Registered No: 07916193

Domino's Pizza Germany Limited

Report and Financial Statements

28 December 2014

Directors
D J Wild
P H Doughty
P L Higgins

Secretary
P L Higgins

Auditors
Ernst & Young LLP
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Strategic Report

The directors present their strategic report and financial statements for the year ended 28 December 2014.

Results and dividends
The loss after tax for the period amounted to €9,537,134. Ordinary dividends of €nil were paid during the period.

Review of the business
Our business in Germany has had a challenging year, with system sales growing by 5.6% in local currency to €10.9m (2013: €10.4m) and like-for-like sales decreasing 4.9% (2013: increasing 14.7%). This was partly the result of reducing marketing spend to sustainable levels and rationalising delivery areas for certain stores. During the year three new stores were opened and four were closed, leaving a total of 22 stores at the end of 2014. Our focus in Germany is on establishing viable store-level economics, which will ensure that the model is attractive to both existing and new franchisees. As we continue to work on this, the market remains challenging for franchisees. By the end of the year we had increased our corporate store holding from seven to 11 through the acquisition of the remaining shares in one of our joint ventures. We intend to take control of the remaining jointly controlled store in early 2015 and in addition, a further corporate store was acquired from a franchisee in 2015.

Germany's underlying operating loss for 2014 was €7.0m (2013: €9.0m), including a further charge against accounts receivable in H1 2014 of €3.0m (2013: €nil).

The company has also incurred some exceptional and one-off costs in relation to the business amounting to €1.6m (2013: €18.4m) (see note 4 for further information).

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

We have a network of franchisees who execute the strategy locally. We will support them with:

- an efficient, low-cost supply chain to help drive down costs;
- innovative product development;
- world-class marketing and e-commerce initiatives;
- audits that maintain standards; and
- property management, including new store development.

We have the opportunity to develop a strong position in Germany, where, although our operations are very immature, we are rapidly gaining experience.

2014 was a year of change in Germany as we implemented a new strategy. We opened three new stores and closed four underperforming outlets. We started the year believing that a transition from corporate stores to a franchise model was appropriate. It became clear, however, that until viable store-level economics are established, the losses associated with operating in this market are unsustainable for franchisees. Equally, it became evident that UK franchisees, accustomed to a more liberal and lower-cost labour environment, could not adjust their model to the German market and three left the network, leaving just one remaining.

Overheads in Germany were reduced early in the year as we sought to focus on store-level economics rather than rapid expansion. Additionally, we leveraged capability from the core UK business to improve effectiveness in the key areas of marketing, supply chain, IT and finance.

Strategic Report (continued)

A challenge in Germany has been the historic widening of delivery areas to boost sales. Whilst this is superficially attractive, the delivery and local marketing costs associated with this are punitive and, ultimately, pizza quality suffers. We have now rationalised and are servicing manageable territories and, in some stores, we have seen a sales impact.

At the end of 2014, there were 22 stores in Germany, of which 11 were corporate and 11 were franchised.

In preparation for the introduction of the national minimum wage in Germany, we raised remuneration for colleagues in corporate stores and have invested significantly in training. More work is required in this area and labour scheduling continues to be an opportunity.

Our menus have improved with new pizza toppings being regularly introduced. We have also launched a range of pasta in line with other German competitors.

Overall, sales performance in Germany has disappointed, albeit there was some modest improvement towards the end of the year.

The financial performance continues to be a concern, but losses narrowed sharply in the second half, compared to 2013 and we expect this trend to continue into 2015.

Key Performance Indicators

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

1) **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 stores that were open in both periods being compared fell by 4.9%. The previous year's like-for-like growth was 14.7%.

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 Germany, to external customers, for the 52 week period compared to the 52/53 week historic reporting periods. In 2014, system sales grew by 5.6% to €10.9m (2013: 288.9% to €10.4m).

3) **Delivered on time (%)**
   The Company's target is to safely deliver its product to its customer within 30 minutes of an order being placed. The % of orders that are delivered within 30 minutes was 69.7% (2013 76.3%).

4) **Underlying profit / (loss) before tax (PBT) (€'000)**
   Underlying profit/(loss) before tax ("underlying PBT/(LBT)") is a good indicator of the efficiency of the business model for the shareholders and franchisee's alike. Underlying LBT for the period was €7.9m (2013: €10.0m).

