition from a range of players, including those exploiting emerging technologies or new food options and new entrants into the UK market	As society's expectations evolve, and governmental acts on public health concerns, we may need to change the products we offer and our approach to marketing
Potential impact	Medium	High	Medium
Probability	Medium	Low	High
Mitigation	The Board considers succession planning on a regular basis and has set the CEO a personal objective of developing multiple potential successors. Contingency plans are in place which could be implemented on a short-term basis should we suddenly lose a key executive. The business is considering whether to open a site away from Milton Keynes to assist in the recruitment and retention of specialist IT developers	Management keeps the competitive landscape under continual review and the Board also monitors the markets in which it operates, as well as KPI data on the current business. Strategy is reviewed and developed by the Board on at least an annual basis	Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these. We also engage, appropriately, with Government on the public health debate to ensure that our views are understood by policy makers and influencers
Nature of threat	These risks could have some impact on future performance, for a limited time	These risks have the potential to compromise our future performance or, in an extreme scenario even the business model	These risks have the potential to compromise our future performance or, in an extreme scenario even the business model
Change from 2014	↑	→	↑
Commentary	This risk has increased in significance temporarily, following the loss of the CFO during the year	This risk has not changed materially during the year	We are monitoring the Government's Childhood Obesity Strategy due to be published in early 2016. It is likely that this will have an impact on several areas of our business

Strategic report (continued)

Strategic risks	Failure to achieve UK growth through new store openings	Commercial leverage of large franchisees
Risk	Failure to meet store growth targets would be a breach of our Master Franchise Agreements. Our ability to open new stores depends on our ability to lease or buy suitable premises, obtain the necessary planning approvals and identify a suitable franchisee to run the store	The Company has a number of franchisees whose businesses run large numbers of stores, and so enjoy some commercial leverage. The Company may be unable to persuade these franchisees to implement our preferred strategies, or to pass on cost increases in full or in part
Potential impact	High	High
Probability	Low	Medium
Mitigation	Board approval is needed for the targets contained within the MFAs, and the Board monitors the pipeline of proposed store openings on a continual basis. Franchisee development programmes are run and we employ surveyors to identify and secure appropriate premises	Open and transparent relationships with multi-site franchisees are managed at senior levels of the Company. We also explain the profit-sharing model to all franchisees, so that they understand that success is mutual. Numbers of stores managed by the large franchisees are monitored
Nature of threat	These risks could have an impact on future performance, In an extreme case an unremedied breach of the MFA could threaten the Company's business model and liquidity	These risks have the potential to compromise our future performance for a period of time
Change from 2014	↓	→
Commentary	The growth achieved in 2015 demonstrates that we are able to meet challenging store opening targets. Despite the larger estate, we remain confident of our ability to continue opening new stores and believe that this risk has reduced in significance over the year	This risk has not changed materially during the year

Strategic report (continued)

Operational risks	Food safety	Interruption of raw material supplies	Supply Chain Centres are unable to supply the stores
Risk	There is the risk of contamination in either the pre-proved dough we produce at the Company's Supply Chain Centres, or in the pizza topping ingredients we distribute to our franchisees' stores.	The business relies on a number of third-party suppliers for pizza toppings, some of whom provide the sole source of an ingredient. These suppliers must make a commercial return to stay in business and reinvest in their operations. The Company would be vulnerable if a supplier decided to cease trading, suffered a major interruption or food safety incident, or was responsible for an ethical breach of such severity that the Company would no longer trade with them	We distribute both the pre-proved dough we produce and third-party pizza toppings to our franchisees stores. In the event of physical damage to, or loss of, a Supply Chain Centre we would need to make urgent contingency arrangements wherever possible. However, the space required to hold dough whilst proving forms a critical constraint to our business
Potential impact	High	High	High
Probability	Medium	Low	Medium
Mitigation	The business has implemented a rigorous regime of standards and food safety checks, working with the appropriate Government regulator	Suppliers who are selected through competitive tendering and appropriate due diligence processes, supply the Company under long-term contracts. The economics of their businesses are kept under review and their performance against their obligations monitored. We assess their compliance with acceptable business standards	In the event of the loss of a Supply Chain Centre, third-party ingredients could be delivered to stores direct, at an additional cost. The Company is considering developing additional dough proving facilities, which would mitigate this risk significantly. Loss of our dough production facilities would be more difficult to overcome, but contract production of dough would be possible, at an additional cost
Nature of threat	If this risk materialised, it could have a significant impact on future performance and potentially liquidity, for a limited time. The reputational impact could have a longer term effect on performance and, in an extreme case, threaten the business model	These risks have the potential to compromise our future performance for a limited time	These risks could have a significant impact on future performance and potentially liquidity, for a limited time
Change from 2014	→	→	↑
Commentary	Although the Company has grown in scale during the year, this risk has not changed materially since 2014	Although the Company has grown in scale during the year, this risk has not changed materially since 2014	The growth in scale of the Company during the year means that we are nearing our current capacity for proving dough, so the potential impact of this risk has increased since 2014