5) **Ecommerce sales (€m)**
   The focus on digitalisation of the business drives this measure. In 2014, the sales of stores in the Germany, to external customers, via the website, grew by 16.2% to €4.2m (2013: 252.8% to €3.6m).

6) **New store openings (number of stores)**
   A strong indicator of growth in our business is continued presence by increasing store numbers. In Germany 3 new stores were opened in 2014 (2013: 7).

Strategic Report (continued)

Risk Management

Our approach

The Board has identified risks facing the Company and assessed the likely impact that each identified risk could have. This has allowed the Board to prioritise and target those risks deemed likely to have the most detrimental impact on the business, were the risk to materialise.

Each identified risk has a business owner who manages and reports on that particular risk to the Company Executive. Each business owner assists the Board in the review of the risk management processes and takes responsibility for designing the appropriate internal controls and policies. The risk will also be added to the Group's risk register and regularly reviewed and evaluated.

The Board can then incorporate identified risks into the formulation and management of the Company's strategic objectives and determine which risks are primary or secondary in terms of likelihood and impact.

Principal risks and uncertainties

As with any business, risks are present on a daily basis. However, below and on the following pages are the risks that the Board considers to be of most significance to the future performance, growth and development of the Company.

Principal risks	Impact	Management and mitigation
COMPETITION		
Impact of competitors Failure to compete on product, service and quality and changes in consumer tastes, brand relevance and demographic trends.	• A material change in market perception of home delivery and convenience foods could adversely affect the Company. • Failure to anticipate and respond to a change in consumer demand could have a material effect on future results of operations and financial performance.	• We work relentlessly to reflect changes in consumer tastes and to improve our offering by investing in price, quality and service. • Part of our strategy is to have a broad appeal on price, product, new store design concepts, service and quality. • We regularly review and analyse the markets in which we operate in addition to customer perceptions of the brand. • The Company places a strong focus on new product development to ensure that the menu has a broad appeal and reflects consumer trends. We also work closely with external third parties who focus on consumer analysis and brand tracking.

Strategic Report (continued)

FRANCHISEES		
Material deterioration in relationships with franchisees Relationships with franchisees are key to the Company's success as the franchisees drive a large part of the business.	Franchisees may leave the system which could result in a drop in operational standards within stores. Franchisees may elect to go to a competitor. Lack of franchisee buy-in could also result in franchisees not supporting changes to policies, standards, brand guidelines and opening stores.	• Relationships with franchisees are carefully nurtured by Directors, senior management and franchisee-facing employees within all departments at Domino's. • One-to-one business review meetings are held with each franchisee at least annually. • The standard franchise agreement in place with franchisees prohibits a franchisee from opening up another pizza outlet for a period of one year post exit from the Domino's system.
Reputational damage or loss of confidence in the brand Any significant act, omission or harmful allegation that is made in public in relation to the brand could lead to significant media interest and potentially bad publicity.	• If any publicity is of a sufficiently adverse nature, customers may lose confidence and choose not to purchase from the Company. • A material loss in sales could affect future results of operation and financial condition.	• Franchisees are required to adhere strictly to the terms of the standard franchise agreement which place obligations on the franchisee to prevent against any reputational damage to the brand on the part of the franchisee. • Regular mentoring of franchisees, training and store visits are carried out by the Company. • Should a franchisee be in material breach of the standard franchise agreement the Company is at liberty to terminate the standard franchise agreement. • Policies and procedures are in place with employees of the Company which detail what employees should and shouldn't do in the realms of Social Media when talking about or referring to the Domino's brand.
INFORMATION TECHNOLOGY AND SECURITY		
Data protection and security Significant failure in, or successful attacks on, our IT infrastructure, systems and processes could impact online	• Loss of digital sales could have a detrimental effect on the financial	• Customer data is protected by both physical and systems controls including encryption and authentication technology.