Strategic report (continued)

Operational risks	Failure of online ordering systems for a prolonged or critical period	Loss of personal data relating to customers, employees or others; loss of corporate data	Implementation of enterprise resource planning ('ERP') system
Risk	Over 75% of delivered sales are now placed online, around half of which are using apps for mobile devices. As well as the reliance on data centres and our own software developed in-house, there is also a risk from malicious denial of service attacks	For ease of use, our online ordering systems hold some customer data, the loss of which (whether accidental or following hacking) would cause disruption and cost to the Company. In addition, the Company's own data on employees and suppliers is exposed to the same risks of loss	The Company intends to implement an ERP system during 2016. While this is expected to improve the internal control environment, the transition from, and eventual removal of, legacy IT systems creates continuity risks. In addition, the design and implementation of new operating practices and culture needed to bring the ERP system into full effect creates further risk to the Company's business
Potential impact	High	High	High
Probability	Medium	Medium	Medium
Mitigation	Cyber-risk appears on the Board agenda on at least an annual basis and management reviews the performance of its IT infrastructure on a continual basis. Our systems are hosted by third-party specialists, with parallel processing across multiple sites and real-time replication and appropriate protection from malicious attempts to disrupt the availability of our sites. The business is considering whether to open a site away from Milton Keynes to assist in the recruitment and retention of specialist IT developers	Cyber-risk appears on the Board agenda on at least an annual basis and management keeps the security of data under its ownership or control under continual review. We do not hold customer credit card data on our systems. Franchisees are trained in their obligations in respect of personal data and are required to train their staff appropriately. Appropriate IT security is in place and kept under continual review	The business has been planning the implementation of ERP for 2½ years and has selected a product with a good track record on ease of installation and an experienced consultancy to support the implementation. Company-side education sessions have already begun and those employees affected are being familiarised with the new software and operating practices
Nature of threat	These risks could have some impact on future performance, for a limited time	These risks have the potential to compromise our future performance. In an extreme scenario, the reputational damage could possibly threaten the business model if we suffered a total loss of consumer confidence	These risks have the potential to compromise our future performance, for a limited time
Change from 2014	↑	→	→
Commentary	Since a greater proportion of pizza ordering is now online, this risk has increased in significance during the year	This risk has not changed materially during the year	This risk has not changed since 2014, but will increase in significance as we implement the ERP system during 2016

Strategic report (continued)

By order of the board

D J Wild
Director
20 October 2016

Directors' report

Directors

The directors who served throughout the year were as follows:-

Directors

S G Hemsley	
M A Botha	
J M Franks	(Resigned 13 May 2016)
C Rees	
S Wallis	
J Poulson	(Resigned 29 July 2016)
S V McLeod	
P L Higgins	(Appointed 11 May 2015, Resigned on 31 October 2015)
DJ Wild	
R C Bellhouse	(Appointed 2 November 2015, Resigned 25 July 2016)

Appointments after the period end were as follows:

N Wyncoll	(Appointed 1 June 2016)
R Caley	(Appointed 1 June 2016)
A Bushnell	(Appointed 25 July 2016)

Principal activities of the Company

The principal activity of the company during the year was the development of the Domino's franchise system in the United Kingdom and Republic of Ireland.

Financial instruments

The company's principal financial instruments are bank loans, franchisee loans and trade creditors. The company has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. The main risks arising from the company's financial instruments are cash flow interest risk, fair value risk, interest rate risk and credit risk. In view of the low level of foreign currency transactions the Board does not consider there to be any significant foreign currency risks.

Due to the nature of customers who trade on credit terms, being predominantly franchisees, the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Since the Company trades only with franchisees that have been subject to the franchisee selection process there is no requirement for collateral.

Employees

Employees of Group companies are encouraged to participate in the success of the business through incentive and share option schemes. Progress is regularly communicated to the management of subsidiary companies and all management and staff are expected to communicate fully within their own area of responsibility.

Directors' report (continued)

Employment policies

The Company is committed to the principle of equal opportunity in employment. The Company recruits and selects applicants for employment based solely on a person's qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Company's policy to recruit the most capable person available for each position. The Company recognises the need to treat all employees honestly and fairly. The Company 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.

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

Procedures, diversity and inclusivity

Human resource 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 Company does not tolerate harassment of any employee.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going Concern

The Company expects to maintain its positive net asset position and continue to generate profit and positive cash flows on its own account for the foreseeable future. The directors, having assessed the Company have no reason to believe that a material uncertainty exists that casts significant doubt over its ability to continue as a going concern or its ability to access external funding to provide sufficient levels of head room to allow the company to operate and execute its growth strategy. The company is obligor to a 5-year revolving unsecured multi-currency of £175m facility which was entered into on 8 July 2016. On the basis of their assessment of the company's financial position and of the enquiries made the directors reasonably expect that the company will be able to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' and officers' liability insurance

The Company maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

By order of the board

D J Wild
Director
20 October 2016

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Domino's Pizza UK & Ireland Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOMINO'S PIZZA UK & IRELAND LIMITED

We have audited the financial statements of Domino's Pizza UK & Ireland Limited for the year ended 27 December 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. 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 14, the directors are responsible for the preparation of the 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 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 December 2015 and of its profit for the year then ended;
- 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 matter prescribed by the Companies Act 2006

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

Independent auditor's report (continued)

to the members of Domino's Pizza UK & Ireland Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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

Ernst & Young LLP

Christopher Voogd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

24 October 2016

Profit and Loss Account

for the year ended 27 December 2015

	Notes	*Year ended 27 December 2015 £*	*Year ended 28 December 2014 £*
Turnover	2	273,283,505	244,905,554
Cost of sales		(159,354,108)	(146,228,062)
Gross profit		113,929,397	98,677,492
Distribution costs		(16,849,309)	(13,998,141)
Administrative expenses		(29,547,972)	(40,098,371)
Operating profit	3	67,532,116	44,580,980
Profit on sale of non-current assets & assets held for sale		-	3,454
Investment income	4	5,396,564	-
Profit on ordinary activities before interest and taxation		72,928,680	44,584,434
Interest receivable	7	501,600	1,277,132
Interest payable	8	(268,955)	(284,829)
Profit on ordinary activities before taxation		73,161,325	45,576,737
Tax on profit on ordinary activities	9	(8,520,412)	(8,722,545)
Profit for the financial year		64,640,913	36,854,192

Non-GAAP measure: underlying profit on ordinary activities before taxation			
Profit on ordinary activities before taxation		73,161,325	45,576,737
- Impairments	4	1,325,423	6,032,333
- Other restructuring items	4	4,773,941	9,199,415
Amounts included in operating profit		6,099,364	15,231,748
Profit on sale of non-current assets & assets held for sale		-	(3,454)
Investment income	4	(5,396,564)	-
Discount unwind included in interest payable	4	-	205,534
Underlying profit on ordinary activities before taxation		**73,864,125**	**61,010,565**
Underlying operating profit		**73,631,480**	**59,812,728**

The company has no recognised gains or losses other than the results for the period as set out above.

All activities relate to continuing operations.

Details of dividends paid during the year are set out in note 10 of the financial statements.

Registered No: 2882515

Balance sheet

27 December 2015

	Notes	At 27 December 2015 £	At 28 December 2014 £
Fixed assets			
Intangible assets	11	351,735	436,811
Tangible assets	12	32,097,700	30,964,014
Investments	13	7,783,075	9,108,498
		40,232,510	40,509,323
Current assets			
Stocks	14	5,227,788	4,003,696
Debtors	15	134,196,524	130,374,913
Cash at bank		9,480,833	22,508,520
		148,905,145	156,887,129
Creditors: amounts falling due within one year	16	(57,155,775)	(73,165,693)
Net current assets		91,749,370	83,721,436
Total assets less current liabilities		131,981,880	124,230,759
Creditors: amounts falling due after one year	17	(10,597,108)	(8,089,371)
Provisions for liabilities and charges	18	-	(1,280,663)
		121,384,772	114,860,725
Capital and reserves			
Called up share capital	22	2,250,000	2,250,000
Profit and loss account	23	119,134,772	112,610,725
Equity shareholders' funds	23	121,384,772	114,860,725

The financial statements were approved by the Board on 20 October 2016 and were signed on its behalf by

D J Wild

Director

Notes to the financial statements

for the year ended 27 December 2015

1. Accounting policies

Basis of preparation

The financial statements of Domino's Pizza UK & Ireland Limited were approved for issue by the Board of Directors on 20 October 2016.

The financial statements are prepared under the historical cost convention, and in accordance with United Kingdom Generally Accepted Accounting Practises ("UK GAAP").

Group accounts

Group accounts are not submitted as the company is exempt under Section 400 (1) of the Companies Act 2006. The results of the company are dealt with in the consolidated accounts of Domino's Pizza Group plc.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related party transactions

The company is a wholly owned subsidiary of Domino's Pizza Group plc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with wholly owned group companies.

Intangible fixed assets

Franchise fees are amounts paid to the master franchisor. Amortisation is provided on a straight line basis over 20 years which aims to write off the cost of the asset over its expected useful life.

The company provides interest free loans to assist franchisees in the opening of new stores, the difference between the present value of loan recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated via the royalty income and commissary sales. The assets are amortised over the life of the new franchisee agreement of 10 years.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:

Assets under construction	Not depreciated
Leasehold improvements	Over the life of the lease
Fixtures and fittings	Over 5 to 10 years
Commissary equipment	Over 3 to 30 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. The majority of assets within commissary equipment are being depreciated over ten years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)

for the year ended 27 December 2015

1. Accounting policies (continued)

Stocks

Stocks comprise raw materials, consumables and goods for resale (being equipment for resale to franchises) and are stated at the lower of cost and net realisable value. Cost of stock is determined on the average cost basis or, for computer and food stock, the first-in, first-out basis.