Strategic Report (continued)

sales and place customer data at risk of loss or theft.	performance of the Company. • Negative publicity, if material, could lead to customers losing confidence and choosing not to purchase from the Company. • Fines received from regulatory bodies and/or claims from individuals affected by the issue.	• All desktops, laptops and mobile devices have access restrictions and are protected with up-to-date software. • The IT department regularly monitors, controls and maintains the integrity and efficiency of IT infrastructure. • Contingency plans and external data centres are in place to deal with any significant IT security incidents. • All critical systems for the Company have external security penetration tests carried out on a regular basis.
PEOPLE		
Employees Failure to attract, retain, develop and motivate the best people at all levels.	Failing to have the right people within the Company could limit the Company's ability to succeed.	• Talent management is reviewed at least annually within the Leadership Teams where key employees are identified and bespoke development plans are put in place. • People development is a key objective for each member of the Leadership Teams. • The Company places significant investment in training, development and incentives.
FOOD PRODUCTION, STORAGE & SUPPLIERS		
Failure of a critical supplier We are reliant upon the continued operation of various third party suppliers who provide raw materials.	Should a major supplier cease trading we may be unable to produce certain food products or are forced to supply from a different, more expensive source.	• Core suppliers are routinely put through a risk assessment to determine likelihood of continued source and supply of goods. • Contingency plans are put in place to deal with the scenario of a supplier stopping supply. • We maintain a close relationship with suppliers and have regular reviews and meetings.

Strategic Report (continued)

Food safety and compliance The Supply Chain Centres must comply with applicable food safety rules and regulations and our franchisees must ensure that all stores are also compliant.	Supply Chain Centre(s) or a store could be closed down in the event of a serious food safety risk or issue. Brand recognition could be seriously damaged if food safety scare occurred.	• Dedicated health and safety and food regulatory teams constantly review and monitor food safety and compliance and mentor franchisees and store managers to ensure that standards are maintained at all times. • Controls are in place to deal with product integrity, approval and management of stores, emerging issues and any changes to regulatory standards. • Supplier assurance programme in place and Supply Chain Centres are regularly audited by independent third parties to the BRC Global Standard for food safety.
Production issues or destruction of Supply Chain Centres One of key functions of the business is production of dough and the distribution of food and other store items by our Supply Chain Centres.	A single major failure or repeated failures in our dough production, distribution of food or other store materials could prevent stores from trading regularly or for a prolonged period. Potential for a major adverse impact on the Company's financial performance.	• We work in partnership with our suppliers and other Domino's Pizza franchises in neighbouring territories to manage the risk of any delays or interruptions in the supply chain which could affect trade.
CORPORATE GOVERNANCE		
Internal controls, fraud and compliance Ensuring the Company has the appropriate internal controls and policies	The Company's growth and expansion into Europe means larger and more remote teams with potential for fraudulent and dishonest activity by suppliers, customers and employees. Risk that issues or considerations which should be	• The Company continues to focus on strengthening its internal controls and adding to its existing policies and procedures • Behavioural guidance is given to employees to employees and the Company has in place an Anti-Bribery & Corruption Policy which all employees and external suppliers are committed to comply with. • A Whistleblowing Policy is in place.

Strategic Report (continued)

	taken into account could be missed if appropriate policies and procedures are not in place.	

By order of the board

P H Doughty
Director
30 September 2015

Directors' report

Principal activities
The principal activity of the company during the period was the development of the Domino's franchise system in Germany.

Directors

The directors who served during the period were as follows:-

L Batchelor	(Resigned 16 March 2014)
L D Ginsberg	(Resigned 2 April 2014)
D Elkanati	(Resigned 26 February 2014)
B Trier	(Resigned 31 October 2014)
D Wild	(Appointed 16 March 2014)
S E Wilkins	(Appointed 8 January 2014, resigned 20 January 2015)
M Millar	(Appointed 26 February 2014, resigned 26 February 2014)
R Strate	(Appointed 26 February 2014)

Directors who were appointed after the year end were as follows:-

P L Higgins	(Appointed 6 July 2015)
P H Doughty	(Appointed 28 September 2015)

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.

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 Group does not tolerate harassment of any employee.

Directors' report (continued)

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 preparing 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 has net liabilities of £42,504,894. The directors have carried out a detailed review of cashflow projections covering 12 months from the approval of these financial statements. The company is dependent on the continued support of its ultimate parent company. The ultimate parent company Domino's Pizza Group Plc has confirmed that they will provide financial support to enable the company to meet its financial obligations as they become due. Therefore they 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

P H Doughty
Director

30 September 2015

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 Germany Limited

We have audited the financial statements of Domino's Pizza Germany Limited for the Year ended 28 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 11 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 28 December 2014 and of its loss for the period 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 Directors' Report for the financial period 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 Germany 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