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 a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and 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 future reversal of 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the financial statements (continued)
for the year ended 27 December 2015

1. Accounting policies (continued)

National advertising fund
In addition to franchise fees, franchisees pay contributions which are collected by the Company for specific use within the National advertising fund. The Company 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 Company 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 Company, revenue recognition criteria are not met and therefore the income and expenses of the fund are not included in the Company income statement.

Share-based payment transactions
Employees (including 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 in Domino's Pizza Group plc, the company's ultimate parent company.

The awards vest when certain performance and/or service conditions are met, see note 24 for the individual vesting conditions for the various schemes.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

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

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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.

Notes to the financial statements (continued)

for the year ended 27 December 2015

1. Accounting policies (continued)

Pensions

The company makes contributions to certain individuals' personal pension plans. Contributions are charged in the profit and loss account as they become payable.

2. Turnover

The principal components of turnover are royalties received, commissary and equipment sales, sale of franchises, stated net of value added tax. Substantially all of the goods and services are sold or rendered within the United Kingdom.

Turnover is attributable to one continuing activity, that of the development of the Domino's franchise system in the United Kingdom and Republic of Ireland.

3. Operating profit

This is stated after charging:

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Auditors' remuneration - audit of the financial statements	41,180	35,050
	41,180	35,050
Depreciation of fixed assets	3,140,802	2,959,185
Amortisation*	81,583	82,090
Accelerated depreciation and impairment of tangible fixed assets	85,675	424,752
Impairment of investments (note 4)	1,325,423	5,607,581
	4,633,484	9,073,608
Operating lease rentals – plant and equipment	2,551,858	2,468,520

*Included within this amortisation charge is £49,776 (2014: £50,157) in relation to the interest free franchisee loans intangible

Notes to the financial statements (continued)

for the year ended 27 December 2015

4. Items excluded from Non-GAAP measure: underlying profit on ordinary activities before taxation

(a) Included within operating profit

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Impairments		
Accelerated depreciation and impairment of tangible fixed assets	-	424,752
Subsidiaries (note 13)	1,325,423	5,607,581
	1,325,423	6,032,333
Other restructuring items		
Restructuring and reorganisation	-	(31,877)
Intercompany balances receivable	4,773,941	9,231,292
	4,773,941	9,199,415
Amounts included in operating profit	**6,099,364**	**15,231,748**

Impairments

Impairments of £nil (2014: £424,752) relate to an unsuccessful new format (Extra stores) in the UK and £1,325,423 (2014: £5,607,581) to impairment in investment in subsidiaries (see note 13).

Other restructuring items

The £31,877 credit in 2014 represents the release of unused provisions from prior year restructuring costs.

The £4,773,941 (2014: £9,231,292) charge was recognised on impairing inter-company balances with Domino's Pizza Germany Limited, a fellow group company.

(b) Included below operating profit

Investment income

Dividends of £5,396,564 (2014: £nil) have been received from subsidiary and associated undertakings analysed as non-underlying due to the ad hoc nature of their declaration.

Discount unwind on items included in finance expense

A charge of £nil has been recognised in respect of discount unwind on items included in interest payable (2014: £205,534), see note 8 for further details.

5. Staff costs

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Wages and salaries	24,381,589	21,452,186
Social security costs	2,303,212	2,199,814
Other pension costs	531,723	600,494
	27,216,524	24,252,494

Included in wages and salaries is a total expense of share-based payments of £886,974 (2014: £306,955) which arises from transactions, accounted for as equity-settled share-based payment transactions.

Notes to the financial statements (continued)

for the year ended 27 December 2015

5. Staff costs (continued)

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

	Year ended 27 December 2015	*Year ended 28 December 2014*
	No.	*No.*
Production and distribution staff	234	246
Administrative staff	236	224
	470	470

6. Directors' emoluments

The following disclosures relate to the total amounts paid to the directors of Domino's Pizza UK & Ireland Limited for their services to this company and other subsidiaries of the Group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other fellow subsidiaries.

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Emoluments	3,481,595	3,731,429
Company contributions paid to individual personal pension plan	174,405	202,581

	Year ended 27 December 2015	*Year ended 28 December 2014*
	No.	*No.*
Members of money purchase pension schemes	9	12

Included in Directors' emoluments above are termination payments totalling £nil (2014: £194,000)

The amounts in respect of the highest paid director are as follows:

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Emoluments	1,192,923	831,115
Company contributions paid to individual personal pension plan	49,846	33,269

Notes to the financial statements (continued)

for the year ended 27 December 2015

7. Interest receivable

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Interest receivable from group undertakings	271,265	658,245
Interest receivable from franchisee loans	51,701	68,497
Bank interest receivable	38,976	106,318
Unwinding of discount	130,859	239,232
Other interest receivable	8,799	163,952
Foreign exchange	-	40,888
	501,600	1,277,132

8. Interest payable

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Bank interest payable	99,917	79,295
Unwinding of discount	58,280	205,534
Other interest payable	9,143	-
Foreign exchange	101,615	-
	268,955	284,829

Included within interest payable is a charge of £58,280 (2014: £205,534) relating to the unwinding of the discount on the deferred consideration payable in relation to the acquisition of Domino's Leasing Limited.