30 September 2015

Profit and Loss Account

for the year ended 28 December2014

	Notes	*Year ended* 28 December 2014 €	*Year ended* 29 December 2013 €
Turnover	2	6,185,140	7,534,515
Cost of sales		(4,521,496)	(6,818,720)
Gross profit		1,663,644	715,795
Distribution costs		(512,278)	(578,914)
Administrative expenses		(9,460,390)	(27,612,688)
Operating loss	3	(8,309,024)	(27,475,807)
Interest payable	7	(1,228,110)	(949,680)
Loss on ordinary activities before taxation		(9,537,134)	(28,425,487)
Tax on loss on ordinary activities	8	-	15,403
Loss for the financial period		(9,537,134)	(28,410,084)

Non-GAAP measure: underlying loss on ordinary activities before ion			
Loss on ordinary activities before taxation		(9,537,134)	(28,425,487)
- Onerous leases	4	545,369	608,970
- Impairments	4	541,922	9,538,350
- Other restructuring items	4	254,096	8,277,015
Amounts included in operating profit		1,341,387	18,424,335
Discount unwind included in interest payable		267,411	-
Underlying loss on ordinary activities before taxation		**(7,928,336)**	**(10,001,152)**
Underlying operating loss		**(6,967,637)**	**(9,051,472)**

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.

Registered No: 07916193

Balance Sheet

	Notes	*At 28 December2014* €	*At 29 December 2013* €
Fixed assets			
Tangible assets	9	140,183	274,064
		140,183	274,064
Current assets			
Stocks	10	73,462	165,625
Debtors	11	3,138,851	6,620,971
Cash at bank		420,536	706,614
		3,632,849	7,493,210
Creditors: amounts falling due within one year	12	(1,716,315)	(2,629,081)
Net current assets		1,916,534	4,864,129
Total assets less current liabilities		2,056,717	5,138,193
Creditors: amounts falling due after one year	12	(42,359,861)	(35,342,544)
Provisions for liabilities and charges	13	(2,201,750)	(2,672,562)
		(42,504,894)	(32,876,913)
Capital and reserves			
Called up share capital	15	120	120
Profit and loss account	16	(42,505,014)	(32,877,033)
Equity shareholders' funds	16	(42,504,894)	(32,876,913)

The financial statements were approved by the Board on 30 September 2015 and were signed on its behalf by

P H Doughty
Director

Notes to the financial statements

at 28 December 2014

1. Accounting policies

Basis of preparation

The financial statements of Domino's Pizza Germany Limited were approved for issue by the Board of Directors on September 2015.

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

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.

Going Concern

The company has net liabilities of £42,504,894. The directors have carried out a detailed review of cashflow projections covering 12 months from the approval of these financial statements. The company is dependent on the continued support of its ultimate parent company. The ultimate parent company Domino's Pizza Group Plc has confirmed that they will provide financial support to enable the company to meet its financial obligations as they become due. Therefore they adopt the going concern basis of accounting in preparing the annual financial statements.

Intangible fixed assets

Franchise fees are amounts paid to the 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.
Goodwill is amortised on a straight-line basis over 30 years in line with the life of the master franchise agreement which is considered to be the expected useful life.

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

at 28 December 2014

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.

Functional currency

The functional currency of the company is Euros as the company's primary economic environment in which it operates is Germany.

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

at 28 December 2014

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.

Non-GAAP measures

The Directors believe that the underlying profit/loss on ordinary activities before taxation measure provides additional useful information for shareholders on the underlying performance of the business. These measure is consistent with how the underlying business performance is measured internally. The underlying profit /loss on ordinary activities before taxation measure is not a recognised profit measure under UK GAAP and may not be directly comparable with adjusted profit measures used by other companies. The adjustments made to profit/loss before tax are to exclude the following amounts:

- expense to establish provisions for lease obligations which will become onerous as a result of a non-recurring event and re-measurement of such amounts in subsequent periods;
- impairment charges in respect of goodwill, intangible assets and property, plant and equipment arising from a significant business restructuring and/or non-recurring event;
- restructuring costs in respect of a significant business restructuring; and
- transaction costs in respect of business combinations and acquisition of joint ventures, associates and subsidiaries.

2. Turnover

The principal components of turnover are corporate store food sales, commissary and equipment sales and sales to franchises stated net of Value Added Tax. Substantially all of the goods and services are sold or rendered within Germany.

Turnover is attributable to one continuing activity, that of the development of the Domino's Pizza franchise system in Germany.

3. Operating loss

This is stated after charging:

	Year ended 28 December 2014	*Year ended 29 December 2013*
	€	**€**
Auditors' remuneration - audit of the financial statements	24,250	20,660
	24,250	20,660

Depreciation of owned fixed assets	9,657	371,358
Amortisation	-	23,608
Operating lease rentals – property	1,077,773	844,716
Operating lease rentals – other equipment	115,915	1,107,830
Impairment (note 4)	541,922	9,538,350
	1,745,267	11,885,862

Notes to the financial statements
at 28 December 2014

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

(a) Included within operating profit

	Year ended 28 December 2014	*Year ended 29 December 2013*
	€	€
Onerous leases	545,369	608,970
Impairments		
- Master Franchise Agreement ("MFA") and related costs	-	60,000
- Corporate stores	-	5,944,000
- Goodwill	-	712,131
- Tangible fixed assets	541,922	2,473,654
- Website and domain costs	-	348,565
Impairments	541,922	9,538,350
Other restructuring items and one-off items		
- Restructuring and reorganisation costs	(48,126)	1,103,433
- Transition of German Corporate Stores	-	2,238,685
- Accounts receivable	302,222	4,934,897
Other restructuring items and one-off items	254,096	8,277,015
Amounts included in operating profit	**1,341,387**	**18,424,335**

Onerous leases

An onerous lease charge of €545,369 (2013: €608,970) was made in respect of unused properties in Germany relating to last year's restructuring activities

Impairments

Impairments of €541,922 relate to store assets in Germany following restructuring activities that carried on into the first half of the year.

In 2013, the performance of the German business fell below expectations and management announced a change in strategy for the German business opening fewer stores than initially expected and reducing its expectations for sales and profit growth. As a result, management prepared updated financial budgets for the next five years and used these to calculate medium and long term discounted cash flows for the German business using a long term average growth rate for Germany of 1.4% and a discount rate of 13%. Following these calculations, the Group recognised a number of impairment charges related to the German business:

- charge of €772,131 in relation to the value in use of the German Master Franchise Agreement and goodwill on acquisition;
- charge of €5,944,000 in relation to the carrying value of property, plant and equipment of the 15 corporate stores;
- charge of €2,473,654 in relation to the carrying value of property, plant and equipment in the Supply Chain Centre and Düsseldorf head office; and
- charge of €348,565 in relation to the carrying value of capitalised website and development costs.

Notes to the financial statements

at 28 December 2014

4. Items excluded from Non-GAAP measure: underlying loss on ordinary activities before taxation (continued)

Other restructuring items

The charge recognised in 2013 of €8,277,015 included transition of German corporate stores to franchisees, German bad debt write-off and costs to restructure the German business. The charge of recognised in 2014 of €254,096 primarily represents further bad debt write-offs.

(b) Included below operating profit

Discount unwind on items included in finance expense

A charge of €267,411 has been recognised in respect of discount unwind on items included in interest payable (2013: nil), see note 7 for further details.

5. Staff costs

	Year ended 28 December 2014 €	Year ended 29 December 2013 €
Wages and salaries	3,670,264	4,249,867
Social security costs	503,546	1,158,969
Other pension costs	78,555	1,788
	4,252,365	5,410,624

Included in wages and salaries is a total share-based payments expense of €90,847 (2013: €125,685 credit) which arises from transactions, accounted for as equity-settled share-based payment transactions.

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

	Year ended 28 December 2014 No.	*Year ended 29 December 2013 No.*
Production and distribution staff	8	6
Corporate store staff	161	349
Administrative staff	27	27
	196	382

Notes to the financial statements

at 28 December 2014

6. Directors' emoluments

The following disclosures relate to the total amounts paid to the directors of Domino's Pizza Germany 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 28 December 2014	*Year ended 29 December 2013*
	€	€
Emoluments	2,080,715	1,747,596
Company contributions paid to individual personal pension plan	119,851	140,586

	Year ended 28 December 2014	*Year ended 29 December 2013*
	No.	*No.*
Members of money purchase pension schemes	6	4

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

	Year ended 28 December 2014	*Year ended 29 December 2013*
	€	€
Emoluments	1,028,443	560,196
Company contributions paid to individual personal pension plan	41,168	76,608

7. Interest payable

	Year ended 28 December 2014	*Year ended* 29 December 2013
	€	€
Shareholder loan interest payable	960,699	949,680
Unwinding of discount (note 4)	267,411	-
	1,228,110	949,680

Included within interest payable is a charge of €267,411 (2013: nil) relating to the unwinding of the discount on onerous lease provisions.