Notes to the financial statements (continued)

for the year ended 27 December 2015

9. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 27 December 2015 £	Year ended 28 December 2014 £
Current tax:		
UK corporation tax	11,537,623	9,468,391
Tax under provided in previous periods	(2,024,253)	(150,871)
Total current tax (note 9(b))	9,513,370	9,317,520
Deferred tax:		
Current year origination and reversal of timing differences (note 18)	(251,042)	(33,332)
Prior year origination and reversal of timing differences (note 18)	(673,332)	(561,643)
Effect of change in tax rates	(68,584)	-
Tax on profit on ordinary activities	8,520,412	8,722,545

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are reconciled below:

	Year ended 27 December 2015 £	Year ended 28 December 2014 £
Profit on ordinary activities before tax	73,161,325	45,576,737
Profit on ordinary activities at the standard rate of tax	14,815,168	9,798,999
Non-qualifying depreciation	387,464	180,171
Income not taxable	(1,093,063)	(52,201)
Other non-qualifying expenditure	1,251,883	3,672,266
Accelerated capital allowances	(469,268)	24,735
Other	-	110,133
Share option exercise deduction	(603,891)	(214,194)
Group relief	(2,750,670)	(4,051,518)
Adjustment in respect of prior year	(2,024,253)	(150,871)
Total current tax (note 9(a))	9,513,370	9,317,520

In the Summer Budget on 8 July 2015, the Chancellor of the Exchequer announced further changes to the corporation tax rates, which will have an effect on the company's current and future tax position. The changes announced were further reductions to the standard rate of corporation tax, with the rate set to be reduced to 19%, effective 1 April 2017. A further reduction to 18% effective 1 April 2020 was also announced. These rates were substantively enacted in Finance (No. 2) Act 2015 on 26 October 2015. As a result, the relevant deferred tax balances have been remeasured as appropriate.

The Chancellor of the Exchequer announced a further reduction in the standard rate of corporation tax in the 2016 Budget on 16 March 2016, reducing the rate to 17% effective 1 April 2020, superseding the previously announced reduction to 18%. At the balance sheet date the Finance Act 2016 had not been substantively enacted and no adjustment has been made to deferred tax balances.

Notes to the financial statements (continued)

for the year ended 27 December 2015

10. Dividends

	Year ended 27 December 2015	*Year ended 28 December 2014*
	£	*£*
Equity dividends on ordinary shares:		
Interim paid	60,000,000	49,928,574
Total dividends paid	60,000,000	49,928,574
Dividends received from subsidiary undertakings	5,396,564	-

11. Intangible fixed assets

	Master franchise fee	*Other*	*Total*
	£	*£*	*£*
Cost:			
At 28 December 2014	1,028,252	502,817	1,531,069
Disposals	-	(3,493)	(3,493)
At 27 December 2015	1,028,252	499,324	1,527,576
Depreciation:			
At 28 December 2014	964,312	129,946	1,094,258
Provided during the year	31,933	49,650	81,583
At 27 December 2015	996,245	179,596	1,175,841
Net book value:			
At 27 December 2015	32,007	319,728	351,735
At 28 December 2014	63,940	372,871	436,811

Notes to the financial statements (continued)

for the year ended 27 December 2015

12. Tangible fixed assets

	Assets under construction	*Commissary equipment*	*Fixtures and fittings*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 28 December 2014	1,336,394	30,385,589	17,895,367	49,617,350
Additions	308,953	927,583	5,592,457	6,828,993
Disposal	-	(2,215)	(203,241)	(205,456)
Reclassification	-	(783)	(887,349)	(888,132)
At 27 December 2015	1,645,347	31,310,174	22,397,234	55,352,755
Depreciation:				
At 28 December 2014	-	8,668,704	9,984,632	18,653,336
Provided during the year	-	1,400,097	3,376,725	4,776,822
Disposals	-	(1,537)	(203,241)	(204,778)
Impairments	19,673	-	66,002	85,675
Reclassification	-	-	(56,000)	(56,000)
At 27 December 2015	19,673	10,067,264	13,168,118	23,255,055
Net book value:				
At 27 December 2015	1,625,674	21,242,910	9,229,116	32,097,700
At 28 December 2014	1,336,394	21,716,885	7,910,735	30,964,014

Assets with a net book value of £832,000 (2014: nil) have been reclassified to other debtors during the year. These represent lease assets for improved presentation.

Notes to the financial statements (continued)

for the year ended 27 December 2015

13. Investments

	Subsidiary undertakings	*Associates*	*Total*
	£	£	£
Carrying value before impairment			
As at 28 December 2014 and at 27 December 2015	15,822,707	205,000	16,027,707
Provisions for impairment			
At 28 December 2014	6,919,209	-	6,919,209
Impairment	1,325,423	-	1,325,423
At 27 December 2015	8,244,632	-	8,244,632
Carrying value			
At 27 December 2015	7,578,075	205,000	7,783,075
At 28 December 2014	8,903,498	205,000	9,108,498

On 1 July 2009, Domino's Pizza UK & Ireland Limited (Formerly Domino's Pizza Group Limited) 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.

An impairment review was undertaken at the 27 December 2015 in respect of all Investment (see note 4) and as a result an impairment of £1,325,423 was recognised on DP Leasing Limited.

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

During the period, a finance expense of £58,280 (2014: £205,536) has been recognised in relation to the unwinding of the discount on the deferred consideration and payments of £3,517,021 (2014: £1,208,066) have been made, along with an increase in the charge of £nil (2014: £nil), resulting in a liability of £2,864,976 (2014: £6,323,717) for deferred consideration as at 27 December 2015.

	£
At 29 December 2013	7,326,247
Paid during the period	(1,208,066)
Unwinding of discount	205,536
At 28 December 2014	6,323,717
Paid during the period	(3,517,021)
Increase during the period	58,280
At 27 December 2015	2,864,976

Notes to the financial statements (continued)

for the year ended 27 December 2015

13. Investments (continued)

	At 27 December 2015	At 28 December 2014
	£	£
Current	2,864,976	3,840,971
Non-current	-	2,482,746
Total	2,864,976	6,323,717

Details of the investments in which the company held 20% or more of the nominal value of any class of share capital during the period are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
D. P. Pizza Ltd	Ordinary shares	100%	Operation of supply chain centre
Domino's Leasing Limited	Ordinary shares	100%	Leasing of assets
Full House Restaurants Holdings Limited	Ordinary shares	41%	Management of pizza stores
DP Newcastle Limited	Ordinary shares	100%	Dormant

14. Stocks

	At 27 December 2015	*At 28 December 2014*
	£	*£*
Raw materials and goods for resale	5,227,788	4,003,696

15. Debtors

	At 27 December 2015	*At 28 December 2014*
	£	*£*
Trade debtors	7,871,550	8,228,454
Amounts owed by associated undertakings	4,214,348	1,331,169
Amounts owed by other group undertakings	110,480,996	103,038,652
Other debtors	2,930,263	8,253,457
Prepayments and accrued income	7,990,912	9,523,181
Deferred tax assets	708,455	-
	134,196,524	130,374,913

Included in other debtors is the National Advertising Fund ("NAF") balance of £nil (2014: £1,557,541), arising due to the timing of the cash flows of the marketing activities committed to by the fund and the contributions received from the franchisees. Total contributions made by franchisees to the fund during the 52 weeks ended 27 December 2015 were £35,097,644 (2014: £29,138,185). The outstanding balance of the NAF bears interest at 4.5% (2014: 4.5%) above Barclays Bank plc base rate.

Assets with a net book value of £832,000 (2014: nil) have been reclassified to other debtors from tangible fixed assets during the year. These represent lease assets for improved presentation.

Notes to the financial statements (continued)

for the year ended 27 December 2015

16. Creditors: amounts falling due within one year

	At 27 December 2015	At 28 December 2014
	£	£
Deferred consideration (note 13)	2,864,976	3,840,971
Trade creditors	7,698,470	13,584,189
Amounts owed to group undertakings	1,597,246	21,435,489
Corporation tax	3,737,000	5,147,404
Other taxation and social security	5,221,123	3,954,808
Other creditors	1,326,010	3,830,498
Accruals and deferred income	34,710,950	21,372,334
	57,155,775	73,165,693

Included in other creditors is the National Advertising Fund ("NAF") balance of £974,237 (2014: £1,557,591 debtor) arising due to the timing of the cash flows of the marketing activities committed to by the fund and the contributions received from the franchisees.

17. Creditors: amounts falling after one year

	At 27 December 2015	At 28 December 2014
	£	£
Deferred consideration (note 13)	-	2,482,746
Bank revolving facility – wholly repayable within 5 years	10,597,108	5,606,625
	10,597,108	8,089,371

Refer to note 20 for further information on the bank revolving facility.