Notes to the financial statements
at 28 December 2014

8. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 28 December 2014	*Year ended 29 December 2013*
	€	**€**
Current tax:		
UK corporation tax	-	-
Total current tax (note 7(b))	-	-
Deferred tax:		
Current year origination and reversal of timing differences (note 13)	81,942	(35,588)
Prior year origination and reversal of timing differences (note 13)	(81,942)	20,184
Tax on profit on ordinary activities	-	(15,404)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%). The differences are reconciled below:

	Year ended 28 December 2014	*Year ended 29 December 2013*
	€	**€**
Loss on ordinary activities before tax	(9,537,134)	(28,425,486)
Loss on ordinary activities at the standard rate of tax	(2,050,484)	(6,623,138)
Non-qualifying depreciation	49,451	21,224
Other non-qualifying expenditure	35,336	483,779
Accelerated capital allowances	(196,428)	938,271
Short term timing differences	189,266	609,942
Group relief surrender for no charge	1,972,859	4,569,922
Total current tax (note 8(a))	-	-

In his budget on 20 March 2013, 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 decreases to the standard rate of corporation tax, with the rate set to be reduced to 20%, effective 1 April 2015. The reduction of the UK corporation tax rate to 23% from April 2013, 21% from 1 April 2014 and 20% from 1 April 2015 had been substantively enacted during the prior year. The effect of these changes to the UK tax system have been reflected in the Company's financial statements for the 52 weeks ended 29 December 2013 and for the 52 weeks ended 28 December 2014 to the extent that they had been substantively enacted by that date.

Further reductions to the UK rate have been announced in the budget on 8 July 2015. The changes, which are expected to be enacted in future years, propose to reduce the rate by 1% to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Notes to the financial statements
at 28 December 2014

9. Tangible fixed assets

	Commissary equipment	*Fixtures and fittings*	*Interest in leases*	*Total*
	€	€	€	€
Cost:				
At 29 December 2013	-	-	274,064	274,064
Additions	394	551,185	-	551,579
Disposals	-	-	(133,881)	(133,881)
Impairment	(394)	(551,185)	-	(551,579)
At 28 December 2014	-	-	140,183	140,183
Depreciation:				
At 29 December 2013	-	-	-	-
Provided during the year	-	9,657	-	9,657
Impairment	-	(9,657)	-	(9,657)
At 28 December 2014	-	-	-	-
Net book value:				
At 28 December 2014	-	-	140,183	140,183
At 29 December 2013	-	-	274,064	274,064

10. Stocks

	At 28 December 2014	*At 29 December 2013*
	€	€
Raw materials and goods for resale	73,462	165,625

11. Debtors

	At 28 December 2014	*At 29 December 2013*
	€	€
Trade debtors	1,404,467	989,474
Amounts owed by group undertakings	956,911	4,444,368
Other debtors	571,915	1,005,803
Prepayments and accrued income	205,558	181,326
	3,138,851	6,620,971

Notes to the financial statements
at 28 December 2014

12. Creditors *amounts falling due within one year*

	At 28 December 2014	*At 29 December 2013*
	€	€
Trade creditors	327,307	306,291
Other creditors	49,248	11,214
Accruals and deferred income	1,252,229	2,279,399
Amounts owed to Group undertakings	87,531	32,177
	1,716,315	2,629,081

Creditors amounts falling after one year

	At 28 December 2014	*At 29 December 2013*
	€	€
Other creditors	-	25,772
Amounts owed to Group undertakings	42,359,861	35,316,772
	42,359,861	35,342,544

13. Provisions for liabilities and charges

	Restructuring provision	*Onerous lease and dilpidations provisions*	*Total*
	€	€	€
At 29 December 2013	2,063,592	608,970	2,672,562
Arising during the period	-	765,405	765,405
Utilised during the period	(1,106,492)	(182,776)	(1,289,268)
Released during the period	(125,458)	(88,902)	(214,360)
Impact of discounting	240,895	26,516	267,411
At 28 December 2014	1,072,537	1,129,213	2,201,750