18. Provisions for liabilities and charges

	At 27 December 2015	At 28 December 2014
	£	£
Deferred tax - opening balance	1,280,663	2,053,190
Current year origination and reversal of timing differences (note 9(a))	(251,042)	(33,332)
Prior year origination and reversal of timing differences (note 9(a))	(673,332)	(561,643)
Credit to equity	(996,160)	(177,552)
Effect of change in tax rate	(68,584)	-
Deferred tax - closing balance	(708,455)	1,280,663
Taken to debtors (note 15)	708,455	-
Provision for deferred tax	-	1,280,663

Notes to the financial statements (continued)

for the year ended 27 December 2015

19. Commitments under operating leases

At 27 December 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	Assets other than land and buildings	
	At 27 December 2015	*At 28 December 2014*
	£	£
Operating leases which expire:		
Within one year	47,881	-
In two to five years	1,195,696	1,477,912
	1,243,577	1,477,912

20. Contingent liability

Bank revolving facility

Interest charged on the term loan was 1.10% per annum above LIBOR. The term loan matured on 31 January 2015 on which date facilities reduced back to £30.0 million. Interest charged on the revolving credit facility is 1.35% per annum above LIBOR in addition to a 0.5% utilisation fee. Arrangement fees of £111,659 (2014: £372,000) directly incurred in relation to the facility are included in the carrying value of the facility and are being amortised over the term of the facility. The facility is secured by an unlimited cross-guarantee between the Company, Domino's Pizza Group Plc, DPG Holdings Limited, DP Realty Limited, DP Pizza Limited and DP Group Developments Limited.

On 8 July 2016, the Group entered into a new £175.0 million multicurrency revolving credit facility with Barclays Bank plc, HSBC Holdings plc and The Royal Bank of Scotland Group Plc. The previous £30.0 million facility with Barclays Bank plc was repaid in full and cancelled.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR when the Group's leverage is less than 1:1 up to 1.50% per annum for leverage above 2:1. In addition a utilisation fee is charged on the facility if over one third of the facility is utilised at 15% of the margin rate and 30% if over two thirds of the facility is utilised. The facility expires on 18 July 2021.

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

Notes to the financial statements (continued)

for the year ended 27 December 2015

21. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 27 December 2015, are as follows:

	Sales to related party		*Amounts owed from related party*	
	2015	2014	2015	2014
	£	£	£	£
Full House Restaurants Limited	13,375,189	10,410,237	595,306	1,073,275
DP Shayban Limited	6,379,706	3,491,938	181,926	81,259
Domino's Pizza West Country Limited	4,371,271	4,144,933	68,177	132,333
	24,126,166	18,047,108	845,409	1,286,867

22. Share capital

		Authorised
	At 27 December 2015	*At 28 December 2014*
	£	*£*
Ordinary shares of £0.05 each	2,200,000	2,200,000
A shares of £0.05 each*	50,000	50,000
	2,250,000	2,250,000

	Allotted, called up and fully paid			
	At 27 December 2015		*At 28 December 2014*	
	No.	*£*	*No.*	*£*
Ordinary shares of £0.05 each	44,000,000	2,200,000	44,000,000	2,200,000
Allotment of A shares*	1,000,000	50,000	1,000,000	50,000
	45,000,000	2,250,000	45,000,000	2,250,000

* On 21 April 2009 the authorised share capital of the Company was increased by the creation of 1,000,000 new A shares of £0.05 each. The A shares being irredeemable preference shares. These A shares were issued to the sole member of the Company by way of a bonus issue. The Company passed a resolution on 21 April 2009 to capitalise £50,000 of the undivided profits as part of the issue of the shares, as the member would have been entitled to it if it were distributed by way of a dividend. This sum was applied on its behalf in paying up in full the issue of the new shares.

Notes to the financial statements (continued)

for the year ended 27 December 2015

23. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	£	£
At 29 December 2013	2,250,000	125,200,600	127,450,600
Profit for the year	-	36,854,192	36,854,192
Share Based Payment credit	-	306,955	306,955
Tax on employee share options	-	177,552	177,552
Dividends paid	-	(49,928,574)	(49,928,574)
At 28 December 2014	2,250,000	112,610,725	114,860,725
Profit for the year	-	64,640,913	64,640,913
Share Based Payment credit	-	886,974	886,974
Tax on employee share options	-	996,160	996,160
Dividends paid	-	(60,000,000)	(60,000,000)
At 27 December 2015	2,250,000	119,134,772	119,134,772

24. Share-based payment plans

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 27 December 2015 is £886,974 (2014: £306,955). This all arises on equity-settled share-based payment transactions.

2012 Long Term Incentive Plan (2012 LTIP)

At the 2012 AGM shareholders approved the adoption of new LTIP rules which allow for either the grant of market value options or performance shares. Awards are approved and granted at the discretion of the Remuneration Committee to senior executives and other employees. Awards are capable of vesting within a three-year period should certain performance targets be achieved by the Group and all awards will be equity settled. During the period 322,702 awards were granted (2014: 1,314,445). At 27 December 2015, there were 2012 LTIP awards over 1,434,163 (2014: 1,962,728) shares in Domino's Pizza Group plc.

The weighted average remaining contractual life of the options outstanding at 27 December 2015 was 6.3 years (2014: 6.7 years). The weighted average share price for options exercised during 2015 was 410.03p (2014: 419.06p).