Notes to the financial statements

at 28 December 2014

14. Commitments under operating leases

At 28 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings At 28 December 2014	*At 29 December 2013*
	€	€
Operating leases which expire:		
Within one year	31,462	-
In two to five years	705,968	732,904
Over five years	538,350	728,306
	1,275,780	1,461,210

15. Share capital

	Authorised At 28 December 2014	*At 29 December 2013*
	£	£
Ordinary shares of £1 each	100	100

	Allotted, called up and fully paid At 28 December 2014		*At 29 December 2013*	
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	100	100	100	100
				€
Euro equivalent at £1.00 to €1.1975		120		120

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	€	€	€
At 30 December 2012	120	(4,592,634)	(4,592,514)
Loss for the year	-	(28,410,084)	(28,410,084)
Share based payment charge	-	125,685	125,685
At 29 December 2013	120	(32,877,033)	(32,876,913)
Loss for the year	-	(9,537,134)	(9,537,134)
Share based payment credit	-	(90,847)	(90,847)
At 28 December 2014	120	(42,505,014)	(42,504,894)

Notes to the financial statements

at 28 December 2014

17. Share-based payments plans

The credit recognised for share-based payments in respect of employee services received is €90,847 (2013: €125,685 charge). This all arises on equity-settled share-based payment transactions.

Employee Share-option

In 2009 Domino's Pizza Group Plc (the ultimate parent company) established the Domino's Pizza UK and Irl plc Company Share Option Plan 2009 (Domino's Pizza CSOP Scheme) which enables the grant of both approved and unapproved options.

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 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.

Sharesave scheme

During 2013 the Company introduced a Sharesave scheme giving employees the option to acquire shares in the Group. 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 Group 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 2014 was nil (2013: 430.00p).

As at 28 December 2014, the following share options were outstanding:

Date of grant	Exercise Price	Outstanding at 29 December 2013 No.	Granted during the period No.	Exercised during the period No.	Lapsed During the period No.	Outstanding at 28 December 2014 No.
Domino's Pizza (unapproved) Scheme						
26 July 2011	482.4p	8,247	-	-	(1,484)	6,763
2 April 2012	431.6p	50,158	-	-	(25,045)	25,113
9 June 2014	545.0p	-	31,596	-	-	31,596
4 August 2014	521.0p	-	24,210	-	(466)	23,744
Sharesave Scheme						
1 March 2013	430.0p	32,761	-	-	(8,013)	24,748
		91,166	55,806	-	(35,008)	111,964
Weighted average exercise price		435.6p	534.6	-	434.6	485.3p

As at 29 December 2013, the following share options were outstanding:

Date of grant	Exercise Price	Outstanding at 30 December 2012 No.	Granted during the period No.	Exercised during the period No.	Lapsed During the period No.	Outstanding at 29 December 2013 No.
Domino's Pizza (unapproved) Scheme						
26 July 2011	482.4p	8,247	-	-	-	8,247
2 April 2012	431.6p	50,883	-	-	(725)	50,158
Sharesave Scheme						
1 March 2013	430.0p	-	32,761	-	-	32,761
		59,130	32,761	-	(725)	91,166
Weighted average exercise price		438.7p	430.0p	-	431.6p	435.6p

Notes to the financial statements
at 28 December 2014

17. Share-based payments plans (continued)

The weighted average remaining contractual life of the options outstanding at 28 December 2014 is 5.4 years (2013: 5.6 years). The share options exercised during the year totalled nil shares (2013: nil shares).

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

The fair values of the awards granted under the 2012 LTIP were determined using the market price of the shares at the date of grant. The weighted average share price for the 2012 LTIP awards granted in 2014 was 518.83p.

The following table summarises the inputs for the model used for the period ended 28 December 2014.

	52 weeks ended 28 December 2014
Weighted average fair value	276.8p
Weighted average share price	535.8p
Weighted average exercise price	198.1p
Expected dividend yield	0.00%–3.05%
Risk free rates	0.58%–1.09%
Expected volatility	24.1%–26.2%

18. Parent company and controlling party

In the opinion of the directors the immediate parent company is Domino's Pizza Germany (Holdings) Limited a company incorporated in the United Kingdom which is a 100% owned subsidiary of Domino's Pizza Group plc, the ultimate parent company and controlling party. 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.

In the opinion of the directors the controlling party is Domino's Pizza Group plc, a company incorporated in the United Kingdom.