The fair value of options granted is estimated at the date of granting using Stochastic and Black-Scholes models, taking into account the terms and conditions upon which they were granted. Total shareholder return (TSR) is generated for the Company and the comparator group at the end of the three-year performance period. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The following table lists the inputs to the model used for the period ended 27 December 2015:

	52 weeks ended 27 December 2015
Weighted average fair value	588.00p
Weighted average share price	911.0p
Weighted average exercise price	0.00p
Expected dividend yield	0%–2.07%
Risk free rates	0..79%-1.52%
Expected volatility	23.6.%-27.5%

Further information on the Company's 2012 LTIP awards are given in the Annual Report and Accounts 2015 for Domino's Group PLC, the company's parent, within the Directors' remuneration report.

Notes to the financial statements (continued)

for the year ended 27 December 2015

24. Share-based payment plans (continued)

Employee share options

On 23 March 2004, the Company established the Domino's Pizza Group plc Enterprise Management Incentive Scheme ('EMI Scheme').

All employees are eligible for grants of options under this scheme, which is approved by the Board. Prior to 2011, the options vested over a three-year period and are exercisable subject to the condition that the growth in adjusted diluted earnings per share during each of the three years following the date of grant exceeds growth in the Retail Prices Index by at least 3%. For 2011 and 2012 the options vest over a three-year period and are exercisable subject to the condition that real growth in adjusted diluted earnings per share, during each of the three years following the date of grant, exceeds 3%.

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.

No options were granted during the period ended 27 December 2015 (2014: nil).

Sharesave scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company at a 20% discount. Employees have the option to save an amount per month up to a maximum of £500 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 2015 was 186.47p (2014: 71.0p).

Share schemes

As at 27 December 2015, the following share options were outstanding:

Scheme	Exercise Price	Outstanding at 28-Dec 2014 No.	Granted during the period No.	Exercised during the period No.	Forefeited During the period No.	Outstanding at 27-Dec 2015 No.	Exercisable at 27-Dec 2015 No.
2012 Long Term Incentive Plan		1,962,728	322,702	(286,420)	(564,847)	1,434,163	86,712
Dominos Pizza (unapproved) Scheme	0.00p to 540.50p	168,762	-	(72,432)	(27,666)	68,664	68,664
Dominos Pizza CSOP (unapproved) Scheme	107.03p to 210.00p	234,813	-	(66,329)	(89,851)	78,633	78,633
Dominos Pizza CSOP (approved) Scheme	205.50p to 482.40p	482,608	-	(314,449)	(7,194)	160,965	160,965
Sharesave Scheme	237.92p to 434.00p	365,231	162,545	(95,816)	(36,565)	395,395	-
		3,214,142	**485,247**	**(835,446)**	**(726,123)**	**2,137,820**	**394,974**
Weighted average exercise price		334.35p	277.37p	410.03p	403.56p	269.88p	344.91p

Notes to the financial statements (continued)
for the year ended 27 December 2015

24. Share-based payment plans (continued)
As at 28 December 2014, the following share options were outstanding:

Scheme	Exercise Price	Outstanding at 29 December 2013 No.	Granted during the period No.	Exercised during the period No.	Forefeited During the period No.	Outstanding at 28 December 2014 No.	Exercisable at 28 December 2014 No.
Reversionary Interest Long Term Incentive Plan	437.10p	2,287,920	-	(1,832,917)	(455,003)	-	-
2012 Long Term Incentive Plan	0.00p to 540.50p	1,021,684	1,314,445	-	(373,401)	1,962,728	-
Dominos Pizza (unapproved) Scheme	107.03p to 210.00p	262,137	-	(93,375)	-	168,762	168,762
Dominos Pizza CSOP (unapproved) Scheme	205.50p to 482.40p	477,674	-	(154,839)	(88,022)	234,813	55,716
Dominos Pizza CSOP (approved) Scheme	205.50p to 482.40p	899,070	-	(280,926)	(135,536)	482,608	152,456
EMI Scheme	64.53p	9,600	-	(9,600)	-	-	-
Sharesave Scheme	237.92p to 434.00p	274,333	184,549	(46,557)	(47,094)	365,231	-
		5,232,418	**1,498,994**	**(2,418,214)**	**(1,099,056)**	**3,214,142**	**376,934**
Weighted average exercise price		409.83p	209.10p	419.06p	355.95p	327.65p	233.74p

25. Ultimate parent company and controlling party

In the opinion of the directors the immediate parent company and controlling party is DPG Holdings Limited a company incorporated in the United Kingdom, which is a wholly owned subsidiary of Domino's Pizza Group plc, the ultimate parent undertaking and controlling party.

The smallest and largest group and for which group financial statements are drawn up, and of which the company is a member, is Domino's Pizza Group plc. Copies of the financial statements of Domino's Pizza Group plc may be obtained from its registered office, 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB.