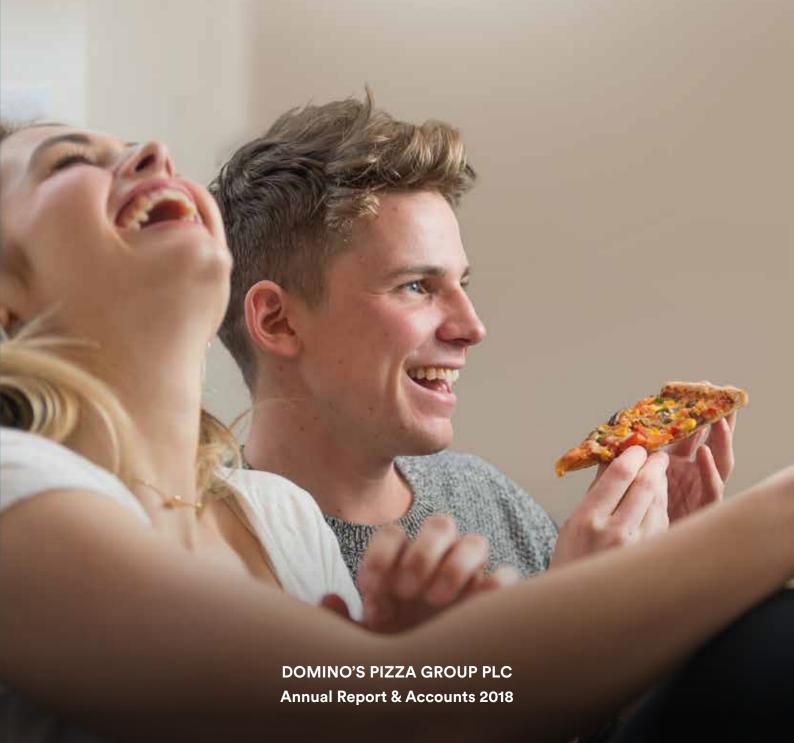


THE OFFICIAL FOOD OF EVERYTHING





THE OFFICIAL FOOD OF EVERY GENERATION

Overview

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We aim to be the number one pizza company in every neighbourhood in each market in which we operate, through a commitment to offering the best product, service and quality to our customers.



See more online at

https://investors.dominos.co.uk

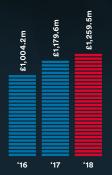
Financial highlights

- Group system sales¹ of £1,259.5m, up 9.0% on a 52 week basis
- UK system sales up 7.1%, like-for-like² sales up 4.6%
- Republic of Ireland system sales up 5.2%, like-for-like sales up 4.0%
- Pro forma³ International system sales up 7.7%
- Group statutory revenue up 12.6% to £534.3m
- Group underlying⁴ PBT £93.4m, down 1.1% on a 52 week basis
- Underlying PBT excludes net non-underlying⁵ charges of £31.5m relating primarily to International impairments, UK supply chain transformation and integration costs
- Group statutory PBT £61.9m, down 24.0%
- Underlying basic earnings per share of 16.1p, up 2.5% on a 52 week basis
- Net debt £203.3m

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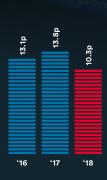
48-92











GROUP SYSTEM SALES¹

£1,259.5m

(2017: £1,179.6m)

UK LIKE-FOR-LIKE SYSTEM SALES GROWTH²

4.6%

(2017: 4.8%)

UNDERLYING OPERATING PROFIT⁴

£96.9m

(2017: £95.9m)

BASIC EARNINGS PER SHARE

10.3p

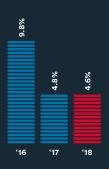
Strategic highlights

- Growing market positions in six countries: platform for long term growth
- 81 new Domino's stores opened across the Group;
 58 in UK
- Completion of Warrington supply chain centre, supporting future growth in the UK business
- Dividend growth track record continued: full year dividend +5.6%
- Total cash returns to shareholders of £103.5m, comprising £44.3m dividends and £59.2m share buybacks
- 1 System sales represent the sum of all sales made by both franchised and corporate stores in the United Kingdom, Republic of Ireland, Switzerland and Nordics to consumers.
- 2 Like-for-like system sales are defined as system sales from stores that were opened before 25 December 2016 and have not been impacted by donating territory to a new store (Split), compared to the corresponding 52-week period in the prior year.
- 3 Pro forma sales growth is calculated on a constant currency basis assuming the businesses were owned for the entirety of both years.
- 4 Underlying performance measures are defined as statutory performance measures excluding amounts relating to and discontinued operations and non-underlying items.
- 5 Non-underlying items are defined as being items that are material in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts. See note 7 on page 124 for more information.

Use of non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 123 to 126, and reconciliations to IFRS figures, where they have been adjusted, are on page 123.

Chairman's statement

A YEAR OF MIXED FORTUNES



UK LIKE-FOR-LIKE SYSTEM SALES GROWTH

4.6% (2017: 4.8%)

Our franchisees continue to excel both against their competitors and their peers around the world."

Stephen Hemsley

Non-executive Chairman

Significant events

- Continued good growth in the UK despite a tougher environment for our customers
- Performance is a testament to the quality of our franchisees
- International expansion provides growth potential on many fronts. We experienced some challenges in 2018, including business integration and weakness in execution
- capital allocation balances immediate returns with investment in the longer term for sustainability of growth

OVERVIEW

I am happy to be reporting on a year of continued growth for Domino's. We have responded to a very difficult period for the casual dining sector - beset by cost inflation and overcapacity - by investing in our infrastructure, supporting franchisees and paving the way for further long term growth.

Domino's UK & ROI remains one of the very strongest franchises across the global Domino's network, and we are fortunate to enjoy long term, mutually-beneficial partnerships with an outstanding group of franchisees. They continue to invest in new stores, with a further 59 opened during the year.

For our part, we completed our investment in the new Warrington Supply Chain Centre, which will support franchisees' growth plans for many years to come, and have embarked on a major programme to upgrade our customer-facing IT platforms to drive further sales growth.

Outside the UK, we continue to make operational improvements and invest to strengthen our businesses. In Ireland, we took a 15% stake in our largest franchisee, investing alongside a private investor. This lays the foundations for further store openings in Ireland.

At the start of the year, we completed the acquisitions of a further 44.3% stake in Domino's Iceland and, through our minority stake in Germany, the number two independent operator in that market. Both businesses have performed very well this year. In Norway, the integration of last year's acquisition of Dolly Dimple's



08 - 47



has presented challenges, and losses have been greater than anticipated. At the year end, we took an impairment on the values of Norway, Sweden and Switzerland, reflecting their increased risk profile and the issues encountered during the year.

Nonetheless, all of these markets offer long term growth prospects and the opportunity to create lasting value for Domino's shareholders.

The significant level of non-underlying items incurred this year reflects a period of transformation for the Group, as we renew our infrastructure and integrate new businesses.



CAPITAL ALLOCATION AND RETURNS TO SHAREHOLDERS

The Domino's business model generates high returns on capital and strong cash flows. The Board has a clear framework for capital allocation, making sure that existing businesses are invested in to maintain and grow competitive advantage, appraising new growth opportunities and returning cash to shareholders, all within an appropriate capital structure.

With the completion of Warrington, our capital investment fell this year to £28.9m. Acquisition spend totalled £60.1m, as outlined above. We returned £103.5m to shareholders, of which £44.3m was through the regular dividend and £59.2m was through share buybacks.

The total dividend for the year will be 9.5p, up 5.6% year-on-year. The proposed final dividend for the year of 5.45p per share

will, subject to shareholder approval at the Annual General Meeting on 18 April 2019, be paid on 25 April 2019 to shareholders on the register at the close of business on 22 March 2019.

To support these uses of capital and to establish a more efficient funding structure, the Board also raised the Group's leverage target to 1.75-2.5 times net debt to EBITDA. Given that the Group was in a net cash position only three years ago, this is clearly a significant development of policy. Our £350m credit facility gives us flexibility should we see appropriate opportunities, but our expected level of net debt leaves us able to delever appropriately should the environment deteriorate.

OUR STAKEHOLDERS

Domino's has an unusual but highly successful business structure built on enduring collaboration between a number of skilled and experienced contributors. Running pizza restaurants is hard and committed work, and I would like to acknowledge here our franchisees' ongoing dedication to customers and the brand. From time to time, commercial tensions can rise to the surface, but I am confident that we remain strongly aligned for long term growth, and the Board and executive team are working hard to ensure that these current differences are short-lived.

We are also part of a global network: Domino's businesses around the world share best practice and a joint responsibility for the brand. We all support each other. Our common interest is sustaining and improving the customer experience. Finally, I thank our customers,

who continue to love our pizzas despite the increasing choice and innovation in the market.

See our Sustainability Report starting on page 40

BOARD CHANGES

During the year our CFO Rachel Osborne decided to leave Domino's to pursue other interests. In October we announced the appointment of a new CFO, David Bauernfeind, who comes with significant PLC experience and has already made a positive impact in the business. Steve Barber, the Chairman of the Audit Committee, also informed the Board of his intention to step down at the Annual General Meeting in April 2019. I would like to thank both Rachel and Steve, on behalf of the Board, for their contributions to the business.

CONCLUSION

2018 has been a year of solid financial performance, but we are determined to improve operational and financial performance in our international businesses, and ensure a smoother relationship with some of our franchisees. Despite some economic and political challenges, as the leading brand in the most popular cuisine in the market, supported by outstanding business partners and over 10 million customers, we are well set for profitable growth.

Stephen Hemsley

Non-executive Chairman 11 March 2019

WHAT WE DO AND HOW WE DO IT

Domino's Pizza Group is the UK's leading pizza brand and a major player in the Republic of Ireland.

SYSTEM SALES

£1,259.5m



UK	87%
ROI	5%
International	8%

STORES

1,261



Franchised	90%
Corporate	10%

We are part of the global Domino's system, the biggest pizza delivery operator in the world. We make, sell and deliver pizza and a range of other dishes under the Domino's brand from 1,261 stores across six European markets. We also have a one-third interest in Domino's Germany.

We hold the exclusive master franchise rights in these six markets under long term agreements with Domino's Pizza International Franchising Inc., the international arm of Domino's Pizza Inc which is listed on the New York Stock Exchange and which owns the Domino's brand across the globe.

In the UK and Republic of Ireland, we are the clear number one pizza delivery business. Our market share in the UK is 45%. Customers love Domino's because it tastes great, and is fast and convenient. We operate stores almost entirely through franchisee partners. We manufacture dough and act as a scale and expert wholesaler of other food and non-food supplies to our franchisees. We invest in technology to develop the ordering platform, making it easy for customers and improving franchisees' operations, and we market the brand and plan national promotions.

Our franchisees open and run stores, and earn a return from the margin they make on making and selling pizza. They employ, train and develop their own teams, set prices locally and invest in local marketing.

In our other markets, we mainly run the stores ourselves. We will look to franchise out stores in most markets as we achieve greater scale and profitability through a larger network. Profitability and returns can be further enhanced over time through investment in dough manufacturing capacity and our supply chain.

Our strategy framework page 22

UK MATURE¹ AVERAGE SALES PER ADDRESS ('ASPA')² £

£0.84

- Stores that have traded for two full corporate years or more.
- 2 Sales per week per address in catchment.



Strategic Report



ICELAND

25	Stores
30	Store potential
95%	Owned
£40m	2018 system sales
£33k Average weekly unit sa	
#1	Market position

NORWAY

54	Stores
75	Store potential
71%	Owned
£40m	2018 system sales
£17k	Average weekly unit sales
#3	Market position

SWEDEN

9	Stores
125	Store potential
71%	Owned
£4m	2018 system sales
£11k	Average weekly unit sales
Start u	p

UK

0.
Stores
Store potential
Owned
2018 system sales
Average weekly unit sales
Market position

SWITZERLAND

20	Stores
100	Store potential
100%	Owned
£20m	2018 system sales
£21k	Average weekly unit sales
#2	Market position
£21k	Average weekly unit sales

ROI

50	Stores
75	Store potential
100%	Owned
£64m	2018 system sales
£25k	Average weekly unit sales
#2	Market position

GERMANY

33%	Investment in Domino's Germany

Investment case

THE OFFICIAL FOOD OF EVERYTHING

We provide one of the most rewarding and sustainable franchise models in the sector by constantly innovating in products, processes and partnerships.

FOOD DELIVERY: RAPID GROWTH

- Convenience, home entertainment and value driving growth
- Stimulated by increased industry marketing spend and new digital models
- 2018-2022 UK market CAGR 8%

 \rightarrow Read more on **pages 14 and 15**

PIZZA: POPULAR AND PROFITABLE

- Pizza is the No.1 delivered food in the UK
- Travels well and universally enjoyed
- Excellent economics through ticket and margin

 \rightarrow . Read more on **pages 24 and 25**

VIRTUOUS CIRCLE: SCALE, BRAND, GROWTH

- 1,103 stores in UK, deep presence
- Brand recognition drives superior store sales
- Sales growth increases brand marketing investment
- Scope for 500 more UK stores and continued LFL growth



LEADING TO STRONG
TRACK RECORD OF GROWTH
IN SALES, PROFITS AND
RETURNS TO SHAREHOLDERS



INTEGRATED BUSINESS MODEL

- Domino's controls every aspect of the customer experience from food quality to ordering to delivery
- · Vertical integration of food manufacture, distribution and sale maximises margin

 $\stackrel{\triangleright}{\rightarrow}$ Read more on **page 16**

INTERNATIONAL: ADDITIONAL GROWTH

- Newer markets in Germany, Switzerland, Iceland, Norway and Sweden offer long term potential
- >100m addressable population
- Strong demand for pizza but low penetration of international brands

 $\stackrel{\square}{\rightarrow}$ Read more on pages 10 and 11

LOW CAPITAL, **HIGH RETURNS**

- Shared investment with franchisees
- Domino's funds supply chain; franchisees fund stores; IT investment is shared
- Capital intensity 5.4% of revenue in 2018

 $\stackrel{\square}{\rightarrow}$ Read more on pages 30 and 31

UK SYSTEM SALES

+7.1%

UK&I UNDERLYING OP. PROFIT

+8.4%

UNDERLYING BASIC EPS

+2.5%

ORDINARY DPS

+5.6%

KEY RISKS

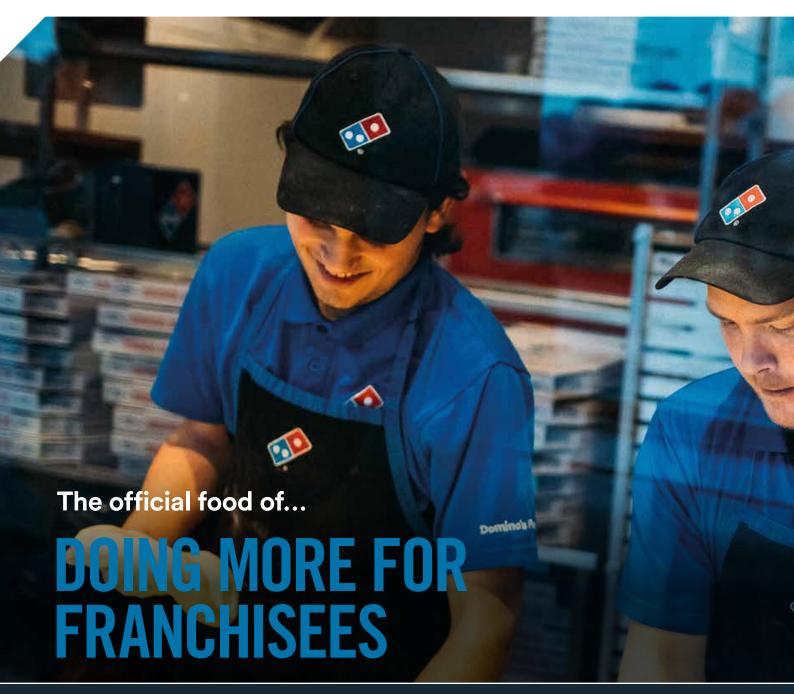
Appetite of franchisees for future growth

Changing tastes and/or nutrition-related regulation

Increased competition from aggregators and delivery service companies

Failure to build profitable businesses internationally





The Domino's business in the UK is built on the entrepreneurial drive and operational expertise of our 64 franchisees, and it's our job to make sure they have everything they need to provide fantastic service, day in, day out.

We deliver fresh dough and almost all other supplies to every store three or four times per week. It's essential that these deliveries are timely and accurate, and in 2018 we achieved order accuracy of 99.9%. But we still want to do better, and are aiming to get that even higher in future.

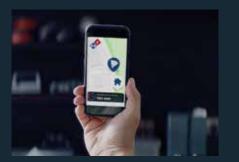
Food costs are crucial too. Our scale and sourcing expertise allows us to procure top-quality ingredients at attractive prices, with these scale benefits shared across all franchisees. In addition, we provide extra discounts on food supplies when a customer offer warrants it, and we invested £2.1m in such campaigns during 2018.

We also recognise that some new stores will take longer to pay back the franchisee's investment than others. In many instances we offer incentives which on average are worth £75,000 per new store – an investment of £3.4m in 2018.

Finally, our development of eCommerce and app platforms have driven very strong levels of order growth for franchisees over the last five years, leading to a material increase in store profitability.



FRANCHISEES



NEW STORE INCENTIVES

£3-4m p.a.

DPG IT COMMITMENT

£10m

IN 2017 WE LAUNCHED OUR GPS SERVICE, WITH SIGNIFICANT BENEFITS FOR FRANCHISEES AND **CUSTOMERS ALIKE.**

When a store activates GPS, every driver starts to use a GPS-enabled handset which automatically provides them with the fastest route to their next delivery as well as tracking their location and progress. This makes the job much easier for drivers and means store managers can assess performance and timeliness much more accurately. This has led to immediate improvements in labour efficiency, lowering costs and reducing delivery times.

For customers, the upgraded pizza tracker allows them to follow the progress of their delivery through the streets and provides much more accurate delivery times, improving customer satisfaction.



See more online at https://investors.dominos.co.uk



Over the last two years we've made important investments in new markets to enhance the long term growth prospects for the Group.

Besides the UK and the Republic of Ireland, we now operate Domino's businesses in four further countries where customers love pizza and the penetration of international pizza brands is low. Longer term, we see potential for over 300 stores across these markets, compared to a base of 108 stores today. While still loss-making, these markets have the long term potential for attractive profitable growth.

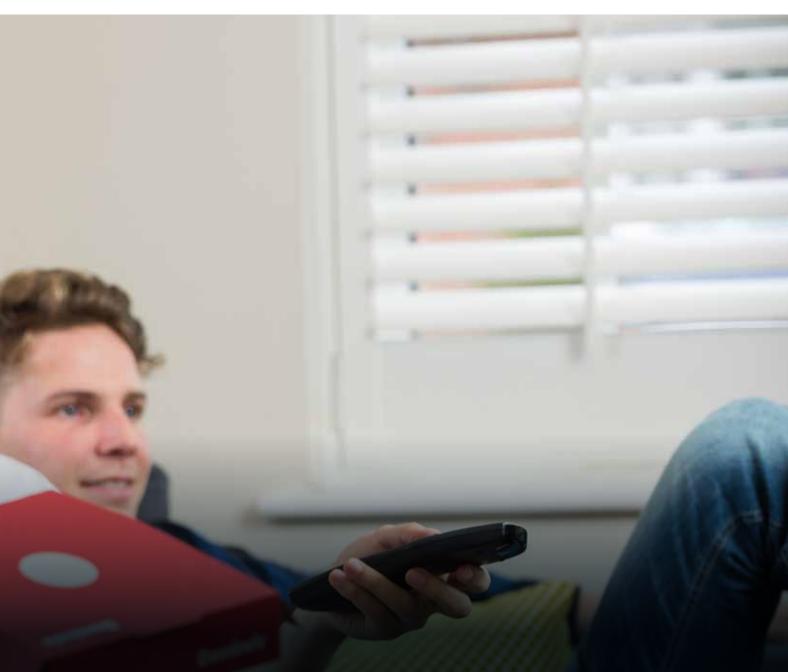
In Iceland, Domino's has a very strong market position. It has the highest sales per store of any Domino's business in the world, generates strong margins and cash flow, and still has the potential for future growth.

In Switzerland, we have made considerable operational improvements under our ownership, growing order volumes and increasing digital engagement. We are still losing money but we aim to gain profitable scale through measured growth.

In Norway, the acquisition of Dolly Dimple's has given us valuable scale (see opposite). We see a clear place in the market for a delivery-focused pizza operator, but our first priority is to stabilise the business and improve the store profitability model.

In Sweden we have just nine stores, but the size of the market and the fragmentation of the sector leaves scope for Domino's to become a large and profitable player.





INTERNATIONAL STORES

108

INT'L SYSTEM SALES

£104.1m

SALES GROWTH

7.7%



IN 2017 WE ACQUIRED DOLLY DIMPLE'S, A MAINLY **DINE-IN CHAIN THAT WAS THE NUMBER THREE** OPERATOR IN THE NORWEGIAN PIZZA MARKET.

Since then, we have been busy converting these stores, evolving them to the Domino's delivery and collection model while remaining sympathetic to the existing customer base.



See more online at https://investors.dominos.co.uk By the end of 2018 we had converted 19 stores, typically doubling order counts and increasing sales by 50% or more. We do, however, have more work to do on finding the right formula for store profitability and completing the integration to build a stable base for profitable growth.



Our mission is to be the number one pizza company in every neighbourhood. The closer we are to our customers, the quicker they get their pizza and the more frequently they order.

Proximity also leads to additional collection business, which is a valuable source of future growth.

We believe there is room for 1,600 stores in the UK – approximately 500 more than our current base of 1,103 stores. Most of these new stores will be in existing territories, improving delivery times and reaching new addresses as the urban population grows. Some of them will be in smaller towns, where we can win

new customers and typically won't have branded competitors.

We also see a great opportunity in selling more pizza to every household. In 2018, our average sales per address per week ('ASPA') was 84p. This has risen by 35% over the last five years. But we have many stores with ASPA over £1.50 and some over £2 – so there is a significant amount of future growth potential.

Finally we are always thinking of ways to reach new customers, and during 2018 we ran a trial on Just Eat, the leading online menu marketplace, to increase recruitment of younger customers who prefer to order through a single app. In 2019 we are extending the trial to 100 stores.





UK STORE POTENTIAL

1,600

ADDRESSES SERVED

25.5m

AVERAGE DELIVERY TIME

25 mins



LONDON IS A HUGE AND THRIVING MARKET FOR **DELIVERED FOOD, BUT DOMINO'S DOES NOT HAVE** A BIG ENOUGH PRESENCE THERE.

It represents around a quarter of UK consumer spending but only 13% of our UK system sales in 2018. It is a key part of our long term growth plans, with scope for around a further 80 stores in the coming years from a base of 144 in 2018.

See more online at https://investors.dominos.co.uk In 2017 we acquired a majority stake in the largest London franchisee, with 25 stores. Through 2018 we have significantly improved commercial performance through investing in store managers and trialling lower menu prices. We've also extended two stores, acquired six and opened two more.

Our market

THE DELIVERED FOOD MARKET IS BOOMING

We're all enjoying more home entertainment, a wider choice of cuisines and the ease of digital ordering. Pizza remains the most popular choice: it tastes great and offers excellent value for money.

The UK delivered food market is worth £6.7bn and is estimated to grow at a compound rate of 8% between 2018 and 2022. According to our annual survey, this growth is migrating from cooking in and ready meals, and from dining out and takeaway. Pizza is the biggest cuisine in the delivered food market, accounting for £1.9bn (including collection). Pizza is successful because it appeals to a wide range of tastes, is quick to cook fresh and has a relatively high margin because of its mix of ingredients.

MARKET DRIVER DELIVERED FOOD MARKET GROWTH

MARKET DEVELOPMENTS

- UK delivered food market growing at 8%
- Drivers are convenience, digital platforms and home entertainment
- Weaker consumer environment increases focus on value proposition

COMPETITION

- UK QSR and delivery market is one of the most advanced in the world
- Traditional competition comes from two major international pizza brands and local independent operators
- Digital aggregators growing rapidly and introducing new competition: customers can now enjoy their favourite dine-in food brands at home

OPPORTUNITIES AND RISKS

- Growth through new stores, likefor-like sales, continued digital engagement and collection
- + Customers may trade down from eating out
- Customers may seek cheaper pizza options

- Using our scale and brand to take share in the pizza market
- + Investing in our integrated business model to provide superior service
- Risk of losing share to other brands
- May lose engagement with younger audiences who prefer a single app

OUR RESPONSE

TARGETING

1,600 stores in the uk:

+500

from 2018

SHARPENED VALUE COMMUNICATIONS WITH

32%

OF CUSTOMERS RATING US 5/5 FOR VALUE

(2017: 27%)

INVESTING IN NEW PLATFORMS FOR ECOMMERCE AND THE APP

STRONG LAUNCH OF NEW BRAND CAMPAIGN IN 2017, FOLLOWED THROUGH IN 2018.

SPONTANEOUS RECALL

82%

CONTINUED
INVESTMENT IN
SUPPLY CHAIN,
DIGITAL ENGAGEMENT
AND PRODUCT
DEVEL OPMENT

RAN TRIALS ON JUST EAT TO TEST THE PROPOSITION AND USE AS A CHANNEL TO RECRUIT NEW CUSTOMERS







Whilst Domino's growth has kept pace with the wider market as we have continued to take share in the pizza segment, the pizza market is growing more slowly than the overall delivered food market, as a result of the recent increase in the range of cuisines available for delivery.

CUSTOMER TASTES

- Rapid rise in number of people looking for meat-free and gluten-free alternatives
- Increased public health awareness and public policy related to healthy eating

COST INFLATION

- Demand for delivery drivers, slower growth in the labour pool, and statutory measures (pensions autoenrolment, National Living Wage) all causing labour cost inflation
- Food costs negatively impacted by weakening sterling exchange rates
- 2018 saw a number of restaurant operators scale back or exit the market
- Develop our menu to suit changing tastes and grow share in vegan/vegetarian segment
- Pizza may become less popular as a cuisine if perceived as unhealthy
- Marketing and promotional activity may become more challenging under future public health guidelines
- + Ran trials on Just Eat to test the proposition and use as a channel for incremental sales and customers
- Rising costs likely to impact on franchisee profitability, which may delay new store openings
- Rising food costs may not be recoverable from customers through higher prices

CUSTOMERS ORDER FROM DOMINO'S ON AVERAGE



TIMES A YEAR, MAKING IT A DELICIOUS **OCCASIONAL TREAT**

CONTINUE TO ENGAGE WITH PUBLIC HEALTH ENGLAND TO MAKE SURE WE ARE **PROVIDING CUSTOMERS** WITH CLEAR INFORMATION TO MAKE INFORMED CHOICES

Read more on page 47

SUPPORTING FRANCHISEES WITH SCALE BENEFITS, EFFICIENT SUPPLY CHAIN AND LABOUR MANAGEMENT TOOLS

COLLECTION IS A GROWTH OPPORTUNITY WITH LOW LABOUR COST

TRIALLED VEGAN PIZZA IN 2018; EXTENDING VEGETARIAN RANGE

LOW FAT DELIGHT CHEESE AND THINNER BASE OPTIONS

OUR STORE ECONOMICS ARE BETTER THAN MOST OPERATORS IN THE QSR SECTOR, WITH LOW OPENING COSTS, HIGH SALES, SOME FLEXIBILITY IN LABOUR COSTS AND LOW RENTS

WE ARE DIFFERENT FROM MOST UK-LISTED RESTAURANT BUSINESSES IN THAT WE OPERATE A FRANCHISE MODEL

OUR OPERATING MODEL

DOMINO'S PIZZA INTERNATIONAL FRANCHISING INC. **DOMINO'S PIZZA GROUP PLC CORPORATE STORES FRANCHISEES CUSTOMERS**

TOTAL SYSTEM OVERSIGHT

WE DELIVER WE DELIVER piping hot food within an average of 25 minutes in the UK 31% of orders are collected ME COOK **WE COOK** a wide range of freshly made food from high quality ingredients (Vewnow, log, All) selos besidanes felt. **WE SELL** through multiple channels, with **79%** of UK sales made on our proprietary online platform **WE PRICE** competitively. **32%** of UK customers score us $\frac{5}{5}$ for value

This means we can grow with relatively low capital intensity, generating high returns. The dynamics of the business are much more akin to a branded food manufacturer and distributor, and our areas of investment reflect this.



WE INNOVATE

WE MARKET

through national brand building initiatives, complemented with local/tactical initiatives, and are #1 for brand awareness in

WE SOURCE

high quality, fresh ingredients, spending £160 m per year with our trusted suppliers

WE MAKE

62m kilos of fresh dough in our UK commissaries, and supply

over 30 m food and non-food items to our franchised and corporate stores through our in-house logistics fleet

WE INNOVATE

to keep our menus exciting, we launch new lines regularly every year

THE VALUE WE CREATE

Customers' overall satisfaction

58.6%

Up 8.4pts year on year

Profitable franchisees: average 2018 UK mature store EBITDA was

£138k

Employees proud to work for Domino's:

74%

Rewarded investors:

9.5p

Trusted suppliers:

£185m

spent on raw materials

Remunerated master franchisee:

2.7%

of UK system sales paid to DPI in royalties

GOOD UK GROWTH; INTERNATIONAL GROWING PAINS

66

With 1,103 stores now across the UK, we are very confident of reaching our target of 1,600."

David Wild

Chief Executive Officer

Key points

- Continued good growth in UK & ROI
- A leading digital business:
 79% of UK sales ordered online
- Franchisee profitability down only slightly, despite a tougher market
- Significant investments in IT and infrastructure to support franchisee growth
- Challenges in some international operations, but long term potential clear

OVERVIEW

2018 has been a year of steady growth in our established markets, underpinned by important and successful operational developments behind the scenes. In our newer markets, revenue growth has been strong but accompanied by a number of operational issues that have increased losses in the short term. None of these changes our view of the long term profitable growth prospects that these markets offer.

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

UK

MARKET

The overall delivered food market in the UK continued to grow strongly in 2018, with the ongoing stimuli of increased awareness, the convenience of digital ordering, and improved home entertainment. The pizza market also continued to grow, albeit at a slightly slower rate, reflecting its very strong starting position and increased competition from new cuisine options. All of the delivered food market was negatively impacted in the middle of the year by the record hot and dry weather.





The casual dining market also witnessed concerted cost inflation during the year, particularly labour. Increases in the National Living Wage, as well as the introduction of the apprenticeship levy, impacted on profitability for the sector. Combined with high rents and rising business rates, a number of operators closed restaurants or went out of business altogether.

As in 2017, we have been operating in an uncertain consumer environment. Although employment is at record levels and wage inflation has picked up, costs of living are rising and customers are very focused on value. Until the UK's future relationship with the EU becomes clearer, we expect this uncertainty to continue.

DRIVERS OF GROWTH

Compared to the equivalent 52 weeks of 2017, UK system sales were up 7.1% to £1,091.6m. Like-for-like growth, excluding the effect of splitting territories, was 4.6%. Like-for-like growth was relatively balanced between order volume (+2.2%) and value (+2.4%), with order volume slightly below our initial expectations as a result of the prolonged heatwave.

We continued to take share in the overall pizza delivery market, thanks to our scale, our brand, our new store growth and the quality of our product; and of course, from the continued expertise and dedication of our franchisees.

58 new stores were opened in 2018, taking the total over the last three years to 234. With 1,103 stores across the UK, we are confident of reaching our goal of 1,600 over time. This confidence is underpinned by the strong performance of stores opened in the last three years, which have had an average address count of 16,577 compared to 24,159 across the mature store base. Sales per address per week, at 84p, were up 3.3% across the mature store base, and sales per address in new and immature stores are respectively 5.7% and 1.4% higher than the mature store base.

We now directly operate 33 stores in London, after our acquisition of 25 stores in 2017 and the further acquisition in August 2018. London is an important part of our strategy for UK growth, and operating the stores ourselves gives us scope to develop operational expertise and to test innovations. Trading in the stores acquired last year improved significantly through 2018 and achieved a like-for-like performance well ahead of the rest of London, as we successfully implemented a number of commercial and operational initiatives.

CUSTOMER VALUE AND EXPERIENCE

We operate in a highly competitive marketplace. Technology and new business models have given customers more choice and greater convenience, as well as making it easier to seek value. Our own business has evolved rapidly to meet these challenges and look for additional opportunities.

Domino's in the UK is a leading digital success story. The speed of migration to digital ordering over the last five years has been extraordinary. In 2018, online orders represented 79% of all orders by value, and 89% of delivery orders by volume. During the year we began a project to upgrade both our eCommerce platform and our app, to make it easier and more cost effective to make future updates, and to make further improvements to the customer journey. The Group will contribute £10m to this programme.

After a period in the first half of 2017 when customers were telling us we weren't offering value for money, we have renewed our focus on the appeal of our promotions and improved communication around them. We saw the benefit not only in an improvement in volume growth, but also in customer ratings for value: through 2018, an average of 32% of customers rated us 5/5 for value compared to 27% during 2017. The overall level of promotional activity remained relatively steady, with 88.2% of orders on some kind of promotion, and an average discount to menu prices of 38.6%.

We also continue to use collection deals as a way to reinforce the value message. Collection business tends to be incremental to delivery and has limited labour cost attached to it, so still makes an attractive contribution at lower prices. Collection sales rose 5.9% in 2018.

Chief Executive Officer's review continued

£19.7m +7.0%

SWITZERLAND TOTAL SALES (52 WEEK BASIS)

UK continued

BRAND

The strength of the Domino's brand is a key differentiator for us. Franchisees contribute 4% of their sales into a national advertising fund which we then invest on their behalf. As we drive sales higher, the advertising fund grows, creating a virtuous circle.

The strength of the brand, supported by great tasting pizza, excellent service and good value for money, drives higher store sales and profitability. Our spontaneous recall in 2018 was 82%, compared to an average of 55% for our closest competitors.

"The Official Food of Everything" platform, launched in September 2017, was the mainstay of our communications throughout the year, and showed its versatility through a range of campaigns. As we increased our focus on major events, our campaign for the football World Cup was particularly effective, supported by a range of topical out-of-home billboards, a strong video presence on social media, and a dedicated pizza, the Meatfielder.

We continued to sponsor relevant TV platforms, such as Hollyoaks, Sky Sports News and the ITV Hub, and we also began to target the large and growing gaming audience through our multi-year deal with Gfinity, a leading e-sports solutions provider.

SUPPORTING FRANCHISEES

During the year we completed our biggest ever investment in the business, our £39m Warrington Supply Chain Centre. By the year end it was making dough and delivering supplies to 285 stores. Warrington gives us ample capacity for the next leg of franchisee store openings, supporting their profitable growth plans and making sure we have the most efficient supply chain in the industry.

Technology is another key element of our support for franchisees. We expect them to be a key beneficiary in the new platform investments outlined above, as we drive the next leg of growth through further personalisation and improvements to the customer journey.

We are also conscious of the inflationary environment, notably in labour. This has inevitably contributed to a period of more intense commercial discussions with franchisees, which have continued into the new year. We are confident that we will resolve our differences to the benefit of customers and maintain the long term alignment of interests that has served all parties very well for so long.

Despite these inflationary headwinds and an uncertain consumer environment, franchisee profitability per store (measured across all stores) was only slightly down during the year. Solid likefor-like growth, as well as some additional support on food costs to provide compelling value for customers, partially offset inflationary pressures.

We recognise, though, that many new store openings have a temporary negative impact on existing stores where franchisees are splitting territories. While the returns are still very attractive for franchisees longer term, we do provide some short term relief in the shape of incentives for new stores. In 2018 these incentives totalled £3.4m, equivalent to £75,000 per new store that qualified. See pages 24 and 25 for more discussion of franchisee profitability.

ROI

Our performance in the Republic of Ireland was steady this year, with a much stronger second half compensating for a slow start to the year. We opened one new store, taking the total to 50, and achieved like-for-like growth of 4.0%. We still see ample opportunity to raise store numbers to 75 over time: the Irish economy has recovered strongly and the casual dining market is booming.

In November 2018 we reached agreement to invest €12.5m for a 15% stake in Shorecal Limited, the Domino's franchise business owned by the Caldwells, the largest Domino's franchisee in Ireland. This was part of a wider transaction in which we invested alongside a private investor that took a 34% stake. Shorecal will open 10 new stores in Ireland (of which six will be in ROI) over the next four years.



JUST EAT

During the year we ran a trial on Just Eat, the menu aggregation marketplace. We recognise that a number of customers, particularly in a younger demographic, prefer to use a single app for all their delivered food orders, and we see these platforms as a potential customer acquisition channel.

Results from a small sample showed an encouraging proportion of new

customers, with the overall profit per order slightly higher than direct business. We have continued the trial into 2019.



See more online at

https://investors.dominos.co.uk

£40.3m +4.2%

ICELAND TOTAL ANNUALISED SALES

£40.1m +8.6%

NORWAY TOTAL ANNUALISED SALES

£4.0m +53.5%

SWEDEN TOTAL ANNUALISED SALES



50TH STORE IN IRELAND

In July we opened our 50th store in the Republic of Ireland, in Ringsend. After six years without expansion, we saw our store count in ROI begin to grow again in 2017, supported by a strong economy and a buoyant consumer. Stores in the ROI are very productive, with 1,444 orders per week and nearly £25,000 of weekly sales, and are highly profitable for franchisees.

The recent transaction with our largest lrish franchisee, where we have taken a small minority stake as part of a consortium, paves the way for further store growth towards our 75 store target.



See more online at https://investors.dominos.co.uk

International

We continue to believe in the long term potential of our international businesses. We are making some progress as we further refine the operating model in each market. We have, however, faced a number of challenges which have impacted on certain markets this year, and have resulted in a worse financial result than anticipated. We are investing more in people and infrastructure to ensure we are best positioned to take advantage of the opportunities.

Overall pro forma system sales growth in our controlled international operations was 7.7% on a constant currency basis, and we generated an EBIT loss of £4.1m. Within this, Iceland and our German associate were profitable, and Switzerland, Norway and Sweden all continue to be loss-making.

Switzerland achieved constant currency system sales growth of 7.0%, with like-for-like performance of 0.4% reflecting a very strong performance in the prior period. We opened two stores in the year, taking the total to 20. Growth was negatively affected by planning restrictions on our two most recently opened stores in Geneva, which were resolved before the year end. We now have a good pipeline of new openings in Switzerland, and a strengthened management team. Although we remain confident of reaching profitability in Switzerland, we have taken an impairment charge of £1.2m to

recognise the higher risk profile in the business given underperformance over several years.

In Iceland, constant currency system sales were up 4.2%, with like-for-like growth of 1.4%. We opened two stores in 2018, taking the total to 25 – in Domino's Iceland's 25th year of operation. Iceland continues to achieve record sales per store performances despite the lowest population per store of any major Domino's market.

In Norway, we now trade from 42 Domino's branded outlets, adding a further 15 Domino's stores during the year. System sales growth in local currency from the Domino's chain was 115.0%. Likefor-like performance was flat, reflecting the impact of persistent warm and dry weather, and increased store density as we build scale in Oslo and complete the conversion of Dolly Dimple's stores. Given the underperformance in Norway, and the higher risk profile of the business, we have recognised an impairment of £10.2m. This is discussed in more detail in the financial review.

In Sweden, constant currency system sales in our nine stores were up 53.5%. We have recently appointed a new country manager with significant experience in the QSR sector, and continue to strengthen the local management team. Although we remain confident that the Swedish market can be profitable, we have taken a net impairment charge of £2.7m to reflect the higher risk profile in the business.

In Germany, our associate in which we own a 33% interest completed the acquisition of Hallo Pizza, the largest independent pizza operator, in January 2018. The business made significant progress in store conversions and continues to build nationwide scale under the Domino's brand.

Outlook

We expect further growth in the UK and ROI in 2019, both from like-for-like growth and new store openings. There are likely to be fewer new stores this year given the ongoing discussions with franchisees on commercial terms, but we are confident that the strong commercial rationale will drive decision-making in the medium term.

In our international businesses, we are investing in new stores and improved capabilities to sharpen execution, and, while recognising a heightened risk profile in delivery in the Nordics, we anticipate a break-even result for International as a whole in 2019. Overall Group capex is expected to be £25–30m.

David Wild

Chief Executive Officer
11 March 2019

Chief Executive Officer's review continued

THE STRATEGY FRAMEWORK WE USE TO BRING STRUCTURE AND FOCUS TO OUR OPERATIONAL PLAN



BEING #1 FOR CUSTOMERS IN EVERY NEIGHBOURHOOD



TO BE THE FAVOURITE TAKEAWAY AND DELIVERY BRAND



SUPERIOR END-TO-END CUSTOMER SERVICE, VALUE AND PRODUCT



GREAT LOOKING STORES
WITHIN EASY REACH OF ALL
POTENTIAL CUSTOMERS



Balanced network

Profitable, balanced and aligned franchise and corporate store network



Read more on pages 24-25



Innovative technology

Market-leading and innovative use of digital capability and data to drive customer interaction and franchise innovations



Read more on page 27



Efficient manufacturing

Highly productive and efficient manufacturer and supplier of food and non-food services



Read more on page **26**



Engaged colleagues

Engaged colleagues performing in a great and safe place to work



Read more in

Our People

on pages 44-45



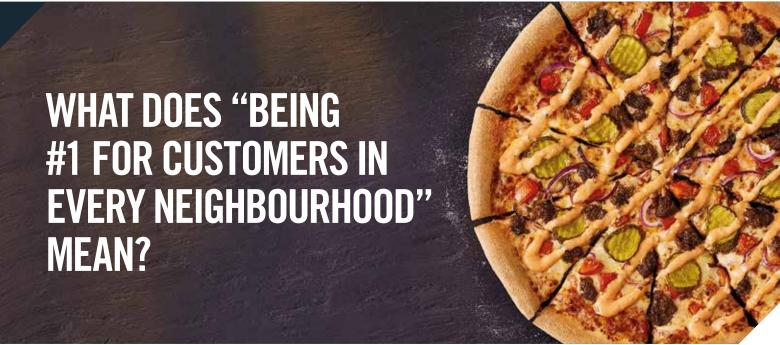
Capital management

Strong financial foundations, rigorous capital allocation and efficient capital structure



Read more in the Financial Review on pages 28-31







TO BE THE FAVOURITE TAKEAWAY AND DELIVERY BRAND

- We are the number one pizza business in the UK, with around a 13% share of the UK delivered food market
- We are the most preferred brand in pizza, being first choice for 37% of customers
- We want to grow faster in collection, which is currently c. 20% of sales

SPONTANEOUS RECALL

82%





SUPERIOR END-TO-END CUSTOMER SERVICE, VALUE AND PRODUCT

- We aim to deliver every pizza within 30 minutes; ideally, within 20
- Most of our promotions are designed to feed a family of four for £5-6 each
- We source high quality ingredients from trusted suppliers, and make fresh dough six days a week

ONLINE **PENETRATION**

79%

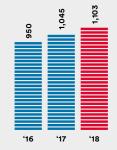




GREAT LOOKING STORES WITHIN EASY REACH OF ALL POTENTIAL CUSTOMERS

- Over the last 5 years, new store catchment areas have reduced from over 24,000 addresses to around 17,000 bringing us closer to every neighbourhood
- 234 stores have opened in the last three years, with a further 377 updated with the latest fit-out
- Stores are increasingly in high visibility, high footfall areas to maximise impact

UK STORES 1,103



Chief Executives Officer's review continued

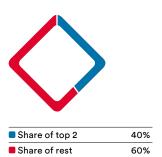
BALANCED NETWORK



Profitable, balanced and aligned franchise and corporate store network

"The scale of the system and the inherent profitability of pizza mean that there is room in the system for both the Group and its franchisees to make an attractive return."

64UK FRANCHISEES



45%

OF FRANCHISEES
OPENED STORES IN 2018

66

Around 30 franchisees operate between 5-25 stores, and we expect these to be the main drivers of new store growth over the coming years."

OVERVIEW

The division of responsibilities between the Group and franchisees is clear. It is our role to source high quality ingredients, mix fresh dough, and make regular, reliable and accurate deliveries to stores. Our purchasing scale allows franchisees to share in the benefits of a much bigger business, so that they can be very competitive even when they are still small enterprises. We also develop new menu innovations and invest in technology and supply chain infrastructure, driving order volume, labour efficiency and capacity for future growth. Finally, in collaboration with franchisees, we plan national campaigns and invest the national advertising fund to drive sales growth and build the brand.

Franchisees open and operate Domino's stores up and down the country. They employ store staff and drivers, invest in local store marketing, set prices and promotions, and manage their overheads. The Group makes money predominantly from selling supplies to franchisees; franchisees make money by marketing, making and delivering pizza. The scale of the system and the inherent profitability of pizza as a cuisine mean that there is room in the system for both the Group and its franchisees to make very attractive returns.





The most effective ways to ensure a profitable and balanced network are to keep growing system sales and profits. We have a saying in Domino's – "sales solve everything".

STORE PROFITABILITY

Profits per store are a crucial measure of the health of the system. A good level of store profitability enables franchisees to finance new store openings, generate an attractive return on those openings, and build personal wealth.

We continue to work closely with our partners to support this metric. Since 2012, EBITDA per mature store has increased from an average of £105,000 to £138,000 in 2018. Profitability has slipped a little from the peaks in 2015 and 2016, but this was a period of unusually low food prices combined with a structural step-change in the level of store productivity, as the delivery market boomed with the digital age.

We focus on three main levers for supporting store profitability: sales growth, food costs and labour efficiency.

During 2018, UK like-for-like sales growth was 4.6%, driven by a combination of order volume and value. On our estimates, franchisees capture 72% of the value of incremental sales. We supported sales growth through the strength of our campaigns, under the "Official Food of Everything" strapline, and the introduction of great new pizzas such as the Cheeseburger, which was our most successful new product launch since 2011.

We continued to see some food cost inflation in the year, the effects of which were in part offset by like-for-like growth. We also continued to support franchisees with rebates on specific campaigns where we wanted to really highlight value for customers.

On labour efficiency, our investment in GPS has been a major benefit for franchisees. Many of them have achieved cost efficiencies of greater than 0.5% of store revenue, net of the cost of deployment. Over time we expect this to lead to sales benefits and other cost savings such as insurance.

DEVELOPING THE NEXT GENERATION OF FRANCHISEES

It is important to have a broad spread of franchisees that are eager and able to grow, and reducing our dependence on the very biggest franchisees.

Over the past five years the franchisee base has consolidated from 104 to 64, as some franchisees retired and stronger operators took over weaker ones, improving performance. Consequentially we have a system in which the biggest two franchisees, who have built significant and highly valuable businesses in partnership with Domino's, represent around 40% of the system.

Our focus now is on supporting the development of smaller franchisees. Around 30 franchisees operate between 5-25 stores, and we expect these to be the main drivers of new store growth over the coming years.

A BALANCE OF CORPORATE STORES

For many years, Domino's UK was the odd one out among major Domino's master franchises in running an entirely franchised system. Running some directly-operated (or 'corporate') stores brings significant benefits in terms of the development of operational expertise and the ability to trial new pricing, technology or menu items in a live environment.



We focus on three main levers for supporting store profitability: sales growth, food costs and labour efficiency."

During 2017 we acquired 25 stores in London, and then added to that with the purchase of a further six stores in August 2018. We have trialled a number of initiatives within these stores, including lower menu prices, launching on the Just Eat platform, and improved labour rostering. The performance of the initial 25 stores has improved throughout the year and by Q4 they achieved like-for-like sales growth of 6.2%, significantly ahead of the rest of London.

Chief Executives Officer's review continued



EFFICIENT MANUFACTURING

Highly productive and efficient manufacturer and supplier of food and non-food services

"Our aim is to be a highly efficient manufacturer and distributor of food and other supplies to our franchisee customers."

£39m
INVESTED IN
WARRINGTON SCC

285
STORES BEING
SUPPLIED

At its heart, Domino's is a supply chain business, and this is where we direct much of our investment. Our aim is to be a highly efficient manufacturer and distributor of food and other supplies to our franchisee customers. They need to be able to rely on us to make accurate and cost-effective deliveries to stores three or four times each week.

2018 has been a pivotal year in this regard, with the completion of our single biggest investment ever, the £39m new Supply Chain Centre in Warrington in the North West of England. Warrington

is on a similar scale to our facility in West Ashland, Milton Keynes, with capacity to serve around 700 stores. It will enable us to serve the north of the country much more efficiently than we do today, with the consolidation of multiple smaller sites and shorter average delivery legs. Crucially, it will underpin the growth plans of our franchisees as we head towards 1,600 stores.

We expect to make further investments in our supply chain over the coming years, to capture more of the value chain and provide capacity for future growth.



NEW SUPPLY CHAIN CENTRE IN WARRINGTON



INNOVATIVE TECHNOLOGY



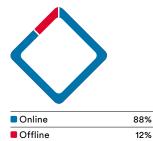
Market-leading and innovative use of digital capability and data to drive customer interaction and franchise innovations

"We are always giving customers more ways to order and more ways to pay, making the whole experience quicker and easier."

22m

APP DOWNLOADS

88%
OF UK DELIVERY
ORDERS MADE ONLINE

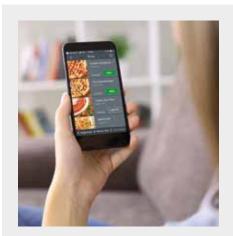


We have a proven track record as a digital innovator, and every year we invest millions of pounds into our IT platforms. We are always giving customers more ways to order and more ways to pay, making the whole experience easier and quicker, and driving repeat sales as a result. Our app has been downloaded over 22m times, and over 88% of delivery orders are now made online.

Franchisees benefit directly from this improved customer engagement and repeat orders. In addition, we have developed tools such as GPS to improve labour efficiency. GPS enables store managers to track their drivers – this helps to optimise driver performance

and helps to shorten delivery times, particularly on busy nights. But GPS also improves the customer experience: customers can now track their order as it comes through the streets to their door, so they know exactly when their hot pizza is going to arrive.

Looking ahead, we need to ensure complete roll-out across the store base to make for a consistent customer experience. GPS will also provide franchisees valuable information about delivery times to different streets, allowing them to plan more accurately. Through the use of telematics, it will also help to bring down insurance premiums.



INVESTING IN NEW PLATFORMS

In August 2018 we announced plans to contribute £10m to new platforms for eCommerce and our app. This will make it quicker and easier for us to make updates and enhancements, while also completely redesigning the customer journey to make the app even more engaging.

Financial review

£

CAPITAL MANAGEMENT

BALANCING GROWTH, SUSTAINABILITY AND RETURNS

66

We have many opportunities for growth, while also returning excess cash to shareholders."

David Bauernfeind

Chief Financial Officer

Key points

- Statutory revenue of £534.3m, up 14.5% on a 52 week basis
- Underlying PBT of £93.4m, down 1.1% on a 52 week basis
- Statutory PBT of £61.9m after net non-recurring charges of £31.5m
- Underlying basic EPS of 16.1p, up 2.5% on a 52 week basis
- Total investments in capex and M&A of £89m
- Total cash returned to shareholders of £103.5m
- Net debt of £203.3m, within our target range
- Focus on strengthening reporting, forecasting and controls

Introduction

In this section I cover all the financial aspects of the business – looking not only at performance but also at other significant value drivers such as capital allocation and structure, and return on capital employed.

In any analysis of our performance, it is important to understand the difference between system sales and statutory revenue, and why we as a business focus more on the former as a driver of performance rather than statutory revenue.

System sales are the total sales to end customers through our network of stores. For stores owned and operated by franchisees, these are not in our statutory revenue but do drive revenue through food sales to franchisees and royalty fees. For stores which we own and operate ourselves (which we call 'corporate stores'), these do appear in our statutory revenue. The vast majority of our store network is franchisee operated.

Statutory revenue consists of food and non-food sales to franchisees, royalties paid by franchisees, rental income and end-customer sales in our corporate stores (see above).

Statutory revenue is a more volatile indicator of our performance for two reasons. First, food wholesale prices are much more volatile than menu prices; this means that the unit price of goods we sell to franchisees fluctuates more than the prices paid by customers. As a result, system sales give a useful alternative



01-07	08-
01-07	08-

47

	52 weeks 30 December 2018	Unaudited 52 week basis 24 December 2017	53 weeks 31 December 2017	Variance (52 week)
System sales (£m)				
UK and ROI	£1,155.4m	£1,079.4m	£1,101.5m	7.0%
International	£104.1m	£76.3m	£78.1m	36.4%¹
Like-for-like sales growth				
UK	4.6%	4.8%		
ROI	4.0%	10.8%		
Revenue (£m)				
UK and ROI	£439.5m	£393.4m	£401.6m	11.7%
Underlying operating profit/(loss) (£m)				
UK and ROI	£101.0m	£93.2m	£95.1m	8.4%
International	£(4.1)m	£0.8m	£0.8m	n/a
Underlying basic EPS (p)	16.1p	15.7p	16.0p	2.5%

reading over time of the health and growth of the business. Second, revenue contains items such as rental income which are only accounted for because we hold the head leases for our franchisees' stores and then sub-let to them; these are not a driver of value.

From a performance perspective, we are also much more focused on operating margin as measured against system sales than against statutory revenue. The volatility of dairy prices means that we target a cash gross profit per unit from cheese, rather than a percentage gross margin. When prices are falling, our statutory margin percentage rises, and vice versa. However, this has little bearing on the system sales operating margin, which tends to iron out food price volatility.

PERFORMANCE REPORTING

The 2018 year comprised 52 weeks whereas the 2017 year comprised 53 weeks. In this section, all figures are given on a 52 week versus 52 week basis unless otherwise stated. The statutory reporting section gives all growth rates on a reported basis.

System sales and drivers

Group system sales were up 9.0% in the year to £1,259.5m. Excluding the impacts of foreign exchange movements and acquisitions, Group system sales were up 7.0%.

We saw solid growth in all of our markets. The UK, which represented 87% of system sales in 2018, saw system sales growth of 7.1%. H1 system sales growth

was 8.3%, as we lapped a weaker first half last year and achieved good volume growth; in H2, growth was 6.0%, and was mainly driven by ticket - the amount paid per order.

UK like-for-like growth, excluding the impact on stores in split territories, was 4.6%. Average weekly unit sales in mature stores were £20,331, despite the dilutive effect of 73 having reduced address counts year-on-year as a result of splits. Like-for-like order volume growth was 2.2% and ticket growth was 2.4%, which we view as a healthy balance.

We opened 58 new stores in the UK, taking the base to 1,103. New and immature stores generated £90.4m of system sales (2017: £90.1m), mature stores generated £913.7m (2017: £838.7m), and stores affected by territory splits generated £87.5m (2017: £90.1m).

Total system sales outside the UK amounted to £167.8m. The Republic of Ireland grew system sales by 5.2% after adjusting for foreign currency effects. After a relatively weak first half, affected by the weather and lacklustre promotions, the business recovered strong momentum in H2. Switzerland grew system sales by 7.0%, with growth affected by a very strong year in 2017 and some licence issues on new stores.

System sales for our Nordic markets were £84.4m. These businesses were only consolidated when we took majority ownership in May 2017. Iceland, a relatively mature business that has a very

strong market position, continued to grow steadily. We underperformed against our plans in Norway and Sweden, leading to impairments in both markets which are covered in more detail on page 30.

Operating margin and drivers

Group underlying operating profit for the year was £96.9m, up 1.0% year-on-year. Our operating margin, measured as a percentage of system sales, was 7.7%, down 40 basis points over 2017, due to the full year inclusion of international operations within the Group and their disappointing performance.

UK & ROI underlying operating profits were up 8.4% to £101.0m, driven by the good top line performance with our gross profit drivers - royalty fees, food and non-food sales - driven by system sales. The margin on system sales increased slightly to 8.7%.

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

In our International operations, we recorded an operating loss of £4.1m, reflecting a profitable business in Iceland, a positive contribution from our German associate, and losses in Switzerland, Norway and Sweden. We continue to work on the profitability of our international markets.

Financial review continued

CAPITAL MANAGEMENT CONTINUED

Underlying profit before tax was £93.4m, down 1.1% on a 52 week basis. The slight decline reflects the continued sales and profit growth in the UK, ROI and Iceland, offset by losses in Norway, Sweden and Switzerland.

STATUTORY REPORTING Revenue and operating profit

Revenue for the year rose 12.6% to £534.3m compared to last year's 53 week period. The drivers of revenue growth were store openings, like-for-like growth from existing stores, food cost inflation, the full year benefits of 2017 acquisitions, and slightly offset by foreign exchange effects.

Reported operating profit was £56.0m, down 26% year-on-year. This number includes our joint ventures in the UK and Germany, which are accounted for as associates and contributed a profit of £1.7m and a statutory loss of £(0.7)m respectively.

Interest

Net finance costs for 2018 were £2.3m (2017: £0.1m). The higher total interest expense reflects the higher average net debt through the year as a result of acquisitions and share buybacks. The total interest expense of £4.4m was offset by £2.1m of finance income, of which £0.4m was a net foreign exchange gain.

Profit before tax

Statutory profit before tax was £61.9m, down 24.0% year-on-year. Net non-underlying items for the year totalled £31.5m. These costs are itemised in full in note 7 on page 123 and significant items are summarised below:

 £14.1m of impairment charges to the carrying values of our businesses in Norway, Switzerland and Sweden of £10.2m, £1.2m and £2.7m respectively, given the heightened risk profiles of those businesses.

- £4.5m integration costs recognised in Norway. We did not recognise the investment required in order to integrate Dolly Dimple's, the business acquired in May 2017, into the smaller and less mature Domino's business in Norway. Had this been understood at the time we would have recognised the required investment in the acquisition accounting, and invested more heavily up front in the integration.
- £9.5m costs associated with the UK supply chain transformation.
- £2.9m of cost associated with the development and build out of new web and app platforms which will go live in 2019.
- £1.2m cost due to decrease in the fair value of the Market Access Fee held over the 33% owned Germany associate.
- £3.7m cost relating to put options over our investments in Norway, Sweden and Iceland.
- £3.2m cost representing our share of the store conversion costs for the German associate.
- £8.2m profit on disposal of our DP Shayban joint venture.
- £1.2m of interest income relating to the unwind of options and foreign exchange movements.

Taxation

The underlying effective tax rate for 2018 was 21.2% (2017: 18.3%) is higher than the statutory rate of 19% as not all of the Group's income and capital expenditure qualifies for tax relief. The rate reflects the inclusion of profits and losses for our international business, our share of post tax profits from JVs and associates and the derecognition of deferred tax assets for tax losses arising in Norway and Switzerland. The statutory effective tax

rate was 29.0% (2017: 18.2%) reflecting the fact that certain non-underlying costs are not expected to qualify for tax relief.

Earnings per share

Underlying basic earnings per share for 2018 was 16.1p, representing 2.5% growth over last year (2017: 15.7p on a 52 week basis). EPS growth was driven largely by a 3.1% reduction in the average share count as a result of share buybacks over the last two years. On a statutory basis, basic earnings per share was 10.3p (2017: 13.8p on a 53 week basis) and diluted earnings per share was 10.2p (2017: 13.6p).

Capital employed and balance sheet

Non-current assets have increased by £15.8m in the year. Intangible assets have decreased by £7.5m, largely as a result of impairments of £13.2m over the international businesses offset by additions to the new IT platform in the year. Property, plant and equipment has increased by £1.7m, largely as a result of additions on the Warrington Supply Centre, corporate stores and international operations of £16.8m offset by impairments of £7.5m.

Current assets have increased £1.8m largely due to increases in trade receivables. Current liabilities have decreased £7.1m with a £3.6m decrease in deferred consideration and £2.5m decrease in share buyback obligations being offset by £5.9m increase in trade and other payables. Overall net current liabilities are £39.4m, compared to £48.3 last year.

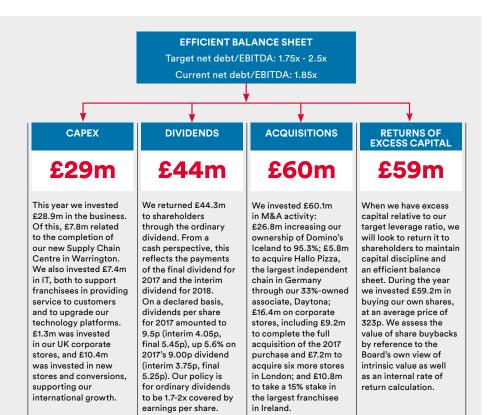
The increase in non-current liabilities of £86.7m is largely due to additional drawdowns on the RCF.

The significant changes in equity are the reduction in other reserves of £15.2m as a result of the lapsing of the put option in Iceland which was separately acquired and £59.2m of share buybacks recognised, together with £4.4m of EBT share purchases.

CASH FLOWS AND CAPITAL ALLOCATION

The Group is highly cash generative and has many opportunities to invest for growth, while also returning excess cash to shareholders in a regular and structured way. In 2018 we generated £85.8m in net cash flow from operating activities, a decrease from £104.2m in 2017, largely due to less favourable working capital movements of £15.4m.

We deployed £192m of capital during 2018.



Treasury management and net debt

In November 2018 the Group exercised an option to extend its unsecured revolving multi-currency facility of £350m to December 2023 with the option of one further extension for a period of 12 months to be exercised before the second anniversary of the facility. The facility's lower range remains at a margin of 75bps above LIBOR rising to 185bps with increased leverage, plus a utilisation fee of between 0.15-0.30% of the aggregate amount of the outstanding loans.

The Group monitors its overall level of financial gearing on a regular basis to ensure that it remains well within its targets and banking covenants. The Group monitors its cash resources centrally through short, medium and long-term cash forecasting. Surplus cash in the UK is swept into interest bearing accounts or placed on short-term money market deposits. We ended the year with net debt of £203.3m up from £89.2m at the end of 2017, giving us a leverage ratio of 1.85, within our target leverage ratio of 1.75 – 2.5 times net debt/EBITDA. Underpinning Treasury

activity is a robust Treasury Policy and Strategy that aims to minimise financial risk. Foreign exchange movement arising from transactional activity is reduced by either agreeing fixed currency rates with suppliers or pre-purchasing the currency spend. Translation exposure is minimised by reducing overseas net assets.

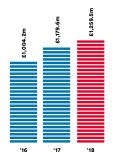
David Bauernfeind

Chief Financial Officer

11 March 2019

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.



GROUP SYSTEM SALES

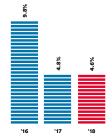
£1,259.5m

(2017: £1,179.6m)

DESCRIPTION

System sales represents the most useful indicator of the overall strength of the Domino's brand. The Group measures the total sales of the Group's franchisee and corporate store system in the UK, ROI, Switzerland and Nordics to external customers.

System sales do not represent revenue attributable to Domino's as it is derived mainly from stores owned by franchisees.



UK LIKE-FOR-LIKE SYSTEM SALES GROWTH

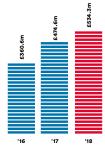
4.6%

(2017: 4.8%)

DESCRIPTION

Like-for-like system sales growth represents a measure of our competitiveness in the market and our franchisees' ability to drive increased value from their existing stores. It is an accepted performance metric across all retailing sectors.

It is measured by comparing 2018 sales with 2017 sales for stores opened in 2016 or earlier, which have not been affected by splits in the previous 12 months.



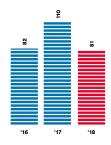
STATUTORY REVENUE

£534.3m

(2017: £474.6m)

DESCRIPTION

Statutory revenue represents revenues directly attributable to the Group being derived from monies paid by franchisees for food and non-food supplies, royalty payments for use of the Domino's brand, rental income and corporate store sales.



NEW STORE OPENINGS

81

(2017: 110)

DESCRIPTION

New stores are a key driver of growth. They increase the scale of the system, raising the profile of the brand and increasing value for all franchisees. In addition, they are a signal of good financial returns for franchisees.

PERFORMANCE IN 2018

+9.0%

Growth was driven by store openings, like-for-like growth and the full year inclusion of the Nordic acquisitions.

PERFORMANCE IN 2018

+4.6%

Growth was driven by both volume and price. Performance was similar in H1 and H2, despite the impact of hot weather over the summer period.

PERFORMANCE IN 2018

+12.6%

Growth was driven by rising food costs, like-for-like growth, new stores and the full year inclusion of the Nordic acquisitions.

PERFORMANCE IN 2018

+81 stores

The performance was mainly driven by new openings in the UK, and the conversion of acquired stores in Norway.

LINK TO STRATEGY



LINK TO STRATEGY



LINK TO STRATEGY



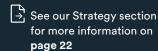
LINK TO STRATEGY



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STRATEGIC PILLARS







Capital management







DELIVERED ON TIME (UK/ROI)

79.3%

(2017: 81.8%)

DESCRIPTION

Customer service is key to the long term success of Domino's, and one of the most important aspects is speed of delivery. The quicker our customers receive their order, the better tasting the pizza and the more likely they are to order again.

We aim to deliver pizzas to customers within 30 minutes of being ordered. The metric represents the proportion of orders that meet this target.



UNDERLYING OPERATING PROFIT

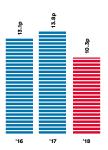
£96.9m

(2017: £95.9m)

DESCRIPTION

Underlying operating profit is our main profitability metric, and gives an indication of the efficiency of our supply chain in serving the growth in the business.

The calculation excludes the impact of restructuring costs and other one-off items.



BASIC EARNINGS PER SHARE

10.3p

(2017: 13.8p)

DESCRIPTION

Basic EPS represents the net profit attributable to each share, after taking into account tax and financing, and the change in the number of shares from year to year. It also fully reflects any one-off or non-recurring items.



DIVIDEND PER SHARE

9.5p

(2017: 9.0p)

DESCRIPTION

We aim to generate value for shareholders through both capital appreciation and a regular dividend stream. The dividend reflects the underlying profit and cash flow performance of the business. Historically we have targeted dividend cover (defined as Underlying EPS/ dividend per share) of 1.7-2.5x, of which this amount is slightly below (1.66x).

PERFORMANCE IN 2018

79.3%

Although the metric declined in 2018, this is because of the improved quality of data available since the launch of our GPS platform.

LINK TO STRATEGY



PERFORMANCE IN 2018

+1.0%

Underlying operating profit in the UK & ROI rose 6.3% on a 53 week basis, but this was partially offset by losses in the international operations.

LINK TO STRATEGY



PERFORMANCE IN 2018

-25.4%

The impairments in Norway and Switzerland, in addition to other nonunderlying items, had a negative impact on EPS performance.

LINK TO STRATEGY



PERFORMANCE IN 2018

+5.6%

Dividend growth was lower this year, reflecting the losses in the international operations and the higher tax rate.

LINK TO STRATEGY



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 Group. Importantly, we treat identifying and managing risk as an integral part of managing the business,

and not as an additional bureaucratic chore. Principal 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 Group's strategy and business plans.

SHAREHOLDERS GROUP EXECUTIVE LEADERSHIP TEAM IDENTIFY RISK ASSESS RISK REGULARLY REVIEW AND AND IMPACT EVALUATE THE BOARD **UPDATE CREATE KEY RISK MITIGATION** REGISTER STRATEGY

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. We have linked the risks to the strategic pillars described on page 22. 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. 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 Board has considered the risk posed by Brexit and does not consider that it presents a principal risk to the business model. As reported previously, there are potential Brexit-related risks associated with increases in raw material and labour cost increases for our franchisees. A 'no deal' Brexit carries the increased risk of disruption to raw material supplies into the UK. The Company has implemented a series of contingency measures to minimise the impact of supply chain disruption.

STRATEGIC PILLARS



See our Strategy section for more information on pages 22 to 27

Strategic risks

PEOPLE-RELATED RISKS

LINK TO STRATEGIC PILLARS







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

POTENTIAL IMPACT

Medium

PROBABILITY

Medium

MITIGATION

The Board considers succession planning on a regular basis and has set the CEO a personal objective of developing multiple potential successors in key roles. Contingency plans are in place which could be implemented on a short-term basis should we suddenly lose a key Executive

NATURE OF THREAT

These risks could have some impact on future performance, for a limited time

CHANGE FROM 2017



COMMENTARY

There has been considerable work undertaken this year to improve the HR operating model to establish more robust processes for talent management and succession planning. People planning sessions are being held at all levels within the organisation to utilise better the skills pool, drive performance and identify and develop successors for key roles

FAILURE TO RESPOND TO AND OVERCOME COMPETITIVE PRESSURES

LINK TO STRATEGIC PILLARS









RISK

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

POTENTIAL IMPACT

High

PROBABILITY

Medium

MITIGATION

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

NATURE OF THREAT

These risks have the potential to compromise our future performance or, in an extreme scenario, even the business model

CHANGE FROM 2017



COMMENTARY

Online channels that provide access to diverse cuisine options are becoming an increasing force in the market place. The Group is investing in its eCommerce channels to enhance the customer experience and maintain a highly competitive offering. Additionally, trials are ongoing to assess whether these/other online channels can also be used for profitable incremental customer acquisition

INABILITY TO REACT TO CHANGES IN THE HEALTH DEBATE AND PUBLIC **DESIRE FOR HEALTHIER FOOD**

LINK TO STRATEGIC PILLARS





RISK

As society's expectations evolve, and governments act on public health concerns, we may need to change the products we offer and our approach to marketing

POTENTIAL IMPACT

Medium

PROBABILITY

Low

MITIGATION

Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these. We also engage, appropriately, with the government on the public health debate to ensure that our views are understood by policy makers and influencers

NATURE OF THREAT

These risks have the potential to compromise our future performance or, in an extreme scenario, even the business model

CHANGE FROM 2017



COMMENTARY

The Group is continually reviewing its products and ingredients to ensure they meet governmental guidelines whilst delivering the best possible taste for our customers. We anticipate that during H1 2019 the UK Government will publish recommendations on tackling childhood obesity. The Group keeps its products under regular review and some products may undergo reformulation to reduce sugar, salt and fat levels as required

Risk management continued

The Board 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.

Strategic risks continued

FAILURE TO ACHIEVE GROWTH THROUGH NEW STORE OPENINGS

COMMERCIAL LEVERAGE OF LARGE FRANCHISEES

LINK TO STRATEGIC PILLARS









Failure to meet store growth targets would be a breach of our Master Franchise Agreements ('MFA's'). Our ability to open new stores depends on our ability to lease or buy suitable premises in target territories, obtain the necessary planning approvals and identify a suitable franchisee to run the store

LINK TO STRATEGIC PILLARS









The Group has a number of franchisees whose businesses run large numbers of stores, and so enjoy some commercial leverage.

The Group 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

PROBABILITY

Low

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 operate as required and we employ surveyors to identify and secure appropriate premises

NATURE OF THREAT These risks could have an impact on future performance. In an extreme case an unremedied breach of the UK & Ireland MFA could threaten the Company's business model and liquidity

POTENTIAL IMPACT

PROBABILITY

Medium

MITIGATION

Open and transparent relationships with multi-site franchisees are managed at senior levels of the Group. We regularly explain and emphasise the profit-sharing model to all franchisees, so that they understand that success is mutual. Our focus is on support and development for smaller franchisees

NATURE OF THREAT

These risks have the potential to compromise our future performance for a period of time

CHANGE FROM 2017



COMMENTARY

The overall risk remains broadly similar to the prior year. For the UK and Ireland, the MFA targets have been agreed for a 10 year period starting in 2016 requiring 350 additional stores over the period (on a net basis). The Group is on schedule to meet the growth targets in its other territories

CHANGE FROM 2017



COMMENTARY

The actual risk has not changed materially during the year but there has been increased public debate on the perceived pressure on franchisee store profitability. There is regular, open and frank dialogue with the franchisee community throughout the year to mitigate this risk

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STRATEGIC PILLARS



See our Strategy section for more information on pages 22 to 27



Balanced network















Operational risks

FOOD SAFETY

LINK TO STRATEGIC PILLARS









There is the risk of contamination in either the pre-proved dough we produce at the Group's Supply Chain Centres, or in the pizza topping ingredients we distribute to our franchisees' stores. Where we operate corporate stores, and are responsible for finished products, this risk is exacerbated

POTENTIAL IMPACT

Medium

PROBABILITY

Medium

MITIGATION

The business has implemented a rigorous regime of standards and food safety checks, with the Supply Chain Centres accredited to the internationally recognized food safety standard FSC 22000

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

CHANGE FROM 2017



COMMENTARY

The risk continues to be monitored on a regular basis by a qualified in-house resource. The Board routinely receives reports on 'food safety' risk controls. During the year we have strengthened compliance with our supplier assurance programme with demonstrable improvements in supplier standards. The third-party assurance provided by FSC 22000 ensures robust operational controls are in place

INTERRUPTION OF RAW MATERIAL SUPPLIES









The business relies on a number of third-party suppliers, 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 Group 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 Group would no longer trade with them

POTENTIAL IMPACT

High

PROBABILITY

Low

MITIGATION

Suppliers are selected through competitive tendering and appropriate due diligence processes. The economics of their businesses are kept under review and their performance against their obligations monitored. We assess their compliance with acceptable business standards

NATURE OF THREAT

These risks have the potential to compromise our future performance for a limited time

SUPPLY CHAIN CENTRES ARE UNABLE **TO SUPPLY THE STORES**

LINK TO STRATEGIC PILLARS







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

PROBABILITY

Medium

MITIGATION

In the event of the loss of a Supply Chain Centre, third-party ingredients could be delivered to stores direct, at an additional cost. 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

These risks could have a significant impact on future performance and potentially liquidity, for a limited time

CHANGE FROM 2017



COMMENTARY

An ongoing programme is underway to reduce supplier dependency and improve security of supplies through dual sourcing. Our supply risk relating to single-source supplies has been reduced through increasing capability across providers with multiple supply sites

CHANGE FROM 2017



COMMENTARY

The level of risk has reduced. The current supply chain configuration provides a degree of over capacity to manage short to medium supply issues from the loss of dough production capacity. This situation is regularly reviewed to take account of growth in the system

Risk management CONTINUED

STRATEGIC PILLARS

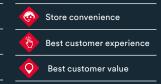
See our Strategy section for more information on pages 22 to 27



Efficient manufacturing



Favourite brand



Operational risks continued

FAILURE OF ONLINE ORDERING SYSTEMS FOR A PROLONGED OR **CRITICAL PERIOD**

LINK TO STRATEGIC PILLARS











Over 85% 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 systems implementation and design failures, and from malicious denial of service attacks

POTENTIAL IMPACT

High

PROBABILITY

Medium

MITIGATION

Cyber-risk appears on the Board agenda and Audit Committee agenda on a regular 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 realtime replication and appropriate protection from malicious attempts to disrupt the availability of our sites

NATURE OF THREAT

These risks could have some impact on future performance, for a limited time

CHANGE FROM 2017



COMMENTARY

On the whole the level of risk has remained constant, but we remain vigilant to the risk posed by third parties in terms of potential system disruption and online fraud. The Group has maintained its compliance with PCI level 1 and continues to enhance its systems control environment technical capability and systems resilience

LOSS OF PERSONAL DATA RELATING TO CUSTOMERS, EMPLOYEES OR OTHERS; LOSS OF CORPORATE DATA

LINK TO STRATEGIC PILLARS









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 Group. In addition, the Group's own data on employees and suppliers is exposed to the same risks of loss

POTENTIAL IMPACT

High

PROBABILITY

Medium

MITIGATION

Cyber-risk appears on the Board agenda and Audit Committee agenda on a regular basis and management keeps the security of data under its ownership or control under continual review. We have a robust compliance programme for GDPR. 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. We do not hold customer credit card data on our systems

NATURE OF THREAT

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

CHANGE FROM 2017



COMMENTARY

Cyber risk remains a major and increasing threat. The Group's cyber-security maturity is regularly reviewed by the Group's management and external advisers. We have appointed a dedicated Chief Information Security Officer who is responsible for driving continual improvement in data governance and protection

Viability statement

THE COMPANY'S CURRENT POSITION

The Group's business model has been shown to be robust since the business was formed. We operate under what is effectively a perpetual Master Franchise Agreement in each key territory, so our business model is long-term and effectively openended. The Group's strategy and business model which is explained on pages 16 to 23, is well established and we have a market-leading position in the UK and ROI business and have successfully exploited the emergence of eCommerce as a sales channel. We continue to open new pizza stores and drive increases in like-for-like sales, and can demonstrate strong growth in system sales, and Group turnover and profitability, over many years. Our business is profitable and we successfully convert almost all of this into cash. At 30 December 2018, the Group has net debt of £203.3m and a committed £350m five-year multi-currency bank facility, which expires in December 2023.

The Board has considered its appetite for risk and there is a clearly articulated statement of this which forms the basis for the Group's risk management activities.

OUR STRATEGIC PLANNING PROCESS

The CEO, supported by the leadership team, is responsible for the Group's strategic planning process. This is an annual review of the current strategy, informed by monitoring of market trends and developments and in-house analysis, supported where necessary by external market research. This results in a draft strategic plan, supported by detailed financial modelling, which is debated by the Board at its annual strategy away-day. The Board's role includes considering whether the plan appropriately factors in the changing external environment and whether the Group has access to the financial, technical and human resources necessary to implement it successfully.

The resulting agreed strategic plan is generally prepared on a five-year basis, but both management and the Board are aware that we operate in a fast-moving environment.

THE PROCESS OF ASSESSING OUR VIABILITY AND KEY ASSUMPTIONS

The strategic plan reflects the Directors' best estimate of the future prospects of the business, but we have also assessed the potential impact on the Group of a number of scenarios based on each of the principal risks and uncertainties described in this section of the Annual Report. Those risks are "principal" because they could prevent the Group from delivering on its strategy. Although our strategic plans have a five-year horizon, we chose to model the impact of these risks over a period of three years in view of the dynamic nature of our business and the environment in which we operate, and also the inherent unreliability of some data when forecast five years in advance.

We have also explored the impact of "severe but plausible" combinations of these risks, in circumstances that we believe the Group could experience, including:

- only managing to open 30% of the planned number of new pizza stores, while
- simultaneously failing to achieve any like-for-like system sales growth;
- a major food safety incident reducing system sales by up to 10% per annum;
- reduced trading margins due to food cost increases arising from the UK exiting the EU and having to trade on WTO terms; and
- the complete failure of our eCommerce ordering systems during an average week of our trading year.

The key assumption in this modelling of our strategy, and the impact of the principal risks, is our assessment of sustainable growth through new store openings. While a number of industry commentators believe there is a natural ceiling on the number of pizza stores we can open, the Group has consistently delivered ahead of these predictions and we continue to assume that the markets in which we operate, particularly the UK, remain capable of sustaining the growth in new stores we anticipate.

We also investigated whether "reverse stress-testing" would offer an alternative view. Although we have net debt and a committed bank facility, we could find no plausible scenario which had such an impact on the Group's future performance, solvency or liquidity that it would lead to the Group's financial failure. The most obvious risk which could have such an effect would be a breach of the UK and Ireland Master Franchise Agreement, which is highly improbable.

LONGER-TERM VIABILITY STATEMENT

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to the end of December 2021.

Sustainability report

PUTTING SUSTAINABILITY AT THE HEART OF OUR APPROACH

66

We want to be the world's number one pizza company and recognise that means taking responsibility for the impact we have on the world around us. From colleagues to customers, we're committed to putting sustainability at the heart of our strategy and practices"

GROUP PERFORMANCE HIGHLIGHTS

- Launch of our new Supply Chain Centre in Warrington, which features the latest innovative technologies to control energy management and resource consumption.
- Electric vehicle rollout across Norway and Sweden, reducing emissions from our delivery fleet.
- Completion of second "Make a Difference" colleague engagement survey.
- Project with external consultants to identify where the social, ethical and environmental ('SEE') risks lie within our food and non-food supply chain.
- DPG Health Steering group conducted consumerbased research to help inform our strategy and product launches on 'healthier eating' for 2019 and beyond.

CUSTOMER DONATIONS

over

£725,000 (raised in 2018 via Pennies)

ENERGY INTENSITY

20% reduction

(against 2017 levels, 49% against baseline)

OUR APPROACH

Since forming our first Corporate Social Responsibility ('CSR') strategy in 2013, our approach to sustainability has continued to grow and evolve. Through our franchise model, our business touches a lot of people, places and resources, and we strive to understand and make our impact as positive as possible.

In order to reflect better our growing activity in this area, this year we have also evolved how we report on CSR, by broadening it out to a focus on sustainability. As part of this process and in response to the Non-Financial Reporting Directive ('NFRD'), we have strengthened our overall sustainability reporting by mapping our impacts across our value-chain. Outlined further in our sustainability framework below, we have broken down our reporting into three areas, covering activities surrounding our centralised brand, our suppliers and partners, and our customers.

Over the next year we will look to progress our approach further, in line with other developments, including a review of the Group's sustainability strategy and material focus areas.

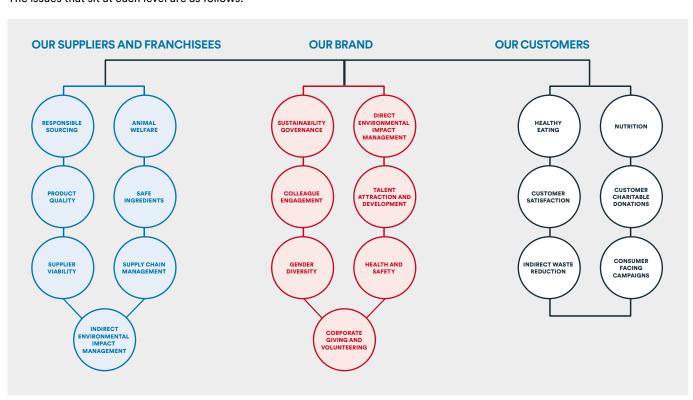


OUR SUSTAINABILITY FRAMEWORK

As a business that operates a franchise model, we map our sustainability impacts across our value-chain. This means that:

- Our brand owns and drives our approach to sustainability. It sets key policies, processes and communication of our activities.
- Our suppliers and partners are responsible for adhering to our key policies and principles, and aligning to our key targets. This includes everything from sourcing ingredients safely and responsibly through to meeting requirements around hygiene and storage.
- Our customers are a key consideration in our approach to sustainability. Our brand drives campaigns to promote healthy eating and reducing waste.

The issues that sit at each level are as follows:



Sustainability report continued

HOW WE MANAGE SUSTAINABILITY

Strong corporate governance is essential for embedding sustainable business practices across our operations. Our Board of Directors oversees our approach to sustainability and ensures compliance with our Code of Conduct. The Board sets our strategic and financial objectives, implements robust risk management frameworks and establishes the ethical standards we abide by.

NON-FINANCIAL INFORMATION STATEMENT

In line with our commitment to upholding high standards of conduct and compliance, we align our reporting to the Non-Financial Reporting requirements of sections 414CA and 414CB set out in the Companies Act 2006.

Required information	Policies and due-diligence	Coverage
Environmental matters	Environmental Policy	 Setting policies and processes p43 Reducing our environmental impact p43 GHG emissions disclosure p43 and p91
Colleagues	 Code of Conduct Health and Safety Policy Diversity Policy Gender Pay Gap Report Learning and Development Policy 	 Setting policies and processes p43 Diversity and inclusion p44 Engaging and developing our colleagues p44
Social matters	Charity guidelines Matched giving guidelines	 Setting policies and processes p43 Corporate giving and volunteering p45 In-store giving and donations p47
Respect for Human Rights	 Data Protection Policy Modern Slavery Statement Human Rights Policy Supplier Technical Manual 	 Setting policies and processes p43 Our approach to responsible sourcing p45
Anti-corruption and bribery matters	 Anti-Bribery and Corruption Policy Risk Management Policy Tax Policy Whistleblowing Policy 	 Setting policies and processes p43 Our approach to responsible sourcing p45
Description of the business model		See Our Business Model on p16
Principal risks and impact of business activity		 Risk Management pages 34 to 38 Setting Policies and processes p43 Sustainability Report p40
Non-financial key performance indicators		Sustainability Report p40

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Suppliers also have access to our Supplier

Technical Manual, which covers what we

expect of our supply chain partners in the

supply of goods to DPG. Policies cover

key issues such as animal welfare, GM

food and palm oil sustainability, as well

as requirements to ensure safe and legal

products are produced. Beyond this, our Environmental Policy outlines our commitment to compliance and to improving performance across key

areas such as energy and carbon, waste and packaging and water usage.

REDUCING OUR ENVIRONMENTAL IMPACT

With increased customer demand leading to a 27% rise in production volumes globally, improvements in environmental management became an increasing focus in 2018. Despite this significant increase in production, our total emissions grew by just 2%, thanks, in part, to our new Supply Chain Centre in Warrington, which features a number of innovative technologies to control energy and resource consumption, including:

- Automated energy management system for electricity, natural gas and water;
- Complete air management system using "duty standby" air compressors;
- Internal and external LED lighting systems and occupancy control sensors;
- All machinery meets high EU energy efficiency standards; and
- Increased water filtering and recycling for tray washing systems.

At our West Ashland Supply Chain Centre, we have continued to invest in upgrading the site to LED lighting, and the tray wash system has been modified to recycle water.

Last year, we provided all our colleagues with reusable water bottles alongside the re-launch of our Make a Difference engagement survey, preventing around 17,000 plastic bottles from going to landfill each year.

In our efforts to reduce waste, we continue to redistribute surplus food from our Supply Chain Centres through our partnership with FareShare - the UK's largest charity fighting hunger and food waste

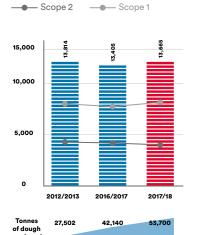
In terms of fleet management, we continued to deliver emissions reduction initiatives across our global portfolio, including the investment and rollout of electric vehicles across Norway and Sweden, which left emissions totals flat despite the growth in UK production.

GREENHOUSE GAS EMISSIONS

Our reporting period for GHG emissions is 1 October to 30 September and 2017/18 marks our sixth year of GHG emissions reporting. Our material GHG emissions from business activities in this period amount to 13,665 tCO2e (2017: 11,710 tCO2e).

See our full Greenhouse Gas emissions data on page 91

TOTAL SCOPE 1 & 2 EMISSIONS GRAPH ('TCO E')



Our Brand

Our brand owns and drives our sustainability efforts. As well as managing and maintaining sustainability within DPG-owned corporate stores and our supply chain centres, we also set policies and processes and cascade them to our franchisees and supply chain partners.

Key strategic decisions regarding how we manage environmental impact, colleague engagement and development, and diversity and inclusion are made centrally in line with our Group vision and purpose, and we ensure our partners follow our lead via audits and assessments.

SETTING POLICIES AND PROCESSES

The Group is responsible for compiling and rolling out key regional and international policies that are applicable for our colleagues and suppliers, and include key risk coverage. Our major policies include:

- Code of Conduct
- Anti-Bribery and Corruption Policy
- Health and Safety Policy
- Whistleblowing Policy
- Data Protection Policy

Though franchisees employ all their own teams directly and are independently responsible for engaging with them on day-to-day policy matters, we provide guidance and support on key processes and policies. All stores have access to a copy of our Food Safety Management System that outlines policies and processes to ensure the safe and legal production of our products.

We have a separate Due Diligence Policy within our Anti-Bribery and Corruption Policy that helps us assess the potential risk of bribery in a new supplier, and the level of due diligence we will require as a result of this. We also provide a copy of the Anti-Bribery and Corruption Policy to new suppliers and those undergoing a contract review.

We have mandatory training on compliance with our Anti-Bribery and Corruption Policy.

Sustainability report continued

ENGAGING AND DEVELOPING OUR COLLEAGUES

We continue to focus on building channels that ensure we are effectively listening and responding to our colleagues. In doing so, we are able to identify opportunities to better meet their needs, help them with their career progression and build the skills required to continue to help our business thrive.

Following the launch of our colleague engagement survey, "Make a Difference", in 2018, we continued to gather feedback to identify ways to make Domino's a great place to work for all our people.

Our second engagement survey revealed that 74% of our colleagues are proud to work for Domino's, feel able to deliver their best work and would recommend us as a place to work. Beyond this, 89% of staff said they were happy to go the extra mile for the business and the level of team satisfaction was as high as 82% in our head office team.

A key consideration to ensuring our colleagues are healthy and happy focuses on encouraging them to look after their physical and mental wellbeing. As part of this commitment, all our UK colleagues are eligible to join our Vitality Health care scheme after six months' service. To date, 78% are signed up to Vitality, and 63% of those signed up actively use the members zone to seek advice on health and wellbeing, as well as gaining access to associated benefits by increasing their daily steps. We also hold an annual Benefits Day, where colleagues can learn more about accessing all the benefits available to them, as well as have a medical health-check with the Vitality team.

An important reason why colleagues stay with us is knowing that they can learn and develop in their role. This year we focused on internal performance management and development to ensure all colleagues have clear objectives and an understanding of their contribution to our overall business goals.

We launched new development programmes in the UK and Ireland, supporting over 50 colleagues to complete a "Stepping Into Leadership" programme and more than 40 senior leaders also completed a "Living Leadership" programme. Both courses are designed to help grow our internal leadership capabilities so we are best placed to set the right tone and working environment for all our Domino's colleagues.

DIVERSITY AND INCLUSION

We strive to create a diverse and inclusive working environment where every colleague feels welcome and are able to do their best work. We believe in the benefits of diversity and the importance of bringing a wide range of skills, experience and perspectives into our business.

We are proud of the gender diversity in our corporate store manager population and in our senior leadership teams whilst acknowledging that we have work to do on diversity at Group director level. Within our UK Corporate Stores we have 53% of females in Store Manager positions, and 28% females Heads-offunction within our UK Supply Chain and Head Office. We want to develop more leadership talent internally, and during 2018 we had 50/50 gender diversity split of candidates in our internal leadership programmes and we will continue this approach into 2019.

We want to develop more leadership talent internally, and during 2018 we had 50/50 gender diversity split of candidates in our internal DPG leadership programmes.

Overall, our gender split is 29% female and 71% male, which impacts our DPG Gender Pay calculation. Women's mean hourly rate is 14.7% higher than men, while 78.7% of females received a bonus compared to 77.8% of men.

The Board Diversity Policy requires gender and diversity to be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy.

GENDER DIVERSITY



ALL COLLEAGUES

4,067 (2017: 3,490)

FEMALE

MALE

1,163 29%

2,904 71%

(2017: 1,031 - 30%)

(2017: 2,459 - 70%)



SENIOR LEADERSHIP TEAM

63 (2017: 57)

FEMALE

MALE

17 27%

46 73%

(2017: 15 - 26%)

(2017: 42 - 74%)



GROUP DIRECTORS

8 (2017: 8)

FEMALE

MALE

1 12.5%

7 87.5%

(2017: 2 - 25%)

(2017: 6 - 75%)

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CORPORATE GIVING AND VOLUNTEERING

This year we celebrated raising £2m during the first three years of our partnership with Teenage Cancer Trust, our charity partner of choice in England, Scotland and Wales, and pledged to raise a further £1m by 2020 – raising our total to £3m.

As part of the celebrations, activities included Teenage Cancer Trust representatives taking over three of our sites for a day in July, a specialist Teenage Cancer Trust nurse attending August's All Colleague Meeting ('ACM') to explain how Domino's fundraising helps the charity, Teenage Cancer Trust joining the annual Family Fun Day in Milton Keynes, and the launch of the #MyDoughnation selfie campaign, which raised £15,000. We also celebrated the opening of a new store in Birmingham with a 'Meals on Skate Wheels' campaign, which raised £600.

A number of Domino's teams and individuals also undertook fundraising efforts, which, when combined with our match-funding, raised over £100,000 for the charity. In April, IT Infrastructure Manager Craig Scott ran the hottest ever London Marathon in 4 hours 46 minutes, and September saw 20 members of Domino's property team climb Snowdon.

We also donated our annual pledge of €15,000 to our Republic of Ireland charity partner Barretstown, and arranged a Christmas pizza drop at the Barretstown camp in December 2018.

WHAT'S NEXT?

As part of our ambition to develop further our approach to sustainability over the next year, we will revisit the Group's overall sustainability strategy and material focus areas. Other planned actions or activity includes:

- We expect production volumes at Warrington to increase in 2019 as we progress towards 100% operating capacity at the site, thereby improving overall energy efficiency across UK facilities.
- We will complete a review of the transport fleet (which is entering a renewal phase), and all new units will conform to the latest emissions standards.
- We will be expanding our engagement survey across the Group, measuring team satisfaction for an even wider range of colleagues and developing robust action plans around what matters to them.
- We launched our first colleague recognition awards night, The DOMIS, in January 2019.
- Starting in 2019, we will be developing leadership programmes appropriate to each market in which we operate so we promote further internal promotions and succession.
- We will continue to invest in energy efficient products and services where financially viable, whilst utilising energy monitoring software and audits to identify further energy savings opportunities.
- The Chairman will ensure that boardroom diversity is considered as part of the annual evaluation of the Board's effectiveness.

Our Suppliers

As a business dependent on suppliers and franchisee partners to deliver for all of our stakeholders, we strive to manage these relationships as closely as possible to ensure they meet our sustainability ambitions.

We rely on our supply chain and store partners for everything from sourcing ingredients responsibly and delivering a safe and legal product, to reducing our environmental impact through efficiencies and maintaining customer relationships.

Though our suppliers and franchisee partners are ultimately responsible for adhering to the principles governing the policies we set, and for contributing to our key Group targets, we remain diligent through rigorous procurement processes for new suppliers and partners, and ongoing risk assessments and audits for existing suppliers and stores.

OUR APPROACH TO RESPONSIBLE SOURCING

Before we work with any supplier, they are vetted by our procurement and technical teams to ensure that they meet the requirements for safe and legal production. We require all suppliers to have a third-party accreditation from a globally recognised food safety standard and to be members of SEDEX (the ethical supply chain platform).

Once approved, all suppliers are risk assessed and audited with appropriate regularity. The audit covers the basics of food hygiene and legislation, as well as adherence to the specific DPG policies we expect of our suppliers, including our Human Rights Policy.

During 2018, we worked with consultants at Carnstone Partners Ltd to identify where the social, ethical and environmental ('SEE') risks lie within our food and non-food supply chain.

Sustainability report continued

The risk analysis was developed using a number of international benchmarks covering, amongst many other areas, human rights, trafficking, child labour and environmental performance. The results, which will inform a new DPG Responsible Sourcing Framework, identified combinations of risks in our supply chain, most of which were low risks.

Beyond supplier auditing and risk management, animal welfare is a key focus for DPG and we work closely with Compassion in World Farming to support in preparing and publishing our animal welfare commitments for our suppliers.

There are also key criteria that suppliers must meet when sourcing certain other ingredients. For instance, all sourced canned tuna must be caught using responsible fishing methods, palm oil must be sourced from a fully sustainable source, and all egg or egg ingredients must be from cage-free production systems by 2020.

SAFE INGREDIENTS

We are committed to ensuring the highest standards of food safety and quality across our operations, and require both our suppliers and franchisees to operate to the same high standards.

Our suppliers have access to our Supplier Technical Manual, which covers all the policies and processes we expect of our supply chain. We have a programme of due diligence product testing between ourselves and our suppliers to ensure that the products supplied meet our stringent criteria, and all suppliers are regularly assessed on food safety risk, with suppliers deemed high risk audited on an annual basis and medium to low risk suppliers audited every 18 months to two years.

All stores have access to our Food Safety Management System, which details the in-store guidelines for the safe production of our products. It is based on the principles of hazard analysis and critical control points ('HACCP') and outlines areas such as temperature control, allergen control procedures, correct storage, dating and rotation of ingredients, as well as best practice on managing the health and hygiene of a store's environment and colleagues. All store colleagues are trained on allergens and allergen management in store and are required to take an annual refresher course.

To ensure all policies are being upheld, stores are audited on an unannounced basis four times per year.

WHAT'S NEXT?

Building on work to develop our sustainability frameworks, policies and processes, the following activities are set to take place in 2019:

 We will launch a new Responsible Sourcing Framework and Supplier Code of Conduct in response to our risk assessment work;

- We will review our Supplier Technical Manual and Stores Food Safety Management System, and update policies and procedures;
- Further engagement with Compassion in World Farming to improve reporting on key animal welfare outcome measures; and
- An ingredients quality surveillance programme focused on microbiological and chemical testing protocols will take place.

Our Customers

Our customers are a key consideration in our approach to sustainability. We seek to inspire our customers through our actions and our brand drives campaigns to promote healthy eating and ingredients and waste reduction.

As part of our commitment to health, we have a DPG Health Steering group, focused on ensuring we are making progressive changes to our food ahead of evolving consumer expectations. We also listen to and engage with our customers, carrying out consumer research to learn more about what they want, as well as playing an active role in contributing to and shaping legislation around public health.



PROPERTY TEAM TAKES ON SNOWDON

In September 2018, 20 colleagues from our Property team set out to take on Snowdon to raise funds for a good cause.

After battling with 40mph winds, sideways hailstorms and extremely damp conditions, the team achieved their goal in an impressive 2 hours, 20 minutes.

A massive well done to the official Domino's mountain climbers for completing the challenge, and beating the record for the most amount of money fundraised by an internal team for Teenage Cancer Trust in 2018.



See more online at https://corporate.dominos.co.uk/corporate-responsibility

PROMOTING HEALTHY EATING

As part of our ongoing commitment to customer health and wellbeing, we conducted consumer focus groups on health this year to support the work of the DPG Health Steering group and inform our strategy. The overriding message from these sessions was that our customers want more choice rather than a change in our core products.

We believe it is possible to include pizza in a balanced diet and remain committed to providing transparent nutritional information to enable our customers to make an informed choice. Our website now has nutritional profiles for more than 1,000 pizza combinations.

We continue to work closely with Public Health England and have participated in recent consultations on their proposed calorie reduction programme. We continue to support their work on the Childhood Obesity Strategy, and are actively working on sugar reduction in line with its recommendations, including delisting two of our dessert options which were unable to meet the guidelines. We are also working with our suppliers to reduce the amount of salt in our products and have a number of new products in the final stages of consumer approval.

We remain proud that our products no longer contain trans fats, artificial colours or flavour enhancers.

MEASURING AND IMPROVING CUSTOMER ENGAGEMENT

The satisfaction of our customers is a key consideration for us, and one that we take very seriously. We measure customer satisfaction through our Feed Us Back programme, where each customer who provides us with an active email address is sent an invite to a survey asking them to score and comment on all areas of their experience. We track a metric called the Overall Satisfaction ('OSAT') score, which measures the percentage of customers scoring 5/5 for their overall experience. In 2018, our OSAT score increased by 8% from the year prior across areas such as food taste, time to receive food, appearance and accuracy of order.

Through initiatives implemented throughout the year including GPS implementation for deliveries, the use of dynamic delivery times and product specification training, we hope to make additional improvements in our OSAT score in 2019 and beyond.

IN-STORE GIVING AND DONATIONS

We were the first retailer to sign up to Pennies, the micro-donation digital charity box service, in 2010 and it continues to generate significant donations by enabling our customers to round up their orders to the nearest pound.

In 2018, from an average donation of just 21p, our UK customers raised over £725,000 using the service, taking total Pennies donations from Domino's customers to over £4m since 2010. The money raised this year was split between Domino's official UK charity, Teenage Cancer Trust, and Pennies, which is also a UK registered charity.

Separately, Pennies donations also raised £108,000 for charity partner Northern Ireland Children's Hospice, and the pound sterling equivalent of more than £20,000 for our Republic of Ireland charity partner Barretstown.

WHAT'S NEXT?

We will continue to engage our customers in order to best meet their needs, whilst remaining progressive in our approach to our own products and heavily involved in setting the healthy food agenda. Planned activity for the next year includes:

- 2019 will see us launch a range of pizzas under the 'Delight' range where a small pizza will have a calorie count of under 650 kcals:
- Additional activities to boost customer satisfaction and wellbeing; and
- Rolling out campaigns with a focus on promoting healthy eating.



SOLENT PIZZA RAISES FUNDS FOR TEENAGE CANCER TRUST

In line with our long-term partnership for Teenage Cancer Trust, our Solent stores across Southampton and Portsmouth rallied together in September to raise £2,800 for the charity in just a single week. Beyond this work, additional initiatives included partnering with Portsmouth Football club to raffle off a signed football and running a £1 personal pizza sale.

Their hard work, alongside the input of our customers generosity by rounding up their orders through the digital charity box Pennies, saw us raise over £725,000 in 2018 alone for Teenage Cancer Trust and Pennies.



See more online at https://corporate.dominos.co.uk/ corporate-responsibility

Board of Directors

The Board of Directors are responsible for determining the overall strategy of the Group. The structure of the Board and the integrity of the individual Directors ensures that no single individual or group dominates the decision making process.



Stephen Hemsley
Non-executive Chairman



Colin Halpern
Non-executive Vice-Chairman



David Wild
Chief Executive Officer



David Bauernfeind
Chief Financial Officer

APPOINTED

Stephen joined the Board as Finance Director in 1998, was appointed as Chief Executive in 2001 and as Executive Chairman in 2008 and became non-executive Chairman in March 2010.

EXPERIENCE

Stephen started his career at the venture capital specialists 3i where, after nearly 10 years, he had direct responsibility for an offshore portfolio of approximately £100m. He is a chartered accountant by profession and has extensive history within Domino's Pizza. Upon joining in 1998, he saw the Company through its IPO on AIM and has taken it from a market capitalisation of £25m to over £1bn today, and from nearly 100 UK stores to over 1,000 stores spanning the UK, Irish, and International Markets.

APPOINTED

Colin was appointed to the Board as non-executive Vice-Chairman in December 2007, prior to which he was the Executive Chairman from founding the Company.

EXPERIENCE

Colin acquired the Domino's Pizza Master Franchise Agreement for the UK and ROI in 1993 through International Franchise Systems Inc. In 1999, with Colin as Chairman, the Company was taken public and listed on AIM and subsequently moved to the Main Market in 2008.

APPOINTED

David was appointed to the Board as a non-executive Director in November 2013, became Interim Chief Executive Officer in January 2014 and was appointed as Chief Executive Officer on 30 April 2014.

EXPERIENCE

David was previously Chief Executive Officer of Halfords Group plc and held senior roles within Walmart Stores Inc., Tesco Stores plc and RHM Foods Limited. He was also Senior Independent Director of Premier Foods and a non-executive Director of Practicology Limited and The Bankers Investment Trust.

APPOINTED

David was appointed to the Board as Chief Financial Officer and Executive Director in October 2018.

EXPERIENCE

David was previously Chief Financial Officer of Connect Group PLC. Prior to this, he was Chief Financial Officer and Executive Director at Xchanging plc. He joined Xchanging as a small start-up in 2001 and remained with the company for 15 years as it grew into an established business and listed on the London Stock Exchange with 7,000 people across three continents.

David was also previously Chairman of Xchanging Solutions Limited and has held management roles in BAE Systems PLC and Johnson Matthey PLC.

OTHER APPOINTMENTS

Stephen is also Executive Chairman of AIM-listed Franchise Brands plc and its subsidiary companies.

OTHER APPOINTMENTS

Colin is the Managing Director of HS Real Company LLC and Medtrx Holdings LLC and nonexecutive Director of several other companies.

OTHER APPOINTMENTS

David is currently Senior Independent Director of Ten Entertainment Group plc.

OTHER APPOINTMENTS

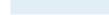
David is currently Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees of Gooch & Housego plc.

COMMITTEES



COMMITTEE MEMBERSHIP





Nomination Committee

COMMITTEES

COMMITTEES

COMMITTEES







Steve Barber Non-executive Director

APPOINTED

Steve was appointed to the Board as a non-executive Director in July 2015.



Kevin Higgins Non-executive Director

APPOINTED

Kevin was appointed to the Board as a non-executive Director in September 2014.



Ebbe Jacobsen Non-executive Director

APPOINTED

Ebbe was appointed to the Board as a non-executive Director in January 2014.



Helen Keays Non-executive Director and **Senior Independent Director**

APPOINTED

Helen was appointed to the Board in September 2011 and was appointed as the Senior Independent Director on 20 April 2016.

EXPERIENCE

Steve has almost 30 years' experience in accountancy, principally with PricewaterhouseCoopers, where he was a senior partner, and also with Ernst & Young. He has also worked in industry, and was formerly the Chief Operating Officer of Whitehead Mann, the Finance Director of Mirror Group plc and a non-executive Director of Next plc for 10 years where he also chaired the Audit Committee.

EXPERIENCE

Kevin's career spans more than 20 years in branded consumer foods in both Europe and the United States. He has previously served as President of Burger King Europe, Middle East and Africa. Prior to his role with Burger King, Kevin served as General Manager of Yum! Brands (Pizza Hut, KFC and Taco Bell) Europe and Russia Franchise Business Unit based in Switzerland, Farlier in his career he held executive roles with PepsiCo and Mars.

EXPERIENCE

Ebbe has wide experience of operating in Germany and other European countries, most recently with Delsey. He has been in retail all his working life and has pan-EU retail knowledge with significant experience in franchising, multi-site and single brand retail. He pioneered the introduction of US fast food chain Burger King into the Nordic countries in the 1970s and held the position of **Director and Operating Partner** when the franchise was sold in 1985. Other significant retail experience includes having been CEO of IKEA in Germany, CEO of Delsey and CEO of Habitat.

EXPERIENCE

Helen has over 20 years' experience in travel, retail, consumer markets and telecoms, having held a number of other non-executive directorships, including most recently at Maiestic Wine and Communisis plc. The majority of her executive career was spent at GE Capital and Vodafone, where she held various senior marketing roles.

OTHER APPOINTMENTS

Steve is a founder of The Objectivity Partnership, a member of the steering group of the Audit Quality Forum, and a nonexecutive Director of Fenwick Limited and the AA plc.

OTHER APPOINTMENTS

Kevin is currently non-executive Chairman of Lunch Garden, a Belgian restaurant and catering chain.

OTHER APPOINTMENTS

Ebbe is currently Chairman of Morsø Jernstøberi A/S, a stove manufacturer.

OTHER APPOINTMENTS

Helen is currently a non-executive Director of Nichols plc and a trustee of the Shakespeare Birthplace Trust.

COMMITTEES



COMMITTEES



COMMITTEES







Corporate governance

The Board is committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

Chairman's introduction

66

I am pleased to introduce the review of corporate governance for 2018."

Stephen Hemsley

Non-executive Chairman



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Significant events

- Continued strong growth despite a tougher environment for our customers.
- Resilient UK performance is a testament to the quality of our franchisees.
- International expansion provides future growth potential.
- Your Board's approach to capital allocation balances immediate returns with investment in the longer term sustainability of growth.

Our values

Our values are consistent with the Domino's world-wide brand values, which are:

- Be courageous.
- Handle the rush.
- Respect others.
- Make disciplined decisions.
- Champion our customers.
- Celebrate success.

Effective corporate governance arrangements are critical in ensuring that the Board is able to:

- direct and control the Group;
- provide strategic leadership and effective oversight;
- promote a culture that supports the long-term success of the Company and its stakeholders; and
- maintain a framework within which the Executive leadership team can conduct its day-to-day operational management of the business.

We are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

One of the Board's objectives from the 2017 Board evaluation was to increase our focus on corporate culture. Our culture places particular emphasis on enabling franchisees to be successful and having great pride in the Domino's brand and the values inherent in the brand. Domino's is a fast paced environment and we encourage focus, agility and the ability to deliver results at pace. We promote open and honest communication within the business and provide support to enable our colleagues to develop, grow and achieve their potential.

The Board continues to work with Executive management to promote the Group's values and to monitor attitudes and behaviours to ensure that they are consistent with our culture. As ever, our aim is to maintain a sustainable business model which creates value for shareholders and benefits the Group's wider stakeholders. We welcome the increased focus on stakeholder reporting and are evolving our Board reporting to ensure that the views of stakeholders are understood by the Board and that due regard is taken of those views and interests when decisions are made.

The Board receives regular updates on emerging trends in corporate governance best practice and the changes made to the FRC's UK Corporate Governance Code (the 'New Code') applicable from 1 January 2019. The Board will report on its compliance with the New Code in the 2019 Annual Report and Accounts.

The following report sets out the how the Board has applied the principles of good governance during the year.

Stephen Hemsley

Non-executive Chairman

11 March 2019

Corporate governance continued

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

Domino's Pizza Group plc ('the Company') is incorporated and has a premium listing in the UK. As a result, it is required to report on its compliance with the Code or explain why it has chosen not to comply. For the year ended 30 December 2018, it was subject to the edition of the Code published by the Financial Reporting Council in April 2016, which is available from www.frc.org.uk. The Company complied with the Code in full throughout the year.

The Code contains 18 main principles, which are expanded on in supporting principles and detailed provisions.

Together, these set out the key components of effective Board practice, and we explain in this report how we have applied these during the year.

Where appropriate, some explanations are contained in the Nomination

Committee report, the Audit Committee report, the Directors' remuneration report and the Directors' report.

Within our delegation framework, the Board retains certain key decision-making responsibilities:

- setting and approving overall Group strategy;
- setting a risk appetite, within which management is required to operate;
- reviewing and approving business plans and budgets;
- reviewing and approving major business decisions;
- reviewing major risks and the implementation of mitigation strategies;
- reviewing the functioning of the internal control environment;
- monitoring operational and trading results against previously approved plans;
- reviewing and approving significant contractual and other commitments, including capital expenditure;
- reviewing corporate governance arrangements;
- reviewing succession plans for the Board and Executive Directors; and
- exercising its control by an annual review of "matters reserved" for the Board's decision.

As noted above, the Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It also retains oversight of the risk management and internal control systems with the aim that these are sound and protect shareholders' interests.

LEADERSHIP – OUR GOVERNANCE FRAMEWORK

The Company is led by the Board, whose members are collectively responsible for the long-term success of the Company. Day-to-day management of the business is delegated to management, led by the Chief Executive Officer. The role of the Board can be summarised as follows:

Decide on the longer-term aims

- Agree the Company's business model.
- Agree an appetite for risk.
- Set values and standards for the Company.
- Provide entrepreneurial leadership.
- Appoint the Executive Directors.

Decide on the short-term goals

- Review and approve strategy, providing constructive challenge as necessary.
- Ensure the necessary financial and human resources are in place.
- Agree business plans and budgets.
- Review the risk management process and internal control environment.

Monitor and manage performance

- Monitor management's performance in delivering the strategy, and challenge or support as necessary.
- Approve major expenditure and other commitments.
- Monitor the risk environment in which the Company operates and review internal controls.
- Determine the remuneration of Executive Directors and senior management.
- Oversee the governance of the Company and Group to ensure shareholders' interests are protected.

Report to, and engage with, shareholders

- Monitor the integrity of financial information and the reporting of performance generally.
- Report to shareholders on business performance.
- Ensure other external obligations are met, including reporting to other stakeholders.
- Understand shareholders' views and act as necessary.

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Board composition

The Board's preferred structure is to be led by a non-executive Chairman, to have high calibre Executive Directors to drive the performance of the business under the leadership of a Chief Executive Officer, and to have a number of non-executive Directors drawn from a range of backgrounds, whose role is to provide constructive challenge. Our aim is that the independent non-executive Directors always constitute at least half of the Board. This structure and the integrity of the individual Directors should ensure that no single individual or group dominates the decision-making process.

There is a common purpose of promoting the overall success of the Group with a unified vision of the definition of success, the core strategic principles, and the understanding, alignment and mitigation of risk.

Non-executive Directors are appointed for three-year terms (subject to annual re-election by shareholders) and the offer of any further term of appointment after year six would be weighed carefully by the Nomination Committee, which keeps the need for progressive refreshing of the Board (particularly to maintain an appropriate balance of skills and experience) and orderly succession to key appointments under continual review.

Independence

The Board reviews the independence of its non-executive Directors annually. In assessing the independence of each Director, the Board considers whether each is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

The Board is supported in its work by three Committees:

Terms of reference for these Committees, which are regularly reviewed by the Board, are available on the Company's investor relations website (https://investors.dominos.co.uk) as is the formal schedule of matters reserved for the Board's decision.

AUDIT COMMITTEE NOMINATION COMMITTEE Nomination Committee Report Remuneration Committee Report Remuneration Committee Report

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for the integrity of the financial statements, reviewing the internal control environment and risk management systems, managing the relationship with the external auditor and monitoring the effectiveness and objectivity of the external auditors.

Nomination Committee

The Nomination Committee oversees the recruitment of the Directors and advises on matters relating to the Board's membership and Committee appointments, including reviewing succession plans. The Nomination Committee also regularly reviews and monitors the overall skills and experience of the Board.

Remuneration Committee

The Remuneration Committee determines the terms and conditions of employment, remuneration and rewards of the Executive Directors, the Chairman and the leadership teams. The Remuneration Committee aims to offer an appropriate balance of fixed and performance-related, immediate and deferred remuneration, but without overpaying or creating the risk of rewards for failure.



See more online at

https://investors.dominos.co.uk

Corporate governance continued

Board roles and responsibilities

There is a clear separation between the roles of the Chairman and the Chief Executive Officer, which is recorded in a document approved by the Board in September 2015 and summarised below. In essence, the Chairman manages the Board and the Chief Executive Officer manages the business. Importantly, no one individual has unfettered powers of decision.

The Chairman meets with the Chief Executive Officer regularly, including visits to pizza stores, and they are in contact between these occasions as required. The Chairman also has separate discussions with the non-executive Directors.

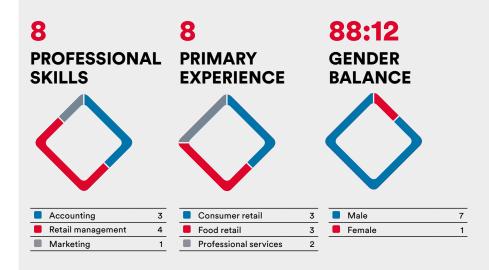
Chairman

The role of the Chairman is:

- providing leadership to and ensuring the effectiveness of the Board;
- ensuring that agendas emphasise strategic, rather than routine, issues and that the Directors receive accurate and clear information well ahead of the time when a decision is required;
- promoting a culture of openness and constructive debate, and facilitating an effective contribution by the nonexecutive Directors;
- arranging informal meetings of the Directors, including meetings of the non-executive Directors;
- ensuring effective communication by the Group with its shareholders;
- arranging for the Chairs of the Committees to be available to answer questions at the AGM and for all Directors to attend; and
- taking the lead in providing a properly constructed, full, formal and tailored induction programme and ongoing development for new Directors.

Board composition

The eight continuing members of the Board on 30 December 2018 were drawn from a range of backgrounds and gained their experience in a range of relevant industry sectors:



Chief Executive Officer

The role of the Chief Executive Officer is:

- leading the development of the Group's strategic direction and objectives;
- identifying and executing acquisitions and disposals and leading geographic diversification initiatives;
- reviewing the Group's organisational structure and recommending changes as appropriate;
- identifying and executing new business opportunities;
- overseeing risk management and internal control;
- managing the Group's risk profile, including the health and safety performance of the Group;
- implementing the decisions of the Board and its Committees;
- building and maintaining an effective Group leadership team; and
- ensuring the Chairman and the Board are alerted to forthcoming complex, contentious or sensitive issues affecting the Group.

Senior Independent Director ('SID')

The SID focuses on:

- meeting regularly with the independent non-executive Directors;
- providing a sounding board for the Chairman and acting as an intermediary for other Directors;
- being available to shareholders if they have concerns which contact through the normal channels of Chairman or Chief Executive Officer has failed to address or would be inappropriate; and
- holding annual meetings with nonexecutive Directors without the Chairman present.

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The Board of Directors is comprised of 8 individuals with a wide range of skills, knowledge, background and experience. Details of the Directors' experience and history with Domino's can be found in the Directors' biographies, which are available on pages 48 to 49.

Non-executive Director

The role of a non-executive Director is:

- providing creative contribution to the Board by way of constructive criticism;
- bringing independence, impartiality, experience, specialist knowledge and a different perspective to the Board;
- providing guidance on matters of concern and strategy;
- overseeing risk management and internal control;
- protecting shareholder and stakeholder interests;
- constructively challenging the Executive Directors and monitoring Executive performance;
- supporting the Executive team in shaping and delivering the strategic goals of the business;
- optimising shareholder return and protection of shareholder assets; and
- ensuring the Board is able to work together effectively and make maximum use of its time.

Diversity

The Board's policy on diversity is explained in the Nomination Committee report on pages 60 to 61.

LEADERSHIP IN ACTION

This section of the corporate governance report explains how the Board has fulfilled its duties and obligations during the year under review.

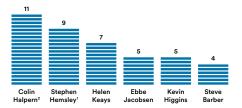
Board membership

The Board currently comprises the non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer, a non-executive Vice-Chairman and four independent non-executive Directors, one of whom acts as the Senior Independent Director. The names and biographical details of the serving Directors, and the offices held by them, can be found on pages 48 and 49.

We believe that the Board is of sufficient size that the requirements of the business and good governance can be met and normal succession challenges managed, but is not so large as to be unwieldy.

The current non-executive Directors' tenure reflects our approach of progressively refreshing the Board.

CURRENT YEAR OF NON-EXECUTIVE TENURE, AT 30 DECEMBER 2018



- Stephen Hemsley was appointed as non-executive Chairman in March 2010. However, he was first appointed to an Executive Director role in 1998 and as a Director of the Company on incorporation in 1999. Full details of Stephen's history with the Company can be found in the Directors' biographies on page 48.
- 2 Colin Halpern acquired the Domino's Pizza Master Franchise for the UK and Ireland in 1993 and has held a variety of senior Executive roles within the Group. He became a non-executive Director in December 2007. Full details of Colin's history with the Company can be found in the Directors' biographies on page 48.

Corporate governance continued

Board Committees

Membership of the three Board Committees during the year ended 30 December 2018 was as follows:

	Audit Committee	Nomination Committee	Remuneration Committee
Stephen Hemsley		Chairman	
Steve Barber	Chairman	Member	Member
Kevin Higgins	Member	Member	Chairman
Ebbe Jacobsen		Member	
Helen Keays	Member	Member	Member

Attendance at Board and Committee meetings

The Board is scheduled to meet seven times in each year. Additional meetings are arranged as necessary which do not necessarily require the full participation of all Directors. Committees meet as necessary to discharge their duties. Attendance of individual Directors at meetings of the Board (including additional meetings) and its Committees during the year ended 30 December 2018 was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Stephen Hemsley	13 of 13		6 of 6	
Colin Halpern¹	11 of 13			
David Wild	13 of 13			
David Bauernfeind ³	2 of 2			
Rachel Osborne ³	5 of 5			•••••
Steve Barber	13 of 13	5 of 5	4 of 4	6 of 6
Kevin Higgins	13 of 13	5 of 5	4 of 4	6 of 6
Ebbe Jacobsen	13 of 13		6 of 6	
Helen Keays ^{1,2}	11 of 13	4 of 5	5 of 6	5 of 6

- 1 All Directors attended the scheduled Board meetings apart from Helen Keays and Colin Halpern, who were both unable to attend one scheduled meeting due to a prior commitment. There were six unscheduled Board meetings held during the year and some of the Directors were not available for these unscheduled meetings due to other diary commitments.
- 2 Helen Keays did not attend one Audit Committee meeting, one Nomination Committee meeting and one Remuneration Committee meeting due to a prior commitment.
- 3 David Bauernfeind joined the Board on 9 October 2018 and Rachel Osborne ceased to be a Director on 11 June 2018.

Each non-executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Any additional appointments they are contemplating taking on are discussed with the Chairman in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest. These matters are formally reviewed by the Board on an annual basis.

Meetings of non-executive Directors

The non-executive Directors, led by the Chairman, meet without the Executive Directors being present. In addition, the independent non-executive Directors, led by the SID, meet during the year as needed, including to review the performance of the Chairman.

Independence

The Board has considered the independence of the current non-executive Directors, other than the Chairman. It does not believe that Colin Halpern is independent in view of his long service with the Company (including his former Executive responsibilities).

Board balance

The Board composition creates a majority of independent non-executive Directors (excluding the Chairman), with the current position being:

BOARD BALANCE



Non-independent Directors 3	37.5%
Chairman 1	12.5%
Independent non- executive Directors 4	50%

See our Board Effectiveness table on page 58

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BOARD EFFECTIVENESS

We believe that there are five key steps in creating an effective Board:

1. Recruit the right people

We have a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, overseen by the Nomination Committee. For each appointment, we develop an objective brief summarising the role and the skills and experience required and use an appropriate head-hunting firm with proven expertise in the relevant field. As noted above, we take care to ensure that we recruit on merit, from the widest possible range of backgrounds, recognising the benefits of diversity, and the search firms we use are signatories to the Code of Conduct for executive search firms. Before confirming an appointment, we check whether the preferred individual can commit to the time expected including, in the case of an appointment to the chairmanship, the need to be available in the event of a crisis.

2. Make sure Directors have the right tools

All Directors go through a tailored, formal induction process on joining the Board, including the opportunity to meet major shareholders. The aim of this is to ensure that they understand the Company and its business model, our strategy, the drivers of value in the business and the key risks we face, and that they understand the legal and regulatory environment in which we operate and their own personal obligations. Directors are expected to update and refresh their skills and knowledge on an ongoing basis, and to continue to build their familiarity with the Company and its business throughout their tenure. The Company will provide the necessary resources for developing and updating its Directors' knowledge and capabilities, including access to our operations, staff and franchisees.

All Directors have access to the services of the Company Secretary, and the opportunity to seek independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as
Directors or as members of Board
Committees. If Directors have concerns
which cannot be resolved about the
running of the Company or a proposed
action, they can require that their
concerns are recorded in the Board
minutes, or provide a written statement to
the Chairman, for circulation to the Board.

The Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties effectively. This is provided in good time ahead of all meetings and decisions, and non-executive Directors are encouraged to seek clarification from management whenever they feel appropriate.

3. Identify and manage any conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. However, the Company's Articles of Association allow the Board to "authorise" conflicts, where felt appropriate. Any Director who becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, is required to notify the Board in writing as soon as possible. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment.

Executive Directors are permitted, and where felt appropriate even encouraged, to hold non-executive directorships outside the Group. However, the Board would not agree to a full-time Executive Director taking on more than one non-executive directorship in, nor the chairmanship of, a FTSE 100 company.

4. Formally check on effectiveness

The Board undertakes a formal and rigorous annual evaluation of its own performance in each year. It also reviews the performance of the Board Committees and the Nomination Committee reviews the performance of individual Directors. Board and

Committee evaluation considers the balance of skills, experience (including familiarity with the Company and its business) and independence of the Group taken as a whole, and also the diversity, including gender, of the Directors. The process also examines how the Directors work together as a unit, and explores other factors relevant to effectiveness. The Chairman acts on the results of the performance evaluations as necessary including, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors.

Individual evaluation aims to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties).

In 2018 the Board evaluation process was undertaken in-house and facilitated by the Company Secretary in conjunction with the Chairman. The evaluation was conducted by use of an online questionnaire and a report compiled for discussion by the Board. As in previous years, the evaluation methodology all followed particular themes focusing on:

- Board composition, succession and talent management;
- Board dynamics and development;
- meeting management and Board agenda;
- strategic development; and
- internal control and risk.

Following Board discussion, the agreed areas of focus in 2019 will be:

- Development of agreed succession plans for the Chairman, CEO and Senior Independent Director;
- A re-evaluation of the Board's skill-set matrix;
- Enhancing the quality of Board papers to ensure consistency and relevance.

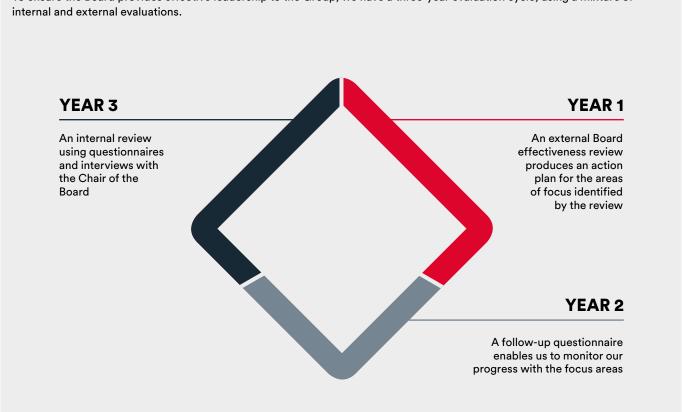
Corporate governance continued

The following is a summary of progress made against the agreed areas of focus for the Board in 2018

2018 area of focus	Progress made		
Further progress on the Group's succession planning systems for the Board and management	The Nomination Committee receives regular updates on succession planning throughout the Group and on colleague diversity. In recognition of the wider responsibilities placed on Nomination Committees generally arising from provisions in the new UK Corporate Governance Code, the composition of the Nomination Committee has been altered and now comprises all independent non-executive Directors plus the Chairman. The Nomination Committee is considering Board succession issues. More commentary can be found in the Nomination Committee report on pages 60 and 61.		
Increased focus on corporate culture	Continued progress has been made on embedding our values and the behaviours expected of our leaders and other colleagues. Details of colleague engagement and development can be found on page 44.		
Ensuring that the recent progress in improving risk management and internal control is maintained	KPMG were engaged to provide critical commentary on the effectiveness of the Group's internal control and to assist in developing a structured improvement plan. More commentary can be found in the Audit Committee report on page 64.		

BOARD EFFECTIVENESS

To ensure the Board provides effective leadership to the Group, we have a three-year evaluation cycle, using a mixture of



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5. Ask shareholders to confirm appointments

Ultimately, the Directors' main responsibility is to promote the long-term success of the Company, acting in shareholders' best interests. All of our Directors submit themselves for reelection at each AGM and we provide shareholders with sufficient information in the meeting papers for them to decide whether their commitment and performance warrant a further year in office. At the 2018 AGM, each serving Director was re-elected, with votes in favour exceeding 94% of those cast in all cases.

ACCOUNTABILITY TO SHAREHOLDERS

The Board has established formal and transparent arrangements for considering how they apply the principles of sound corporate reporting, risk management and internal control and how the Company and Board maintain an appropriate relationship with the Company's auditor. These responsibilities are overseen by the Audit Committee and are explained in its report from pages 62 to 65.

The Board considers that the 2018 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Details of how we do this are also explained in the Audit Committee's report.

REMUNERATION

There are formal and transparent procedures for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors, which are overseen by the Remuneration Committee and are explained in its report from pages 66 to 87. This report explains how Executive Directors' remuneration is designed to promote the long-term success of the Company and shows how the performance-related elements are transparent, stretching and rigorously applied.

RELATIONS WITH SHAREHOLDERS

We maintain an active dialogue with our shareholders and potential investors, which we intend to be based on a mutual understanding of objectives. The CEO and CFO routinely engage with analysts, institutional and retail shareholders and potential investors, through results presentations, roadshows and one-off meetings. The Chairman and Senior Independent Director are available for meetings with shareholders on request.

In years in which there is a significant change to the Executive remuneration policy or there is a binding vote on remuneration at the AGM, the Chairman, the Chair of the Remuneration Committee and the Company Secretary meet with major shareholders to discuss remuneration and any other governance issues.

Our aim is to ensure we build and maintain strong relationships, and that we communicate our strategy and performance against it in a clear and consistent way. In turn, we seek to understand the views of our investors through regular dialogue, and feedback is provided to the Board as a whole to give an additional context for strategic decision making and capital allocation.

The regular CFO report to the Board includes a detailed update on all investor relations matters, including movements in the share register, recent meetings with investors, summaries of analysts' reports and key discussion topics. In addition, our brokers are invited to provide an independent view on matters of strategic importance such as potential acquisitions and share buybacks.

2018 IR activity

In 2018 we built on our higher profile IR activities as follows:

- We moved to a reporting programme of five financial announcements a year, to keep investors informed and updated, and to bring us in line with sector best practice.
- We reviewed our corporate broking advisory relationships, and appointed Goldman Sachs in place of Credit Suisse. Goldman Sachs, working with Numis, have provided capital markets advice.
- We continued to engage actively with institutional investors, through roadshows in the UK and North America, conferences and numerous one-off meetings and calls.

- In January 2019 we hosted a Capital Markets event, focused on the UK business and taking investors back to basics to understand the investment proposition.
- We have successfully attracted a number of UK based institutions with a long term investment horizon onto our share register.

Key discussion topics in 2018

The key topics discussed with shareholders during 2018 included:

- the competitive environment in the United Kingdom, including the role of online aggregators;
- franchisee profitability, franchisee relations and the outlook for new store openings;
- inflationary pressures, particularly with regard to labour;
- the broader UK consumer environment and the value perception of Domino's Pizza's customers:
- our investments in our own stores and in supply chain capacity;
- management change and culture;
- international growth prospects and challenges; and
- our target leverage ratio and the potential for returns of excess capital to shareholders.

The Annual General Meeting ('AGM')

The AGM is treated as an opportunity to communicate with all of our shareholders, and their participation is encouraged. The Chairs of all Board Committees attend the AGM and are available to answer questions. An explanatory circular containing the notice of meeting is sent to shareholders at least 20 working days beforehand, with separate votes being offered on each substantive issue. All proxy votes received are counted with the balance for and against and any votes withheld announced at the meeting and published on the Company's investor relations website after the meeting. This website, https://investors.dominos.co.uk, also contains a host of up-to-date information on the Group.

Nomination Committee report



The Committee's main focus for 2018 was talent management and succession planning."

Stephen HemsleyNon-executive Chairman

COMMITTEE MEMBERS

Steve Barber



Helen Keays



Ebbe Jacobsen

Kevin Higgins



Chairman's overview

The principal purpose of the Nomination Committee is to ensure that the Company has the right leadership, both on the Board and amongst senior management. This is a combination of continual review and monitoring of, and also responding to, specific situations as needed.

The Company Secretary attends meetings in his capacity as Secretary of the Nomination Committee and the Chief Executive Officer and Group HR Director are expected to attend whenever necessary.

The majority of members of the Nomination Committee are independent non-executive Directors. During the year the composition of the Committee was altered so that all of the independent non-executive Directors are members of the Committee. This change was made in advance of the introduction of the 2018 UK Corporate Governance Code and the

increased emphasis the Code places on succession planning and diversity within the wider business.

While the Chairman of the Board chairs the Nomination Committee in normal circumstances, he would abstain in matters relating to the appointment of a successor to the chairmanship.

The number of meetings held in the year and attendance at those meetings is shown on page 56.

ACTIVITIES IN 2018

During the year the Committee met to consider the following key matters:

- the review of the performance of all the non-executive Directors seeking re-election at the 2018 AGM;
- to consider and make a recommendation to the Board on amendments to the diversity policy applicable to Board-level appointments;
- receiving reports from management on talent management and succession planning;
- considering the requirements of the 2018 UK Corporate Governance Code and making changes to the Committee's composition and workplan as a result;
- the recruitment of a new CFO. The Committee conducted a search for a CFO and the executive search for candidates was conducted by Buchanan Harvey & Co. Buchanan Harvey & Co does not have any other connection with the Company. The Committee recommended David Bauernfeind's appointment to the Board which was effective from 9 October 2018;
- agreeing the role specification for the Chair of the Audit Committee and appointing Buchanan Harvey & Co to conduct the search process; and
- to agree the search agency to be appointed to conduct a search for a new independent nonexecutive Director.

PURPOSE

The Nomination Committee has four principal duties:

- to ensure that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board;
- to lead the process for Board and Committee appointments and make recommendations to the Board;
- where external recruitment is required, to evaluate the balance of skills, experience, independence and knowledge on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The

and

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Nomination Committee would then

oversee the selection process with the

aim of ensuring that this results in an

appointment made on merit, against

objective criteria and with due regard

Board, including gender and ethnicity;

evaluation of non-executive Directors

who are standing for re-election and

to ascertain whether the individual's

The terms of reference of the Nomination

during the year. These terms of reference

are available on the Company's investor

and they demonstrate sufficient

Committee were updated in February

2017 and reviewed by the Committee

The Board recognises the importance

commitment to the role.

relations website.

POLICY ON DIVERSITY

performance continues to be effective

for the benefits of diversity on the

to undertake formal performance

An important factor in achieving this effectiveness is drawing members from a range of backgrounds, which has been shown to help avoid "group think". We are proud of the diversity in our business and we recruit and develop people regardless of their gender, race or any other characteristic. We are of the view that it is in the interests of the Company to recruit and develop the very best people, drawn from the widest pool of talent. We are continually improving our recruitment process and have provided awareness training to our Directors and senior managers on managing unconcious bias.

The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. Our diversity policy for the Board has been amended to incorporate the targets set out in the Hampton-Alexander review on gender diversity and Parker review on ethnicity. A copy of the Board's Diversity Policy Statement is available on the Company's investor relations website (https://investors.dominos.co.uk).

Details of the Group-wide diversity data are shown on page 44.

of having Directors with the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. They play a key governance role in protecting shareholders' interests by ensuring that the Board and management are challenged, constructively and effectively, and it is important that they do so from a range of perspectives.

BOARD SUCCESSION

Steve Barber will retire from the Board at the conclusion of the AGM on 18 April 2019. I should like to thank Steve for his contribution to the Board during his tenure on the Board.

The search for a new independent nonexecutive to chair the Audit Committee is progressing well and we expect to announce an appointment shortly. The Committee is currently considering succession planning for my role as Chairman, succession for David Wild as CEO and for Helen Keays who acts as our Senior Independent non-executive Director and will have served nine years on the Board by 2020. We note that the provisions of the most recent version of the Corporate Governance Code state that the Chair of the Board should not remain in post for more than nine years. Whilst we acknowledge the Code's provisions, the timing and sequencing of these Board changes must be appropriate for the business, and the Committee is currently formulating its plans. The Committee, led by Helen Keays, has considered the term of my appointment and agreed to extend the term by a further 12 months to facilitate orderly succession planning. The Board will provide an update on planned Board changes in due course.

Stephen Hemsley

Chairman of the **Nomination Committee**

11 March 2019

Audit Committee report



I am pleased to introduce the report of the Audit Committee for 2018."

Steve Barber
Non-executive Chairman

COMMITTEE MEMBERS

Kevin Higgins



Helen Keays



I have notified the Board that I intend to step down as a Director of the Company at the Annual General Meeting in April and I would like to take this opportunity to thank our outgoing auditors, Ernst & Young LLP ('EY'), and in particular their audit partner Chris Voogd, for their robust but constructive challenges and advice throughout my tenure.

2018 saw the departure of our Chief Financial Officer Rachel Osborne but I am delighted that David Bauernfeind has become our new Chief Financial Officer. I believe that the Group's finances are in good hands under David and that he will do a great job.

Domino's has a fantastic business model and I wish the Group every success for the future.

Committee membership, attendees and access

Steve Barber is a chartered accountant with considerable financial experience and the Board has determined that he has recent and relevant financial experience which qualifies him to chair the Audit Committee. Both Kevin Higgins and Helen Keays have considerable business experience which enables them to make a positive contribution to the Audit Committee. The Board is satisfied that, as a whole, the Committee has competence relevant to the sector in which it operates.

Meetings of the Audit Committee have been attended by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officers, the external auditor, the Company Secretary (as Secretary to the Audit Committee) and other Directors and members of management by invitation. The number of meetings held in the year and attendance at those meetings is shown on page 56. The additional meeting was held at the request of the Audit Committee in order (a) to address control issues that were identified

during the previous year end process and (b) to address this year's audit and accounting issues at an earlier stage.

The Audit Committee has direct access to members of management and the external auditor. It is able to seek further professional advice at the Company's cost if deemed necessary.

A search has commenced to find a new chairman of the Audit Committee.

FOCUS OF THE COMMITTEE

The focus of the Committee during the year has been primarily devoted to significant accounting issues and the overall financial control environment. These are discussed in more detail below.

In addition, members of the Committee visited the Group's operations in Iceland, Switzerland and Norway as well as the new Supply Chain Centre in Warrington.

SIGNIFICANT ACCOUNTING ISSUES

The Audit Committee's reviews of the half and full year financial statements focused on the following areas of significance:

- The appropriateness, amount and disclosure of significant non-underlying items

Disclosed underlying earnings exclude some £40.9m of costs treated as non-underlying and £11.1m of gains treated as non-underlying. The principal items are discussed below.

(a) Provisions against the carrying value of the Penrith and Kingston Supply Chain Centres, including equipment. £7.6 million

As a consequence of the completion of the new Supply Chain Centre in Warrington, the Board decided to close the older and smaller facility in Penrith. In addition, the back-up facility in Kingston was mothballed.

Accordingly, provisions were made for the closure of these facilities, including redundancies, write downs of the value of the land and buildings to their estimated recoverable amount and write-offs of the related plant and equipment. It is possible that some of the plant and equipment may be capable of being utilised in some of the Group's international operations. No account has been taken of this on the basis that there are currently no plans for such usage and the fair value of the equipment net of decommissioning and disposal costs is immaterial.

(b) Start-up costs in Warrington. £1.9 million

The start-up costs for the Warrington facility have been treated separately from the operating costs of the facility

in normal production. The facility is now fully operational and no further start-up costs are anticipated.

(c) Accelerated amortisation of the mobile and web ordering platform. £2.9 million

The Board decided during the year to make a strategic investment in commissioning a new mobile and web ordering platform.

In accordance with the Standard Franchise Agreements, amortisation of the platforms has previously been recharged to the eCommerce fund. At the half year, it was explained that the accelerated amortisation of the existing platform, arising as a result of the decision to replace it, would be accounted for over the two years as a non-underlying item of approximately £5.9m. The total non-underlying amortisation charge recognised in 2018 is £2.9m, leaving a balance of £3.0m recorded in intangible assets at 30 December 2018.

In January 2019, the Group announced the £10m franchisee support programme which includes, in addition to the £5.9m noted above, an additional £4.1m to support the eCommerce fund during the development and build out of the new platform. In 2019, the Group will continue its discussions with franchisees with a view to agreeing the framework for this contribution. In the event that the Group successfully concludes its discussions with franchisees such that it enters into a binding commitment with franchisees, it will recognise the balance of £7.1m as a non-underlying technology expense during 2019 due to its materiality and nature, thus completing the one-time £10m franchisee support programme. No provision has been made in the 2018 accounts because there was no binding commitment at the end of 2018.

(d) Impairment of international businesses. £14.1 million

For Switzerland, given its historic underperformance and for Norway and Sweden given their weaknesses since acquisition, the Committee has taken a prudent view in its consideration of the carrying value of goodwill and other intangible assets relating to these businesses. The Committee received reports from management covering the key judgements, forecasts, and valuation metrics supporting the impairment reviews of goodwill and other intangible assets and concurred with management's conclusion that impairments should be recorded for Norway, Sweden and Switzerland, as noted below.

The Committee was satisfied that no impairments were necessary in relation to Iceland and the UK corporate stores. No provision was made for impairment of Sell More Pizza Limited ('SMP') on the basis that current sales support the carrying value. In the event that SMP's sales fail to hit their targets, it is possible that some impairments will be required.

Norway impairment - £10.2 million

As a result of the impairment review, an impairment of £10.2m has been recorded in non-underlying against Norway.

Switzerland and Sweden impairments -£3.9 million

As a result of the impairment review, net impairments of £1.2m have been recorded in non-underlying over the goodwill of the business in Switzerland, and £2.7m over the goodwill of the business in Sweden.

(e) Integration and restructuring costs in Norway. £4.5 million

As part of the rationale for the acquisition of Dolly Dimple's in Norway, the existing Dolly Dimple's stores were to be converted to Domino's stores. At the December 2018 year end, 12 Dolly Dimple's stores have still to be converted or closed and the cost of doing so will be in excess of the amounts originally anticipated.

In addition, as part of the purchase contract, the vendor agreed to supply certain back office functions for a limited period. At the end of that period these functions were assumed by the Group but a number of accounting and other functions were not adequately resourced with the result that their integration was delayed and inefficient.

Accordingly, they have been shown as non-underlying in this year's accounts. It is not anticipated that such costs will recur.

(f) Valuation of the Nordic put options. £3.7 million

At the time of the original acquisition of the businesses in Iceland, Norway and Sweden, provision was made for the estimated cost of meeting the Group's commitments in

respect of put options to purchase the minority interests in these businesses.

The calculation of the amounts payable for these Nordic put options was previously based on the profit projections for the businesses. However, based on the Group's revised projections which has resulted in the impairment noted in (d) above, we now expect the option value based on profit performance to be lower than the value based on sales performance. Under the sale and purchase agreement, the sales based assessment is a collar on the put option value. Accordingly, an increase in the put option liabilities of £3.7m has been recorded at 30 December 2018.

(g) Revaluation of the Market Access Fee. £1.2 million

As in the prior year, the Market Access Fee payable to the Group has been revalued to reflect the performance of our German associate.

This downward revaluation has been based on a valuation prepared by a third party valuer and is consistently treated as non-underlying.

(h) Gain on the disposal of the DP Shayban joint venture. £8.2 million

The Group disposed of its joint venture interest in DP Shayban for £11.4m.

£5.7m of the consideration for the disposal is in deferred consideration/ loan notes but the full gain on disposal of £8.2m has been recognised in these accounts on the basis of the loan notes being recoverable and the security held by the Group.

The Committee received and reviewed presentations from management on the treatment of these non-underlying items, discussed them at length with local and Group management as well as with EY and agreed the appropriateness of their classification as non-underlying with full disclosure of each item in order to present a comparable and continuing basis of measurement of underlying earnings (see also note 7 to the financial statements).

- Other accounting and audit issues

(a) Potential tax liability in respect of employee share schemes

As further explained in note 2, a provision of £11m was made last year in respect of employee share schemes.

Audit Committee report continued

The Committee members met as necessary during the year to consider the advice being provided by the Company's legal advisors. There has been no significant change to the matters disclosed in last year's accounts and repeated in note 2 and it is likely that it will be some years before the matter is finally concluded.

(b) Distributable reserves

Subsequent to the payment of dividends and share buybacks in prior years without sufficient distributable reserves in the parent company, procedures were put in place to ensure that the parent company reserves were sufficient to meet such payments.

These procedures have been followed during the year and the amount of such distributable reserves is disclosed in note 13 of the parent company's accounts.

(c) Accounting for the NAF and eCommerce fund

The UK business collects a percentage of system sales to be used for advertising and marketing purposes in the NAF. In addition, the Group receives a fee for the provision of its eCommerce platform which goes to the eCommerce fund and is designed to fund the cost of the eCommerce platform and other IT related services.

It has been long established practice that these two funds have been netted against each other and therefore the balance on the funds has been presented in the Group balance sheet on a net basis.

The net receivable at December 2018 of £6.2m (2017: £3.9m) is treated as an asset on the basis that such amount is legally recoverable from franchisees as detailed in note 16.

(d) Investment in Ireland

During the year the Group invested £10.8m for a 15% interest in its largest franchisee in Eire alongside a third-party financial investor.

The equity investment has been designated as fair value through profit and loss. The fair value at 30 December 2018 is deemed to be the cost of investment, given it was acquired close to the year end.

The Group received a £0.7m "change of hands" fee for this transaction which, in accordance with the Group's policy, has been treated as underlying. In line with the Group's accounting policy,

transaction costs of the acquisition have been treated as non-underlying.

- Impact of new accounting standards

(a) As previously reported, both IFRS 9 and IFRS 15 have been implemented in the year without the requirement for any adjustments to prior year numbers.

(b) Work has been ongoing to assess the impact of the requirements of the new standard IFRS 16 Leasing which is effective for periods commencing on or after 1 January 2019.

The Group's 2019 financial year commences on 31 December 2018 and accordingly, the Group will not be adopting IFRS 16 until the financial period commencing 30 December 2019. This arises because of the timing of the Group's year-end is aligned to a 52 week period based on a Monday to Sunday trading week.

Management continue to work on the practical implementation of the standard. This work has proved more complex than originally anticipated, in particular in collecting and analysing the necessary data for all of the Group's more than 1,100 leases.

In parallel, the Group is implementing new property management software which will be able to calculate and record leases under IFRS 16.

It is anticipated that, because the majority of leases are in effect back to back (from the landlord to the Group and then from the Group to franchisees) and as a result of the commitments in the Standard Franchise Agreements, the lessee and lessor obligations will generally be netted in the balance sheet. However, the work to date indicates that not all leases under the back to back arrangements will net to zero because of, for example, lease incentives or timing differences between head lease and sub lease, and therefore it is expected that there will be a balance sheet impact for the residual amounts. Management are currently quantifying the impact.

The treatment of the Group's 124 corporate stores will give rise to gross amounts in the consolidated balance sheet comprising a lease liability and right of use asset in line with IFRS 16.

The Group is therefore not in a position to provide further information on the impact of the new standard but would anticipate doing so at the 2019 half year results announcement.

These items were discussed at length with management and the external auditor and their separate disclosure in the Group's financial statements was agreed.

PRESENTATIONS FROM MANAGEMENT AND PROFESSIONAL ADVISORS

The Audit Committee received a number of presentations from management and professional advisers, including:

- IT and cyber security

The Group's system sales and operations are highly dependent on its eCommerce IT systems. There can be no guarantee as to the resilience of the Group's systems to outside attack and the Committee commissioned a report on cyber security from Deloitte in the prior year which identified a number of areas requiring significant attention. These continue to be addressed and the Committee receives regular updates from management on progress and issues.

During the year, the Group encountered increased levels of chargebacks from credit card companies and, as a result, the Easypay function in the mobile platform was terminated.

- Risks and financial controls

As reported in previous years, the Group's internal control environment has been informal and often undocumented.

In addition, the Group implemented a new ERP system in 2016 which has still to deliver the anticipated efficiencies and improvements in financial control.

Accordingly, KPMG were appointed during the year to perform a high level review of the Group's back office processes and financial controls in the UK. The Committee received presentations from KPMG to explain their findings on the control environment, in addition to reports from management and the external auditors.

KPMG's recommendations, which include a number of significant issues concerning capability, policies and processes, have been accepted by the executive and a remediation plan has been formulated.

In addition, the Group has looked to strengthen the resources and control environment in our Norway business during 2018. The local auditors have

commented that the books and records in Norway in relation to the 2017 statutory audit were inadequate but that the investment in finance resource in 2018 has improved the situation. We anticipate a much improved process for the 2018 local statutory audit in Norway.

As also mentioned in prior years, the Group does not have a formalised internal audit function other than the team that monitors the performance of operational stores.

The Group intends to introduce an internal audit function to take effect in the first half of 2019.

- Taxation

The Committee received reports from the Group's tax advisors, FTI, on the status of the Group's tax affairs.

The Committee also focused on the appropriateness of the recognition of deferred tax assets in respect of the international businesses, some of which have been written off (see note 7 to the Financial Statements).

In January 2019 the Group appointed an experienced accountant to lead a new tax and treasury function, reporting to the CFO.

BREXIT

The impact of Brexit has been reviewed again during the year and management's conclusions are generally unchanged except that the impact of delays at ports may be greater than originally anticipated. Measures are therefore being taken to protect the business from shortages of raw materials.

GOING CONCERN AND VIABILITY

On behalf of the Board, the Audit Committee reviewed the Group's projected cash flows, facilities and covenants as well as reviewing the assumptions underlying the viability statement (see page 39).

As planned, net debt has increased substantially since last year to stand at £203.3m at the end of December, primarily as a result of acquisitions, share buybacks and dividends. Throughout the year, the Group has maintained comfortable headroom within its facility and comfortably met covenant compliance.

Having reviewed these projections, including sensitised projections, and the ability of the Group to stop discretionary payments such as share buybacks and

dividends, the Audit Committee has concluded that it could recommend to the Board that it should be able to make the relevant statements. The principal sensitivity would be a significant fall in underlying profitability which could impact on the debt covenants.

EXTERNAL AUDITORS

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditor, EY, and has concluded that EY continues to possess the skills and experience to fulfil its duties effectively and efficiently.

The Audit Committee's review of the effectiveness of EY as the external auditor is based on the interaction of the Audit Committee with EY, discussions with the senior finance team, the robustness of the audit, the quality of reporting to the Audit Committee and the audit quality reports published by the FRC.

EY has confirmed that in its professional opinion it is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff are not impaired.

The Audit Committee held meetings with the external auditor but without management following each Audit Committee meeting and the Audit Committee chairman has a regular and frequent dialogue with the audit partner.

The Audit Committee agreed the fees for the external auditor and has strict policies regarding the provision of non-audit services by the external auditor which can be found on the Company's website. These include specific pre-approvals for proposed work and fees, a prohibition on certain services and a restriction on total non-audit fees as a percentage of the total audit and audit related services, except in exceptional circumstances.

During the year, the level of fees payable to EY for 2018 are as set out below:

	£000
Total audit and audit-related fees	593
Non-audit fees:	
Market survey	130
Total audit and non-audit	
services	723

As in the prior year, the market survey was performed by an affiliate of EY. This affiliate of EY had performed market surveys on the Group's behalf prior to it becoming an affiliate of EY and was deemed by the Group to be best placed to perform the assignment cost effectively by building on the work undertaken during the previous assignments.

The Audit Committee believes that the non-audit fees were appropriate in the circumstances and in view of the forthcoming change of external auditor.

As explained in some detail last year, the Group held a competitive tender for the external audit commencing with the audit to December 2019 which was awarded to PricewaterhouseCoopers LLP ('PwC'). Accordingly, a resolution will be put to this year's Annual General Meeting to approve the appointment of PwC.

FAIR BALANCED, UNDERSTANDABLE **AND COMPREHENSIVE REPORTING**

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

Each Director was also asked to provide this confirmation. When doing so, both the Audit Committee and the individual Directors were provided by management with a formal assessment of the key messages included in the Annual Report and Accounts. This assessment was designed to test the quality of reporting and to enable the Directors to satisfy themselves that the levels of disclosure were appropriate.

TERMS OF REFERENCE

The terms of reference for the Audit Committee were revised in February 2017 and further reviewed by the Committee during the year. The Committee's terms of reference are available on the Company's investor relations website.

Steve Barber

Chairman of the Audit Committee 11 March 2019

Directors' Remuneration report



Kevin Higgins
Committee Chairman

COMMITTEE MEMBERS

Steve Barber

Helen Keays





Chairman's summary statement

Dear shareholder,

I am pleased to present, on behalf of the Board, the Directors' remuneration report for the year ended 30 December 2018.

In this report, we review the Group's performance in the year and explain the pay which resulted for the Directors. I also explain the changes that we will be making to our policy for the Directors' remuneration for 2019 and beyond.

PERFORMANCE AND REMUNERATION FOR 2018

2018 was a year of steady progress in the Group's established markets and progress in developing the operating model for our newer markets, to lay the foundations for longer-term growth potential. We saw a steady rate of growth in our core UK market, opening 58 new stores, and completing our investment in our new Supply Chain Centre in Warrington which opened in April 2018 and is now supplying over 300 of our UK stores and providing additional capacity to support our 1,600 UK store target. In our other international markets there has been progress but we have experienced some short-term operational challenges resulting in losses that were greater than anticipated.

Reflecting on 2018's trading performance, the Group's underlying PBT for the year was below the threshold target level for profit-related annual bonuses to be paid to the CEO and CFO. Additionally, the annual bonus plan for the CEO and CFO requires that the Group's underlying PBT must be at or above the threshold target level to qualify for payment against individual performance objectives. Accordingly, no annual bonus payments will be awarded to the CEO and CFO for 2018.

The awards granted in 2016 under the 2012 LTIP were based on performance to 30 December 2018 and were subject to stretching performance targets, with 50% of the award being subject to EPS growth and 50% subject to a relative TSR

target. Over the performance period, underlying EPS grew by 35.90% and the Company's share price performance was below median relative to the constituents of the FTSE 250 Index (excluding investment trusts). Accordingly the performance conditions for the award were met partially and will result in 15.32% of the awards vesting, subject to continued employment to the vesting date. David Wild and David Bauernfeind did not participate in this award cycle. Rachel Osborne was eligible to receive a pro-rata award following her departure from the Company (see below).

Tranche 1 of the awards granted to David Wild under the 2016 LTIP became provisionally eligible to vest based on earnings per share growth and relative total shareholder performance to 30 December 2018. However, as the absolute TSR underpin associated with these awards has yet to be achieved, no awards have vested under this plan at the date of this report.

During the year, Rachel Osborne, our former Chief Financial Officer left the Company and we appointed David Bauernfeind to the Board following a successful period as interim CFO. Details of the remuneration arrangements for Rachel Osborne associated with her departure from the Company were determined in accordance with the policy and are set out on page 85. David Bauernfeind was appointed on a salary of £325,000 and an LTIP award over 95,121 shares, details of which are set out on page 83. No additional awards were made in connection with his appointment.

The Committee is satisfied that the remuneration outcomes and payments for the 2018 financial year are fair and reasonable, in light of the business performance during the year, and are in the best interests of the Company and shareholders.

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IMPLEMENTATION OF REMUNERATION FOR 2019

The Company's current remuneration policy was approved by shareholders at the 2016 AGM and, as required under the regulations, a new policy will be put to shareholders for approval at the 2019 AGM. Overall, we believe that the existing policy works well for the business, encouraging strong and sustainable earnings growth and aligning the interests of our Directors with our shareholders, employees and other stakeholders.

Following a review of the policy by the Committee, certain changes are being made to ensure that it continues to support the strategy and align with shareholder expectations for the next three-year period. The most substantial change is that David Wild, the Chief Executive Officer, who previously participated in a separate incentive plan (the 2016 LTIP) which covered the period 2016-2018, will now be remunerated in accordance with the standard remuneration policy, as was the case prior to 2016. Other minor changes to the policy have been made to reflect the revised UK Corporate Governance Code and changing shareholder expectations and these are summarised on page 68.

The new policy will be implemented as follows in 2019:

- the CEO and CFO's base salaries will be increased to £520,200 per annum and £331,500 per annum respectively. These changes represent a 2% salary increase which is in-line with increases to other colleagues;
- the annual bonus opportunity will be 150% of salary for the CEO (increased from 100% in 2018) and 125% of salary for the CFO (unchanged). The CEO's annual bonus opportunity was reduced from 150% to 100% of salary for the duration of the 2016 LTIP. As the CEO will now be remunerated under the standard remuneration policy from 2019 onwards, his annual bonus opportunity will revert to the

- previous level. Bonuses continue to be based on stretching PBT targets with 25% based on individual strategic targets for the CEO and 20% based on individual strategic targets for the CFO. One-third of any bonus earned will be deferred in shares.
- the CEO and CFO will receive an award under the 2012 LTIP with a face value of 175% and 125% of salary respectively. The grant level for the CEO is consistent with that in place prior to his participation in the 2016 LTIP and the grant level for the CFO is unchanged from previous years. These awards shall vest subject to stretching EPS and TSR performance targets measured over three years and any shares vesting will be subject to a further two-year post-vesting holding requirement.

The rules of the annual bonus and longterm incentive plan have been updated to provide the Remuneration Committee with the discretion to override formulaic outturns in accordance with the revised UK Corporate Governance Code. In addition, we have reviewed and strengthened the clawback and malus provisions in the incentive plans under the new policy.

SHAREHOLDERS' VIEWS

The Committee continues to take an active interest in shareholders' views and looks forward to maintaining an open and transparent dialogue in the future. The Committee consulted with the Company's major shareholders earlier this year in respect of the policy changes. We look forward to your support at the 2019 AGM and welcome any feedback from the Company's shareholders.

Kevin Higgins

Chairman of the Remuneration Committee

11 March 2019

INTRODUCTION

This report sets out the Company's policy on Directors' remuneration as well as information on remuneration paid to Directors in the financial year ended 30 December 2018. The report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations') and has been prepared in line with the recommendations of the Code and the UK Listing Authority Listing Rules ('the Listing Rules').

The report has been divided into two sections:

- Directors' remuneration policy –
 which will be put to shareholders for
 approval at the 2019 AGM and, once
 approved, is expected to apply for a
 three year period until re-approval by
 shareholders in 2022.
- Annual report on remuneration this, together with the Chairman's annual statement, will be subject to a single advisory vote at the 2019 AGM. The report sets out the remuneration paid or payable in relation to the year ended 30 December 2018 and how we intend to implement the policy for the year ahead.

Those parts of the report which have been audited by Ernst & Young LLP are clearly identified.

Directors' Remuneration report continued

Remuneration policy report

This part of our Directors' remuneration report sets out the remuneration policy for the Company. The previous policy was approved by shareholders at the AGM on 20 April 2016. As required under the Regulations, the Company will be re-submitting the remuneration policy to shareholders for approval at the AGM on 18 April 2019. The policy, once approved, will take effect from that date.

In many respects the new policy is consistent with that previously approved. The most substantial change is that the Chief Executive Officer, who previously participated in a separate incentive plan (the '2016 LTIP') which covered the period 2016-2018, will now be remunerated in accordance with the standard remuneration policy. Other minor changes to the policy have been made to reflect the revised UK Corporate Governance Code and changing market practice and governance developments. Namely:

- To increase the share ownership requirement for Executive Directors to 200% of salary and introduce a policy on post-cessation shareholdings;
- To expand the clawback and malus provisions under the annual bonus and long-term incentive plan to cover a material downturn in the financial or operational performance of the Group, corporate failure or a failure of risk management and/or an instance of regulatory non-compliance;
- To introduce a provision to the annual bonus and long-term incentive plan to enable the Remuneration Committee to override formulaic out-turns;
- To amend the rules for the annual bonus plan, so that future deferred share awards will ordinarily vest on the normal vesting date for good leavers (rather than on the date of cessation of employment); and
- To reduce the pension contribution for Executive Directors to 10% of salary.

POLICY OVERVIEW

In setting the remuneration policy for the Executive Directors, the Remuneration Committee took into account the following:

- the need to set appropriate remuneration policies and packages which will attract, retain and motivate Executive Directors and senior management acting in the long-term interests of the Company but avoid paying more than is necessary;
- setting base salary at or below comparable market rates but weighting a significant proportion of total remuneration towards variable pay with an above-market incentive opportunity linked to the delivery of truly exceptional performance;
- having demanding short and long-term performance targets that are specific, measurable and aligned fully with the Company's business objectives to provide strong linkage between remuneration and performance;
- internal relativities and the pay and employment conditions of our employees;
- creating a strong alignment between the interests of senior Executives and the delivery of value to shareholders;
- avoiding creating excessive risks in the achievement of performance targets; and
- conducting periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies, taking into account their size, business complexity, international scope and relative performance.

EXECUTIVE DIRECTOR POLICY TABLE

	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Reflects the responsibility level and complexity of the role Reflects skills and experience over time Provides an appropriate level of basic fixed income avoiding excessive risk arising from over-reliance on variable income	 Salaries will typically be reviewed annually Set in the context of pay and employment conditions in the Group and internal relativities Salary levels take periodic account of pay levels in companies with similar characteristics and sector comparators Salaries will typically be targeted at or below the relevant market rate 	 Salaries will typically be eligible for increases on an annual basis with the rate of increase (in percentage terms) typically linked to those of the wider workforce If there are significant changes in responsibility, a change of scope in a role, a material sustained change in the size and/or complexity of the Company or very strong performance may merit base salary increases beyond those of the wider workforce If pay is set at a discount to the Company's normal policy on appointment, it may be appropriate to phase an individual towards an appropriate rate using increases above those of the wider workforce based on performance and experience 	n/a
Pension	 Provides market-competitive, yet cost-effective retirement benefits Opportunity for Executives to contribute to their own retirement plan 	 Defined contribution or cash supplement HMRC-approved salary sacrifice arrangement (salary sacrifice for employee contribution) 	Employer contribution to a pension arrangement or payment of a cash allowance in lieu of a pension up to 10% of basic salary	n/a
Other benefits	Provide cost- effective insured benefits to support the individual and their family Access to company car to facilitate effective travel	Benefits are provided through third-party providers and include family level private medical and up to four times salary life insurance cover Company cars or cash equivalents provided Participation in an HMRC-registered savings-related share option scheme on the same terms as other UK based employees The Committee may offer Executive Directors other benefits from time to time on broadly the same terms as provided to the wider workforce or, as appropriate, to enable them to effectively fulfil their duties. Relocation benefits may be offered if considered appropriate and reasonable Any business related expenses (including tax thereon) may be reimbursed	There is no maximum limit specified but the Committee reviews the overall cost of the benefits on a periodic basis. The value of insured benefits will vary from year to year, based on the cost from third-party providers	n/a

Directors' Remuneration report continued

Remuneration policy report continued

EXECUTIVE DIRECTOR POLICY TABLE CONTINUED

	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual performance bonus	Incentivise annual delivery of financial and operational goals linked to the Company's strategy	 Up to two-thirds of the annual bonus is paid in cash and one-third deferred into shares that will vest after two years and are subject to forfeiture Dividend equivalents which accrue on vested shares may be payable Not pensionable Clawback and malus provisions apply Stretching targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends 	The maximum bonus opportunity is 150% of salary with the exception of the CFO who has a maximum bonus opportunity of 125% of salary	 Bonuses will be subject to a combination of financial and strategic targets that are set by the Committee on an annual basis The majority of the bonus will be measured against financial metrics (e.g. underlying PBT) with a graduated scale set around the target A minority of the bonus may be set based on strategic targets which are aligned to the key objectives from year to year A minority of each element will be payable for achieving the threshold performance level. In relation to financial targets, 20% of this part of the bonus becomes payable for achieving the threshold performance target. In relation to any strategic or individual measures used, it is not always practicable to set a sliding scale for each objective. Where it is, a similar proportion of the bonus becomes payable for achieving the threshold performance level as for financial targets Details of the bonus measures and targets operated each year will be included in the relevant Directors' remuneration report
2012 Long Term Incentive Plan ('2012 LTIP')	 Aligned to main strategic objectives of delivering sustained profitable growth Aids retention of senior management Creates alignment with shareholders and provides focus on increasing the Company's share price over the medium term 	Annual grant of performance shares which may be structured as conditional awards or nil cost options Subject to performance conditions measured over three years. An additional two-year post-vesting holding period applies to awards granted to the Executive Directors. Clawback and malus provisions apply Dividend equivalents which accrue during the vesting period and, where applicable, post-vesting holding period may be paid	Maximum annual opportunity of 200% of salary in performance shares The normal policy is to grant annual awards of performance shares at up to 175% of salary to each Executive Director	 Long-term incentive awards vest based on three-year performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee at its discretion Different measures may be set for future awards but financial targets will determine vesting in relation to at least 50% of an award A maximum of 15% of any award vests for achieving the threshold performance level with 100% of the awards being earned for maximum performance (there is graduated vesting between these points)
Share ownership guidelines	 To provide alignment between Executives and shareholders To encourage a focus on sustainable long-term performance 	Executives are expected to retain shares from the vesting of options and awards (on an after-tax basis) to build and maintain a shareholding equivalent to the guideline multiple of salary within five years of joining Share awards under the Company's LTIPs and Deferred Share Bonus Plan, granted in respect of performance periods starting in 2019 onwards, will on vesting be placed into a nominee account until the required share ownership guideline has been met. Shares will be released from the nominee account two years post-cessation	At least 200% of salary holding for Executive Directors whilst in employment	n/a

NON-EXECUTIVE DIRECTOR POLICY TABLE

	Purpose and link to strategy	Operation	Maximum	Performance targets
Non- executive Director fees	-	Chairman's fees are set by the Remuneration Committee. Non-executive Directors' fees are set by the Board Fees are reviewed periodically Takes into account periodic external reviews against companies with similar characteristics and sector comparators Set in the context of time commitments and responsibilities A base fee is provided to all non-executive Directors with supplemental fees payable for chairing the sub-Committees, for holding the Senior Independent Director position or to reflect any additional responsibilities or duties they are required by the Board to undertake Non-executive Directors do not participate in any annual bonus, share incentive plans or pension arrangements	The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity The fee levels will be eligible for increases during the three-year period that the remuneration policy operates from the effective date to ensure they appropriately recognise the time commitment of the role, increases to fee levels for non-executive Directors in general and fee levels in companies of a similar size and complexity Flexibility is retained to go over the above fee levels, if necessary to do so, to appoint a new Chairman or non-executive Director of an appropriate calibre	Performance targets n/a
		Non-executive Directors shall be reimbursed for any expenses (on a gross of tax basis) incurred in the course of carrying out their role which are deemed to be taxable by HMRC (or equivalent body)		

Remuneration policy report continued

OPERATION OF THE ANNUAL BONUS PLAN AND LTIP POLICY

The Committee will operate the annual bonus plan, the 2012 LTIP and the 2016 LTIP scheme in accordance with their respective rules and in accordance with the Listing Rules and HMRC requirements where relevant.

Within these rules, the Remuneration Committee is required to retain a number of discretions to ensure an effective operation and administration of these plans. These discretions are consistent with standard market practice and include (but are not limited to):

- who participates in the plans;
- when awards are granted and/or paid;
- the size of an award and/or a payment (subject to the limits stated in the policy table above);
- how to determine the level of vesting;
- how to deal with a change of control or restructuring of the Group;
- how to determine a good/bad leaver for incentive plan purposes;
- how to determine any adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- reviewing the performance conditions (range of targets, measures and weightings) for the annual bonus plan and LTIP from year to year.

If certain events occur, such as a material acquisition or the divestment of a Group business, the original performance conditions may no longer be appropriate. Therefore, the Remuneration Committee retains the discretion to make adjustments to the targets and/or set different measures and alter weightings as they deem necessary to ensure the conditions achieve their original purpose, are appropriate in the revised circumstances and, in any event, are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Directors' remuneration report and may, where appropriate, be the subject of prior consultation with the Company's major shareholders.

To comply with the new UK Corporate Governance Code, for awards granted in 2019 and beyond, irrespective of whether any performance condition has been achieved the Committee will have discretion under the annual bonus plan and 2012 LTIP to scale back the level of pay-out or vesting that would otherwise result by reference to the formulaic outcome alone. Such discretion would only be used in exceptional circumstances and may be applied to take into account corporate and/or personal performance.

Share-settled incentive awards and any arrangements agreed prior to the effective date of this policy will remain eligible to vest or pay out based on their original award terms. This includes any awards

granted under the Deferred Share Bonus Plan ('DSBP') or the 2012 LTIP scheme or the 2016 LTIP scheme. In addition, all arrangements previously disclosed in prior years' Directors' remuneration reports will remain eligible to vest or become payable on their original terms.

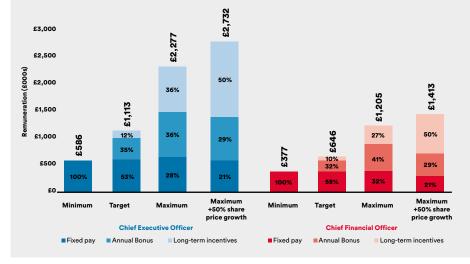
CLAWBACK AND MALUS PROVISIONS

The Company has the right to reduce the number of shares over which an award was granted under the DSBP or LTIP where it is discovered that the award was granted over too many shares as a result of a material misstatement in the Company's accounts, when there has been an error or reliance on misleading information when assessing the size of the award that was granted, and/or it is discovered that the participant could reasonably have been dismissed as a result of his/her misconduct. In addition, for performance periods beginning on or after 31 December 2018, the Company may also scale back an award where the Company suffers a material downturn in its operational or financial performance which is at least partly attributable to management failure; where the Company has suffered an instance of corporate failure; and/or where this is a material failure of risk management and/or regulatory non-compliance.

The Company may also clawback cash bonus awards or previously vested DSBP and LTIP awards in accordance with the principles set out above to ensure that the full value of any overpayment is recouped. In these circumstances the Committee

ILLUSTRATION OF REMUNERATION SCENARIOS

The chart below illustrates the total remuneration for the Chief Executive Officer and Chief Financial Officer based on the current policy under four different scenarios – minimum, target, maximum and maximum plus share price growth



Assumptions

Minimum – comprises fixed pay being the value of 2019 base salary, 2018 benefits and a pension contribution in line with the approved policy.

Target –minimum plus a bonus pay-out of 50% of the maximum and threshold vesting under the LTIP.

Maximum – minimum plus maximum bonus plus full vesting of an LTIP (with a face value of 175% of salary for David Wild and 125% of salary for David Bauernfeind).

Maximum plus share price growth – as for maximum scenario above but adjusted to include the impact of a 50% growth in the share price for the LTIP awards.

No account has been taken of any prospective dividend equivalents to be paid on vested share awards.

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may apply clawback within two years of the payment of the cash bonus or date of grant of a DSBP award or within three years of the vesting of an LTIP award.

BALANCE BETWEEN FIXED AND VARIABLE PAY

The performance-related elements of remuneration are dependent upon the achievement of outcomes that are important drivers of sustainable growth for the business and therefore the creation of value for shareholders.

CHOICE OF PERFORMANCE METRICS

The Company is a growth business, and our investments in supply chain, digital innovation and the customer experience are all designed to improve the profitability of the overall system, reach new customers and drive repeat business from existing customers. However, neither system sales nor statutory revenue are appropriate performance measures, because the former is significantly influenced by franchisees, and the latter is affected by the volatility of food costs. As a result, underlying profit before tax is used as the main performance metric in the annual bonus plan, as this captures both the growth and the efficiency of the business. A combination of relative TSR and growth in underlying EPS are used for the 2012 LTIP, as we believe these are the longer term performance metrics that are most relevant to shareholders.

Underlying EPS measures the Company's success in delivering long-term profit growth, a key contributor to the Company's valuation, and is considered by the Committee to be the most appropriate measure of long-term financial performance. It is also used by the Board to determine success in executing our strategy.

Relative TSR helps align management's and shareholders' interests, since the Executives will only be rewarded to the extent that the Company delivers a return to shareholders above the median company of comparable size, with full vesting on this measure requiring top quartile performance.

All incentives are capped, other than for the impact of share price, in order that inappropriate risk taking is neither encouraged nor rewarded. For financial targets, a sliding scale is applied, with a very modest amount being payable for threshold levels of performance.

A number of the Company's nonfinancial strategic objectives have been incorporated into the annual bonus for Executive Directors and will be applied on an individual basis for a minority of the overall bonus opportunity. These objectives will also be measured on a sliding scale of performance where possible.

The Committee will review the continued appropriateness of the annual bonus (and, if applicable, 2012 LTIP) performance conditions on an annual basis to ensure that they remain aligned to the Company's strategy. The Committee will make necessary changes to the weightings of measures and/or introduce new measures which they believe would provide a closer link to the business strategy within the confines of the policy detailed above. Shareholder dialogue would take place, as appropriate, should there be any material change of emphasis in relation to current practices.

HOW EMPLOYEES' PAY IS TAKEN INTO ACCOUNT

Pay and conditions elsewhere in the Group were considered when finalising the current policy for the Executive Directors. In particular, the Committee is updated on salary increases for the general employee population, Company-wide benefit provisions, level of annual bonuses and staff participation in long-term incentive schemes, so it is aware of how the total remuneration of the Executive Directors compares with the average total remuneration of employees generally.

The Committee does not formally or directly consult with employees on Executive pay but does receive periodic updates from the Group HR Director. The Committee is also informed of the results of employee engagement surveys, which do not contain any specific questions related to Executive Director

remuneration, but the most recent of which indicated that most employees show high levels of engagement and feel that reward is an important attribute of their job. To comply with provision 5 of the new Corporate Governance Code, the Board has decided that engagement with the workforce is best achieved through a designated non-executive Director.

HOW THE EXECUTIVE DIRECTORS' REMUNERATION POLICY RELATES TO THE GROUP

The remuneration policy described above provides an overview of the structure that operates for the most senior Executives in the Group, with a significant element of remuneration dependent on Company and individual performance.

A lower aggregate level of incentive payment applies below Executive Director level, driven by market comparatives, internal relativities and the potential impact of the role. The vast majority of the Group's employees participate in an annual bonus plan, with the limits and performance conditions varying according to job grade.

The Committee believes that broadbased employee share ownership provides a key element in retention and motivation in the wider workforce. Longterm incentives are provided through the Group's discretionary share schemes to selected Executives and managers. The Company also offers an HMRC-registered savings-related share option scheme for all UK-based employees with more than six months' service, including **Executive Directors.**

In the UK and Ireland, all newly appointed employees, including Executive Directors, are eligible to join a defined contribution pension plan, whereby they make a contribution to the nominated plan, with the Company typically contributing double the amount paid by the employee. In other territories, pension provision varies and can be contributions to state schemes, occupational plans or personal pension arrangements in which the employing company makes contributions.

Remuneration policy report continued

HOW IS RISK MANAGED IN RELATION TO SHORT AND LONG-TERM INCENTIVES?

The Committee believes that the consideration and management of risk is important when formulating and then operating appropriate remuneration structures (notably the performance criteria) for senior management. All of the members of the Committee are also members of the Audit Committee, whose Chairman is also a member of the Remuneration Committee. The Remuneration Committee has a good understanding of the key risks facing the business and the relevance of these to the remuneration strategy, most particularly when setting targets for performancerelated pay.

In line with the Investment Association's Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour and remuneration design can be flexed to address ESG issues when appropriate. The Committee has due regard to issues of general operational risk when structuring incentives.

The clawback provisions in respect of annual bonuses and long-term share plans also provide the Committee with a mechanism to recover monies in certain circumstances, for example, if a misstatement of results is identified. Share ownership guidelines and the design of the 2012 LTIP and 2016 LTIP help to ensure that the Executive Directors have a strong personal focus on long-term sustainable performance, heavily driven by the relative and absolute returns delivered to shareholders.

HOW SHAREHOLDERS' VIEWS ARE TAKEN INTO ACCOUNT

The Committee considers shareholder feedback received around the AGM and analyses the votes cast on the relevant items of business. This feedback, plus views received during meetings with institutional shareholders and their representative bodies, is considered as part of the Company's annual review of remuneration policy. The Remuneration Committee also consults with its key shareholders whenever appropriate. A consultation exercise was undertaken during early 2016 with shareholders' views being reflected in the current policy, which has been in effect since the 2016 AGM. A consultation exercise was undertaken during early 2019 with shareholders' views being reflected in the revised policy, which is being put to shareholders for approval at the 2019 AGM. The Committee values feedback from its shareholders and seeks to maintain a continued open dialogue. Investors who wish to discuss remuneration issues should contact the Company Secretary.

SERVICE CONTRACTS AND POLICY ON EXIT

The Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts are normally entered into on a rolling basis, with notice periods given by the employing company limited to 12 months or less. Should notice be served by either party, the Executive can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time

the relevant group company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. An Executive Director's service contract may be terminated without notice and without any further payment or compensation, save for sums accrued up to the date of termination, on the occurrence of certain events of gross misconduct. If the Company terminates the employment of an Executive Director in breach of contract, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the unexpired notice period.

The service contract for David Bauernfeind also includes the ability for the Company to make a payment in lieu of notice. Payments in lieu of notice may be made in monthly instalments and would reduce proportionately to the extent that alternative employment income was received (i.e. phased payments, subject to mitigation).

David Wild, the Chief Executive Officer, has a rolling contract dated 30 April 2014. David Bauernfeind, the Chief Financial Officer, has a rolling contract dated 9 October 2018. Both Executives' contracts are terminable on six months' notice from either party and include payment in lieu of notice provisions as per the policy detailed on page 75.

Payments in lieu of notice are not pensionable. In the event of a change of control of the Group, there is no enhancement to contractual terms.

In summary, the contractual provisions for any new Executive Directors are as follows:

Provision	Detailed terms
Notice period	12 months or less
Maximum termination payment	Base salary plus benefits and pension, subject to mitigation for new Directors
Remuneration entitlements	A pro rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see page 75)
	In all cases performance targets would apply
Change of control	As on termination

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Any share-based entitlements granted to an Executive Director under the Company's LTIP schemes or bonus entitlement under the annual performance bonus will be determined based on the relevant plan rules.

With regard to the circumstances under which the Executive Directors might leave service, these are described below with a description of the anticipated payments:

Remuneration element	'Bad' leaver (e.g. resignation)	Departure on agreed terms (e.g. asked to leave due to revised skill sets required for role)	'Good' leaver (e.g. ill health, retirement)	
Salary in lieu of notice period	Salary for proportion of notice period served		Up to a maximum of 100% of salary	
Pension and benefits	Provided for proportion of notice period served	_	Up to one year's worth of pension and benefits (e.g. redundancy)	
			Possible payment of pension and insured benefits triggered by the leaver event (this would be governed by the terms of the benefits provided)	
			Where appropriate, medical coverage may continue for a period post cessation.	
Bonus (in year)	If resigns, reduced pro rata to reflect proportion of bonus year employed (provided performance conditions met) at the discretion of the Remuneration Committee. If dismissed for cause, none payable	- Treatment will normally	Reduced pro rata to reflect proportion of bonus year elapsed (provided performance conditions met)	
Bonus (deferred shares)	Lapse	fall between good leaver and bad leaver treatment, subject to the discretion	Will ordinarily vest on the normal vesting date (or date of cessation in respect of awards granted prior to April 2019). Up to full vesting, based on performance tests over the full performance period (or to the dat of cessation at the discretion of the Committee	
Long-term incentive entitlements (2012 LTIP)	Lapse	of the Remuneration Committee and the terms of any termination		
		agreement	Where awards are granted as market value options, the award may also be reduced pro rata (at the discretion of the Committee) to reflect the proportion of the performance period elapsed to the date of cessation	
			Where awards are granted as performance shares, awards will be subject to a pro rata reduction unless the Committee determines otherwise	
Long-term incentive entitlements (2016 LTIP)	Lapse		Awards will normally continue to be capable of vesting subject to performance measured at the normal calculation date (or until the absolute TSR condition has been satisfied prior to the award's expiry) and a pro rata reduction by reference to the proportion of the relevant three, four and five-year performance periods that have expired, unless the Remuneration Committee determines otherwise, on an exceptional basis	
Other payments None		The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may also pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.		

Remuneration policy report continued

NON-EXECUTIVE DIRECTOR REMUNERATION

The non-executive Directors are not employed under service contracts and do not receive compensation for loss of office. With the exception of Colin Halpern, who is nominated to the Board pursuant to a contractual agreement, each of the non-executive Directors is appointed for a fixed term of three years, renewable for a further three-year term if agreed and subject to annual reelection by shareholders.

The following table shows details of the terms of appointment for the non-executive Directors:

	Appointment date	Date most recent term commenced	Expected date of expiry of current term
Stephen Hemsley	1 January 2008 (as Executive Chairman)	30 March 2016 (as non-executive Chairman)	30 March 2020
Colin Halpern	15 November 1999	Rolling annual	n/a
Helen Keays	20 September 2011	20 September 2017	20 September 2020
Ebbe Jacobsen	31 January 2014	31 January 2017	31 January 2020
Kevin Higgins	8 September 2014	8 September 2017	8 September 2020
Steve Barber ¹	1 July 2015	1 July 2018	18 April 2019

¹ Steve Barber will be standing down from the Board with effect from the 2019 AGM.

RECRUITMENT AND PROMOTION POLICY

When facilitating an external recruitment or an internal promotion the Committee will apply the following principles:

Remuneration element	Policy					
Base salary	Salary levels will be set based on the experience, knowledge and skills of the individual and in the context of market rates for equivalent roles in companies of a similar size and complexity. The Committee will also consider Group relativities when setting base salary levels.					
	The Committee may set initial base salaries below the perceived market rate with the aim to make multi-year staged increases to achieve the desired market position over time. Where necessary these increases may be above those of the wider workforce, but will be subject to continued development in the role.					
Benefits	Will be as provided to current Executive Directors.					
and pension	The Committee will consider meeting the cost of certain reasonable relocation expenses and legal fees as necessary.					
Annual bonus	The annual bonus would be operated in line with that set out in the policy table for current Executive Directors					
	For a new joiner, the bonus would be pro-rated for the period of service.					
	Due to the timing or nature of the appointment, the Committee may determine it necessary to set different modified performance conditions for the first year of appointment.					
Long-term	Participation will be in accordance with the information set out in the policy table.					
incentives	Awards may be made shortly after an appointment, subject to prohibited periods.					
	Different performance conditions may be set as appropriate.					
	Any new appointment would be eligible to participate in the all-employee share option arrangements on the same terms as all other employees.					
	For internal promotions, existing awards will continue over their original vesting period and remain subject to their terms as at the date of grant.					
Additional incentives on	The Committee will assess whether it is necessary to buy out remuneration which would be forfeited from a previous employer.					
appointment	The Committee will, where possible, seek to offer a direct replacement award taking into account the structure, quantum, time horizons and relevant performance conditions which would impact on the expected value of the remuneration to be forfeited.					
	The Committee will use the existing remuneration plans where possible, although it may be necessary to grant outside of these schemes using exemptions permitted under the Listing Rules.					

EXTERNAL APPOINTMENTS

The Committee recognises that Executive Directors may be invited to become non-executive Directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to pre-agreed conditions, and with prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive Director in another listed company. The Executive Director is permitted to retain any fees paid for such service.

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Annual report on remuneration

ROLE AND MEMBERSHIP

The Committee is responsible for the Chairman's and the Executive Directors' remuneration and also oversees the remuneration packages of other senior Executives. The remuneration and terms of appointment of the non-executive Directors are determined by the Board as a whole.

The Chairman and the Chief Executive Officer are consulted on proposals relating to the remuneration of relevant senior Executives and, when appropriate, are invited by the Remuneration Committee to attend meetings but are not present when their own remuneration is considered. The Company Chairman and other non-executive Directors may also attend meetings by invitation.

The Company Secretary acts as Secretary to the Remuneration Committee.

The role of the Remuneration Committee is set out in its terms of reference, which are reviewed annually and can be found on the Group's website, https://investors.dominos.co.uk. The Remuneration Committee normally meets up to four times in each year and additionally as circumstances dictate.

During the year, the members of the Remuneration Committee and their attendance at the meetings were:

Name	Member since	Attendance
Kevin Higgins (Chairman)	22 September 2014	6
Helen Keays	22 September 2014	5
Steve Barber ¹	16 September 2015	6

¹ Steve Barber will be standing down as a non-executive Director at the 2019 AGM.

EXTERNAL ADVISERS

Wholly independent advice on executive remuneration and share schemes is received from the Executive Compensation practice of Aon plc. Aon is a member of the Remuneration Consultants' Group and is a signatory to its Code of Conduct. During the year, Aon did not provide any other services to the Company except in relation to senior management remuneration matters. Fees charged by Aon for advice provided to the Committee for 2018 amounted to £69,485 (excluding VAT) (2017: £42,368).

WHAT HAS THE REMUNERATION COMMITTEE DONE DURING THE YEAR?

The Remuneration Committee met six times during the year to consider and, where appropriate, approve key remuneration items including the following:

A) Management of individual remuneration

- reviewed and approved Executive Directors' and senior management base salaries and benefits;
- reviewed year-end business performance and performance-linked rewards in order to determine annual bonus pay-outs and vesting of long-term incentives;
- approved long-term incentive awards made in 2018 under the 2012 LTIP; and
- determined the leaver terms for the outgoing CFO and agreed the remuneration package for the incoming CFO.

B) Governance of the remuneration programme

- monitored guidance from institutional shareholder bodies on executive pay and considered the application of the revised UK Corporate Governance Code;
- reviewed the existing Directors' remuneration policy and devised the new policy to be put to shareholders at the 2019 AGM;
- Engaged with major shareholders on the new remuneration policy.
- reviewed and approved the Directors' remuneration report;

Annual report on remuneration continued

IMPLEMENTATION OF REMUNERATION POLICY FOR 2019

Base salary

The base salaries for the Chief Executive Officer and Chief Financial Officer will be increased by 2% to £520,200 and £331,500 per annum respectively from 1 April 2019. The rate of increase is in line with the average workforce increase.

Annual performance bonus ('APB')

The maximum bonus opportunity for the CEO for 2019 will be 150% of salary. The CFO's maximum bonus will be 125% of salary.

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

The performance conditions for the APB for the 2019 financial year will be based both on achieving and exceeding the Group's underlying PBT growth targets set by the Board (75% of bonus for the CEO and 80% of bonus for the CFO) and on achieving individual business objectives (25% of bonus for the CEO and 20% of bonus for the CFO) which support the business plan.

The underlying PBT measure is based on internally set targets and pays out 20% at threshold (95% of target) rising on a pro rata basis to 50% pay-out at target with full payment only due if we achieve 110% of target.

For 2019, strategic objectives will be set by the Committee linked to the Company's strategic goals. None of the strategic element of the bonus may be earned unless a threshold level of Group underlying PBT has been achieved. Where appropriate, individual objectives are also set on a sliding scale based around a target.

The Committee considers that the performance targets in relation to the APB are commercially sensitive and therefore will not be disclosed on a prospective basis, but intends that the targets and outcomes are disclosed in the Directors' remuneration report once they are no longer considered sensitive, as has been its practice in recent years.

For both the CEO and CFO, two-thirds of any bonus payments will be made in cash, with the remaining third deferred into Company shares, which will vest after two years during which time they remain subject to forfeiture.

Long-term incentives

It is intended that the CEO and CFO will receive an award of performance shares under the 2012 LTIP with a face value of 175% of salary for the CEO and 125% of salary for the CFO. Awards will vest after three years subject to two independent performance metrics.

70%: earnings per share growth

Three-year underlying EPS growth (over 2018 base year)	Vesting (% of EPS part of award)
Below 25%	0%
25%	10%
55%	100%

Straight-line vesting in between the performance points above

The above underlying EPS targets are considered to be appropriately demanding given the quantum of the awards proposed, current market expectations of the Company and internal long-term planning.

30%: relative TSR performance

The remaining 30% of the award will vest in accordance with the following vesting schedule based on the Company's TSR performance against the constituents of the FTSE 250 Index, excluding investment trusts, over three financial years.

Ranking of the Company's TSR	Vesting (% of TSR part of award)
Below median	0%
Median	15%
Upper quartile or higher	100%

Straight-line vesting in between the performance points above

In choosing underlying EPS and TSR as the metrics, the Committee has sought to provide a balance between incentivising delivery against our key measure of success in delivering profitable growth (underlying EPS) and aligning the CEO and CFO and senior management with shareholders through a TSR measure.

Benefits and pension

Benefits in kind provided for Executive Directors are principally Company car provision or an allowance in lieu of Company car, mobile telephone, life insurance cover and private health cover for Executive Directors and their family. The Executive Directors receive a 10% of salary pension allowance.

Non-executive Directors' fees

Non-executive Directors' fees are reviewed biennially and the last review was carried out in January 2018.

Therefore, the fees below remain unchanged from last year's remuneration report. The fee structure for the Chairman and other non-executive Directors for 2019 is as follows:

- Chairman £230,000;
- Non-executive Director base fee £50,000;
- Audit Committee Chairman fee £10,000;
- Remuneration Committee Chairman fee £10,000;
- Nomination Committee Chairman fee £5,000; and
- Senior Independent Director fee £10,000.

Statement of shareholder voting at AGM

The voting results for the last vote on the annual report on remuneration (at the 2018 AGM) and policy report (at the 2016 AGM) were as follows:

	Annual report on re	muneration	Remuneration policy		
	Total number of votes	% of votes cast	Total number of votes ¹	% of votes cast	
For	373,159,593	99.59%	117,297,203	92.36%	
Against	1,548,410	0.41%	9,704,133	7.64%	
Total votes cast (for and against)	374,708,003	100%	127,001,336	100%	
Votes withheld ²	5,678,599	_	639,659	_	
Total votes cast (including withheld votes)	380,386,602	_	127,640,995	_	

The number of shares stated as voting in respect of the Remuneration Policy at the 2016 AGM are prior to the three-for-one share sub-division which occurred on

² A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

Annual report on remuneration continued

IMPLEMENTATION OF REMUNERATION POLICY FOR 2019 CONTINUED

Single total remuneration figure for each Director (audited)

52 weeks ended 30 December 2018

		Fixed pay				Performance-related pay				
£000	Salary	Benefits ¹ and supplements	Pension	Subtotal	Bonus	LTIP vesting ^{4,5}	DSBP vesting	Subtotal	Other ³	Total remuneration in 2018
Executives										
David Wild	510	21	51	582	-	117	_	117	_	699
David Bauernfeind ²	74	2	7	83	_	_	_	_	_	83
Former Executive										
Rachel Osborne	238	16	35	289	_	17	-	17	93	399
Non-executives						······································				
Stephen Hemsley	235	2	_	237	_	_	-	_	_	237
Colin Halpern ⁸	140	31	_	171	_	_	_	_	-	171
Helen Keays	60	-	_	60	_	_	_	_	_	60
Ebbe Jacobsen	50	_	_	50	_	-	_	_	_	50
Kevin Higgins	60	_	-	60	-	_	-	_	-	60
Steve Barber	60	_	_	60	_	_	_	_	_	60
Total	1,427	72	93	1,592	_	134	_	134	93	1,819

53 weeks ended 31 December 2017

	Fixed pay			Performance-related pay					
€000	Benefits¹ and Salary supplements		Pension Subtotal		Bonus	LTIP onus vesting ^{6,7}	DSBP vesting	Subtotal	Total remuneration in 2017
Executives									
David Wild	510	14	51	575	260	548	11	819	1,394
Rachel Osborne	325	17	49	391	168	22	_	190	581
Non-executives									
Stephen Hemsley	230	2	_	232	_	_	_	_	232
Colin Halpern	140	31	-	171	-	-	-	-	171
Helen Keays	54	-	-	54	-	-	-	-	54
Ebbe Jacobsen	47	_	_	47	_	_	_	-	47
Kevin Higgins	57	_	_	57	_	_	_	-	57
Steve Barber	57	_	_	57	_	_	_	-	57
Total	1,420	64	100	1,584	428	570	11	1,009	2,593
Prior Year ⁹ Reported Total	1,208	50	62	1,320	479	3,622	5	4,106	5,426

Notes:

- 1 The value of benefits relates primarily to the provision of a company car allowance and, if applicable, health cover. Where relevant, they also include the fair value of share awards made under the Savings Related Share Option Plan. On 26 April 2018, David Wild was awarded an option under the Savings Related Share Option Plan over 6,923 shares with a fair value of £7,131. The benefit value for Rachel Osborne includes £3,000 for legal fees as disclosed on page 85.
- 2 David Bauernfeind was appointed to the Board as Chief Financial Officer with effect from 9 October 2018 on an annual salary of £325,000 and is eligible to receive benefits and a pension and participate in the incentive plans in line with the prevailing remuneration policy.

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- 3 Rachel Osborne stood down from the Board on 11 June 2018 and ceased employment with the Company, following a period of garden leave, on 11 September 2018. She received £93,437 (consisting of salary and pension allowance) as a payment in lieu of the remainder of her contractual notice period from 11 September to 11 December 2018 which has been shown in the 'Other' column. Full details of the remuneration arrangements associated with her departure are set out on page 85.
- Rachel Osborne received an award under the 2012 LTIP on 13 October 2016. The performance conditions applying to this award were partially met (please refer to details on page 82). In accordance with the legislation, these awards have been valued at £17,543 using the three month average share price to 30 December 2018 (263.61p). Of this figure £17,543 relates to the underlying award and £nil to share price growth.
- 5 The first tranche of the 2016 LTIP award granted to David Wild on 22 April 2016 has not yet vested as the performance test for the absolute TSR underpin is still to be achieved. The 2014 LTIP award for David Wild vested in 2017 but has not yet been exercised. Under the terms of the 2012 LTIP, dividend equivalent awards continue to accrue until the award is exercised. Accordingly, a further dividend award equal to £95,665 has been included.
- The 2012 LTIP award to Rachel Osborne made on 13 October 2016, over 8,486 ordinary shares partially vested on 1 June 2018. In the 2017 Directors' remuneration report, the vested element of the award was estimated to be £25,332 using the three month average share price to 31 December 2017 of 328.26p. The actual vested value was £22,325 using the mid-market share price on the 21 December 2018 of 289.30p. Of this figure £22,325 relates to the underlying award and £nil to share price growth.
- The 2015 LTIP conditional share award for David Wild partially vested on 21 December 2018. In the 2017 Directors' remuneration report, the vested element of the award was estimated to be £679,701 using the three month average share price to 31 December 2017 of 328.36p. The actual vested value was £476,450 using the mid-market price on 21 December 2018 of 230.1p. Of this figure £476,450 relates to the underlying award and £nil to share price growth. David Wild was, on vesting, entitled to receive a dividend equivalent award of £53,355 which was settled in cash of which £32,994 had been included in the emoluments table in 2017.
- Colin Halpern is not remunerated by the Company and for the 2018 financial year a management fee of £140,000 was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 relating to life insurance premiums was also paid to HS Real Company LLC during the year.
- As required by the regulations, this row sets out the total reported in the remuneration report for the prior year. The reported value of LTIP vesting has been increased by £133,000 to reflect the value of an award over 37,482 shares awarded to Rachel Osborne on 13 October 2016 and which vested on 1 November 2017 and was valued using the mid-market share price at award of 353.5p. This disclosure was omitted from the remuneration report in 2016.
- 10 As discussed more fully in note 2 (on page 107): Judgements, a provision of £11m was recorded in relation to potential employment tax liabilities of the Group arising from historic share-based compensation arrangements, the beneficiaries of which include the Chairman and certain former Directors. The estimated components of this provision that relate to the Chairman and to certain former directors are some £3m and £3.5m respectively.

Defined contribution pensions (audited)

Executive Directors receive pension contributions to a personal pension fund or in cash. In the year ended 30 December 2018 David Wild and David Bauernfeind received pension contributions of 10% of salary which totalled £51,000 and £7,400 respectively; and Rachel Osborne received pension contributions of 15% of salary which totalled £34,669.

DETAILS OF VARIABLE PAY EARNED IN THE YEAR

Annual bonus plan

The incentive for the financial year ended 30 December 2018 was in the form of a bonus based on performance against a combination of financial targets, specifically a significant increase in the Group's underlying PBT, and non-financial targets, incentivising a number of the Company's strategic priorities.

David Wild ('CEO') and David Bauernfeind ('CFO') had bonus opportunities of up to 100% and 125%* of salary, respectively, for the 2018 financial year (* pro-rated in respect of David Bauernfeind). Of this opportunity, 70% in respect of the CEO and 80% in respect of the CFO was linked to Group underlying PBT and operated on a banded basis, commencing at 20% for threshold levels of profit performance, 50% of bonus at target, with the full 100% only payable at stretch performance levels, being materially in excess of budget.

The CFO's bonus for the period 9 October 2018 to 30 December 2018 was based on Group underlying PBT only.

The Group's underlying PBT for 2018 was £93.4m.

Performance huro	Targets¹ set for year	Actual performance	Resulting	Resulting
	lle (underlying PBT)	achieved	bonus out-turn	bonus payable
Growth in underlying profit before tax of between 95% of target (20% pay-out) and 110% or more (full pay-out). Graduated scale operates between performance points	Target: £99.2m	Actual underlying PBT was £93.4m	0% of maximum	CEO: £nil CFO: £nil

As reported on page 66 the Group's underlying PBT was below the bonus threshold target of £94.24m. David Wild made good progress against the individual objectives set in respect of 2018 but bonuses are not payable for personal performance during 2018. The Committee notes the importance of enabling shareholders to understand the basis of bonus outcomes and will provide expanded disclosure in respect of any bonuses paid against personal objectives in future years.

Rachel Osborne did not receive a bonus for 2018.

Annual report on remuneration continued

DETAILS OF VARIABLE PAY EARNED IN THE YEAR CONTINUED

2012 LTIPs

Rachel Osborne received a long-term incentive award under the 2012 LTIP on 13 October 2016. The Remuneration Committee exercised its discretion to allow the award to continue to vest but the number of shares was subject to a pro-rata reduction (from 68,953 originally granted to 43,440) to reflect time served. The awards, which will vest on 13 October 2019, were based on performance over the three-year period ending on 30 December 2018 as follows:

50%: EPS performance

Half of the award vests subject to growth in the Company's adjusted EPS on the following basis:

Metric	Actual performance	EPS performance condition			Maximum	% of award vesting
Three-year adjusted earnings per share ('EPS')	35.90% growth	30% growth (10% vesting)	40% growth (45% vesting)	50% growth (80% vesting)	60% growth (100% vesting)	30.64%

Straight-line vesting in between the performance points.

50%: TSR performance

The remaining half of the award vests based on the following vesting schedule based on the Company's TSR performance measures against the constituents of the FTSE 250 Index (excluding investment trusts) over three financial years:

	Actual			% of award
Metric	performance ¹	Threshold	Maximum	vesting
Ranking of the Company's TSR	127th of 182	Median (15% vesting)	Upper quartile (100% vesting)	0%

¹ Median ranking was 91.5 and upper quartile ranking was 46

Straight-line vesting occurs between these points.

For reporting purposes the awards were valued using the three-month average share price to 30 December 2018 of 263.61p.

2016 LTIP

David Wild was granted an award under the 2016 LTIP on 22 April 2016. Tranche 1 (534,000 shares) was based on earnings per share and relative total shareholder performance to 30 December 2018, in addition an absolute TSR underpin applies. The performance targets for Tranche 1 were as follows:

One third: Stretch EPS performance

Metric	Actual performance	EPS performance condition			Maximum	% of award provisionally eligible to vest
Three-year cumulative growth in earnings per share ('EPS')	35.90% growth	30% growth (10% vesting)	40% growth (45% vesting)	50% growth (80% vesting)	60% growth (100% vesting)	30.64%

One third: Super-stretch EPS performance

Metric	Actual performance	EPS performance condition		Maximum	% of award provisionally eligible to vest
Three-year cumulative growth in earnings per share ('EPS')	35.90% growth	60% growth (0% vesting)	70% growth (50% vesting)	80% growth (100% vesting)	0%

One third: TSR performance

Metric	Actual performance ¹	Threshold	Maximum	% of award provisionally eligible to vest
Ranking of the Company's TSR against the constituents of the FTSE 250 Index (excluding investment trusts) over three financial years	126th of 181	Median (15% vesting)	Upper quartile ¹ (100% vesting)	0%

¹ Median ranking was 91.0 and upper quartile ranking was 53

Based on performance against the above targets approximately 10.214% of Tranche 1 (54,541 shares) became provisionally eligible to vest. An underpin mechanism applies which only permits the release of the vested awards if TSR has increased in absolute terms, with awards released on a proportionate basis (e.g. if TSR has increased by 20%, 20% of the vested awards will be released). Awards will only be released in full if absolute TSR has increased by 100%. As at 30 December 2018, absolute TSR was -15% and therefore no part of the award was eligible to vest. The absolute TSR underpin is assessed at the end of the relevant performance period and every six months thereafter until the expiry of the award shortly after its seventh anniversary of grant, in 2023.

Share awards granted during the year (audited)

Deferred Share Bonus Plan

For Rachel Osborne, the bonus in respect of 2017 performance was settled two-thirds in cash and one-third in shares, the receipt of the latter being deferred for two years.

The award granted in 2018 represents one-third of the gross bonus due to Rachel Osborne for the financial year ended 31 December 2017.

DSBP	Basis of award	Face value*	Number of shares	Vesting date
Rachel Osborne	33.33% of ABP value	£55,969	17,253	11/09/18

^{*} Based on a share price of 324.4p per share, being the average mid-market price of the Company's shares on 15 March 2018.

The 17,253 awards granted to Rachel Osborne under the Deferred Share Bonus Plan on 16 March 2018 (and the 6,779 awards granted to her on 17 March 2017 (in respect of the 2016 bonus)) did not lapse on cessation of employment following the exercise by the Remuneration Committee of the discretion conferred to it under the plan. In accordance with the rules of the plan, the outstanding shares vested in full on 11 September 2018.

LTIP awards

Details of the grant made under the 2012 LTIP on 25 October 2018 to David Bauernfeind are summarised below:

Executive	Date of grant	Type of award	Number of awards granted	Face value of award*	Face value of award (as a % of salary)**	Vesting % at threshold	Performance period	Performance conditions
David Bauernfeind	25 October 2018	Conditional award of shares	95,121	£251,976	75%	10-15%	Three financial years from 2018 to 2020	50%: EPS Growth 50%: TSR

^{*} Based on the mid-market price of the Company's shares on 25 October 2018 of 264.9p

The awards for David Bauernfeind are based on the following:

50%: earnings per share growth

Three-year underlying EPS growth (over 2016 base year)	Vesting (% of EPS part of award)*
Below 30%	0%
30%	10%
40%	45%
50%	80%
60%	100%

^{*} Straight-line vesting in between the performance points above

The above underlying EPS targets are considered to be appropriately demanding given the quantum of the awards proposed, current market expectations of the Company and internal long-term planning.

^{**} The award was reduced to 75% of base salary from 125% of base salary to reflect the fact that the performance period from the Executive's date of appointment is approximately 27 months rather than 36 months.

Annual report on remuneration continued

DETAILS OF VARIABLE PAY EARNED IN THE YEAR CONTINUED

Share awards granted during the year (audited) CONTINUED

50%: relative TSR performance

The remaining half of the award will vest in accordance with the following vesting schedule based on the Company's TSR performance against the constituents of the FTSE 250 Index, excluding investment trusts, over three financial years.

Ranking of the Company's TSR	Vesting (% of TSR part of award)*
Below median	0%
Median	15%
Upper quartile or higher	100%

^{*} Straight-line vesting in between the performance points above

In choosing underlying EPS and TSR as the metrics, the Committee has sought to provide a balance between incentivising delivery against our key measure of success in delivering profitable growth (underlying EPS) and aligning the CEO and CFO and senior management with shareholders through a TSR measure.

Share option grants

On 26 April 2018, David Wild received an award under the Company's Savings-related Share Option Plan. An option was awarded over 6,923 ordinary shares of 24/58 pence each in the Company at a price of 260 pence per share. In accordance with the rules of the Plan, the option price represents a 20% discount to the closing middle market price of the Company's shares on 3 April 2018.

Awards held in the year (audited)

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Plan	Outstanding shares at 31 December 2017 ¹	Granted/ awarded in 2018 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares at 30 December 2018	Exercise price (pence)	Date of grant	Date from which exercisable/ capable of vesting
David Wild								
2012 LTIP	541,515	_	_	_	541,515	_	30/05/14	30/05/17
2012 LTIP (additional award)	406,137	_	_	_	406,137	_	30/05/14	30/05/17
2012 LTIP	227,679	_	207,062	20,617	_	n/a	21/12/15	21/12/18
2016 LTIP all tranches	1,602,000	-	-	-	1,602,000	n/a	22/04/16	22/04/23
DSBP	40,098	_	-	-	40,098	-	21/12/15	27/02/17
DSBP	67,239	_	_	_	67,239	n/a	11/03/16	11/03/18
Sharesave	8,448	_	8,448	_	_	213	29/04/15	_
Sharesave	_	6,923	_	-	6,923	260	26/04/18	01/06/21
Rachel Osborne								
2012 LTIP1	68,953	_	_	25,513	43,440	n/a	13/10/16	13/10/19
2012 LTIP (additional award)	8,486	_	7,717	769	_	n/a	13/10/16	_
2012 LTIP1	149,356	_	_	97,082	52,274	n/a	15/08/17	15/08/20
DSBP	6,779	_	6,779	_	_	n/a	17/03/17	_
DSBP		17,253	17,253	_	_	n/a	17/03/17	_
David Bauernfeind								
2012 LTIP	_	95,121	_	_	95,121	n/a	25/10/18	25/10/21

¹ Following Rachel Osborne's departure from the Company, her outstanding LTIP awards were subject to a time pro-rating adjustment from the number originally awarded from 68,953 to 43,440 in respect of the awards granted on 13 October 2016 and from 149,356 to 52,274 in respect of awards granted on 15 August 2017.

Vesting of LTIP awards is subject to the achievement of performance conditions and continued employment. DSBP and Sharesave awards vest subject to continued employment only.

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Dilution limits

The Company operates within best practice guidelines published by the Investment Association. These broadly provide that where new issue shares are used to satisfy awards made under employee share schemes, the aggregate number of shares placed under award (disregarding any awards which have lapsed) across all such schemes operated by the Company should not exceed 10% of the Company's issued share capital in any ten-year rolling period.

Termination payments (audited)

As announced on 12 June 2018, Rachel Osborne, the former Chief Financial Officer, left her post with the Company and as a member of the Board of Directors on 11 June 2018. She was on a period of garden leave for the first 3 months of her 6 months notice period and her employment with the Company ended on 11 September 2018. She received £93,437 as a payment in lieu of the remainder of her contractual notice period (consisting of base salary and pension cash allowance only) from 11 September 2018 to 11 December 2018. She received no bonus in respect of 2018. The Remuneration Committee elected to treat her as a good leaver in respect of her outstanding share awards under the Deferred Share Bonus Plan ('DSBP') and Long-Term Incentive Plan ('LTIP'). In accordance with the rules of the respective plans, the outstanding awards under the DSBP (2017 and 2018 grants) vested in full on cessation of employment and the outstanding awards under the LTIP (2016 and 2017 grants) will be eligible to vest on the normal vesting dates subject to performance and a time pro-rata reduction (between 37% and 65%) to reflect time served. In addition, she was eligible to receive contributions towards outplacement services and legal fees (capped at £20,000 and £3,000 respectively).

Directors' shareholdings (audited)

To reinforce the linkage between senior Executives and shareholders, the Company has adopted a shareholding policy that applies to Executive Directors under its long-term incentive arrangements. The Executive Directors are required to retain sufficient shares from the vesting of awards to build up and retain a personal shareholding worth an equivalent of a minimum of 200% of base salary for the Chief Executive Officer and 150% of base salary for Chief Financial Officer (increasing to 200% subject to approval of the new policy). It is expected that the required shareholding will be built up over a maximum of five years. The Committee has discretion to waive the shareholding requirement in exceptional circumstances. Once attained, a subsequent fall below the required level may be taken into account by the Committee when determining the grant of future awards.

The Committee has decided that vested but unexercised LTIP awards and awards made under the DSBP shall count (assuming the sale of sufficient shares to fund the employee's tax and NI obligations) towards this target.

	Legally owned shares at 30 December 2018 (or earlier date of cessation)	Legally owned shares at 31 December 2017 (or earlier date of cessation)	Conditional shares subject to performance conditions (2012 LTIP and 2016 LTIP)	Share options not or no longer subject to performance conditions (2012 LTIP/DSBP/ Sharesave)	Market value of shareholding as a % of salary¹
Executive Directors					
David Wild	131,596	13,650	1,602,000	1,061,912	315.84%
Rachel Osborne*	-	19,821	95,714	-	-
David Bauernfeind**	8,000	-	95,121	-	5.74%
Non-executive Directors					
Stephen Hemsley ²	1,800,000	1,800,000	-	-	n/a
Colin Halpern³	1,673,700	1,673,700	-	-	n/a
Helen Keays	-	-	-	-	n/a
Ebbe Jacobsen	-	-	_	-	n/a
Kevin Higgins	-	-	_	-	n/a
Steve Barber	-	-	_	-	n/a

Notes:

- 1 Based on a share price of 233.2p prevailing at the end of the financial year and the number of shares in which the Director has a beneficial interest and calculated on the annual salary for the year.
- 2 1,800,000 Ordinary shares (2017: 1,800,000) are held by The Stephen Hemsley No. 5 Trust, a discretionary trust of which Stephen Hemsley and his family are potential beneficiaries.
- 3 1,673,700 Ordinary shares (2017: 1,673,700) are held by HS Real LLC. HS Real LLC is owned by a discretionary trust, the beneficiaries of which are the adult children of Colin and Gail Halpern.
- * Rachel Osborne ceased to be a Group employee on 11 September 2018
- ** David Bauernfeind was appointed as Chief Financial Officer on 9 October 2018

There were no changes in the Directors' shareholdings between 30 December 2018 and 11 March 2019.

Annual report on remuneration continued

DETAILS OF VARIABLE PAY EARNED IN THE YEAR CONTINUED

External appointments

During the year, David Wild acted as Senior Independent Director at Ten Entertainment Group plc and was an independent non-executive Director of The Bankers Trust plc until 21 February 2018. David Wild retained fees from his external appointments which amounted to £54,044 (2017: £62,424). David Bauernfeind is an independent non-executive Director of Gooch and Housego plc and retained fees from this external appointment which amounted to £10,389.62.

CEO remuneration

Year ended	Chief Executive Officer	Total remuneration £000	Annual bonus (% of max)	LTIP vesting (% of max)
30 December 2018	David Wild	699	0%	_
31 December 2017	David Wild	1,394	50.91%	90.95%
25 December 2016 ¹	David Wild	4,482	81%	100%
27 December 2015	David Wild	1,243	87.5%	_
28 December 2014	David Wild	864	58.6%	_
29 December 2013 ²	Lance Batchelor	532	0%	_
30 December 2012	Lance Batchelor	852	50%	_
25 December 2011	Lance Batchelor	256	60%	-
25 December 2011	Chris Moore	630	60%	100%

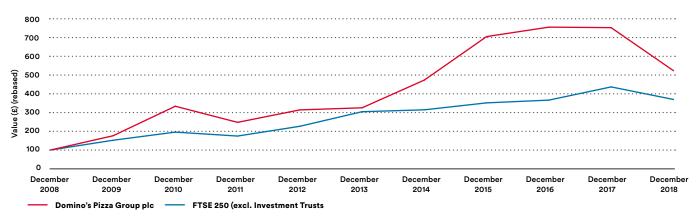
¹ The first LTIP awards granted to the current CEO that become capable of vesting based on performance ending in FY16 were in 2014 and these have been included in

Total shareholder return

The graph below illustrates the Company's TSR performance over the nine financial years to 30 December 2018, plotted against the TSR performance of the FTSE 250 Index (excluding investment trusts) over the same period.

TSR reflects movements in the share price, adjusted for capital events and assuming all dividends are reinvested on the ex-dividend date. The FTSE 250 Index (excluding investment trusts) has been selected for this comparison because (i) this is the index in which the Company's shares have been quoted since admission to the Official List and (ii) it forms the comparator group for the TSR performance condition used in the Group's 2012 LTIP and 2016 LTIP.

The graph shows the value, at 30 December 2018, of £100 invested in the Company on 28 December 2008 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts). The other points plotted are the values at the relevant financial year ends.



Source: FactSet

² Lance Batchelor resigned as CEO on 16 March 2014. David Wild assumed the position of Interim CEO on 31 January 2014 and his appointment as the Group's CEO was formally confirmed on 30 April 2014. For comparative purposes the total remuneration shown for the year ended 28 December 2014 includes remuneration received in both roles.

Percentage increase in the remuneration of the Chief Executive Officer

	2018 %
Chief Executive Officer	
Salary	0.0%
Benefits	0.0%
Bonus	(100)%
Average employee (on a per capita basis)	
Salary	(22.9)%
Benefits	(43.5)%
Bonus	(29.7)%

The table above shows the percentage change in salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year, and compares this to the equivalent year-on-year changes averaged across all Group employees and expressed on a per capita basis. Pay for Group employees includes material proportions paid in Group functional currencies, and the translation into pounds for the purposes of this year-on-year comparison includes exchange effects.

Reported changes in average employee salaries, benefits and bonuses reflect the fact that the Group's subsidiaries in Iceland, Norway and Sweden and the Group's UK corporate stores, were consolidated for a full twelve months in 2018. As reported last year, this increased the number of people employed in corporate stores which generally receive lower salaries and benefits than those in Group franchising operations.

Relative importance of spend on pay

			%	
	2018	2017	change	
Staff costs¹ (£m)	81.8	62.3	31.3%	
of which Directors' pay (£m)	1.7	1.9	(10.5)%	
Dividends and share buybacks (£m)	107.9	76.6	40.9%	
Underlying PBT (£m)	93.4	96.2	(2.9)%	

¹ Excluding non-underlying items

Underlying PBT was chosen as a comparator as it reflects the profit generated by the Group's continuing operations, virtually the whole of which leads to cash generation. This therefore creates the opportunity for the Board to reinvest in the Group's business, or make distributions to shareholders, or both. It is the same comparator as used in prior years' remuneration reports.

On behalf of the Board

Kevin Higgins

Chairman of the Remuneration Committee

11 March 2019

Directors' report

The Directors have pleasure in presenting the statutory financial statements for the Group for the 52 weeks ended 30 December 2018.

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosure of likely future developments in the strategic report (on pages 02 to 47), which includes the following:

- the Chairman's statement on pages 02 and 03:
- a description of the market on pages 14 and 15;
- a description of the business structure, model and strategy on pages 16 and 17;
- the Chief Executive Officer's review on pages 18 to 27;
- the Chief Financial Officer's review on pages 28 to 31;
- the key performance indicators on pages 32 and 33;
- the discussion of risk management, the table of principal risks and uncertainties and the longer-term viability statement on pages 34 to 39;
- the Sustainability report on pages 40 to 47.

Together, this information is intended to provide a fair, balanced and understandable analysis of the development and performance of the Group's business during the year, and its position at the end of the year, its strategy, likely developments and any principal risks and uncertainties associated with the Group's business.

The sections of the Annual Report dealing with corporate governance, the reports of the Nomination Committee and Audit Committee and the Directors' remuneration report set out on pages 50 to 87 inclusive are hereby incorporated by reference into this Directors' report.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'management report' can be found in the strategic report and Directors' report including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Section	on topic	Location		
(1)	Interest capitalised	Note 15 to the accounts		
(2)	Publication of unaudited financial information	Not applicable		
(4)	Details of long-term incentive schemes	Remuneration report		
(5)	Waiver of emoluments by a Director	Not applicable		
(6)	Waiver of future emoluments by a Director	Not applicable		
(7)	Non-pre-emptive issues of equity for cash	Not applicable		
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable		
(9)	Parent participation in a placing by a listed subsidiary	Not applicable		
(10)	Contracts of significance	Directors' report		
(11)	Provision of services by a controlling shareholder	Not applicable		
(12)	Shareholder waivers of dividends	Directors' report		
(13)	Shareholder waivers of future dividends	Directors' report		
(14)	Agreements with controlling shareholders	Not applicable		

All the information cross-referenced above is hereby incorporated by reference into this Directors' report.

GROUP RESULTS

The Group profit for the period after taxation was £43.9m (2017: £66.6m). This is after a taxation charge of £18.0m (2017: £14.8m) representing an underlying effective tax rate of 21.2% (2017: 18.3%). The financial statements setting out the results of the Group for the 52 weeks ended 30 December 2018 are shown on pages 93 to 172.

DIVIDENDS

The Directors recommend the payment of a final dividend of 5.45p per Ordinary share, to be paid on 25 April 2019 to members on the register at the close of business on 22 March 2019 (ex-dividend date 21 March 2019), subject to shareholder approval. Together with the interim dividend of 4.05p per Ordinary share paid on 14 September 2018, the total dividend in respect of the period will be 9.5p compared with 9.0p for the previous year, an increase of 5.6%.

Dividends are recognised in the accounts in the year in which they are paid or, in the case of the final dividend, when approved by shareholders. Therefore, the amount recognised in the 2018 accounts, as described in note 13 on

page 132, comprises the 2017 final dividend and the 2018 interim dividend.

SHARE CAPITAL

As at 30 December 2018, there were 468,506,730 Ordinary shares in issue. All issued Ordinary shares are fully paid up. The Ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

Holders of Ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights.

On a show of hands at a general meeting of the Company every holder of Ordinary shares present in person or by proxy and entitled to vote shall have one vote, unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This reflects the position in the Shareholders' Rights Regulations 2009 which amended the Companies Act 2006. On a poll, every

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member present in person or by proxy and entitled to vote shall have one vote for every Ordinary share held. None of the Ordinary shares carry any special voting rights with regard to control of the Company. The Articles specify deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting.

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

Shares held by employee share trusts

The Group has had an employee benefit trust ('EBT') for a number of years, the trustee of which is Intertrust Fiduciary Services (Jersey) Limited. As at 30 December 2018, the EBT held 2,127,080 shares, which are used to satisfy awards under employee share schemes. The voting rights in relation to these shares are exercisable by the trustee; however, in accordance with best practice guidance, the trustee abstains from voting.

Dividend waivers

A dividend waiver is in force in relation to shares in the Company held by the EBT (see previous paragraph), which relates to a total of 2,127,080 shares.

Purchase of own shares

At the 2018 AGM, a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its Ordinary shares for the year under review. The Company engages in share buybacks to create value for shareholders when cash flows permit and there is no immediate alternative investment use for the funds. Shareholders will be requested to renew this authority at the forthcoming AGM, to be held on 18 April 2019.

Substantial shareholdings

As at 11 March 2019, the Company had been notified, in accordance with the FCA's Disclosure, Guidance and Transparency Rules, of the following holdings of voting rights attaching to the Company's shares:

	Number of shares	% of total voting rights as at 30 December 2018	% of total voting rights as at 11 March 2019
The Capital Group Companies, Inc	56,476,538	12.05	12.22
On and simon Fronds Inc.	51,310,981	10.95	n/a
OppenheimerFunds, Inc.	41,738,314	n/a	9.03
Liontrust Investment Partners LLP	24,077,090	5.14	5.21
Blackrock, Inc.	23,289,578	n/a	5.06
Norges Bank	13,958,382	n/a	3.02

On 14 February 2019 the Company was notified by Blackrock, Inc. that it had an interest in 23,389,578 Ordinary Shares. On 19 February 2019, the Company was notified by OppenheimerFunds, Inc. that it had an interest in 41,738,314 Ordinary Shares. On 25 February 2019, the Company was notified by Norges Bank that it had an interest in 13,958,382 Ordinary Shares.

No other notifications under DTR 5.3.1R(1) have been received since 30 December 2018.

During the year the Company made purchases of 18,327,800 Ordinary shares with a nominal value of £95,457. Since the year end the Company has made purchases over 6,276,657 Ordinary shares with a nominal value of £32,691, under the terms of the Share Purchase Programme announced on 18 October 2018.

DIRECTORS AND THEIR INTERESTS

The Directors in service at 30 December 2018 were Stephen Hemsley, Colin Halpern, David Wild, David Bauernfeind, Helen Keays, Ebbe Jacobsen, Kevin Higgins and Steve Barber.

The biographical details of the present Directors are set out on pages 48 and 49 of this Annual Report.

The appointment and replacement of Directors is governed by the Articles of the Company, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Subject to the Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company.

The interests of Directors and their immediate families in the shares of the Company, along with details of options and awards held by Executive Directors, are contained in the Directors' remuneration report set out on pages 66 to 87. Should any Ordinary shares be required to satisfy awards over shares, these may be provided by the EBT.

There have not been any changes in the interests of the Directors, including share options and awards, in the share capital of the Company between the year end and 11 March 2019. None of the Directors have a beneficial interest in the shares of any subsidiary.

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

Directors' report continued

DIRECTORS AND THEIR INTERESTSCONTINUED

Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the Articles of Association. The provision, which is a qualifying third-party indemnity provision (as defined by section 234 of the Companies Act 2006), was in force during the year ended 30 December 2018 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company.

The Group maintained a Directors' and Officers' liability insurance policy throughout the financial year, although no cover exists in the event that Directors or officers are found to have acted fraudulently or dishonestly. No indemnity is provided for the Group's auditor.

EMPLOYEES

The Group employed 4,067 people as at 30 December 2018 (2017: 3,490 – including discontinued operations).

Employment policies

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

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

For more information on the Company's employment practices please see page 44.

GENERAL INFORMATION Annual General Meeting

The notice convening the AGM to be held at 9.00a.m. on 18 April 2019 at the Odeon, Stadium Way W, Bletchley, Milton Keynes, MK11ST, is contained in a separate shareholder circular. Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

Significant agreements and change of control provisions

The Group judges that the only significant agreements in relation to its business are the UK and ROI Master Franchise Agreement, the Know How Licence Agreement and the Master Franchise Agreement's for Switzerland, Liechtenstein, Iceland, Norway and Sweden pursuant to which certain of the Group's companies are granted the right to franchise stores and operate commissaries in the territories by Domino's Pizza International Franchising Inc ('DPI').

Of the Group's significant agreements listed above, the Master Franchise Agreements for Switzerland, Norway and Sweden are, on a change of control, capable of termination by DPI unless the change of control had been approved by DPI. In the case of the Master

Franchise Agreement for Switzerland and Liechtenstein, DPI's consent cannot be unreasonably withheld.

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

As discussed more fully on page 107 in note 2: Accounting policies in the section on key judgements and estimates, the Chairman and certain former Directors entered into indemnity contracts with the Group in connection with their participation in some historic share based remuneration schemes. A provision for employment taxes amounting to £11.0m was recorded in the 2017 financial statements, of which the Company has estimated that £9m could be recoverable under the indemnities. The amount that the Company has estimated it would recover from the Chairman under the indemnity with him, and based on the amount provided, equates to approximately £3m.

Articles of Association

A resolution to adopt new Articles of Association was approved by shareholders at the AGM on 19 April 2018. The Articles of Association can only be amended by special resolution at a general meeting of the shareholders.

The Group acknowledges that it is part of a wider community and recognises that it has a responsibility to act in ways that respect the environment and the social wellbeing of others. Details of the Group's approach to these issues set out in the Sustainability Report on pages 40 to 47. Details of GHG emissions as required by the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 are set out below:

		Tonnes of CO ₂ e ¹				
	Emissions source	2012/13 (baseline) ²	2016/17	2017/18	Vs. 2016/17	Vs. baseline
Scope 1: CO ₂ e from fuel combustion and operation of facilities.	Natural gas	1290	1,284	1,575	+23%	+ 22%
	Other fuels³	100	125	262	+109%	+ 162%
	Refrigerant	189	6	49	+718%	- 74%
	Owned vehicles ⁴	7,434	7,294	7,286	0%	- 2%
Scope 2: CO ₂ e from purchase of electricity, heat, steam or cooling						
by the Company. ⁵	Purchased electricity ⁶	4,802	4,696	4,493	-4%	- 6%
	Scope 1 & 2 Total	13,814	13,405	13,665	+2%	- 1%

- We report all material GHG emissions, using 'tonnes of CO₂-equivalent' ('tCO₂e') as the unit, to account for all GHGs attributable to human activity, as defined in section 92 of the Climate Change Act 2008(a).
- 2 These figures have been rebaselined to reflect the acquisition Sell More Pizza Franchise in 2018. During the rebaselining exercise, we have also restated historic market-based emissions for Norway, Sweden and Iceland to reflect new data received.
- Includes kerosene, diesel and gas oil.
- Includes fuel consumed (petrol, diesel, red diesel) by our supply chain delivery fleet, company cars and corporate store delivery fleet.
- This work is partially based on the country-specific CO₂e emission factors developed by the International Energy Agency, © OECD/IEA 2018. The resulting work has been prepared by Carbon Smart Limited and does not necessarily reflect the views of the International Energy Agency.
- Our scope 2 emissions calculated using location-based emissions factors are 4,493 tCO₃e. In line with WRI best practice, our scope 2 market-based emissions for 2017/18 are 6,120 tCO,e, calculated using supplier specific emission factors and country residual mix factors.

Political donations

The Company made no political donations in the year (2017: £nil).

Key performance indicators ('KPIs')

Details of the Group's KPIs can be found on pages 32 and 33.

Auditor

On 8 December 2017, the Company announced its intention to appoint PwC as external auditor commencing with the financial year ending on 29 December 2019. A formal recommendation regarding the new appointment will be put to shareholders at the Company's AGM to be held on 18 April 2019.

Directors' statement of disclosure of information to auditor

Having made the requisite enquiries, the Directors in office at the date of this Annual Report and Accounts have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware

of any relevant audit information and to establish that the Group's auditor is aware of that information.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report on pages 02 to 47. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 28 to 31.

In addition, notes 25 and 26 to the Group financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued

to adopt the going concern basis in preparing the financial statements.

Cautionary statement

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

By order of the Board

Adrian Bushnell

Company Secretary 11 March 2019

Statement of Directors' responsibilities

DIRECTORS' RESPONSIBILITY STATEMENT

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they are a true and fair view of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

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

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK
 Accounting Standards have been
 followed, subject to any material
 departures disclosed and explained
 in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

DTR 4.1 STATEMENT

Each of the Directors, the names and functions of whom are set out on pages 48 and 49, confirms that, to the best of their knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company and of the Group's income statement for that period. In addition, each of the Directors confirms that the strategic report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for the shareholders to assess the Company's and Group's performance, business model and strategy.

Signed on behalf of the Board

David Wild

Chief Executive Officer
11 March 2019

Independent Auditor's report

to the members of Domino's Pizza Group plc

OPINION

In our opinion:

- Domino's Pizza Group plc's Group financial statements and parent company financial statements (the "financial statements") give
 a true and fair view of the state of the Group's and of the parent company's affairs as at 30 December 2018 and of the Group's
 profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom generally accepted accounting practice including FRS 101; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Domino's Pizza Group plc which comprise:

Group	Parent company
Consolidated balance sheet as at 30 December 2018	Balance sheet as at 30 December 2018
Consolidated income statement for the 52 week period then ended	
Consolidated statement of comprehensive income for the 52 week period then ended	
Consolidated statement of changes in equity for the 52 week period then ended	Statement of changes in equity for the 52 week period then ended
Consolidated statement of cash flows for the 52 week period then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report continued

to the members of Domino's Pizza Group plc

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 34 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 34 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 107 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 91 in the annual report as to how they have assessed the prospects of the entity, over
 what period they have done so and why they consider that period to be appropriate, and their statement as to whether they
 have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the
 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Impairment of acquired goodwill and intangible assets
Susceptibility to management override
- Recharging expenditure incurred by the Group to the National Advertising Fund and eCommerce Fund ('the Funds')
- Recognition of revenue through manual journals
 Classification and disclosure of non-underlying items
 Reversionary interest share-based compensation scheme taxation
 We performed an audit of the complete financial information of 9 (2017: 5) components and audit procedures on specific balances for a further 6 (2017: 6) components. The increase in components subject to an audit of the complete financial information is due to our increased risk assessment as result of the poor control environment in Norway.
 The components where we performed full or specific audit procedures accounted for 100% of Profit before non-underlying items and taxation, 98% of Revenue and 86% of Total assets.
 Overall Group materiality of £4.7m which represents 5% of profit before non-underlying items and taxation.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Impairment of acquired Goodwill and Intangible Assets

Refer to the Accounting policies (page 110); and note 14 Intangible Assets of the Consolidated Financial Statements (page 133).

The acquisition in the year of Have More Fun (London) Limited generated £7.4m of goodwill and intangible assets.

This is in addition to the brought forward goodwill and intangible assets across the following cash generating units (CGU's): -

- Nordics £43.9m
- London Corporate Stores £30.8m
- Switzerland £4.5m

In Switzerland, Norway and Sweden the 2018 financial performance has been loss-making. In determining the recoverable amounts of the goodwill and intangible assets, significant judgement over the future trading projections is necessary. These judgements are susceptible to management bias and execution risk.

Management has recorded an impairment charge in the year of £14.1m across these 3 CGU's.

The London Corporate Stores and Iceland CGU's continue to be profitable and the recoverable amounts support the related carrying values of goodwill and intangible assets. However, further impairment adjustments could be required if performance of the businesses fails to Fair value less cost to sell meet the key assumptions used in the impairment models.

Plc entity Risk

The plc entity financial statements included gross investments in Iceland, Norway and Sweden amounting to £76.6m, and loans receivable from Iceland, Norway and Sweden amounting to £27.0m. As part of the impairment testing process described specifically IAS 36 - Impairment of Assets. above, an impairment write down in the plc entity amounting to £31.9m was recorded.

Risk movement



Our response to the risk

We obtained the impairment analyses produced by management and tested the logical and arithmetic accuracy, and to ensure that they had been prepared in line with the guidance provided in IAS 36. Management have applied a discounted cash flow value in use model to London Corporate Stores and Iceland. For Sweden, a discounted cash flow fair value less cost to sell model has been applied. For Norway and Switzerland management applied a fair value less cost to sell approach, using an Average Weekly Unit Sales ('AWUS') multiple.

We compared the current year performance of each acquired business to management's due diligence and investment appraisal models produced ahead of the acquisition dates, to identify bias within management's impairment model assumptions.

Discounted Cashflow Model

For the valuations based upon a discounted cashflow, namely Sweden, Iceland and the London Corporate Stores, we performed procedures to obtain an understanding of the underlying assumptions made in the forecasts and corroborated the appropriateness of these assumptions to supporting documentation.

The key assumptions included:

- New store openings
- · Like for like sales growth
- Discount rate
- Forecast growth rate

We have inspected management's planned store opening schedules and, where available, obtained lease agreements and heads of terms relating to these new stores. We compared the new store opening assumptions to the required new store openings per the Master Franchise Agreement, to establish the risk that non-compliance with the store opening requirements would have on the valuation.

We tested the reasonableness of the like for like sales growth by comparing management's historical forecast accuracy and management's operational plan for future growth.

We tested the discount rates, with the involvement of our internal valuation specialists, by reference to comparable market data and the specific risk profile relevant to each respective financial statements CGU. We tested the reasonableness of forecast growth rates by comparing management's historical forecast accuracy and examining for consistency against the strategic and operational plans designed and implemented by management and obtaining supporting

We performed sensitivity analysis over the key assumptions within the impairment model to determine the parameters that, should they arise, would give a different conclusion on the carrying value of goodwill.

For the CGU's valued based upon a multiple of the average 12 months trailing AWUS, we have:

- Compared the multiple applied by management to comparable market transactions
- Corroborated the AWUS to historic audited data, which included confirming the existence of the stores
- We compared the 'cost to sell' assumed by management to comparable market transactions

We have compared the disclosures made by management, with the requirements of IFRS,

We tested the calculations of the disclosed sensitivities for arithmetical accuracy.

We considered the completeness of disclosure of reasonable possible changes in key assumptions that would cause the recoverable amount to fall below the carrying value by comparing the disclosed sensitivities to our own assessment of reasonable possible changes in key assumptions.

Plc entity investments and loans

We compared the recoverable amounts determined by management's impairment models to the values of the investment and loans receivable to determine the appropriateness of the impairment adjustments recorded in the entity financial statements.

communicated to the Audit Committee

Key observations

Group Observations

The impairment charge recorded by management and the remaining carrying value of the acquired goodwill and intangible assets is consistent with the valuation models produced by management.

We are satisfied that Management has disclosed reasonable possible changes in key assumptions which would give rise to a further impairment adjustment in the financial statements with respect to the London Corporate Stores, and the businesses in Sweden, Norway and Switzerland.

Plc Entity Observations We concluded that the impairment adjustments recorded against the loans and cost of investment in the entity's were appropriate.

Independent Auditor's report continued

to the members of Domino's Pizza Group plc

Risk

Our response to the risk

Key observations communicated to the Audit Committee

National Advertising Fund and eCommerce Fund expenditure

Refer to the Accounting policies (page 115); and note 16 of the Consolidated Financial Statements (page 138)

Franchisees pay contributions which are collected by the Group for specific use within the National Advertising Fund and eCommerce Fund ('The Funds'). The Funds are operated by the Group on behalf of franchisees with the objective of driving revenues for their stores. Total contributions collected from franchisees and transferred to the Funds for the 52 week period amounted to £50.0m (2017: £46.8m) and the net balance of the Funds at 30 December 2018 was a receivable of £6.2m (2017: £3.9m receivable).

The Funds are governed by a framework. The description of activities permitted to be expensed against the funds in accordance with the Store Franchise Arrangements with franchisees, and monitored by the Marketing Advisory Council ('MAC') are such that judgement is required to determine the eligibility and extent of costs to be recharged from the Group to the Funds. The recharging of expenditure incurred by the Group on behalf of the Funds is susceptible to management override through inappropriate expenditure being charged to the Funds.

We inspected correspondence between franchisees and the Group in respect of the budget vs actual costs and how franchisee contributions will be utilised.

We inspected the minutes of the Marketing Advisory Council ("MAC"), performed enquiries with management and interviewed a sample of franchisees who sit as members of the MAC to identify instances of disagreement in relation to amounts recharged.

We performed testing to confirm that costs charged to the funds are permitted costs under the Store Franchise Arrangement rules by selecting a sample of expenses and corroborating to supporting documentation.

We identified manual journals posted to the Funds and, where significant, understood the rationale for the journal entry and agreed the journals to relevant supporting documentation.

We performed a proof in total of credits to the funds based upon a fixed percentage of system sales. System sales were substantively tested by selecting a sample of items to test to supporting documentation.

Given the higher level of chargebacks during the year, we tested whether the Group has a legal right to recharge these amounts to the eCommerce fund, by reading and discussing the advice from the Group's legal advisor and relevant clauses from the Standard Franchise Agreement.

We identified no material expenses charged against the Funds which did not meet the criteria set out in the Standard Franchise Arrangements with franchisees.

Risk movement



Revenue recognition

Refer to the Accounting policies (page 117); and note 3 Revenue of the Consolidated Financial Statements (page 120).

Total Group revenue is £534.3m (2017: £474.6m). The Group's significant revenue streams include royalties, corporate store sales, sales to franchisees and rental income

We continue to assess revenue recognition as an area of audit risk which has a significant effect on our audit strategy and our allocation of resources.

There is a risk of misstatement of revenue arising from the susceptibility to management override through recording of inappropriate manual journals.

Risk movement



We performed detailed testing over revenue recognition as follows:

For 3 of the full scope components and 1 specific scope component (representing 81% of applicable Group revenues), we used data analysis tools to analyse all the revenue transactions for the royalties, franchise fees, sales to franchisees (excluding rebates) and rental income for the year. We tested the correlation of revenue to cash receipts to verify the occurrence of revenue.

For those full or specific-scope components where we did not use data analysis tools, we performed alternative substantive procedures over revenue recognition, including tracing from origination of revenue through to the general ledger to ensure that the revenue was appropriately recorded in the correct period and at the correct value.

For all full and specific-scope components, we performed analytical procedures using the inter-relationship of system sales, royalty income and sales to franchisees to analyse movements in revenue year on year. We performed a test of underlying transactions through to supporting documentation, to corroborate the system sales data.

In the execution of our journal entry testing, we performed testing over a sample of manual journal entries recorded for each revenue stream. We tested these journals to supporting documentation and validated that the revenue recognition criteria were fulfilled to gain assurance over the occurrence and measurement assertion.

Revenue was recognised in accordance with the Group's accounting policies and we identified no evidence of management override in respect of inappropriate manual journals recorded in revenue.

Governance

Financial Statements

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Risk

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Our response to the risk

Key observations communicated to the Audit Committee

Non-underlying items

Refer to the Accounting policies (page 108); and note 7 Nonunderlying items of the Consolidated Financial Statements (page 123).

Total non-underlying expenses of £40.9m, offset by income of £11.1m were recognised in the year.

The Group's accounting policy is to present separately, as non-underlying items, income and expenses where such disclosure is considered useful to the users of the financial statements in helping them understand the underlying business performance.

Non-underlying items are not defined by IFRS and therefore judgement is required in determining the appropriateness of such classification. Such judgement may be susceptible to management bias to meet market expectations of underlying PBT and/or to enhance remuneration incentive awards.

Risk movement



We have examined the items classified as non-underlying to understand management's rationale for the separate presentation

and assessed the appropriateness of the presentation by reference to the Group's accounting policies and the Financial Reporting Council guidance in this area.

We traced the amounts presented as non-underlying items to supporting evidence to assess whether the occurrence and measurement of the items was appropriate.

We performed analytical review of the income statement to assess whether income/gains classified within underlying operations, met the definition of "non-underlying". We also assessed unusual transactions during the year and whether they should be classified as underlying or "non-underlying". As part of our journal entry testing procedures we performed a search for unusual "credit" entries to the income statement.

We read the disclosures regarding items classified as non-underlying, with a focus on whether they provide an understanding of why they are excluded from underlying performance and can be linked to a statutory measure.

The income and expenses presented as non-underlying items are consistent with the Group's accounting policy.

Reversionary interest share-based compensation

Refer to the Directors' Remuneration Report (page 81), Directors' Report (page 90), Audit Committee Report (page 63); Accounting policies (page 107); and note 24 and 34 of the Consolidated Financial Statements (page 146 and 163, respectively)

Certain of the Group's historic share-based compensation arrangements dating from 2003 to 2010 involved the use of employee benefit trusts which provided award recipients with reversionary interests in the form of share appreciation rights. Significant judgement is required to determine the treatment of such compensation from an employment tax perspective.

There is a risk that if HMRC were to reach a different judgement on the employment tax treatment of the compensation arrangements, this may give rise to material adverse income statement and/or cash flow variances.

During 2018 the Group updated its legal advice following recent decisions by the Supreme Court concerning the taxation of historic remuneration structures. This was received in January 2018.

A provision of £11m was recorded in 2017, there has been no change to this provision as this remains management's best estimate of the gross tax that may become payable to HMRC.

The Chairman and certain other former directors and employees were award recipients and have provided indemnities to the Group in respect of possible future employment tax payable by the Group. No asset has been recognised in respect of amounts recoverable under indemnities provided by the award recipients as the recoverability of such amounts is not yet virtually certain.

Risk movement

We engaged with our remuneration tax specialists to identify new developments from HMRC claims against other companies, including any applicable judicial precedent.

We inspected correspondence with the Group's legal and tax advisors to identify further relevant correspondence with HMRC on the matter.

We inspected minutes of meetings held by the non-executive directors in respect of the provision and possible next steps.

We assessed the potential timing of provision utilisation and the impact of discounting the provision

We have compared the disclosures made by management, with the requirements of IFRS and Company Law, specifically including IAS 24 – Related Party Disclosures, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, Companies Act 2006 and the Listing Rule requirements. We are satisfied that the carrying value of the provision remains within an acceptable range.

We consider the disclosures in respect of key judgements, directors' remuneration, related party transactions and provisions proposed by management to be in accordance with the relevant accounting standards and company law.

No additional Key Audit Matters have been identified for the parent company audit.

Independent Auditor's report continued

to the members of Domino's Pizza Group plc

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We consider factors including the size, risk profile, organisation of the Group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the twenty-nine reporting components of the Group, we selected fifteen components covering entities within UK, Ireland, Switzerland, Iceland and Norway, which represent the principal business units within the Group.

Of the fifteen components selected, the primary audit team performed an audit of the complete financial information of nine components ("full scope components") which were selected based on their size or risk characteristics. For the remaining six components ("specific scope components"), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. Of the six specific scope components, the audit procedures for five components were performed by the primary team. For one component, we instructed a non-EY component auditor to perform procedures and determined the appropriate level of involvement of the primary team to enable us to confirm that sufficient audit evidence had been obtained as a basis for our opinion on the Group.

The audit scope of the specific scope components did not include the testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. For an investment in associate, we instructed non-EY component auditors to perform specified procedures and determined the appropriate level of involvement to enable us to confirm that sufficient audit evidence had been obtained as a basis for our opinion on the Group.

Of the remaining fourteen components that together represent 0% of the Group's Profit before non-underlying items and taxation, none are individually greater than 5% of the Group's Profit before non-underlying items and taxation. For these components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by the primary audit team and component audit teams.

Profit before non-underlying items and taxation from continuing operations



- 100% Full scope components
- 0% Specific scope components
- 0% Other procedures

Revenue



- ■83% Full scope components
- ■15% Specific scope components
- 2% Other procedures

Total assets



- 81% Full scope components
- 5% Specific scope components
- 14% Other procedures

Changes from the prior year

The scoping of the eleven acquired entities (Four Norway, One Iceland, One Sweden, Five UKI), has resulted in a change from our prior year scoping as a result of a full year's results being consolidated in the current year. Moreover, the four Norwegian entities have been designated full scope due to our increased risk assessment as a result of the poor control environment in that business. Three entities have been designated specific scope with the remaining four entities being review scope.

A further acquisition was made during the period, this has been designated as review scope. The procedures in relation to the acquisition accounting were performed by the primary audit team.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components audited by us, as the primary audit team, or by non-EY component auditors operating under our instruction. For the nine full scope components and for five of the six specific scope components, audit procedures were performed directly by the primary audit team. For one specific scope component, where the work was performed by a non-EY component auditor, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group.

The Group audit team continued to follow the programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits the full scope entities. During the current year's audit cycle, visits were undertaken by members of the primary audit team, including the senior partner, to the component team in Norway. These visits involved attendance at the audit close meeting and site visits to the Head Office and the different corporate branded stores. A substantive audit approach was performed at the entities with relevant audit papers addressing significant risks being inspected.

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The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

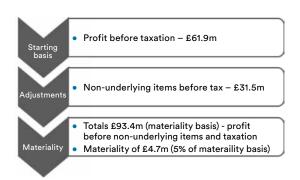
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £4.7 million (2017: £4.8 million), which is 5% (2017: 5%) of profit before non-underlying items and taxation. We believe that profit before non-underlying items and taxation is the most relevant measure used by stakeholders to assess the underlying financial performance of the Group.

We determined materiality for the parent company to be £4.7 million (2017: £4.8 million), which is consistent with our Group materiality.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Based on our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely £2.4m (2017: £2.4m). We have maintained performance materiality at this percentage reflecting the results of our testing of the Group's systems and processes, susceptibility of the financial statements to management override and historical audit findings.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £2.4m (2017: £0.4m to £2m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2017: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 92, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

Independent Auditor's report continued

to the members of Domino's Pizza Group plc

- Fair, balanced and understandable set out on page 92 the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 62 to 65 the section describing the work of the audit committee does not
 appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 52 the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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 and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- · the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been
 received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- · certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the Company

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 92, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 101, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those regulations relating to health and safety and employee matters.
- We understood how the Domino's Pizza Group plc is complying with those frameworks by making enquiries of management, the Company Secretary, the head of legal and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee, discussion with the Audit Committee and any correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Group's risk register, enquiry with management and the Audit Committee during the planning and execution phases of our audit. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our
 procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual
 transactions based on our understanding of the business; enquiries of the Company Secretary, head of legal, management; and
 focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the
 compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK
 legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

We were appointed by the Company on 20 April 2018 to audit the financial statements for the year ending 30 December 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 19 years, covering the years ending 26 December 1999 to 30 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

The audit opinion is consistent with the additional report to the audit committee

USE OF OUR REPORT

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.

Christopher Voogd (Senior statutory auditor)

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

11 March 2018

Notes

- 1. The maintenance and integrity of the Domino's Pizza Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement 52 weeks ended 30 December 2018

		52 weeks ended 30 December 2018	53 weeks ended 31 December 2017*
	otes	£m	£m
Revenue	3	534.3	474.6
Cost of sales		(311.1)	(280.7)
Gross profit	· · · · · · · · · · · · · · · · · · ·	223.2	193.9
Distribution costs	· · · · · · · · · · · · · · · · · · ·	(31.6)	(28.4)
Administrative costs	· · · · · · · · · · · · · · · · · · ·	(117.6)	(93.0)
Other expenses		(19.0)	
		55.0	72.5
Share of post-tax profits of associates and joint ventures	17	1.0	3.2
Operating profit	5	56.0	75.7
Net gain on step acquisition of foreign operations	7		5.8
Other income	7	8.2	_
Profit before interest and taxation		64.2	81.5
Finance income	9	2.1	1.8
Finance costs	10	(4.4)	(1.9)
Profit before taxation		61.9	81.4
Taxation	11	(18.0)	(14.8)
Profit for the period		43.9	66.6
Profit/(loss) attributable to:			
- Equity holders of the parent	· · · · · · · · · · · · · · · · · · ·	49.0	67.5
- Non-controlling interests		(5.1)	(0.9)
Profit for the year		43.9	66.6
Earnings per share			
- Basic (pence)	12	10.3	13.8
- Diluted (pence)	12	10.2	13.6
Non-GAAP measures:			
Operating profit		56.0	75.7
Add back non-underlying:			
- Administrative costs	7	18.7	19.5
- Other expenses	7	19.0	_
- Share of non-underlying post tax costs of associates and joint ventures	7	3.2	0.7
Underlying operating profit		96.9	95.9
Net finance costs		(2.3)	(0.1)
– Add back non-underlying finance (income)/costs	7	(1.2)	0.4
Underlying profit before tax		93.4	96.2
Taxation		(18.0)	(14.8)
– Add back non-underlying tax credit	7	(1.7)	(2.7)
Underlying profit after tax for the period	7	73.7	78.7
Underlying earnings per share			
- Basic (pence)	12	16.1	16.0
– Diluted (pence)	12	15.9	15.8

^{*} Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 2(d).

Group statement of comprehensive income 52 weeks ended 30 December 2018

Strategic Report

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,	Notes	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Profit for the period		43.9	66.6
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss:			
– Exchange loss on retranslation of foreign operations		(1.6)	(1.5)
Items that will not be subsequently reclassified to profit or loss:			
– Exchange differences recycled on deemed disposal of foreign operations		_	(6.6)
Other comprehensive expense for the period, net of tax		(1.6)	(8.1)
Total comprehensive income for the period		42.3	58.5
– attributable to equity holders of the parent		47.4	59.4
- attributable to the non-controlling interests	•	(5.1)	(0.9)

Group balance sheet at 30 December 2018

	Notes	At 30 December 2018 £m	At 31 December 2017 £m
Non-current assets			
Intangible assets	14	106.7	114.2
Property, plant and equipment	15	107.6	105.9
Trade and other receivables	16	39.4	29.2
Other financial asset	26	8.9	9.0
Investments	26	11.1	_
Investments in associates and joint ventures	17	29.7	27.3
Deferred consideration	22	5.7	-
Deferred tax asset	11	0.6	8.3
		309.7	293.9
Current assets			
Inventories	18	8.4	8.4
Trade and other receivables	16	54.7	49.6
Deferred consideration	22	0.9	-
Cash and cash equivalents	19	24.8	29.0
Out and out of an anomal		88.8	87.0
Total assets		398.5	380.9
Current liabilities		050.0	000.5
Trade and other payables	20	(100.4)	(94.5)
Financial liabilities	21	(2.5)	(6.2)
Financial liabilities – share buyback obligation	21	(15.8)	(18.3)
Deferred and contingent consideration	22	(,	(3.6)
Current tax liabilities		(5.9)	(8.2)
Provisions	24	(3.6)	(4.5)
11001310113	2-7	(128.2)	(135.3)
Non-current liabilities		(120.2)	(100.0)
Trade and other payables	20	(10.7)	(7.7)
Financial liabilities	21	(237.4)	(152.3)
Deferred tax liabilities		(6.5)	(7.8)
Provisions Provisions	24	(13.2)	(13.3)
TOVISIONS	24	(267.8)	(181.1)
Total liabilities		(396.0)	(316.4)
Net assets		2.5	64.5
Shareholders' equity		2.0	04.0
Called up share capital	27	2.4	2.5
Share premium account		36.7	36.7
Capital redemption reserve	······	0.5	0.5
Capital reserve – own shares		(6.4)	(6.5)
Currency translation reserve		(2.7)	(1.1)
Other reserves	······································	(25.1)	(40.3)
Retained earnings		(2.6)	52.0
Total equity shareholders' funds		2.8	43.8
Non-controlling interests		(0.3)	20.7
Total equity		2.5	20.1

The financial statements were approved by the directors on 11 March 2019 and signed on their behalf by:

David Wild

Director

Registered number: 03853545

Group statement of changes in equity 52 weeks ended 30 December 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Currency translation reserve £m	Other Reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non- controlling interests £m	Total £m
At 25 December 2016	2.6	36.6	0.5	(12.3)	7.0	_	72.8	107.2	_	107.2
Profit for the period		–	_	_	–	_	67.5	67.5	(0.9)	66.6
Other comprehensive income – exchange differences	_	_	_	-	(8.1)	_	_	(8.1)	_	(8.1)
Total comprehensive income for the period	_	_	_	_	(8.1)	_	67.5	59.4	(0.9)	58.5
Proceeds from share issues	-	0.1	_	0.5	-	_	-	0.6	_	0.6
Share cancellations	-	_	-	12.3	_	_	(12.3)	-	_	_
Impairment of share issues ¹	_	_	_	2.8	_	_	(2.8)	_	_	_
Share buybacks	(0.1)	_	_	(9.8)	_	_	(26.7)	(36.6)	_	(36.6)
Share buybacks obligation satisfied	_	_	_	_	_	_	10.0	10.0	_	10.0
Share buybacks obligation outstanding	_	_	_	_	_	_	(18.3)	(18.3)	_	(18.3)
Tax on employee share options	-	_	_	_	_	_	0.5	0.5	_	0.5
Share options and LTIP charge	-	_	_	_	_	_	1.7	1.7	–	1.7
Acquisitions (note 28)	-	_	_	_	-	(40.3)	-	(40.3)	22.0	(18.3)
Transactions with non- controlling interest	_	_	_	_	_	_	_	_	(0.4)	(0.4)
Equity dividends paid	-	_	_	_	_	_	(40.4)	(40.4)	_	(40.4)
At 31 December 2017	2.5	36.7	0.5	(6.5)	(1.1)	(40.3)	52.0	43.8	20.7	64.5
Profit for the period	_	_	_	_	_	_	49.0	49.0	(5.1)	43.9
Other comprehensive income – exchange differences	_	_	_	_	(1.6)	_	_	(1.6)	_	(1.6)
Total comprehensive income for the period	_	_	_	_	(1.6)	_	49.0	47.4	(5.1)	42.3
Proceeds from share issues	-	_	_	1.2	_	_	_	1.2	_	1.2
Impairment of share issues ¹	_	_	_	3.3	_	_	(3.3)	_	_	_
Share buybacks	(0.1)	_	_	(4.4)	_	_	(59.1)	(63.6)	_	(63.6)
Share buybacks obligation satisfied	_	_	_	_	-	_	18.3	18.3	_	18.3
Share buybacks obligation outstanding	_	_	_	_	_	_	(15.8)	(15.8)	_	(15.8)
Share options and LTIP charge	_	_	_	_	_	_	0.9	0.9	_	0.9
Tax on employee share options	_	_	_	_	_	_	(0.3)	(0.3)	_	(0.3)
Increase in ownership interest in subsidiary (note 28)	-	-	_	-	_	15.2	-	15.2	(15.7)	(0.5)
Transactions with non- controlling interest	_	_	_	_	_	_	_	_	(0.2)	(0.2)
Equity dividends paid	_	_	_	_	_	_	(44.3)	(44.3)	_	(44.3)
At 30 December 2018	2.4	36.7	0.5	(6.4)	(2.7)	(25.1)	(2.6)		(0.3)	2.5

¹ Impairment of share issues represents the difference between share allotments made pursuant to the Sharesave schemes and the Long Term Incentive Plan (note 29), and the original cost at which the shares were acquired as treasury shares into Capital reserve - own shares.

Group cash flow statement 52 weeks ended 30 December 2018

	3	52 weeks ended 30 December 2018	53 weeks ended 31 December 2017 (restated)*
	Notes	£m	£m
Cash flows from operating activities			
Profit before interest and taxation		64.2	81.5
Amortisation and depreciation	5	16.8	14.4
Impairment	5	20.7	2.0
Loss/(profit) on disposal of non-current assets			0.4
Share of post-tax (profits)/losses of associates and joint ventures	17	(1.0)	(3.2)
Gain on disposal of joint venture	17	(8.2)	_
Net gain on step acquisition of foreign operations			(5.8)
Net loss on financial instruments at fair value through profit or loss		1.0	_
Increase/(decrease) in provisions		(1.0)	11.1
Share option and LTIP charge		0.9	1.7
Revaluation of put option liability	7	3.7	_
Decrease/(increase) in inventories		_	2.2
Decrease/(increase) in receivables		(9.5)	3.0
Increase in payables		12.7	12.5
Cash generated from operations		100.3	119.8
UK corporation tax paid		(13.0)	(14.8)
Overseas corporation tax paid		(1.5)	(0.8)
Net cash generated by operating activities		85.8	104.2
Cash flows from investing activities			• • • • • • • • • • • • • • • • • • • •
Purchase of property, plant and equipment		(21.4)	(37.2)
Purchase of intangible assets		(7.5)	(6.2)
Purchase of other non-current assets		_	(3.2)
Acquisition of subsidiaries, net of cash received	28	(10.8)	(23.2)
Investment in joint ventures and associates	17	(5.8)	_
Proceeds on disposal of joint ventures		5.3	_
Investments		(10.8)	_
Interest received		0.5	0.4
Other	30	(3.3)	(0.7)
Net cash used by investing activities		(53.8)	(70.1)
Cash inflow before financing		32.0	34.1
Cash flows from financing activities			
Interest paid		(3.6)	(1.1)
Issue of Ordinary share capital		1.2	0.6
Purchase of own shares	30	(63.6)	(36.6)
New bank loans and facilities draw down		239.1	396.3
Repayment of borrowings		(132.4)	(339.9)
Cash received from non-controlling interest on acquisition of subsidiaries	28	_	1.7
Increase in ownership interest in a subsidiary		(32.7)	-
Equity dividends paid	13	(44.3)	(40.4)
Dividends paid to the non-controlling interest		-	(7.6)
Net cash used by financing activities		(36.3)	(27.0)
Net increase/(decrease) in cash and cash equivalents		(4.3)	7.1
Cash and cash equivalents at beginning of period		29.0	23.1
Foreign exchange gain/(loss) on cash and cash equivalents		0.1	(1.2)
Cash and cash equivalents at end of period		24.8	29.0

Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 2(d).

Notes to the Group financial statements

52 weeks ended 30 December 2018

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Group for the 52 weeks ended 30 December 2018 were authorised for issue by the Board of Directors on 11 March 2019 and the balance sheet was signed on the Board's behalf by David Wild. The Company is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes MK6 4BB. The Company's Ordinary shares are listed on the Official List of the FCA and traded on the Main Market of the LSE.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union as they apply to the financial statements of the Group for the 52 weeks period ended 30 December 2018 and applied in accordance with the Companies Act 2006.

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

2. ACCOUNTING POLICIES

a) Basis of preparation

The material accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 30 December 2018.

The Group financial statements are presented in sterling and are prepared using the historical cost basis with the exception of the other financial assets, investments held at fair value through profit or loss, contingent consideration and put option liabilities which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

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

b) Judgements

The following judgements have had the most significant effect on amounts recognised in the financial statements:

• Certain of the Group's historical share-based compensation arrangements dating from 2003-2010 involve a degree of estimation and judgement in respect of their employment tax treatment. HMRC issued protective assessments in respect of potential employment tax relating to these historical schemes but the Group received advice from its tax advisors reconfirming the support for the non-taxable accounting treatment. During 2017 the Group updated its legal advice following recent decisions by the Supreme Court concerning the taxation of historical remuneration structures. This was received in January 2018. As a result of this advice, which includes estimates of the Group's potential employment tax liabilities, a provision was recorded in the financial statements for the 53 weeks ended 31 December 2017 amounting to £11.0m, comprising £2.6m employers' national insurance contributions ('NIC'), and £8.4m employees' NIC and PAYE, including interest. These amounts are unchanged at 30 December 2018.

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

- While the Company has not been approached by HMRC with a demand to pay any potential tax liabilities in respect of
 these historical schemes, HMRC have served protective assessments for £36.5m covering employer's National Insurance
 Contributions, employees' NIC and PAYE. Our latest legal advice suggests that the full amount covered by the protective
 assessments is unlikely to be payable as the amounts protected appear to have been determined by calculating tax both on
 the grant and vesting of the awards received by beneficiaries of the schemes;
- no further employment tax is due in respect of awards granted to beneficiaries in periods that have not been protected by HMRC and for which the period in which HMRC is entitled to raise an enquiry has expired; and
- the beneficiaries of the arrangements, which among others include the Chairman and certain former Directors and employees, have provided the Group with indemnities to repay to the Group an amount equivalent to their share of future tax liabilities should they crystallise and become payable by the Group to HMRC together with related interest. Based on the amount of employment tax currently provided, the amount estimated to be demanded from the beneficiaries under the terms of their indemnities equates to the £8.4m employees NIC and PAYE, calculated at the prevailing tax rates at the time, and related interest. Details in respect of the Chairman's interest in this matter are disclosed within the Directors' Report on page 90. Details in respect of amounts relating to the Chairman, certain former Directors and Key Management Personnel are included within note 34. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities. In view of the probable time scale and potential uncertainty of recovery of the amounts under indemnities from the beneficiaries, no contingent asset has been recognised in the financial statements.

52 weeks ended 30 December 2018

2. ACCOUNTING POLICIES CONTINUED

b) Judgements

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

- Stores within the Domino's Pizza system contribute into a national advertising fund ('NAF') and eCommerce fund ('the Funds') designed to build store sales through increased public recognition of the Domino's Pizza brand and the development of the eCommerce platform. The Funds are managed with the objective of driving revenues for the stores and is planned to operate at break-even with any surplus or deficit carried in the Group balance sheet (for details please see note 16):
 - all Fund income is designated for specific purposes and does not result in a profit or loss for the Group. The Group acts as
 agent for the funds and any short-term timing surplus or deficit is carried in the Group balance sheet within working capital.
 Therefore the income and expenses of the Fund are not included in the Group income statement. Management consider
 any short-term deficits to be recoverable from future fund income;
 - the assets and liabilities relating to the Funds are included in the appropriate headings in the Group balance sheet as the related legal, but not beneficial, rights and obligations rest with the Group;
 - the presentation of the NAF and eCommerce funds on a net basis represents substance over legal form of the funds; and
 - the cash flows relating to the Fund are included within 'Cash generated from operations' in the Group statement of cash flows due to the close interrelationship between the Fund and the trading operations of the Group.
- Domino's Pizza Group plc ('DPG') has made a number of acquisitions in the current and prior periods, with acquisition costs, conversion costs and other associated income and expense items incurred. Significant impairments and one-off provisions have also been incurred. These items have been considered by management to meet the definition of non-underlying items as defined by our accounting policy and are therefore shown separately within the financial statements. Judgement is required to determine that items are suitably classified as non-underlying and the values assigned are appropriate (as included in our non-GAAP performance measures policy). For details see note 7.
- Master Franchise Agreements are held by the Group for the UK, Ireland, Switzerland, Iceland, Norway and Sweden. Management have treated these intangible assets as having indefinite lives due to the likelihood of renewal with DPI beyond the current terms without significant cost which represents a significant judgement.

c) Key sources of estimation and assumption uncertainty

It is necessary for management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

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

- Management tests annually whether goodwill and indefinite life intangible assets have suffered any impairment through
 estimating the value in use or recoverable amount of the cash-generating units to which they have been allocated. Key estimates
 and sensitivities for impairment of goodwill and indefinite life intangible assets are disclosed in note 14.
- Estimation is required in determining the fair value of any gross liabilities of put options held by non-controlling interests over shareholdings in subsidiary companies. The put option liability is based on a forecast sales multiple of the respective business during the exercise period, which is the key source of estimation uncertainty. For details see note 21.
- Determining the fair value of the Market Access Fee ('MAF'), which relates to the amounts payable by Domino's Pizza Enterprises
 ('DPE') to Domino's Pizza Group plc in future years, involves estimation of appropriate valuation inputs and the profitability
 assumptions underlying the business case on which the payment of the MAF instalments is based, including the future EBITDA
 performance of the business and other adjustments. The business case valuation applies a discount rate to future cash flows as
 detailed in note 26.
- The carrying value of assets and provision for closure costs arising from the Supply Chain Centre ('SCC') network transformation impacting the Penrith site, which is earmarked for closure in March 2019, and the Kingston site requires estimation of future costs and residual fair values of assets. For details, see note 7.
- Determining the fair value of consideration, including disposal of associate investments as part of step acquisitions, acquired
 intangible assets and goodwill acquired in business combinations, requires the use of estimates regarding the value of the
 associate investments, intangible assets and deferred consideration payable. Key inputs are managements expectation of
 business performance and discount rates applied. For details see notes 7, 26 and 28.
- The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the
 inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs
 which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing
 participation of employees, as detailed in note 29.
- The assessment of the recoverability of deferred tax assets recognised on losses requires judgement based on the forecast performance of the business and likelihood of recoverability of the tax losses incurred.

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d) Restatement to remove discontinued operations

The profit and loss account for the 53 weeks ended 31 December 2017 has been restated to remove discontinued operations and allocate the results to continuing operations, as these are not considered material for separate disclosure in either the current or prior periods. During the 53 weeks ended 31 December 2017, discontinued operations represented a loss after tax of £0.2m, which consisted of an operating profit of £0.2m and a taxation charge of £0.4m. The operating profit of £0.2m has been allocated to administrative expenses. This has restated the operating profit, profit before interest and taxation and profit before taxation by £0.2m. The restatement has increased the tax charge by £0.4m, resulting in an impact on profit after tax of £0.2m.

For segmental purposes this restatement is allocated to the international segment as this is where the discontinued operations relate.

In reporting underlying and non-underlying results, the result from discontinued operations has been allocated to non-underlying.

e) Basis of consolidation

The full year consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up on a 52 or 53 week basis to the Sunday on or before 31 December.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- · exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if this results in the non-controlling interests having a deficit balance, an assessment of recoverability is made. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

f) Interests in associates and joint ventures

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group has also entered into a number of contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities and share of rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence on joint control are similar to those necessary to determine control over subsidiaries. Where the joint venture is established through an interest in a company, the Group recognises its interest in the entities' assets and liabilities using the equity method of accounting.

g) Foreign currencies

The functional currency of each company in the Group is that of the primary economic environment in which the entity operates. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the income statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are taken directly to a translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

52 weeks ended 30 December 2018

2. ACCOUNTING POLICIES CONTINUED

h) Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and, where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

i) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Master franchise fees

Master franchise fees are fees paid towards or recognised at fair value on acquisition of the master franchise for the markets in which the Group operates. These are carried at cost less impairment and are treated as having indefinite useful lives.

Standard franchise fees

Standard franchise fees are recognised at fair value on acquisition of the standard franchise for the area in which corporate stores operate. As reacquired rights the fees are amortised over the remaining contractual term and are carried at amortised cost. Such franchise fees are recognised only on acquisition of businesses.

Computer software

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

Capitalised loan discounts

The Group provides interest-free loans to assist franchisees in the opening of new stores. The difference between the present value of loans 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 Supply Chain Centre sales that will be generated. These assets are amortised over the life of a new franchise agreement of ten years.

The carrying value of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

j) Property, plant and equipment

Assets under construction are stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Freehold land
 Not depreciated

Freehold buildings 50 years

Assets under construction
 Not depreciated

Leasehold improvements
 Over the lower of the life of the lease or the life of the asset

Fixtures and fittings
 Supply Chain Centre equipment
 Store equipment
 Over 3 to 30 years
 Over 7 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 Supply Chain Centre equipment are being depreciated over 10 years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

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

k) Prepaid operating lease charges

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

I) Fair value measurement

The Group measures financial instruments such as derivatives and other financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as unquoted financial assets, and significant liabilities, such as contingent consideration dependent on the complexity of the calculation. Involvement of external valuers is determined annually by management after discussion with and approval by the Group's Audit Committee.

52 weeks ended 30 December 2018

2. ACCOUNTING POLICIES CONTINUED

I) Fair value measurement continued

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers as necessary, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

m) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

m (i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue Recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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Financial assets at amortised cost are subsequently measured using the effective interest ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, deferred consideration and loans to franchisees.

Trade receivables, which generally have seven to 28-day terms, are recognised and carried at their original invoiced value net of an impairment provision of expected credit losses calculated on historic default rates. Balances are written off when the probability of recovery is considered remote.

The Group provides interest-free loans to assist franchisees in the opening of new stores. These are initially recorded at fair value, with the difference to the cash advanced capitalised as an intangible asset.

Financial assets at fair value through profit or loss

The Market Access Fee is classified as an other financial asset, initially recognised and subsequently measured at fair value, with changes in fair value recognised in the income statement as other income. Associated foreign exchange gains and losses and the interest income are recognised in the income statement as finance income or expense.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- · The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash
 flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred
 substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks
 and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historic credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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2. ACCOUNTING POLICIES CONTINUED

m) Financial instruments - initial recognition and subsequent measurement continued

m (ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and other financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Borrowing costs consist of interest and other finance costs that the Group incurs.

n) Leases

Group as lessee

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

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

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

Group as lessor

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

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

o) Impairment of non-financial assets

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

p) Inventories

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

q) National advertising and eCommerce funds

In addition to franchise fees, franchisees pay contributions which are collected by the Group for specific use within the national advertising and eCommerce funds. The Group operates the funds on behalf of the franchisees with the objective of driving revenues for their stores. The National advertising fund is specifically used to pay for marketing and advertising, and the eCommerce fund is used to pay for the eCommerce platform and associated costs. The funds are planned to operate at break-even with any short-term timing surplus or deficit carried in the Group balance sheet within working capital. The Group acts as an agent for the funds, and any timing surplus or deficit is carried in the balance sheet within working capital and therefore the income and expenses of the funds are not included in the Group income statement.

r) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of any outstanding bank overdrafts.

52 weeks ended 30 December 2018

2. ACCOUNTING POLICIES CONTINUED

s) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the
 timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not
 reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or losses can be utilised, with the following exceptions:

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

Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the income tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to set off current tax assets and liabilities and the deferred tax relates to income taxes levied by the same tax jurisdiction on either the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities are expected to be settled or recovered.

t) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the obligation and where the amount of the obligation can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows if the impact of discounting at a pre-tax rate is material.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising under onerous lease contracts are recognised and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

u) Pensions

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

v) Capital reserve - own shares

Domino's Pizza Group plc shares held by the Company and its Employee Benefit Trust ('EBT') are classified in shareholders' equity as 'Capital reserve – own shares' and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

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w) Revenue

The Group's revenue arises from the sale of products and services to franchisees, the charging of royalties, fees and rent to franchisees, and from the sale of goods to consumers from corporate stores.

Royalties, franchise fees and sales to franchisees

Contracts with customers for the sale of products include one performance obligation, being the delivery of products to the end customer. The Group has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the franchisee, generally on delivery. Revenue is recognised at the invoiced price less any estimated rebates.

The performance obligation relating to royalties is the use of the Domino's brand. This represents a sales-based royalty with revenue recognised at the point the franchisee makes a sale to an end consumer.

Franchise fees comprise revenue for initial services associated with allocating franchisees allotted address counts or a 'change of hands' fee when the Group grants consent to a franchisee to sell stores to a third party. They are non-refundable, and no element of the franchise fee relates to subsequent services. Revenue from franchisee fees is recognised when a franchisee opens a store for trading or on completion of sale of one or more stores to a third party, as this is the point at which all performance obligations have been satisfied.

Corporate store sales

Contracts with customers for the sale of products to end consumers include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the consumer, which is the point of delivery or collection. Revenue is measured at the menu price less any discounts offered.

Rental income on leasehold and freehold property

Rental income arising from leasehold properties is recognised on a straight-line basis in accordance with the lease terms. Deferred income comprises lease premiums and rental payments. Lease premiums are recognised on a straight-line basis over the term of the lease. Rental payments are deferred and recognised over the period which it relates.

x) Share-based payments

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

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

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

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

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

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

52 weeks ended 30 December 2018

2. ACCOUNTING POLICIES CONTINUED

y) Non-GAAP performance measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. The Group believes that these additional measures, which are used internally, are useful to the users of the financial statements in helping them understand the underlying business performance, as defined in the key performance indicators section of the strategic report.

The principal non-GAAP measures the Group uses are underlying operating profit, underlying profit before tax, underlying profit, underlying earnings per share and system sales. Underlying measures remove the impact of non-underlying items from earnings and are reconciled to operating profits; system sales measure the performance of the overall business, as defined in the key performance indicators section of the strategic report.

While the disclosure of non-underlying items and system sales is not required by IFRS, these items are separately disclosed either as memorandum information on the face of the income statement and in the segmental analysis, or in the notes to the accounts as appropriate. Non-underlying items include significant non-recurring items such as UK supply chain transformation, Norway conversion costs of stores acquired and post-acquisition integration costs, German joint venture store conversion costs, gains and losses on step acquisitions, Market Access Fee fair value uplift, impairments and amortisation of acquired intangibles and accelerated amortisation of he Group's mobile app and web platforms. These items are not considered to be underlying by management due to quantum and nature. Factors considered include items that are non-recurring, not part of the ordinary course of business or reduce understandability of business performance. For a detailed description of items see note 7.

System sales represent the sum of all sales made by both franchisee and corporate stores in the United Kingdom, Ireland, Norway, Iceland, Sweden and Switzerland to consumers.

z) Adoption of new and revised standards - IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The standard has an effective date of 1 January 2018.

The new standard has had the following effects on the Group's financial statements:

The Market Access Fee, a financial instrument relating to the underlying performance of the associate company Daytona JV Limited, was classified as an available-for-sale financial asset under IAS 39 and previously gains and losses were recorded within other comprehensive income. Under IFRS 9 this instrument is now classified as Fair Value through Profit or Loss ('FVTPL'). There have been no changes in the fair value of the instrument in previous periods and therefore there is no change to opening balances within equity.

The Group's impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. The Group's history of low credit losses as a result of strong franchisee profitability and cash sales for corporate store sales has resulted in no change to the provision value previously recorded and there is no change to the opening balances within equity.

aa) Adoption of new and revised standards – IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard has an effective date of 1 January 2018.

The Group's revenues that are applicable for IFRS 15 are royalties, franchisee and 'change of hands' fees, sales to franchisees and corporate store sales. The Group has performed the five-step model on each of these elements, identifying the contracts, the performance obligations, transaction price and then allocating this to determine the timing of revenue recognition. For each of these there is no impact on the timing of transfer of control and therefore no impact on the timing of recognition of revenue. There are no impacts in relation to performance obligations identified or changes in measurement.

The Group considered the accounting policy for the National Advertising Fund ('NAF') and eCommerce funds on adoption of IFRS 15. The Group operates the funds on behalf of the franchisees. The Group acts as agent for the funds and any short-term timing surplus or deficit is carried in the Group balance sheet within working capital. There is no impact on the income statement, which is consistent with prior years.

The Group's profit before tax remains unchanged and no adjustments to any line items have been made to the opening balances within equity.

Rental income on leasehold and freehold property falls outside of the scope of IFRS 15.

bb) Adoption of new and revised standards - other

The following standards are effective for this financial year but have not had significant impact on the reported financial performance or position of the Group:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

None of the amendments above have an impact on the financial performance of the Group.

cc) New standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

	Effective for periods beginning on or after:
International Financial Reporting Standards ('IFRSs')	
AIP 2015-2017 Cycle: IFRS 3 Business Combinations – Previously held interests in a joint operation	1 January 2019
AIP 2015-2017 Cycle: IFRS 11 Joint Arrangements – Previously held interest in a joint operation	1 January 2019
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 Leases	1 January 2019
International Accounting Standards ('IAS')	
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
AIP 2015-2017 Cycle: IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
AIP 2015-2017 Cycle: IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019
Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures	1 January 2019

dd) IFRS 16 Leases (not yet adopted)

IFRS 16, replacing IAS 17, provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The standard has an effective date of 1 January 2019. Due to the year end of the Group being 30 December 2018, the first period for which the standard will be effective will be the year ended 27 December 2020.

IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in cost of sales and an increase in finance costs. Where the Group operates as lessor the rental income will continue to be recognised on the same basis.

The Group operates as intermediate lessor for a significant proportion of its leases. Where the sublease is substantially all of the right of use head lease, the right of use asset will be derecognised and recorded as a lease receivable, with interest income recognised in the income statement. Where the sublease is not substantially all of the right of use head lease, but management judges that it is likely the sublease will be renewed to become substantially all of the right of use asset then the same treatment will be applied. This will result in lease receivables and lease liabilities being recorded on the balance sheet with interest income and expense recognised separately in the income statement, replacing revenue and cost of sales.

Whilst a majority of the Group's property leases in the UK & Ireland are back to back with franchisees, there are certain sub leases which do not mirror the head lease, and the impact of these is currently being assessed.

For the international operations and UK corporate stores, the Group is the lessee and therefore the standard will have an impact. This will also impact across the leased equipment in the UK and International, largely in the distribution and supply chain area.

The standard will impact a number of statutory measures such as operating profit and cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. The Group has purchased an industry standard property management software suite, and is currently working through the implementation of the tool which is planned to go operational in 2019; outputs will include the accounting entries necessary for the implementation of IFRS 16 but it is not practical to provide a reasonable estimate of the financial effect until this implementation is complete.

The remaining standards listed above are not expected to have a significant impact on the financial statements of the Group.

52 weeks ended 30 December 2018

3. REVENUE

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Sales to franchisees	327.1	315.2
Royalties, franchise fees and change of hands fees	62.7	61.4
Corporate store sales	119.9	75.5
	509.7	452.1
Rental income on leasehold and freehold property	24.6	22.5
	534.3	474.6

4. SEGMENTAL INFORMATION

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

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

The comparative period at 31 December 2017 has been restated to allocate goodwill on consolidation of £20.8m to the International segment as this is the segment in which the assets have been generated and is consistent with the allocation reviewed by the Board.

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

	At 30 December 2018 £m	At 31 December 2017 £m
Deferred tax asset	0.6	8.3
Cash and cash equivalents	24.8	29.0
Unallocated assets	25.4	37.3
Current tax liabilities	5.9	8.2
Deferred tax liabilities	6.5	7.8
Bank revolving facility	224.5	113.9
Share buyback obligation	15.8	18.3
Unallocated liabilities	252.7	148.2

				53 weeks e	nded 31 Decemb	er 2017
	52 weeks ended 30 December 2018			(restated)*		
	International £m	UK & Ireland £m	Total £m	International £m	UK & Ireland £m	Total £m
Revenue	5	2		2		2
Sales to external customers	94.8	439.5	534.3	73.0	401.6	474.6
Segment revenue	94.8	439.5	534.3	73.0	401.6	474.6
Results						
Underlying segment result before associates and joint ventures	(6.6)	99.3	92.7	(0.7)	92.7	92.0
Underlying share of profit of associates and joint ventures	2.5	1.7	4.2	1.5	2.4	3.9
Underlying segment result	(4.1)	101.0	96.9	0.8	95.1	95.9
Non-underlying items	(26.7)	(14.2)	(40.9)	(6.4)	(13.8)	(20.2
Group operating profit	(30.8)	86.8	56.0	(5.6)	81.3	75.7
Net gain on step acquisition of foreign operation			_			5.8
Other income			8.2		***************************************	_
Profit before interest and taxation			64.2			81.5
Net finance costs			(2.3)		•	(0.1
Profit before taxation			61.9			81.4
Taxation		•••••••••••••••••••••••••••••••••••••••	(18.0)		***************************************	(14.8
Profit for the year			43.9			66.6
Other segment information						
Depreciation	3.6	4.8	8.4	4.9	4.1	9.0
Amortisation	0.1	8.3	8.4	0.5	5.6	6.1
Impairment	14.3	6.4	20.7	0.8	1.2	2.0
Share-based payment charge	0.1	0.8	0.9	0.1	1.6	1.7
Entity-wide disclosures						
Royalties, franchise fees and change of hands fees	0.6	62.1	62.7	0.3	61.1	61.4
Sales to franchisees	1.4	325.7	327.1	0.6	314.6	315.2
Corporate store income	92.8	27.1	119.9	72.1	3.4	75.5
Rental income on leasehold and freehold property	-	24.6	24.6	_	22.5	22.5
	94.8	439.5	534.3	73.0	401.6	474.6
Segment assets	•••					
Segment current assets	12.0	52.0	64.0	7.9	54.0	61.9
Segment non-current assets	78.8	200.6	279.4	91.5	162.9	254.4
Equity accounted investments – investment in associates and joint ventures	19.2	10.5	29.7	14.2	13.1	27.3
Unallocated assets			25.4			37.3
Total assets	110.0	263.1	398.5	113.6	230.0	380.9
Segment liabilities						
Liabilities	24.7	118.6	143.3	21.6	146.6	168.2
Unallocated liabilities			252.7			148.2
Total liabilities	24.7	118.6	396.0	21.6	146.6	316.4

^{*} Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 2(d).

Major customers

Annual revenue from two franchisees amounted to £81.0m (2017: £84.7m) and £74.1m (2017: £71.3m) respectively, arising from sales reported in the UK and Ireland segment.

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

5. GROUP OPERATING PROFIT

This is stated after charging:

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Depreciation of property, plant and equipment	8.4	9.0
Amortisation of prepaid lease charges	0.3	0.7
Amortisation of intangible assets	8.1	5.4
Total depreciation and amortisation expense	16.8	15.1
Operating lease payments (minimum lease payments)		
– Land and buildings	31.1	28.3
– Plant, machinery and vehicles	5.1	4.2
Total operating lease payments recognised in the income statement	36.2	32.5
Impairment loss recognised on property, plant and equipment	7.5	2.0
Impairment loss recognised on intangible assets	13.2	_
Total impairment loss recognised	20.7	2.0
Net foreign currency gain/(loss)	0.4	(0.6)
Cost of inventories recognised as an expense	206.7	185.2
Changes in fair value of financial instruments	4.8	_
Loss/(gain) on disposal of non-current assets	_	0.2

6. AUDITOR'S REMUNERATION

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

	52 weeks ended 30 December 2018 £m	
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts*	0.6	0.3
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	0.2	0.2
Total audit fees	0.8	0.5
Other services	0.2	0.1
Total audit and non-audit fees	1.0	0.6

^{*} Of which £13,300 (2017: £6,600) relates to the Company.

7. ITEMS EXCLUDED FROM NON-GAAP MEASURES

Non-underlying items included in financial statements

	52 weeks e	ended 30 Decemb	per 2018	53 weeks e	nded 31 Decembe	er 2017*
	Before non- underlying items £m	Non- underlying items £m	Total £m	Before non- underlying items £m	Non- underlying items £m	Total £m
Revenue	534.3	_	534.3	474.6	_	474.6
Cost of sales	(311.1)	_	(311.1)	(280.7)	-	(280.7)
Gross profit	223.2	_	223.2	193.9	-	193.9
Other operating costs	(130.5)	(37.7)	(168.2)	(101.9)	(19.5)	(121.4)
	92.7	(37.7)	55.0	92.0	(19.5)	72.5
Share of post-tax profits of associates and joint ventures	4.2	(3.2)	1.0	3.9	(0.7)	3.2
Operating profit	96.9	(40.9)	56.0	95.9	(20.2)	75.7
Net gain on step acquisition of foreign operations	_	_	_	_	5.8	5.8
Other income	_	8.2	8.2	_	_	_
Profit before interest and taxation	96.9	(32.7)	64.2	95.9	(14.4)	81.5
Finance income	0.9	1.2	2.1	1.8	_	1.8
Finance expense	(4.4)	_	(4.4)	(1.5)	(0.4)	(1.9)
Profit before taxation	93.4	(31.5)	61.9	96.2	(14.8)	81.4
Taxation	(19.7)	1.7	(18.0)	(17.5)	2.7	(14.8)
Profit for the period	73.7	(29.8)	43.9	78.7	(12.1)	66.6
Profit attributable to:						
– Equity holders of the parent	76.4	(27.4)	49.0	78.2	(10.7)	67.5
– Non-controlling interests	(2.7)	(2.4)	(5.1)	0.5	(1.4)	(0.9)
Profit for the period	73.7	(29.8)	43.9	78.7	(12.1)	66.6

^{*} Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 2(d).

52 weeks ended 30 December 2018

7. ITEMS EXCLUDED FROM NON-GAAP MEASURES CONTINUED

Non-underlying items during the 52 weeks ended 30 December 2018

		52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Included in other operating costs:			
UK supply chain transformation	(a)	(9.5)	_
Accelerated amortisation of eCommerce platform	(b)	(2.9)	_
Dolly Dimple's integration costs	(c)	(4.5)	(4.3)
Amortisation of London corporate stores	(d)	(1.0)	(0.2)
Acquisition costs	(e)	(0.6)	(2.2)
Legal costs and previously disposed operations	(f)	(0.2)	0.2
Market access fee	(g)	(1.2)	_
International impairments	(h)	(14.1)	_
Put option revaluations	(i)	(3.7)	_
Impairment of property, plant and equipment	(j)	-	(2.0)
Reversionary scheme	(k)	_	(11.0)
		(37.7)	(19.5)
Included in share of post-tax profits of associates and joint ventures			•
Germany store conversion costs	(I)	(3.2)	(0.7)
Included in operating profit		(40.9)	(20.2)
Included in net gain on step acquisition of foreign operations		_	5.8
Included in other income			
Profit on disposal of joint venture	(m)	8.2	_
Included in profit before interest and taxation		(32.7)	(14.4)
Included within net finance cost			•
Put option revaluation	(i)	0.3	(0.4)
Market access fee	(g)	0.9	_
Included in profit before taxation		(31.5)	(14.8)
Taxation	(n)	1.7	2.7
Total non-underlying items		(29.8)	(12.1)

a) UK supply chain transformation

In April of this year the Group opened a new supply chain centre in Warrington as part of a transformation of production and distribution in the UK & Ireland. Costs of £9.5m include £6.4m of impairment charges for former manufacturing facilities, £1.9m of ramp up costs associated with the new facility and £1.2m of restructuring and exit costs. The impairment and restructuring costs of the facilities and associated people costs are considered non-underlying because they have been driven solely as a consequence of the establishment of the new Warrington facility, making the Kingston and Penrith facilities redundant. The costs are being incurred over a short time frame and are directly related to the Warrington investment. The ramp up costs have been calculated based on an assessment of normal efficiency levels for the business. If we didn't separately identify these costs then we would be distorting the operational performance of the supply chain, which is the key driver of profit for the business. The separate treatment of ramp up costs has only been adopted during the commissioning period and rather than during the whole of the period to achieving full capacity.

b) Accelerated amortisation of eCommerce platform

During the current year, the Group announced a significant investment in upgrading its mobile and web platforms. These costs are ordinarily charged into the eCommerce fund and borne by franchisees, however as a result of the Group's decision to invest in the platform these costs are borne by the Group as a contribution into the eCommerce fund. £2.9m of accelerated amortisation has been recorded in the period representing the amortisation to date of the legacy platform on an accelerated basis. Overall the Group will contribute an additional £7.0m into the platform in future years. A commitment to provide this future contribution is expected to be made in H1 2019. The contribution is a part of the wider £10m investment being made by DPG over FY18 and FY19. All costs of the development of the eCommerce platform are ordinarily borne by the franchisees, and as such we consider our material and non-contractual support to the franchisees should be highlighted as a non-underlying item.

c) Dolly Dimple's integration costs

Costs of £4.5m (2017: £4.3m) have been recognised in relation to the Dolly Dimple's stores in Norway, which are being converted to Domino's. A number of stores have already rebranded to Domino's stores and the amount represents costs incurred with both the conversion of the stores into Domino's, dilapidations and onerous leases on remaining stores which will not be converted, together with integration costs associated with the acquisition. Had these costs been identified at acquisition in May 2017, they would have been accounted for as a provision to convert and develop the stores over this period. We have therefore deemed them to be non-underlying.

d) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £1.0m (2017: £0.2m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores and Have More Fun Limited. This is considered to be non-underlying as the Group has a policy of franchise agreements having an indefinite life, however the SFA is deemed to be a re-acquired right under IFRS 3 which requires such rights to be amortised.

e) Acquisition costs

Acquisition costs in 2018 of £0.6m represent costs associated with the acquisition of Shorecal Ltd as set out in note 26 and the acquisition of Have More Fun Limited as set out in note 28. Acquisition costs in 2017 of £2.2m relate to the acquisition of Pizza Pizza EHF and DP Norway AS and the subsequent hive out of PPS Foods AB. The Group's accounting policy is to treat M&A costs as non-underlying, so as not to distort annual operational performance with unevenly incurred transactional fees.

f) Legal costs and previously disposed operations

Legal costs of £0.2m recorded in 2018 represent costs associated with the liquidation of former operations in Germany and the legal advice on the reversionary share plan. A net gain of £nil (2017: £0.2m) has been recorded in relation to previously disposed operations.

g) Market access fee

During the period a decrease has been recorded in the fair value of the Market Access Fee of £1.2m. The decrease is a reflection of the underlying performance of the Daytona JV and further costs incurred in the Hallo Pizza acquisition. The amount recorded in net finance costs of £0.9m represents the unwind of the discount of the fair value. Further details around the valuation used are set out in note 26. The impact of revaluations of the MAF are not considered to be ordinary trading for DPG. In the event that we receive any material capital sum for a MAF on any business it would equally be treated as non-underlying.

h) International impairments

A total impairment of £14.1m has been recorded over the Group's operations in Norway (£10.2m), Switzerland (£1.2m) and Sweden (£2.7m). For Norway, this consists of an impairment of goodwill of £5.3m, intangible assets of £2.7m and tangible assets of £2.2m. For Switzerland, a net impairment has been recorded of £1.2m over the tangible assets and goodwill held. For Sweden, this represents an impairment of goodwill of £2.7m. For further details see note 14. The non-cash impairments of these businesses are treated as exceptional because they are material reductions in value for the businesses concerned. This is also consistent with the treatment of the gain on sale of the DP Shayban Limited as non-underlying.

i) Put option revaluations

A net cost of £3.4m has been recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden as set out in note 21. This represents £3.7m of fair value movement recorded in other expenses and £0.3m of foreign exchange gains presented in net finance costs. The increase in the fair value of the options is due to a change in valuation approach to value based on a sales collar present in the option agreements as opposed to an EBITDA multiple, given the expected future performance of the businesses. The revaluations are treated as non-underlying because they are non-trading in nature and consistent with the other equity related revaluations, disposals and impairments in the business as above.

j) Impairment of property, plant and equipment

The impairment of property, plant and equipment recorded in 2017 relates to the impairment of assets no longer used for operating purposes.

52 weeks ended 30 December 2018

7. ITEMS EXCLUDED FROM NON-GAAP MEASURES CONTINUED

k) Reversionary scheme

A provision for employment taxes was recorded in 2017. The related expense of £11.0m has been included in the compensation to current and former members of the senior management team and Board. The amounts are presented gross and do not reflect future recoveries of the expense from certain members of the senior management team and Board. See note 2 for further information.

I) Germany store conversion costs

Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £3.2m which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the Joint Venture ('JV') in January 2018. Costs recorded in 2017 of £0.7m represented the conversion costs of the original Joey's pizza stores. The costs incurred by our JV partner on converting Hallo Pizza stores have been reported to us as non-underlying. We consider the treatment to be consistent with the treatment we have adopted for Dolly Dimple's stores in Norway.

m) DP Shayban Limited disposal

As set out in note 17, on 18 December 2018, the Group disposed of its 50% holding in DP Shayban Limited for the consideration of £11.4m, resulting in a gain on disposal of joint ventures and associates of £8.2m which has been presented in other income. The profit on disposal of the investment in DP Shayban Limited has been treated as non-underlying as the gain is material and the trading of stores is not considered to be part of our ordinary course of business. This contrasts with 'Change of Hands' fees, which we consider to be ordinary income receivable to us as an intermediary when franchisees buy and sell stores.

n) Taxation

The tax credit of £1.7m relates to the non-underlying net loss before taxation of £31.5m and the effective tax rate of 5.4% is less than the statutory rate of 19% as not all of these costs will qualify for tax relief. Taxation on the items considered to be exceptional is treated as non-underlying where it can be identified in order to ensure consistency of treatment with the item to which it relates. The creation and revaluation of deferred tax assets are treated consistently with the treatment adopted when the asset was created.

8. EMPLOYEE BENEFITS AND DIRECTORS' REMUNERATION

(a) Employee benefits expense

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Wages and salaries	69.7	53.3
Social security costs	5.9	16.3
Other pension costs	5.3	2.0
Share-based payment charge	1.0	1.7
	81.9	73.3

Included within Social security costs are £nil (53 weeks ended 31 December 2017: £11.0m) of costs in respect of historic share based remuneration schemes, as further detailed in note 2. For details of amounts relating to current and former Directors, refer to the Directors Remuneration Report on page 80.

The average monthly number of employees during the year of the Group including subsidiaries and excluding associates and joint ventures was made up as follows:

	52 weeks ended 30 December 2018	53 weeks ended 31 December 2017 (restated)*
Administration	390	326
Production and distribution	540	459
Corporate stores	2,624	1,309
	3,554	2,094

^{*} In 2017 we previously reported 1,749 employees as some part time employees had been excluded.

(b) Directors' remuneration

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Directors' remuneration	1.6	1.9
Aggregate contributions to defined contribution pension schemes	0.1	0.1
Number of Directors accruing benefits under:		
– defined contribution schemes	1	2

Additional information regarding Directors' remuneration is included in the Directors' remuneration report on pages 66 to 87.

9. FINANCE INCOME

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Other interest receivable	0.3	0.3
Interest on loans to associates and joint ventures	0.4	0.5
Discount unwind	0.9	_
Foreign exchange	0.5	1.0
Total finance income	2.1	1.8

The discount unwind relates to the unwind of the fair value of the Market Access Fee as described in note 26.

10. FINANCE COSTS

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Bank revolving credit facility interest payable	4.2	1.9
Other interest payable	0.2	_
Total finance costs	4.4	1.9

The finance expense relates to financial liabilities at amortised cost.

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

11. TAXATION

(a) Tax on profit on ordinary activities

	52 weeks ended 30 December 2018	53 weeks ended 31 December 2017
	£m	£m
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
– current period	11.6	15.7
– adjustment in respect of prior periods	(0.6)	(0.5)
	11.0	15.2
Income tax on overseas operations	1.9	1.6
Total current income tax charge/(credit)	12.9	16.8
Deferred tax:		
Origination and reversal of temporary differences	3.9	(2.2)
Effect of change in tax rate	0.5	(0.3)
Adjustment in respect of prior periods	0.7	0.5
Total deferred tax	5.1	(2.0)
Tax charge in the income statement	18.0	14.8
The tax charge in the income statement is disclosed as follows:		
Income tax charge	18.0	14.8
Tax relating to items credited/(charged) to equity		
Reduction in current tax liability as a result of the exercise of share options	0.4	0.4
Origination and reversal of temporary differences in relation to unexercised share options	(0.7)	0.1
Tax credit/(charge) in the Group statement of changes in equity	(0.3)	0.5

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

The deferred tax charge of £5.1m include a £4.1m charge arising from the write-off of a deferred tax asset previously recognised in relation to the Group's leasing subsidiary, Domino's Leasing Limited and a £3.1m charge arising from the write-off of deferred tax assets previously recognised for tax losses in Norway (£2.0m) and Switzerland (£1.1m). The current period income tax charge for the UK of £11.6m is net of a £4.1m credit relating to additional tax relief from Domino's Leasing Limited reducing the UK corporation tax charge from £15.7m thereby reducing the Group's cash tax payments.

The tax charge in the income statement for the 52 weeks ended 30 December 2018 is higher (2017: higher) than the statutory corporation tax rate of 19.0% (2017: 19.26%). The differences are reconciled below:

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Profit before taxation	61.9	81.4
Accounting profit multiplied by the UK statutory rate of corporation tax of 19.0% (2017: 19.26%)	11.8	15.7
Expenses not deductible for tax purposes	3.1	1.0
Gain on joint venture sale/income not taxable	(1.8)	(1.4)
Share of joint venture and associates' results not taxable	(0.3)	(0.6)
Accounting depreciation not eligible for tax purposes	1.3	0.3
Adjustments relating to prior years	0.3	-
Overseas losses carried forward not recognised	4.1	0.1
Other	(0.6)	0.4
Tax rate differences	0.1	(0.7)
Total tax charge reported in the income statement	18.0	14.8
Effective tax rate (%)	29.0	18.2
Underlying effective tax rate (%)	21.2	18.3

The derecognition of deferred tax assets previously recognised in relation to tax losses arising in Norway and Switzerland has increased the Group's tax charge and its effective tax rate.

The Finance (No. 2) Act 2015 introduced legislation reducing the rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2016, which received Royal Assent on 15 September 2016 further reduced the corporation tax rate to 17% from 1 April 2020. These rates, including the further reduction in the future from 19% to 17%, have been used in the calculation of deferred tax assets and liabilities for the period ended 30 December 2018 and the prior year.

(c) Temporary differences associated with Group investments

At 30 December 2018, there was no recognised deferred tax liability (2017: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates, as there are no corporation tax consequences of the Group's UK, Irish or overseas subsidiaries or associates paying dividends to their parent companies.

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

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

11. TAXATION CONTINUED

(d) Deferred tax

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

	At 30 December 2018 £m	At 31 December 2017 £m
Deferred tax arising in the UK on non-capital items	1.4	6.2
Deferred tax arising in the UK and ROI on capital gains	(0.1)	(0.1)
Deferred tax arising on other overseas subsidiaries	(0.1)	(0.4)
Deferred tax arising on overseas losses	0.6	3.3
Deferred tax arising on business combinations and acquired assets	(7.7)	(8.5)
Deferred tax	(5.9)	0.5
Represented as:		
Deferred tax asset	0.6	8.3
Deferred tax liabilities	(6.5)	(7.8)
	(5.9)	0.5
	At 30 December 2018 £m	At 31 December 2017 £m
Gross movement in the deferred income tax account		
Opening balance	0.5	5.7
Liability at acquisition of subsidiaries	(0.6)	(7.0)
Tax credit/(charge) to equity	(0.7)	0.1
Income statement credit/(charge)	(5.1)	2.0
Foreign exchange movements	_	(0.3)
Closing balance	(5.9)	0.5

As noted above, the deferred tax charge of £5.1m includes £4.1m relating to the cessation of trade for the Group's leasing subsidiary Domino's Leasing Limited.

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Deferred tax arising in the UK on non-capital items

	Share-based payments £m	Accelerated capital allowances £m	Lease inducements £m	Provisions £m	Reversionary interests £m	Total £m
At 25 December 2016	1.8	3.0	0.2	0.4	_	5.4
Asset at acquisition of subsidiaries	_	_	-	0.3	_	0.3
Credit to equity	0.1	-	_	_	-	0.1
Credit/(charge) to income	0.2	(1.4)	(0.1)	(0.2)	1.9	0.4
At 31 December 2017	2.1	1.6	0.1	0.5	1.9	6.2
Liability at acquisition of subsidiaries	_	(0.1)	-	_	_	(0.1)
Charge to equity	(0.7)	-	-	-	-	(0.7)
Credit/(charge) to income	0.1	(4.0)	-	(0.1)	•	(4.0)
At 30 December 2018	1.5	(2.5)	0.1	0.4	1.9	1.4

A deferred tax asset of £1.4m (2017: £6.2m) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

The Group has tax losses of £14.3m (2017: £12.4m) which arose in relation to the Swiss business and may be available to offset against future taxable profits in Switzerland. No deferred tax asset has been recognised (2017: £1.1m) in relation to these taxable losses in Switzerland on the basis they may not be recovered before they expire.

The Group has tax losses of £19.9m (2017: £8.6m) which arose in relation to the Norwegian business and may be available to offset against future taxable profits in Norway. No deferred tax asset has been recognised (2017: £2.0m) in relation to these taxable losses in Norway on the basis they may not be recovered in the foreseeable future.

The Group has tax losses of £2.8m (2017: £1.0m) which arose in relation to the Swedish business and may be available to offset against future taxable profits in Sweden. A deferred tax asset of £0.6m (2017: £0.2m) has been recognised in relation to these taxable losses in Sweden on the basis they are expected to be recovered in the foreseeable future.

12. EARNINGS PER SHARE

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

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

Earnings

	Notes	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017* £m
Profit attributable to owners of the parent		49.0	67.5
Non-underlying items:			
– Included in other operating costs	7	37.7	19.5
- Amounts included within share of post-tax result of associates and joint ventures	7	3.2	0.7
– Net gain on step acquisition of foreign operations	7	_	(5.8)
- Other income	7	(8.2)	-
- Net finance costs/(income)	7	(1.2)	0.4
– Tax	7	(1.7)	(2.7)
- Attributable to non-controlling interests		(2.4)	(1.4)
Underlying profit attributable to owners of the parent		76.4	78.2

Results for the 53 weeks ended 31 December 2017 have been restated to reclassify results from discontinued operations not considered material as set out in note 2(d).

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

12. EARNINGS PER SHARE CONTINUED

Weighted average number of shares

	At 30 December 2018 Number	At 31 December 2017 Number
Basic weighted average number of shares (excluding treasury shares)	474,381,014	489,375,873
Dilutive effect of share options and awards	4,930,504	6,690,858
Diluted weighted average number of shares	479,311,518	496,066,731

The performance conditions relating to share options granted over 3,955,660 shares (2017: 2,041,160) have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2017: nil). See note 29 for further information on reversionary interests and share options.

Earnings per share

	52 weeks ended 30 December 2018	53 weeks ended 31 December 2017
Basic earnings per share	10.3p	13.8p
Diluted earnings per share	10.2p	13.6p
Underlying earnings per share:		
Basic earnings per share	16.1p	16.0p
Diluted earnings per share	15.9p	15.8p

13. DIVIDENDS PAID AND PROPOSED

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Declared and paid during the year:		
Equity dividends on Ordinary shares:		
Final dividend for 2017: 5.25p (2016: 4.50p)	25.2	22.0
Interim dividend for 2018: 4.05p (2017: 3.75p)	19.1	18.4
Dividends paid	44.3	40.4
Proposed for approval by shareholders at the AGM (not recognised as a liability at 30 December 2018 or 31 December 2017)		
Final dividend for 2018: 5.45p (2017: 5.25p)	25.0	25.2

Overview

14. INTANGIBLE ASSETS

	Goodwill £m	Franchise fees £m	Software £m	Other £m	Total £m
Cost or valuation					
At 25 December 2016	1.9	4.3	24.5	0.5	31.2
Additions	_	_	6.4	0.3	6.7
Acquisitions	47.8	44.9	_	1.9	94.6
Disposals	_	_	(0.2)	_	(0.2)
Foreign exchange on translation	_	0.3	_	_	0.3
At 31 December 2017	49.7	49.5	30.7	2.7	132.6
Additions	_	_	7.3	0.2	7.5
Acquisitions	4.6	2.8	_	_	7.4
Disposals	_	_	_	_	_
Foreign exchange on translation	(0.3)	(0.9)	0.1	_	(1.1)
At 30 December 2018	54.0	51.4	38.1	2.9	146.4
Amortisation and impairment					
At 25 December 2016	_	1.6	11.2	0.2	13.0
Provided during the year	_	0.2	4.8	0.4	5.4
Disposals	_	_	_	_	_
Foreign exchange on translation	_	_	_	_	_
At 31 December 2017	_	1.8	16.0	0.6	18.4
Provided during the year	_	0.9	7.0	0.2	8.1
Impairment	10.0	2.4	_	0.8	13.2
Disposals	_	_	_	_	_
Foreign exchange on translation	_	_	_	_	-
At 30 December 2018	10.0	5.1	23.0	1.6	39.7
Net book value at 30 December 2018	44.0	46.3	15.1	1.3	106.7
Net book value at 31 December 2017	49.7	47.7	14.7	2.1	114.2

Governance

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During the current and prior periods, the Group has made a number of acquisitions, recognising intangible assets at fair value and goodwill at cost. Intangible assets recognised include the Master Franchise Agreements for Iceland, Norway and Sweden and the Standard Franchise Agreement for the London corporate stores. See note 28.

The carrying amount of goodwill and indefinite life intangibles has been allocated as follows:

	At 30 December 2018 £m	At 31 December 2017 £m
Goodwill	2	2
Switzerland	-	1.8
Norway	_	5.3
Sweden	0.8	3.7
Iceland	12.1	12.4
UK corporate stores	31.1	26.5
	44.0	49.7
Indefinite life intangibles		
Switzerland	2.7	2.7
Norway Sweden		
OWCUCII	5.4	9.6
Iceland	21.1	22.1
	41.0	44.6
	85.0	94.3

52 weeks ended 30 December 2018

14. INTANGIBLE ASSETS CONTINUED

UK and international investments

The Group is obliged to test goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications that goodwill and indefinite life intangibles might be impaired.

In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ('CGU') including the goodwill with its recoverable amount. The recoverable amounts of the CGU are determined as the higher of fair value less cost to sell or value in use. In performing impairment reviews, management consider the different nature of the operations to determine the appropriate methodology to apply.

Impairment reviews performed over Sweden, Iceland and UK corporate stores goodwill

An impairment review has been performed over the goodwill and intangible assets of the operations in Sweden, Iceland and the UK corporate stores. The key assumptions for determining the recoverable amount are those regarding discount rates and expected changes to the level of sales in stores, control of costs and number of new store openings. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. Growth rates are based on market growth forecasts. Changes in levels of Average Weekly Unit Sales ('AWUS') are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial projections approved by management for the next five years and extrapolates terminal value cash flows based on the average long-term growth rates which do not exceed the average long-term growth rate for the relevant market. The long-term growth rate and the rate used to discount the forecast cash flows from the CGUs are in the table below:

	Long-term growth rate		Discou	nt rate
	At 30 December 2018	At 31 December 2017	At 30 December 2018	At 31 December 2017
Sweden	1.5%	3.0%	14.7%	12.0%
Iceland	1.4%	4.0%	11.4%	10.4%
UK corporate stores	2.0%	1.5%	8.5%	9.0%

The Group has also conducted a sensitivity analysis on the impairment test of the CGU carrying value including reducing sales growth, changing discount rates, and, for Sweden, reducing store growth.

London Corporate Stores

The forecast for the London corporate stores assumes no store openings over the forecast period and includes revenue growth assumptions of 5% over the first five years on a like for like basis. Growth in future years is based on the long term growth rate of 2.0%. The key sensitivity within the forecast is the ability to drive revenue growth through increased volumes and average ticket prices. The impairment review indicates the valuation of the business is highly dependent on this future growth.

Due to the level of headroom in the valuation performed, we consider that a reasonably possible change could give risk to an impairment. A decrease in LFL revenue growth of 1% in each year of the five year forecast would lead to an impairment of £2.0m.

Given the maturity of the business and the period since acquisition, we consider the forecasts used supportable and therefore, whilst remaining highly reliant on future growth, no impairment charge has been recorded.

Sweden

The impairment review for Sweden has been based on a discounted cash flow, modelling fair value less cost to sell. The forecast for Sweden assumes a high level of store openings over the forecast period (between 7 and 14 each year), and a high level of LFL growth of between 9-10% over each year in the five year forecast period. Given the market opportunity within Sweden, and the small nature of the current operations, we consider that the forecasts used are supportable.

The valuation remains highly dependent on both the LFL growth and ability to reach store opening targets. For this reason, an increased discount rate of 14.7% has been used to account for this risk.

An impairment charge of £2.7m has been recorded over the goodwill of the business, reflecting the execution risk within the growth plan reflected in the discount rate.

We note that a reasonably possible change within one of these assumptions would lead to an increased impairment. A decrease in LFL growth of 1% in each forecast year would lead to a further impairment of £4.3m being recorded. A decrease in store openings across the most significant year of openings (2020, with 14 openings forecast) of one store would lead to an additional impairment of £0.8m.

Iceland

For the operations in Iceland, no reasonably possible change would give rise to an impairment charge.

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Impairment reviews performed over Norway and Switzerland

For Norway and Switzerland, management have performed impairment reviews based on fair value less cost to sell. The rationale for the use of this methodology is based on the historical performance of the businesses and, for Norway, reflects a more reliable forecasting basis given the historic control environment. These models resulted in a value higher than the value in use. The review has been performed using a multiple of AWUS for each store, based on recent European transactions for similar stores. For each review, the average 12 months trailing AWUS as at December 2018 has been used, based on the corporate stores which were opened at that time.

Norway

For Norway, the review performed indicates an impairment based on a multiple of 24x AWUS. An impairment of £10.2m has been recorded in the consolidated financial statements. This reduces the carrying value of goodwill to £nil and the remaining impairment charge has been allocated over the intangible assets and tangible assets of the CGU. A charge of £5.3m was recorded over goodwill, £2.7m charged to intangible assets and £2.2m charged to tangible assets.

A reduction in the AWUS multiple applied of 1x, to reduce to 23x, would lead to an additional impairment of £0.6m.

The review has also been performed over the investment and intercompany loans held in the PLC company-only balance sheet. An impairment of £27.5m has been recorded, reducing the carrying value of the investment by £17.5m to £nil and recording a provision against a group receivable owed to the PLC company-only of £10.0m.

Switzerland

For Switzerland, the review performed indicates an impairment based on a multiple of 24x AWUS. A net impairment of £1.2m has been recorded over the goodwill and intangible assets of the operation. This reduces the carrying value of goodwill to £nil.

A reduction in the AWUS multiple applied of 1x would lead to an additional impairment of £0.4m.

Master franchise fees

Master franchise fees consist of costs relating to the MFA for UK, Ireland, Switzerland, Iceland, Norway and Sweden. Each MFA is treated as having an indefinite life. They are tested annually for impairment in accordance with IAS 36. The Swiss, Norwegian, Swedish and Icelandic MFAs have been tested as described in the goodwill section. The UK and Ireland assumptions are not disclosed as the carrying value is not material.

Standard franchise agreement

The Standard Franchise Agreement ('SFA') has been recognised at fair value on acquisition of London corporate stores and Have More Fun (London) Limited. As a reacquired asset, this has been calculated over the remaining contractual term, and will be amortised over that period. The net book value at 30 December 2018 is £6.2m (2017: £4.3m). These are tested for impairment as part of the analysis above.

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

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Assets under construction £m	Leasehold improvements £m	Fixtures and fittings £m	Supply Chain Centre equipment £m	Store equipment* £m	Total £m
Cost or valuation							
At 25 December 2016	34.4	8.5	7.0	5.2	36.4	1.3	92.8
Acquisition of subsidiaries (note 28)	_	_	0.1	1.0	0.3	10.4	11.8
Additions	_	28.9	0.8	1.4	2.7	4.3	38.1
Disposals	-	_	_	(2.7)	(6.6)	_	(9.3)
Transfer to assets held for sale	_	(1.2)	_	_	_	_	(1.2)
Foreign exchange on translation	0.1	0.1	(0.4)	_	_	(0.3)	(0.5)
At 31 December 2017	34.5	36.3	7.5	4.9	32.8	15.7	131.7
Acquisition of subsidiaries (note 28)	_	-	0.1	_	_	0.6	0.7
Additions	0.1	4.6	2.0	2.2	1.5	6.4	16.8
Disposals	_	_	(0.2)	(0.2)	_	_	(0.4)
Transfer between classes of asset	20.6	(37.6)	_	0.4	16.6	_	_
Foreign exchange on translation	_	_	0.6	_	_	(0.1)	0.5
At 30 December 2018	55.2	3.3	10.0	7.3	50.9	22.6	149.3
Depreciation and impairment							
At 25 December 2016	6.2	-	1.3	3.7	13.2	0.6	25.0
Provided during the year	0.6	-	0.9	1.8	1.9	3.8	9.0
Impairment	-	1.2	0.8	-	-	-	2.0
Disposals	_	_	_	(2.6)	(6.2)	_	(8.8)
Transfer to asset held for sale	_	(1.2)	_	_	_		(1.2)
Foreign exchange on translation	-	-	(0.1)	(0.1)	0.1	(0.1)	(0.2)
At 31 December 2017	6.8	-	2.9	2.8	9.0	4.3	25.8
Provided during the year	0.7	-	0.9	2.0	2.8	2.0	8.4
Impairment	1.5	-	(0.8)	-	4.7	2.1	7.5
Disposals	-	-	(0.1)	(0.2)	-	-	(0.3)
Transfer to asset held for sale	_	_	_	_	_	_	_
Foreign exchange on translation	_	-	0.2	0.1	_	_	0.3
At 30 December 2018	9.0	-	3.1	4.7	16.5	8.4	41.7
Net book value at 30 December 2018	46.2	3.3	6.9	2.6	34.4	14.2	107.6
Net book value at 31 December 2017	27.7	36.3	4.6	2.1	23.8	11.4	105.9

^{*} The classification of asset groups has been expanded to include a category for store equipment, the prior year has been restated to reflect this change.

During the current period the Group acquired a number of London corporate stores, recognising assets at fair value mainly comprising store fixtures and fittings.

During the current period, assets under construction amounting to £37.6m relating to the Warrington site were moved into freehold land and buildings, fixtures and fittings and Supply Chain Centre equipment following the opening of the site.

Additions in the year relate most significantly to the purchase of equipment for use in new stores and refitting existing stores, across the London corporate stores and the Nordic markets.

Freehold land and buildings

Included within freehold land and buildings is an amount of £7.2m (2017: £4.7m) in respect of land which is not depreciated.

Capitalised financing costs

The amount of borrowing costs capitalised during the period ended 30 December 2018 was £0.1m (2017: £0.2m). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1%.

For details of property, plant and equipment pledged as security for liabilities see note 21.

16. TRADE AND OTHER RECEIVABLES

Included in non-current assets:

	At 30 December 2018 £m	At 31 December 2017 £m
Amounts owed by associates and joint ventures*	19.3	13.1
Loans to franchisees*	3.7	3.0
Prepaid operating lease charges	5.5	3.5
Net investment in finance leases	0.3	0.5
Other receivables*	10.6	9.1
	39.4	29.2

^{*} Financial assets at amortised cost.

Included in non-current other receivables are rent-free balances provided to franchises of £9.4m (2017: £9.0m).

Included in current assets:

	At 30 December 2018 £m	At 31 December 2017 £m
Trade receivables*	18.3	13.5
Amounts owed by associates and joint ventures*	1.3	1.9
Loans to franchisees*	0.3	0.2
Other receivables*	5.2	9.8
Prepayments	9.7	10.8
Accrued income	12.8	8.6
NAF and eCommerce debtor	6.2	3.9
Net investment in finance leases	0.9	0.9
	54.7	49.6

^{*} Financial assets at amortised cost.

Included in current other receivables are balances due from franchisees for development of new stores and refurbishment of existing stores of £2.0m (2017: £5.7m).

52 weeks ended 30 December 2018

16. TRADE AND OTHER RECEIVABLES CONTINUED

NAF and eCommerce debtor

The national advertising fund ('NAF') debtor and eCommerce debtor balance of £6.2m (2017: £3.9m) comprises the net of balances relating to: the NAF, which is a fund into which the franchisees contribute for purposes of marketing, advertising and other promotion; and an eCommerce fund into which the franchisees contribute to cover the research, development and operating costs of the Domino's website and mobile apps, as well as related credit card costs, such as merchant data handling costs and chargebacks.

The legal form defined by the standard franchise agreements ('SFAs') is that the two funds are separate with no right of offset if there is a deficit. Franchisees are presented with data which shows the respective surplus or deficit of each fund separately. The Group has the right to increase the charges for either fund to recover any deficits on a prospective basis, and for that reason there is no concern over the recoverability of amounts. Surpluses or deficits naturally arise because of timing differences between cash flows of the NAF and eCommerce expenditure and contributions received from the franchisees.

The commercial practice has been to combine the NAF and eCommerce fund and present any surplus or deficit on a net basis and this is the principle accepted by all parties because of the broad crossover between marketing and the website in promoting the Domino's brand.

As at 30 December 2018, the gross amounts of the NAF and eCommerce fund were as follows:

	At 30 December 2018 £m	At 31 December 2017 £m
NAF surplus	(14.1)	(11.8)
eCommerce fund deficit	20.3	15.7
Net NAF and eCommerce debtor	6.2	3.9

Total contributions made to the NAF and eCommerce fund during the 52 weeks ended 30 December 2018 were £50.0m (2017: £46.8m).

Trade receivables

Trade receivables are denominated in the following currencies:

	At 30 December 2018 £m	At 31 December 2017 £m
Sterling	10.5	10.5
Euro	0.6	0.8
Swiss Franc	-	0.4
Icelandic Krona	0.6	0.2
Norwegian Krone	6.6	1.0
Swedish Krona	-	0.6
	18.3	13.5

Trade receivables are non-interest bearing and are generally on seven to 28 day terms. As at 30 December 2018, trade receivables at nominal value of £0.8m (2017: £0.4m) were provided for based on our consideration of expected credit losses.

The ageing analysis of trade receivables is as follows:

		Neither past	Past due but not imp	npaired	
	Total £m	due nor impaired £m	<30 days £m	>30 days £m	
At 30 December 2018	18.3	14.7	2.8	0.8	
At 31 December 2017	13.5	11.4	0.2	1.9	

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Loans to franchisees

Loans to franchisees are repayable within one to five years. The loans are either interest free or bear interest on a quarterly basis at an average of 3.0% above LIBOR and are repaid in monthly or quarterly instalments. There have been no historic write-offs of loans to franchisees and therefore the effective credit loss is effectively nil.

Amounts owed by associates and joint ventures

	At 30 December 2018 £m	At 31 December 2017 £m
Amounts owed by associates	20.3	14.0
Amounts owed by joint ventures	0.3	1.0
	20.6	15.0

Included within the balance due from joint ventures and associates is a loan balance of £19.3m (2017: £13.2m) due from Daytona JV Limited, trading balances of £1.0m (2017: £0.9m) due from Full House Restaurants Holdings Limited and £0.3m due from Domino's Pizza West Country Limited (2017: £0.3m).

Under the terms of the loan agreement, the loan to Daytona JV Limited accrues interest at between 2.7% and 3.0% per annum and is payable quarterly in arrears. The loan is repayable on 18 October 2025 or when the Group ceases to own shares in the associate.

An analysis is provided below of the movement in trading and loan balances with associates and joint ventures:

	Trading balance £m	Loan balance £m	Total £m
At 25 December 2016	2.3	12.4	14.7
Movement in trading balance	(0.4)	-	(0.4)
Movement in loan balance	_	0.7	0.7
At 31 December 2017	1.9	13.1	15.0
Movement in trading balance	(0.6)	-	(0.6)
Movement in loan balance	-	6.2	6.2
At 30 December 2018	1.3	19.3	20.6

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

Prepaid operating lease charges

	At 30 December 2018 £m	At 31 December 2017 £m
Balance at the beginning of the period	3.5	0.9
Additions	2.3	3.3
Amortisation	(0.3)	(0.7)
Balance at the end of the period	5.5	3.5
Analysed as follows:		
Non-current assets	5.5	3.5
	5.5	3.5

Net investment in finance leases

The balance shown in franchisee leasing consists of leases over store equipment granted to franchisees on terms of between one and five years bearing interest at fixed rates of an average of 1.0% (2017: 2.8%).

Future minimum payments receivable:

	At 30 December 2018 £m	At 31 December 2017 £m
Not later than one year	0.9	0.9
After one year but not more than five years	0.3	0.5
	1.2	1.4

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Joint ventures £m	Associates £m
Balance at 25 December 2016	6.3	52.5
Profit for the period	0.4	2.6
Dividends received	(0.2)	(1.0)
Deemed disposal on step acquisition	_	(33.9)
Foreign exchange movements	_	0.6
Balance at 31 December 2017	6.5	20.8
Reclassification	0.4	(0.4)
Underlying profit for the period	0.2	4.0
Non-underlying expense for the period	_	(3.2)
Dividends received	(0.6)	(1.0)
Investments in the period	_	5.8
Disposals in the period	(2.8)	_
Foreign exchange movements	_	_
Balance at 30 December 2018	3.7	26.0

	At 30 December 2018 £m	At 31 December 2017 £m
Share of post-tax profits/(losses) of associates		
Full House Restaurant Holdings Limited	1.5	1.9
Daytona JV Limited	(0.7)	0.7
Pizza Pizza EHF (Iceland)	_	0.5
PPS Foods AS (Sweden)	_	(0.1)
DP Norway AS	_	(0.3)
	0.8	2.7
Share of post-tax profits of joint ventures		
DP Shayban Limited	0.1	0.3
Domino's Pizza West Country Limited	0.1	0.2
	0.2	0.5
	1.0	3.2

Details of joint ventures and associates are given in note 34.

(a) Investment in associates

The Group has a 49% interest in Full House Restaurant Holdings Limited ('Full House'), a private company that manages pizza delivery stores in the UK.

The Group has a 33.3% investment in Daytona JV Limited ('Daytona'), a UK incorporated company which owns the Master Franchise Agreement for Domino's Germany. The Group's interest is subject to a put and call option.

Included in the consolidated financial statements are the following items that represent the Group's share of the assets, liabilities and profit of associates based in the UK:

	Full House		Daytona		
	2018 £m	2017 £m	2018 £m	2017 £m	
Non-current assets	16.5	3.4	130.9	6.8	
Current assets	3.1	16.2	12.8	94.0	
Current liabilities	(4.2)	(5.4)	(11.1)	(5.5)	
Non-current liabilities	(6.2)	(5.2)	(80.9)	(59.0)	
Net assets	9.2	9.0	51.7	36.3	
The Group's share of interest in associate undertaking's net assets	4.5	4.4	17.1	12.1	
Goodwill and transaction costs	2.3	2.3	2.1	2.0	
Group's carrying amount of the investment	6.8	6.7	19.2	14.1	
Revenue	46.7	44.4	67.6	39.9	
Profit for the period	3.0	4.0	(2.1)	2.1	
Group's share of underlying profit for the period	1.5	1.9	2.5	1.4	
Group's share of non-underlying loss for the period	_	_	(3.2)	(0.7)	
Group's share of profit for the period	1.5	1.9	(0.7)	0.7	

The associates had no contingent liabilities or capital commitments at 30 December 2018 or at 31 December 2017. The associates require the parent's consent to distribute its profits.

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17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

(b) Investment in joint ventures

During the year the Group held two 50% UK joint ventures, with Domino's Pizza West Country Limited ('West Country') and DP Shayban Limited ('DP Shayban'). West Country is accounted for as a joint venture using the equity method in the consolidated financial statements as the Group has joint control through voting rights and share ownership as well as being party to a joint venture agreement, which ensures that strategic, financial and operational decisions relating to the joint venture activities require the unanimous consent of the two joint venture partners.

On 18 December 2018, the Group disposed of its 50% holding in DP Shayban for the consideration of £11.4m, resulting in a gain on disposal of joint ventures and associates of £8.2m. At 30 December 2018, consideration of £5.7m was recognised as a deferred income asset.

Summary financial information of the joint ventures based on their IFRS financial statements is set out below:

	At 30 Decembe	At 30 December 2018		At 31 December 2017		
	West Country £m	Total £m	DP Shayban £m	West Country £m	Total £m	
Summary of joint ventures' balance sheets						
Current assets	3.0	3.0	2.2	3.3	5.5	
Non-current assets	5.0	5.0	5.0	5.0	10.0	
Current liabilities	(1.3)	(1.3)	(1.6)	(1.8)	(3.4)	
Non-current liabilities	-	-	_	_	-	
Net assets	6.7	6.7	5.6	6.5	12.1	
Group's share of interest in joint ventures' net assets	3.3	3.3	2.7	3.3	6.0	
Goodwill and transaction costs	0.4	0.4	0.1	0.4	0.5	
Group's carrying amount of the investment	3.7	3.7	2.8	3.7	6.5	
Within gross balance sheets:						
Cash and cash equivalents	2.3	2.3	(1.1)	2.5	1.4	
Current financial liabilities	-	_	_	0.2	0.2	
Non-current financial liabilities	-	_	_	_	_	

	52 weeks ended 31 December 2018			53 weeks ended 31 December 2017			
	DP Shayban*	West Country £m	Total £m	DP Shayban £m	West Country £m	Total £m	
Summary of joint ventures' statement of profit or loss							
Revenue	18.7	11.8	30.5	19.0	12.1	31.1	
Profit after tax for the year	0.2	0.2	0.4	0.6	0.3	0.9	
Total comprehensive income for the year	0.2	0.2	0.4	0.9	0.3	1.2	
Group's share of profit for the year	0.1	0.1	0.2	0.3	0.2	0.5	
Dividends received	-	0.6	0.6	_	0.2	0.2	
Profit after tax for the year includes:							
Depreciation and amortisation	0.7	0.5	1.2	0.3	0.4	0.7	
Interest income	_	_	_	0.1	_	0.1	
Interest expense	_	_	_	_	_	_	
Income tax expense	_	0.1	0.1	0.1	0.3	0.4	

^{*} Represents results up until the date of disposal on 18 December 2018.

West Country had no contingent liabilities or capital commitments as at 30 December 2018 and 31 December 2017. West Country cannot distribute their profits without the consent from the two venture partners.

18. INVENTORIES

	At 30 December 2018 £m	At 31 December 2017 £m
Raw materials	2.4	2.5
Finished goods and goods for sale	6.0	5.9
Total inventories at lower of cost or estimated net realisable value	8.4	8.4

Provisions against inventories were £0.8m (2017: £0.8m) and amounts were written off against cost of sales of £2.1m (2017: £1.0m).

19. CASH AND CASH EQUIVALENTS

	At 30 December 2018 £m	At 31 December 2017 £m
Cash at bank and in hand	24.8	29.0

Cash at bank earns interest at floating rates based on daily deposit rates. The fair value of cash and cash equivalents is £24.8m (2017: £29.0m).

Cash is denominated in the following currencies:

	At 30 December 2018 £m	At 31 December 2017 £m
Sterling	15.3	18.5
Euro	4.4	5.5
Icelandic krona	0.1	1.6
Norwegian krone	3.3	1.8
Swiss franc	1.7	1.6
	24.8	29.0

20. TRADE AND OTHER PAYABLES

	At 30 December 2018 £m	At 31 December 2017 £m
Included in current liabilities:		
Trade payables*	36.3	26.4
Other taxes and social security costs	8.1	5.3
Other payables*	7.6	5.5
Accruals	41.6	49.2
Deferred income	6.8	8.1
	100.4	94.5
Included in non-current liabilities:		
Deferred income	10.0	6.8
Other payables*	0.7	0.9
	10.7	7.7

^{*} Financial liabilities at amortised cost.

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing and are normally settled on seven to 30-day terms; and
- other payables are non-interest bearing and have an average term of six months.

Included within accruals are amounts relating to goods received and not yet invoiced of £8.4m (2017: £8.1m), amounts owed to franchisees in relation to web sales of £15.7m (2017: £14.1m), together with trading accruals, head office cost accruals, payroll accruals and royalty accruals throughout the Group.

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21. FINANCIAL LIABILITIES

	At 30 December 2018 £m	At 31 December 2017 £m
Current		
Current instalments due on other loans	0.7	0.2
Current instalments due on finance leases	0.4	0.4
	1.1	0.6
Put option liabilities	1.4	5.6
	2.5	6.2
Share buyback obligation	15.8	18.3
	18.3	24.5
Non-current		
Bank revolving facility	224.5	113.9
Non-current instalments due on other loans	2.5	3.7
Put option liabilities	10.4	34.7
	237.4	152.3

Banking facilities

At 30 December 2018 the Group had a total of £359.5m (2017: £359.5m) of banking facilities, of which £131.7m (2017: £241.3m) was undrawn.

Bank revolving facility

The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 13 December 2022 which following a one-year extension arranged in November 2018 has been extended to 12 December 2023. Fees of £0.5m were paid for this extension. Arrangement fees of £3.0m (2017: £3.2m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the extended term of the facility.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent) when the Group's leverage is less than 1:1 up to 1.85% per annum above LIBOR for leverage above 2.5:1. A further utilisation fee is charged if over one-third utilised at 0.15% which rises to 0.30% of the outstanding loans if over two-thirds is drawn. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

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

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

Other loans

DP Norway AS has a five year amortising loan facility provided by Nordea Bank AB for NOK50m maturing in November 2022 with a final bullet repayment of NOK10.4m (£0.9m) and quarterly repayments of NOK2.1m (£0.2m). Interest is charged at 0.6% above NIBOR plus a yearly commission of 0.9%. At 30 December 2018 NOK35.4m (£3.2m) was drawn down (2017: NOK43.8m (£3.9m)). Interest is charged at 1.35% above NIBOR with quarterly commission of 0.15%. DP Norway AS also has access to a NOK 4.0m (£0.3m) overdraft. Both the overdraft and loan facility are guaranteed by the Company.

Share buyback obligation

On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2018. The remaining share buybacks outstanding at 30 December 2018 was recognised as a financial liability of £15.8m. The full obligation had been utilised by 27 February 2019.

On 14 December 2017 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £20.0m of shares from 18 December 2017. The remaining share buybacks outstanding at 31 December 2017 was recognised as a financial liability of £18.3m. The full obligation had been met by 5 February 2018.

Put option liabilities

The Group has granted put options held by non-controlling interests over their remaining shareholdings of PPS Foods AB, DP Norway AS, Pizza Pizza EHF and Sell More Pizza Limited. The gross amount attributed to the put options held by the non-controlling interests over the remaining shareholdings at 30 December 2018 was £11.8m (2017: £40.3m).

During the period, options over 44.3% of shares of Pizza Pizza EHF lapsed as the shares were purchased by the Group during the exercise period. As a result of this acquisition, £26.3m of the put option liability was derecognised during the period.

In respect of the put options relating to PPS Foods AB, DP Norway AS, and Pizza Pizza EHF, the value of the financial liabilities is the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The put option liability is based on a forecast sales multiple of the respective businesses during the exercise period. The options are exercisable from 1 July 2019 until 30 June 2023.

During the period, the value of the options increased as the sales collar indicated a higher valuation than the previous fair value used based on the overall profitability of the business.

In respect of the put options relating to Sell More Pizza Limited arising on acquisition of London corporate stores on 5 October 2017, a liability at the present value of the gross amount of the put options was held by the non-controlling interests over the remaining shareholding amounting to £5.6m. This option, which was exercisable at this value from six months up until 12 months after the acquisition date, was exercised and settled in full in October 2018.

22. DEFERRED AND CONTINGENT CONSIDERATION

(a) Assets

	Deferred	Contingent	Total
	£m	£m	£m
At 31 December 2017	_	-	-
Acquisition of subsidiary	0.9	-	0.9
Disposal of joint venture	5.7	-	5.7
At 30 December 2018	6.6	_	6.6

(b) Liabilities

	Deferred £m	Contingent £m	Total £m
At 25 December 2016	_	1.1	1.1
Acquisition of subsidiary	3.6	-	3.6
Paid during the period	_	(1.1)	(1.1)
At 31 December 2017	3.6	-	3.6
Paid during the period	(3.6)	_	(3.6)
At 30 December 2018	-	-	_

	At 30 December 2018 £m	At 31 December 2017 £m
Current	0.9	(3.6)
Non-current	5.7	_
	6.6	(3.6)

On 5 October 2017, the Group acquired a controlling interest in Sheermans SS Limited, Sheermans Limited, Sheermans Harrow Limited and WAP Partners Limited on which deferred consideration was payable of £3.6m at 31 December 2017, and was subsequently paid in 2018.

On 6 August 2018, the Group acquired 100% of the share capital of Hamandi Investments Limited (now called Have More Fun (London) Limited), a franchisee that operates six Domino's stores in London. At 30 December 2018 the Group held a £0.9m receivable balance, which is the net of a retention and a working capital adjustment.

On 18 December 2018, the Group disposed of its 50% holding of share capital in its joint venture DP Shayban Limited, on which deferred consideration is receivable of £5.7m in 2023. This is not contingent on performance conditions.

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23. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

For the stores in the UK & Ireland franchisee system, the Group has entered into commercial leases, taking the head lease and then subletting the properties to the franchisees. These head leases have an average duration of between ten and 25 years. Under the terms of the franchise agreement the franchisee is granted an initial period of ten years to operate a Domino's Pizza delivery store under the Domino's system. Under the agreement, the franchisee also has the option to renew for a further 10 years at the end of the initial period provided at the time of the renewal the franchisee is not in default of any material provision of the franchise agreement. The property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. During the current period, 100% of SFAs which reached the end of the initial 10 year period were renewed.

In addition the Group has entered into commercial leases on motor vehicles and items of plant, machinery and equipment. These leases have an average duration of between three and five years.

Operating lease commitments where the Group is lessee

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

	At 30 December 2018 £m	At 31 December 2017 £m
Not later than one year	29.8	27.5
After one year but not more than five years	105.0	100.5
After five years	202.0	203.8
	336.8	331.8

Operating lease rentals where the Group is lessor

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

	At 30 December 2018 £m	At 31 December 2017 £m
Not later than one year	22.0	21.6
After one year but not more than five years	72.7	71.8
After five years	126.5	118.0
	221.2	211.4

24. PROVISIONS

	Reversionary share plan provisions £m	Dilapidations provisions £m	Onerous lease provisions £m	Other provisions £m	Total £m
At 31 December 2017	11.0	2.2	2.8	1.8	17.8
Arising during the period	_	_	0.3	0.8	1.1
Utilised during the period	_	_	(0.3)	_	(0.3)
Released during the period	_	(0.7)	(0.4)	(0.8)	(1.9)
Impact of discounting	-	_	0.1	-	0.1
At 30 December 2018	11.0	1.5	2.5	1.8	16.8

	At 30 December 2018 £m	At 31 December 2017 £m
Current	3.6	4.5
Non-current	13.2	13.3
	16.8	17.8

Reversionary share plan provisions

As discussed more fully in note 2, the employment tax provision relates to certain of the Group's historical share-based compensation arrangements dating from 2003-2010. As a result of the updated legal advice received a provision was recorded during the period ended 31 December 2017 amounting to £11.0m, comprising £2.6m employer's NIC, and £8.4m employee's NIC and PAYE at that date. Within this an estimate of interest on overdue tax of £3.3m was provided. These provisions have been maintained as at 30 December 2018 pending agreement with the tax authorities.

No contingent asset has been recognised in the financial statements in relation to the indemnities provided by the beneficiaries of

the arrangements. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under

The timing of the utilisation of the provision is uncertain, as discussed more fully in note 2.

Dilapidations provisions

the indemnities.

On acquisition of the Nordic entities and the London corporate stores, the Group acquired dilapidations provisions which were recognised at fair value. During the period, £0.7m of these provisions were released as the store conversion programme continued.

Onerous lease provision

The onerous lease provision relates to the outstanding rent obligation for properties in the UK, the ROI, Germany and Norway. These properties include sublets to commercial tenants, properties for which a lease has been signed but no franchisee has been identified to operate the store such that the lease obligation has become onerous, along with stores for which the tenant is paying reduced rent and the Group expects to make a loss in relation to the lease. The provision will be utilised over the remaining lease term on the properties identified which range between one and 23 years. Provisions recognised on acquisition of Dolly Dimple's in the prior year were recorded at fair value.

Other provisions

Other provisions include £0.7m for commercial disputes in the Nordics and a further £0.6m for closure costs of DP Germany.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

The Group has various financial assets such as trade receivables and cash, which arise directly from its operations. The Group's principal financial liabilities comprise share buyback obligations, bank revolving facilities, other loans and finance leases.

The Group has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. The Group's Treasury Policy allows it to trade in derivatives to manage interest rate, commodity and foreign exchange risk.

Foreign currency risk

The Group has invested in operations in Iceland, Norway, Ireland, Sweden and Switzerland and also buys and sells goods and services in currencies other than sterling. The Group has also invested in an associate in Germany and an investment in Ireland. As a result, the value of the Group's non-functional currency revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates. The Group seeks to mitigate the effect of its currency exposures by agreeing fixed currency contracts with franchisees and suppliers wherever possible.

The Group does not use derivatives to hedge balance sheet and profit and loss translation exposures arising on the consolidation of overseas subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in sterling against the Euro, Icelandic Krona, Norwegian Krone, Swedish Krona and Swiss Franc exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the carrying value of currency-denominated assets in subsidiaries with a sterling functional currency and sterling-denominated assets in subsidiaries with a non-sterling functional currency. The impact on the Group's pre-tax equity is due to changes in carrying value of investments in joint ventures and associates. The Group's exposure to foreign currency changes for all other currencies is immaterial.

	Change in EUR rate	Effect on profit before tax £m	Effect on pre-tax equity £m
	Change in Lok rate	2111	
2018	+25%	(5.1)	(3.8)
	-25%	8.6	6.4
2017	+25%	(1.8)	(2.8)
	-25%	2.9	4.7
		Effect on profit	Effect on

Change in NOK rate	before tax £m	pre-tax equity £m
+25%	1.3	-
-25%	(2.1)	-
+25%	0.6	_
-25%	(1.1)	_
	+25% -25% +25%	Change in NOK rate £m +25% 1.3 -25% (2.1) +25% 0.6

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency risk continued

	Change in SEK rate	Effect on profit before tax £m	Effect on pre-tax equity £m
2018	+25%	0.7	_
	-25%	(1.1)	_
2017	+25%	0.5	-
	-25%	(0.8)	_

	Change in ISK rate	Effect on profit before tax £m	Effect on pre-tax equity £m
2018	+25%	0.4	_
	-25%	(0.7)	_
2017	+25%	5.8	_
	-25%	(9.7)	_

Credit risk

Customers who trade on credit terms and obtain finance leasing and loans from the Group are predominantly franchisees and it is considered that the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure.

In addition, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with franchisees that have been subject to the franchisee selection process and provide guarantees as required under the franchisee agreements, there is no requirement for collateral.

It is Group policy that cash deposits are only made with banks that have been approved by the Board and have a high credit rating (in accordance with the Group's treasury policy) to ensure that the Group is not exposed to unnecessary risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meets its obligations as they fall due.

To manage liquidity risk, each operating area prepares short-term, medium-term and long-term cash flow forecasts which are regularly reviewed and challenged. These forecasts are consolidated centrally to ensure the Group has sufficient liquidity to meet it liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. All major investment decisions are considered by the Board as part of the project appraisal and approval process.

The Group has access to a £350.0m syndicated revolving credit facility which matures in December 2023 with an option of a further one-year extension. The Group also has access to Sterling, Euro and Norwegian Krone overdrafts which were undrawn at 30 December 2018.

The table below summarises the maturity profile of the Group's financial liabilities at 30 December 2018 and 31 December 2017 based on contractual undiscounted payments.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Period ended 30 December 2018					
Floating rate borrowings		•			
Bank revolving facility	_	_	-	224.5	224.5
Other loans	_	0.1	0.6	2.5	3.2
Fixed rate borrowings		•			
Finance leases	_	_	_	0.4	0.4
Non-interest bearing	•••••	······································	•	•••••••••••••••••••••••••••••••••••••••	
Trade and other payables	_	93.5	0.1	0.7	94.3
Contingent consideration	-	_	_	_	-
Put option liabilities	-	_	1.4	10.4	11.8
Share buyback obligation	_	15.8	_	_	15.8
	_	109.4	2.1	238.5	350.0
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Period ended 31 December 2017					
Floating rate borrowings			•	•	
Bank revolving facility	-	_	_	113.9	113.9
Other loans	-	_	0.2	3.7	3.9
Fixed rate borrowings		•			
Finance leases	-	0.1	0.3	_	0.4
Non-interest bearing		•			
Trade and other payables	-	85.7	0.7	0.9	87.3
Contingent consideration	-	3.6	_	_	3.6
Put option liabilities	-	_	5.6	34.7	40.3
Share buyback obligation	-	18.3	_	_	18.3
		107.7	6.8	153.2	267.7

Interest rate risk

The Group's interest rate risk arises predominately from its revolving credit facility.

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

The Group undertakes sensitivity analysis prepared on a basis of constant net debt.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the 52 week period ended 30 December 2018 would increase/decrease by £1.0m (2017: increase/decrease by £0.5m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. There would be no impact on other comprehensive income.

52 weeks ended 30 December 2018

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Capital management

The primary objective of the Group's capital management is to ensure that it retains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants.

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended 30 December 2018 and 31 December 2017. At the AGM on 19 April 2018, a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its Ordinary shares.

The Group's financing is subject to financial covenants. These covenants relate to measurement of adjusted EBITDAR against consolidated net finance charges (interest cover) and adjusted EBITDA (leverage ratio) measured semi-annually on an LTM basis at half year and year end. The Group has complied with all these covenants.

	At 30 December 2018 £m	At 31 December 2017 £m
Other loans	3.2	3.9
Finance leases	0.4	0.4
Bank revolving facilities	224.5	113.9
Less: cash and cash equivalents	(24.8)	(29.0)
Net debt	203.3	89.2
Underlying EBITDA	109.8	108.5
Adjusted gearing ratio	1.85	0.8

For further commentary on cash flow, net debt and gearing see the strategic report.

26. FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

	Carrying value 2018 £m	Carrying value 2017 £m	Fair value 2018 £m	Fair value 2017 £m
Financial assets				
Other financial assets	8.9	9.0	8.9	9.0
Investments	11.1	-	11.1	_
Net investment in finance leases	1.2	-	1.2	_
Deferred and contingent consideration	6.6	_	6.6	_
Financial liabilities				
Bank revolving facilities	224.5	113.9	224.5	113.9
Other loans	3.2	3.9	3.2	3.9
Deferred and contingent consideration	_	3.6	_	3.6
Share buyback obligations	15.8	18.3	15.8	18.3
Put option liabilities	11.8	40.3	11.8	40.3
Finance lease liabilities	0.4	0.4	0.4	0.4

The fair value of the net investment in finance leases has been calculated by discounting the expected future cash flows at the market interest rate. The fair value of fixed rate borrowings has been calculated by discounting the expected future cash flows at a market rate of interest.

Management has determined that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and share buyback obligations approximate their carrying amounts largely due to the short-term maturity of these instruments.

The fair values of bank revolving facilities, fixed rate borrowings and finance lease liabilities are determined using a rate that reflects the entity's borrowing rate as at the end of the reporting period. The inputs used in these discounted cash flow calculations are at Level 2 in the hierarchy.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

IFRS 13 requires the classification of financial instruments measured at fair value to be determined by reference to the source of inputs used to derive fair value.

Other financial assets

The contingent consideration of €25.0m (£22.6m) (2017: €25.0m (£22.2m)) payable by Domino's Pizza Enterprises Limited (referred to as the 'Market Access Fee') in respect of Domino's Pizza Group plc divesting its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market, previously held through its shareholding in DP Cyco Limited and which became payable from 2017, is carried at a fair value of €9.9m (£8.9m) (2017: €10.1m (£9.0m)) within other financial assets. The contingent consideration is payable by instalments from 2017, the payment of each instalment being determined by reference to the German business achieving defined levels of EBITDA. As at 30 December 2018, no payments are due.

The inputs used to calculate the fair value of the Market Access Fee fall within Level 3 of the IFRS 13 hierarchy. Level 3 fair value measurements use unobservable inputs for the asset (or liability).

The fair value of the other financial asset recognised is calculated by discounting all future cash flows by the appropriate discount rate for the German associated Company. The payments are calculated applying an income approach valuation methodology, considering different scenarios of projected EBITDA, weighted by the probability of each scenario. The fair value is based on a midpoint in the range of probable fair value outcomes of €9.8m to €10.0m based on a range of EBITDA forecasts.

Description of significant unobservable inputs to valuation:

Significant unobservable inputs	Range	Sensitivity of the input to the fair value	
WACC	7.5% to 8.5%	1.0% increase (or decrease) in the WACC would result in a decrease (or increase) in fair value of €0.3m.	

The inputs used to calculate the fair value of the contingent consideration fall within Level 3 of the IFRS 13 hierarchy.

The fair value of the deferred consideration asset of £6.6m (2017: £0m) relates to sale of DP Shayban and expected working capital adjustments due on the Have More Fun corporate stores acquisition.

Investments

In November 2018 the Group made a 15% investment in Shorecal Limited (the 'Shorecal Investment'), a private company registered in the Republic of Ireland that operates 27 Domino's franchise stores in Ireland with a cost of investment of £11.1m. The equity investment has been designated as fair value through profit and loss. The inputs used to calculate the fair value of the Shorecal Investment fall within Level 3 of the IFRS 13 hierarchy. The fair value of the Shorecal Investment at 30 December 2018 is deemed to be the cost of investment given it was acquired close to the year end. As a result of the other investees taking a share of the investment, change of hands income of €750k was recognised by the Group underlying operating profit.

Put option liabilities

The gross amount of the put options held by the non-controlling interests over the remaining shareholdings at 30 December 2018 amounted to £11.8m (2017: £40.3m) and are disclosed in note 21. The inputs used to calculate the fair value of the put options fall within Level 3 of the IFRS 13 hierarchy. Level 3 fair value measurements use unobservable inputs for the asset (or liability). These inputs include the expected performance of the business during the exercise period.

The value of the financial liabilities is the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The options are exercisable from 1 July 2019 until 30 June 2023. See note 7 for details of movement during the year.

52 weeks ended 30 December 2018

27. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital

	At 30 December 2018		At 31 Decembe	r 2017
	Number	£	Number	£
At 31 December 2017 and 25 December 2016	486,834,530	2,535,591	498,673,494	2,597,252
Issued on exercise of share options	-	_	83,080	433
Share buybacks	(18,327,800)	(95,457)	(7,849,454)	(40,883)
Share cancellations	_	_	(4,072,590)	(21,211)
At 30 December 2018 and 31 December 2017	468,506,730	2,440,134	486,834,530	2,535,591

During the year the Company bought back a total of 18,327,800 Ordinary shares of 25/48p each for a total value of £59.2m including costs of £0.4m, which were cancelled. The average price for which these shares were purchased was 323.2p.

Since 31 December 2018 the Company bought back a further 6,276,657 Ordinary shares of 25/48p each for a total value of £15.8m including costs of less than £0.1m. The average price for which these shares were purchased was 252.6p. The number of shares allotted, called up and fully paid has reduced to 462,230,073.

During the 53 week period ended 31 December 2017 83,080 Ordinary shares of 25/48p each with a nominal value of £433 were issued between 323.7p and 390.1p for a total cash consideration received of £0.7m to satisfy the share options that were exercised.

During the 53 week period ended 31 December 2017 the Company bought back a total of 10,789,454 Ordinary shares of 25/48p each for a total value of £36.6m (including costs of £0.2m). Of these shares, 7,849,454 were cancelled and 2,940,000 were bought back and held as treasury shares. The average price for which these shares were purchased was 339.2p. The Company also cancelled 4,072,590 shares that were held as treasury shares at the start of the year.

Nature and purpose of reserves

Share capital

Share capital comprises the nominal value of the Company's Ordinary shares of 25/48p each.

Share premium

The share premium reserve is the premium paid on the Company's 25/48p Ordinary shares.

Capital redemption reserve

The capital redemption reserve includes the nominal value of shares bought back by the Company.

Capital reserve - own shares

This reserve relates to shares held by an independently managed EBT ('Employee Benefit Trust') and shares held by the Company as "treasury shares"

The shares held by the EBT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan ('LTIP') and other incentive schemes. During the period the Company acquired 1,350,000 of its own shares (2017: 2,940,000). At 30 December 2018 the Company held 2,127,080 (2017: 2,114,550) of its own shares in the EBT which had a historic cost of £6.3m (2017: £6.5m). These shares had a market value at 30 December 2018 of £4.6m (2017: £6.7m). The EBT has waived its entitlement to dividends.

During the year the Group impaired treasury shares by £3.3m (2017: £2.8m) on issue of shares at a price lower than historic cost.

08-47

48-92

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

Other reserve

The other reserve relates to the gross liability for put options held by non-controlling interests that the Group is contractually obliged to meet when exercised.

28. BUSINESS COMBINATIONS

A) 2018 Acquisitions

Pizza Pizza EHF

On 15 January 2018, the Group acquired a further 44.3% of Pizza Pizza EHF for consideration of ISK3.7bn (£26.8m), increasing the proportion of voting rights and share capital to 95.3%. As a result of this acquisition, £26.3m of the put option liability was derecognised. The non-controlling interest in Pizza Pizza EHF was adjusted by a £10.0m debit and the Other reserve relating to the initially recognised put options was adjusted by a £9.5m credit. The £0.5m variance between these amounts was realisation of the foreign exchange movements on the initial liability in the income statement. For further information refer to the statement of changes in equity.

Acquisition of Have More Fun (London) Limited (formerly Hamandi Investments Limited)

On 6 August 2018, the Group acquired 100% of the share capital of Hamandi Investments Limited, a franchisee operating six Domino's stores in London. Subsequent to acquisition, the company was renamed Have More Fun (London) Limited ('Have More Fun').

Deferred consideration is a working capital adjustment payable in March 2019. The acquisition balance sheet, shown below, was adjusted to reflect the provisional fair value adjustments.

Adjustments to the completion balance sheet primarily relate to recognition of intangible assets for the SFA and of necessary provisions. The SFA was valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. As a reacquired asset, this has been calculated over the remaining contractual term, and will be amortised over that period. Adjustments to taxes relate to deferred tax on the fair value adjustments. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Have More Fun contributed £0.1m to operating profit from the acquisition date to 30 December 2018. If the acquisition of Have More Fun had taken place on 31 December 2017, the Group underlying operating profit for the period ending 30 December 2018 would have been £97.6m and revenue would have been £540.7m.

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

28. BUSINESS COMBINATIONS CONTINUED

	Have More Fun Total £m
Consideration transferred	
Cash	7.2
Deferred consideration	(0.9)
Non-cash consideration	_
Total	6.3
Fair value of net assets acquired (provisional)	
Property, plant and equipment	0.7
Intangible assets	2.8
Inventories	_
Trade and other receivables	0.1
Deferred tax assets	-
Assets held for sale	-
Cash and cash equivalents	-
Total assets acquired	3.6
Trade and other payables	(1.0)
Loans	(0.3)
Provisions	-
Deferred tax liabilities	(0.6)
Total liabilities acquired	(1.9)
Net identifiable assets acquired at fair value	1.7
Goodwill arising on acquisition	
Consideration transferred	6.3
Transfer of equity at acquisition	-
Non-controlling interests	_
Fair value of net assets acquired (provisional)	(1.7)
Goodwill	4.6

B) 2017 Acquisitions

The acquisitions in the prior period have been accounted for as business combinations. For the business combinations in the prior period no measurement period adjustments were made in the current period to the acquisition balance sheets shown below.

Transaction costs relating to the acquisitions detailed in this section are detailed in note 7.

	53 weeks ended 31 December 2017				
_	Domino's Iceland £m	Domino's Norway and Sweden £m	Dolly Dimple's Norway £m	London Corporate Stores £m	Total £m
Consideration transferred					
Cash	1.3	13.7	5.7	24.4	45.1
Deferred consideration	-	_	-	3.6	3.6
Non-cash consideration	-	_	-	5.6	5.6
Total	1.3	13.7	5.7	33.6	54.3
Fair value of net assets acquired					
Property, plant and equipment	4.7	3.4	1.3	1.1	10.5
Intangible assets	22.1	18.7	1.7	4.5	47.0
Inventories	0.6	0.4	0.2	0.1	1.3
Trade and other receivables	4.1	0.8	1.1	1.3	7.3
Deferred tax assets	_	1.2	1.4	_	2.6
Assets held for sale	_	0.2	_	_	0.2
Cash and cash equivalents	14.7	0.9	3.1	4.9	23.6
Total assets acquired	46.2	25.6	8.8	11.9	92.5
Trade and other payables	(4.7)	(2.9)	(2.9)	(4.3)	(14.8)
Loans	(1.6)	(2.7)	_	_	(4.3)
Provisions	_	_	(2.3)	_	(2.3)
Deferred tax liabilities	(4.4)	(4.3)	(0.4)	(0.5)	(9.6)
Total liabilities acquired	(10.7)	(9.9)	(5.6)	(4.8)	(31.0)
Net identifiable assets acquired at fair value	35.5	15.7	3.2	7.1	61.5
Goodwill arising on acquisition					
Consideration transferred	1.3	13.7	5.7	33.6	54.3
Transfer of equity at acquisition	29.2	3.8	-	_	33.0
Non-controlling interests	17.4	4.6	-	_	22.0
Fair value of net assets acquired	(35.5)	(15.7)	(3.2)	(7.1)	(61.5)
Goodwill	12.4	6.4	2.5	26.5	47.8

52 weeks ended 30 December 2018

28. BUSINESS COMBINATIONS CONTINUED

B) 2017 Acquisitions continued

Acquisition of Domino's Iceland

On 19 April 2017 the Group acquired 2% of the share capital of its associated undertaking Pizza Pizza EHF, taking the Group's shareholding to 51% and in doing so gaining control of the Icelandic-based Domino's master franchise holder.

The acquisition balance sheet was adjusted to reflect provisional fair value adjustments. Adjustments to the completion balance sheet primarily relate to intangible assets of the MFA acquired with Pizza Pizza EHF and recognition of necessary provisions. The MFA has been valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Pizza Pizza EHF contributed £2.7m to operating profit from the acquisition date to 31 December 2017. If the acquisition of Pizza Pizza EHF had taken place on 26 December 2016, the Group underlying operating profit for the period ending 31 December 2017 would have been £96.5m and revenue for continuing operations would have been £487.3m.

Acquisition of Domino's Norway and Sweden

On 19 April 2017 the Group acquired an additional 51% of the share capital of its associated undertaking DP Norway AS ('DPN', formerly Pizza Pizza Norway AS), taking the Group's shareholding to 71% and in doing so gaining control of the Norway and Sweden-based Domino's master franchise holder. This allowed access to two fast growing markets and facilitated the subsequent acquisition of Dolly Dimple's Norges AS.

The acquisition balance sheet was adjusted to reflect provisional fair value adjustments.

Adjustments to the completion balance sheet primarily relate to intangible assets of the MFA acquired with DPN for Norway and Sweden and recognition of necessary provisions. The MFA has been valued using a cost approach taking into account forecast revenue and a discount rate applied. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

DPN contributed an operating loss of £6.2m from the acquisition date to 31 December 2017. If the acquisition of DPN had taken place on 26 December 2016, the Group underlying operating profit for the period ending 31 December 2017 would have been £95.2m and revenue for continuing operations would have been £478.8m.

Acquisition of Dolly Dimple's

On 2 May 2017 the Group acquired 100% of the share capital of Dolly Dimple's, a leading Norway-based pizza chain operator with 42 stores. The stores will be converted to Domino's stores and provide scale to the operations in Norway.

The acquisition balance sheet was adjusted to reflect provisional fair value adjustments.

Adjustments to the completion balance sheet primarily relate to intangible assets of the store franchise network and brand acquired with Dolly Dimple's, revaluation of property, plant and equipment in accordance with IFRS 13 and recognition of provisions relating to out of market leases and other necessary provisions. The store franchise network has been valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. The brand has been valued using the cost approach. Adjustments to taxes relate to additional tax provisions and deferred tax on the fair value adjustments. Non-controlling interests have been valued as a proportion of identifiable net assets.

The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

Dolly Dimple's contributed an operating loss of £1.4m to operating profit from the acquisition date to 31 December 2017. If the acquisition of Dolly Dimple's had taken place on 26 December 2016, the Group underlying operating profit for the period ending 31 December 2017 would have been £95.1m and revenue for continuing operations would have been £480.8m.

Transfer of Domino's Sweden

On 27 April 2017 the shares of the Group subsidiary PPS Foods AB, the Sweden-based Domino's master franchise holder, were transferred at market value from DPN to the shareholders of DPN in proportion of existing shareholding. This resulted in an additional payment of £1.7m from the non-controlling interests, which was accounted for in equity during the period ended 31 December 2017. The Group therefore retains control and the same ownership interest in the Company after the transfer in proportion to existing shareholdings.

Acquisition of London corporate stores in 2017

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

Deferred consideration of £3.6m was paid January 2018. The acquisition balance sheet was adjusted to reflect the provisional fair value adjustments.

Adjustments to the completion balance sheet primarily relate to recognition of intangible assets for the SFA and of necessary provisions. The SFA was valued using the multi-period excess earnings method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied. As a reacquired asset, this has been calculated over the remaining contractual term, and will be amortised over that period. Adjustments to taxes relate to deferred tax on the fair value adjustments. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. The goodwill recognised is not deductible for tax purposes.

The London corporate stores have contributed £0.4m to operating profit from the acquisition date to 31 December 2017. If the acquisition of the London corporate stores had taken place on 26 December 2016, the Group underlying operating profit for the period ending 31 December 2017 would have been £98.2m and revenue for continuing operations would have been £488.2m.

29. SHARE-BASED PAYMENTS

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 30 December 2018 was £0.9m (2017: £1.7m). 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 1,225,628 awards were granted (2017: 1,303,954). At 30 December 2018, there were 2012 LTIP awards over 4,054,251 (2017: 4,072,373) shares in Domino's Pizza Group plc.

The weighted average remaining contractual life of the options outstanding at 30 December 2018 was 1.4 years (2017: 1.4 years). The weighted average share price for options exercised was 275.19p (2017: 281.9p).

52 weeks ended 30 December 2018

29. SHARE-BASED PAYMENTS CONTINUED

2016 Long Term Incentive Plan ('2016 LTIP')

At the 2016 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 to five-year period should certain performance targets be achieved by the Group and all awards will be equity settled. During the period no awards were granted (2017: nil). At 30 December 2018, there were 2016 LTIP awards over 1,602,000 (2017: 1,602,000) shares in Domino's Pizza Group plc.

The weighted average remaining contractual life of the options outstanding at 30 December 2018 was 1.3 years (2017: 2.3 years).

There were no options exercised during 2018 (2017: nil).

The fair value of options granted is estimated at the date of grant 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 30 December 2018:

	52 weeks ended 30 December 2018
Weighted average fair value	190.35p
Weighted average share price	285.58p
Weighted average exercise price	0.00p
Expected dividend yield	3.27%
Risk-free rates	0.77%
Expected volatility	28.6%

Further information on the Company's 2012 and 2016 LTIP awards is given in the Executive Director policy table on pages 82 to 84 of the Directors' remuneration report.

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 30 December 2018 (2017: 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 exercise price of outstanding options is 258.09p (2017: 240.3p).

Share schemes

As at 30 December 2018, the following share options and awards were outstanding:

Scheme	Exercise price	Outstanding at 31 December 2017 Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Outstanding at 30 December 2018 Number	Exercisable at 30 December 2018 Number
2012 Long Term Incentive Plan	0.00p to 43.16p	4,072,373	1,225,628	(924,643)	(319,107)	4,054,251	1,057,109
2016 Long Term Incentive Plan	-	1,602,000	_	_	_	1,602,000	_
Domino's Pizza (Unapproved) Scheme	69.67p to 70.0p	28,779	-	(26,418)	(2,361)	_	_
Domino's Pizza CSOP (Unapproved) Scheme	113.67p to 160.80p	47,613	_	(3,534)	_	44,079	44,079
Domino's Pizza CSOP (Approved) Scheme	68.50p to 160.80p	129,789	_	(17,434)	_	112,355	112,355
Sharesave Scheme	144.67p to 275.33p	1,142,384	609,350	(365,286)	(248,854)	1,137,594	_
		7,022,938	1,834,978	(1,337,315)	(570,322)	6,950,279	1,213,543
Weighted average exercise price		48.35p	86.34p	92.61p	110.84p	44.90p	15.19p

Governance

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Scheme	Exercise price	Outstanding at 25 December 2016 Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Outstanding at 31 December 2017 Number	Exercisable at 31 December 2017 Number
2012 Long Term Incentive Plan	0.00p to 43.16p	3,740,492	1,303,954	(586,177)	(385,896)	4,072,373	1,334,766
2016 Long Term Incentive Plan	-	1,602,000	_	_	_	1,602,000	_
Domino's Pizza (Unapproved) Scheme	69.67p to 70.0p	52,776	-	(23,997)	-	28,779	28,779
Domino's Pizza CSOP (Unapproved) Scheme	113.67p to 160.80p	82,023	_	(30,876)	(3,534)	47,613	47,613
Domino's Pizza CSOP (Approved) Scheme	68.50p to 160.80p	211,263	_	(77,748)	(3,726)	129,789	129,789
Sharesave Scheme	143.33p to 275.33p	1,101,471	521,899	(347,682)	(133,304)	1,142,384	_
		6,790,025	1,825,853	(1,066,480)	(526,460)	7,022,938	1,540,947
Weighted average exercise price		45.70p	69.17p	95.66p	35.22p	48.35p	41.92p

52 weeks ended 30 December 2018

30. ADDITIONAL CASH FLOW INFORMATION

	Notes	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017
Cash flows from investing activities	Notes	Liii	ZIII
Receipts from the sale of other non-current assets		-	0.2
Payment of deferred consideration		_	(1.1)
Dividends received from associates and joint ventures	17	1.6	1.2
Decrease/(increase) in loans to associates and joint ventures	17	(5.8)	0.1
(Increase)/decrease in loans to franchisees		(0.3)	(0.4)
Receipts from repayment of franchisee leases		1.2	_
Payments to acquire finance lease assets		_	(0.7)
Other		(3.3)	(0.7)

Reconciliation of financing activities

	At 31 December 2017 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 30 December 2018 £m
Bank revolving facility	(113.9)	(108.0)	(2.6)	-	(224.5)
Bank loans	(3.9)	0.7	_	_	(3.2)
Finance leases	(0.4)	_	_	_	(0.4)
Other	(58.6)	96.2	(0.3)	(64.9)	(27.6)
	(176.8)	(11.1)	(2.9)	(64.9)	(255.7)

	At 25 December 2016 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	At 31 December 2017 £m
Bank revolving facility	(56.7)	(56.4)	_	(0.8)	(113.9)
Bank loans	-	(0.2)	0.2	(3.9)	(3.9)
Finance leases	(0.1)	(0.1)	_	(0.2)	(0.4)
Other	(0.9)	_	_	(57.7)	(58.6)
	(57.7)	(56.7)	0.2	(62.6)	(176.8)

Included within other loans are gross put option liabilities of £11.8m (2017: £40.3m) and share buyback liabilities of £15.8m (2017: £18.3m).

Purchase of own shares

Notes	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Purchase of own shares - share buyback	59.2	26.8
Purchase of own shares - employee benefit trust	4.4	9.8
	63.6	36.6

31. CAPITAL COMMITMENTS

At 31 December 2017, amounts contracted for but not provided for in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2017: £2.0m) for the Group.

32. CONTINGENT LIABILITIES

Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited, and as a result the Irish Company has been exempted from the filing provisions in section 7, Companies (Amendment) Act 1986 of the ROI.

33. POST BALANCE SHEET EVENTS

Share buybacks

Subsequent to 30 December 2018, the Group bought back a total of 6,276,657 Ordinary shares for a total value of £15.8m, fully extinguishing the share buyback liability at 30 December 2018 (note 21).

34. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Domino's Pizza Group plc and the subsidiary and associated undertakings listed below.

Name of Company	Country of incorporation	Proportion of voting rights and share capital	Registered office
Directly held subsidiary undertakings			
DP Norway AS	Norway	71% Ordinary	Kabelgata 8, Oslo, 0580, Norway
OP Capital Limited	England	100% Ordinary	1Thornbury, West Ashland, Milton Keynes MK6 4BB United Kingdom
DP Cyco Limited	Cyprus	100% Ordinary	Rigas, 4, Omega Court, Floor 1, Limassol, 3095, Cyprus
DP Cyco Switzerland Limited	Cyprus	100% Ordinary	Rigas, 4, Omega Court, Floor 1, Limassol, 3095, Cyprus
DP Group Developments Limited	England	100% Ordinary	1Thornbury, West Ashland, Milton Keynes MK6 4BB United Kingdom
DP Realty Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes MK6 4BB United Kingdom
PPG Holdings Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes MK6 4BB United Kingdom
izza Pizza EHF¹	Iceland	95.3% Ordinary	Louholar 2-6, 11 Reykjavik, Iceland
PPS Foods AB	Sweden	71% Ordinary	Elias Lönnrots Väg 19, 168 46 Bromma, Sweden
ndirectly held subsidiary undertakings		•	
D.P. Newcastle Limited	England	100% Ordinary	1Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
Deutsche Dominoid GmbH ⁶	Germany	100% Ordinary	c/o Cormoran GmbH, Am Zirkus 2, 10117, Berlin, Germany
Oolly Dimple's Norge AS	Norway	71% Ordinary	Kabelgata 8, Oslo, 0580, Norway
oomino's Pizza Germany GmbH ⁶	Germany	100% Ordinary	c/o Cormoran GmbH, Am Zirkus 2, 10117, Berlin, Germany
Domino's Leasing Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
Domino's Pizza (Isle of Man) Limited	Isle of Man	100% Ordinary	First Floor, Jubilee Buildings, Victoria Street, Douglas, IM1 2SH, Isle of Man
Domino's Pizza Germany (Holdings) Limited	England	100% Ordinary	1Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
Oomino's Pizza Germany Limited	England	100% Ordinary	1Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
omino's Pizza GmbH	Switzerland	100% Ordinary	Europastrasse 19, 8152, Glattbrugg, Switzerland
omino's Pizza UK & Ireland Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
P Operations AS	Norway	71% Ordinary	Kabelgata 8, Oslo, 0580, Norway
DP Pizza Limited	Republic of Ireland	100% Ordinary	Unit 1B Toughers Business Park, Newhall, Naas Co. Kildare, Ireland
P Production AS	Norway	71% Ordinary	Nesveien 13, Haslum, 1344, Norway
P Realty Deutschland GbmH ⁶	Germany	100% Ordinary	c/o Cormoran GmbH, Am Zirkus 2, 10117, Berlin, Germany
IJS Pizza Deutschland GmbH ⁶	Germany	100% Ordinary	c/o Cormoran GmbH, Am Zirkus 2, 10117, Berlin, Germany
ell More Pizza Limited³	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
heermans Harrow Limited ³	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
heermans Limited ³	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
heermans SS Limited ³	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
VAP Partners Limited ³	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
lave More Fun (London) Limited ²	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom

Notes to the Group financial statements continued 52 weeks ended 30 December 2018

34. RELATED PARTY TRANSACTIONS CONTINUED

Name of Company	Country of incorporation	Proportion of voting rights and share capital	Registered office
Direct Associate undertakings			<u> </u>
Daytona JV Limited	England	33.3% Ordinary	3rd Floor, 1 Ashley Road, Altrincham, Cheshire WA14 2DT, United Kingdom
Full House Restaurants Holdings Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Indirectly held subsidiaries of associate	undertakings	•••••	
B N Sandy (Newcastle) Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
B N Sandy (Cannock) Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Bristol Curry Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Classic Crust Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Dancing Tiger Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Freshname 845 Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Full House Restaurants Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Hallo Pizza GmbH	Germany	33.3% Ordinary	Hans-Böckler-Strasse 48, 40764 Langenfeld, Germany
House Special Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
J M R Foster (Winsford) Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Sherston Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Sunmead Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Surrey Pizzas Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
The Woodpecker Inn Ltd	England	49% Ordinary	34 Anyards Road, Cobham, Surrey KT11 2LA, United Kingdom
Daytona Germany GmbH	Germany	33% Ordinary	Holzdamm 57, 20099, Hamburg, Germany
Domino's Pizza Deutschland GmbH	Germany	33% Ordinary	Holzdamm 57, 20099, Hamburg, Germany
Direct Joint venture undertakings		•••••	
Domino's Pizza West Country Limited	England	50% Ordinary	1 Thornbury, West Ashland, Milton Keynes MK6 4BB United Kingdom
Indirectly held subsidiaries of joint ventu	ıre undertakings	······	
DA Hall Trading Limited	England	50% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
DAHT Limited	England	50% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB United Kingdom
MLS Limited	England	50% Ordinary	Aldreth, Pearcroft Road, Stonehouse, Gloucestershire GL10 2JY, United Kingdom
Investment undertakings			
Shorecal Limited ⁴	Republic of Ireland	15% Ordinary	4 Haddington Terrace, Dun Laoghaire, Co. Dublin, A96DX80, Ireland

¹ The Group acquired 44.3% of Pizza Pizza EHF in January 2018.

² Have More Fun (London) Limited was acquired during August 2018.

³ The Group acquired the remaining 25% of Sell More Pizza Limited during October 2018.

⁴ The Group acquired a 15% interest in Shorecal Limited during November 2018.

⁵ The Group sold its 50% interest in DP Shayban Limited and its subsidiaries in December 2018.

⁶ In liquidation.

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During the period the Group entered into transactions, in the ordinary course of business, with related parties. For details of loan balances due from associates please refer to note 16. Transactions entered into, and trading balances outstanding with related parties, are as follows:

	Sales to related party £m	Amounts owed by related party £m
Related party		
Associates and joint ventures		
30 December 2018	41.1	1.3
31 December 2017	33.0	1.9

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured and interest free and cash settlement is expected within seven days of invoice. The Group has not provided for or benefited from any guarantees for any related party receivables or payables.

Compensation of key management personnel (including Directors)

	52 weeks ended 30 December 2018 £m	53 weeks ended 31 December 2017 £m
Short-term employee benefits	4.4	15.1
Post-employment benefits	0.2	_
Share-based payment	0.4	1.6
	5.0	16.7

The table above includes the remuneration costs of the Executive Directors of the Company, the Directors of Domino's Pizza UK & Ireland Limited and other key management personnel of the Group.

A provision for employment taxes has been recorded in the prior year (see note 2). The related expense has been included in the compensation to current and former Directors and members of the senior management team in 2017. The amount pertaining to current Directors is included in the Directors' remuneration report. The amounts are presented gross and do not reflect future recoveries of the expense from certain members of the senior management team and Directors.

Company balance sheet 52 weeks ended 30 December 2018

	Notes	At 30 December 2018 £m	At 31 December 2017 £m
Fixed assets	Notes	EIII	EIII
Investment in subsidiary undertakings	4	69.8	64.9
Investment in associates and joint ventures	4	22.6	18.5
integralism in decoration and joint ventures		92.4	83.4
Assets		32.1	
Other financial asset	3	8.9	9.0
Other receivables: falling due after one year	5	19.3	13.2
Other receivables: falling due within one year	5	37.0	66.0
Deferred consideration: falling due after one year	6	5.7	_
Cash and cash equivalents		1.0	0.8
Deferred tax asset	9	1.9	1.9
		73.8	90.9
Creditors: amounts falling due within one year			
Other payables	7	(3.0)	(13.4)
Current tax liabilities		(1.6)	(1.6)
Financial liabilities	8	(15.8)	(18.3)
		(20.4)	(33.3)
Creditors: amounts falling due after one year			
Financial liabilities	8	(59.8)	(17.9)
Provisions	10	(11.0)	(11.0)
Total liabilities		(91.2)	(62.2)
Net assets		75.0	112.1
Shareholders' equity			
Called up share capital	11	2.4	2.5
Share premium account		36.7	36.7
Capital redemption reserve		0.5	0.5
Capital reserve – own shares		(6.4)	(6.5)
Retained earnings		41.8	78.9
Total equity shareholders' funds		75.0	112.1

The profit for the 52 week period ended 30 December 2018 of the Company is £66.5m (2017: £95.8m). The financial statements were approved by the directors on 11 March 2019 and signed on their behalf by:

David Wild

Director

Registered number: 03853545

Company statement of changes in equity 52 weeks ended 30 December 2018

Overview

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	Share capital £m	Share premium account £m	Capital redemption reserve £m	Capital reserve – own shares £m	Profit and loss account £m	Equity shareholders' funds £m
At 25 December 2016	2.6	36.6	0.5	(12.3)	71.3	98.7
Proceeds from share issues	_	0.1	_	0.3	_	0.4
Share cancellations	_	_	_	12.3	(12.3)	_
Share buybacks	(0.1)	_	_	(9.6)	(26.6)	(36.3)
Share buybacks obligation	_	_	_	_	(8.3)	(8.3)
Impairment of share issues	_	_	_	2.8	(2.8)	_
Profit for the period	_	_	_	_	95.8	95.8
Tax on employee share options	_	_	_	-	0.5	0.5
Share options and LTIP charge	_	_	_	-	1.7	1.7
Equity dividends paid	_	_	_	-	(40.4)	(40.4)
At 31 December 2017	2.5	36.7	0.5	(6.5)	78.9	112.1
Proceeds from share issues	_	_	_	1.2	_	1.2
Share cancellations	_	_	_	-	_	-
Share buybacks	(0.1)	_	_	(4.4)	(59.1)	(63.6)
Share buybacks obligation satisfied	_	_	_	-	18.3	18.3
Share buybacks obligation outstanding	_	_	_	-	(15.8)	(15.8)
Impairment of share issues	_	_	_	3.3	(3.3)	_
Profit for the period	_	_	_	_	66.5	66.5
Tax on employee share options	_	_	_	_	(0.3)	(0.3)
Share options and LTIP charge	-	-	_	-	0.9	0.9
Equity dividends paid	-	_	-	-	(44.3)	(44.3)
At 30 December 2018	2.4	36.7	0.5	(6.4)	41.8	75.0

Notes to the Company financial statements

52 weeks ended 30 December 2018

1. ACCOUNTING POLICIES

General information

Domino's Pizza Group plc ('the Company') is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' report.

The Company's financial statements are presented in pounds sterling (£), which is also the Company's functional currency. The Company's financial statements are individual entity financial statements.

As permitted by section 408 of the Companies Act 2006, the income statement and the statement of comprehensive income of the parent company have not been separately presented in these financial statements.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework and the Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention except for certain financial assets and liabilities measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 30 December 2018 and have been applied consistently to all years presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101 in respect of:

- (a) the requirements of IFRS 2 Share Based Payments;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of IFRS 13 Fair Value Measurement;
- (d) the requirement IAS 1 Presentation of Financial Statements to present certain comparative information and objectives, policies and processes for managing capital;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose IFRSs issued but not effective;
- (g) the requirements of IAS 24 Related Party Disclosures to present key management personnel compensation and intra-group transactions including wholly owned subsidiaries;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards to present an opening statement of financial position at transition.

The basis for all of the above exemptions is because equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.

Investments

Investments held in subsidiaries are stated at cost less provision for impairment.

The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Interests in associates and joint ventures

Investments in associates and joint ventures are stated at cost less provision for impairment.

Capital reserve - own shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves as 'Capital reserve – own shares' and recognised at cost. No gain or loss is recognised on the purchase or sale of such shares.

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Share-based payment transactions

Directors of the Company receive an element of remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met; see the Directors' Remuneration Report 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 value 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 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 into 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 profit and loss account.

The Company recharges the cost of equity-settled transactions to the respective employing entity, with a corresponding increase in equity and investment in subsidiary undertakings booked with Domino's Pizza Group plc.

Other financial assets

The Market Access Fee is classified as a non-current other financial asset and is measured at fair value. Changes in fair value are recognised in profit or loss.

Provisions for liabilities

A provision is recognised where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Reversionary share plan

Certain of the Group's historical share-based compensation arrangements dating from 2003-2010 involve a degree of estimation and judgement in respect of their employment tax treatment. HMRC issued protective assessments in respect of potential employment tax relating to these historical schemes and as a result of further advice received in January 2018 a provision has been recorded in the prior year for the 53 weeks ended 31 December 2017. For details see note 2 of the Group accounts.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Adoption of new standards and revised standards

The impact of the adoption of IFRS 15 and IFRS 9 on the Group accounts has been set out in note 2(aa) and 2(z) of the Group accounts. The adoption of these standards had no material impact on the financial statements of the Company.

52 weeks ended 30 December 2018

2. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit or the 52 week period ended 30 December 2018 of the Company is £66.5m (2017: £95.8m).

For details of audit fees see note 6 of the Group accounts.

3. OTHER FINANCIAL ASSETS

The contingent consideration of €25.0m (£22.6m) payable by Domino's Pizza Enterprises Limited (referred to as the 'Market Access Fee') in respect of Domino's Pizza Group plc divesting its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market, held through its shareholding in DP Cyco Limited and which became payable in 2017, is carried at a fair value of €9.9m (£8.9m) (2017: €10.1m (£9.0m)) within other financial assets. The contingent consideration is payable by instalments from 2017, the payment of each instalment being determined by reference to the German business achieving defined levels of EBITDA. As at 30 December 2018, no payments are due. For details of the fair value considerations see note 26 of the Group accounts.

4. INVESTMENTS

	Subsidiary undertakings	Associates and joint ventures	Total
	£m	£m	£m
Cost or valuation			
At 25 December 2016	15.2	45.4	60.6
Additions	26.0	-	26.0
Impairment	(3.2)	-	(3.2)
Transfer of class	26.9	(26.9)	-
At 31 December 2017	64.9	18.5	83.4
Additions	31.8	5.8	37.6
Disposals	_	(1.7)	(1.7)
Impairment	(26.9)	-	(26.9)
Transfer of class	-	-	_
At 30 December 2018	69.8	22.6	92.4

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are detailed in note 34 of the Group accounts and further details on the additions to investments in associates and joint ventures can be found in note 17 of the Group accounts.

The disposals of £1.7m (2017: £nil) represent a sale of DP Shayban Limited, details of the disposal can be found in note 17 of the Group accounts.

The transfer of class of £26.9m during the 53 weeks ended 31 December 2017 represents the acquisition of controlling shareholdings within Norway, Sweden and Iceland, refer to note 28 of the Group accounts for details.

During the period the Company contributed £5.0m (2017: £3.2m) to DP Cyco Limited. The investment in DP Cyco Limited was impaired by £5.1m (2017: £3.2m) during the 52 weeks period ended 30 December 2018.

During the period the Company made an additional investment of £26.8m into Pizza Pizza EHF (Iceland).

During the period the investment in DP Norway AS was impaired by £17.5m (2017: Nil).

During the period the investment in PPS Foods AB was impaired by £4.3m (2017: Nil).

5. OTHER RECEIVABLES

Falling due after one year

	At 30 December 2018 £m	At 31 December 2017 £m
Amounts owed by associates	19.3	13.2
	19.3	13.2
Falling due within one year		

	At 30 December 2018	At 31 December 2017
	£m	£m
Amounts owed by Group undertakings	36.8	65.7
Amounts owed by associates	0.2	0.3
	37.0	66.0

During the period, a provision was recorded over the amounts owed by DP Norway AS of £9.7m.

6. DEFERRED CONSIDERATION

On 18 December 2018, the Company disposed of its 50% holding of share capital in its joint venture Shayban Limited, on which deferred consideration is receivable of £5.7m at 30 December 2018.

7. OTHER PAYABLES

	At 30 December 2018 £m	At 31 December 2017 £m
Amounts owed to Group undertakings	1.3	9.3
Other creditors	-	0.4
Accruals and deferred income	1.7	3.7
	3.0	13.4

8. FINANCIAL LIABILITIES

	At 30 December 2018 £m	At 31 December 2017 £m
Current		
Share buyback obligation	15.8	18.3
Contingent consideration	_	_
	15.8	18.3
Non-current		
Bank revolving facility	56.5	17.9
Put Option liabilities	3.3	_
	59.8	17.9

Bank revolving facility

The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 12 December 2022 which following a one-year extension arranged in November 2018 has been extended to 13 December 2023. Fees of £0.5m were paid for this extension. Arrangement fees of £3.0m (2017: £3.2m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the extended term of the facility.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent) when the Group's leverage is less than 1:1 up to 1.85% per annum above LIBOR for leverage above 2.5:1. A further utilisation fee is charged if over one-third utilised at 0.15% which rises to 0.30% of the outstanding loans if over two-thirds is drawn. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

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

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

52 weeks ended 30 December 2018

8. FINANCIAL LIABILITIES CONTINUED

Share buyback obligation

On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2018 to 27 February 2019. The outstanding commitment to purchase share buybacks has been recognised as a financial liability of £15.8m as at 30 December 2018.

On 15 December 2017 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £20.0m of shares from 15 December 2017 to 8 March 2018. The outstanding commitment to purchase share buybacks has been recognised as a financial liability of £18.3m as at 31 December 2017. The full obligation was utilised by 5 February 2018.

9. DEFERRED TAX ASSET

	At 30 December 2018 £m	At 31 December 2017 £m
Deferred tax asset	1.9	1.9

The deferred tax asset of £1.9m (2017: £1.9m) relates to the £11.0m tax provision for the reversionary share plan. Refer to note 26 in the Group accounts for details.

10. PROVISIONS

	Reversionary share plan provisions
	£m
At 31 December 2017	11.0
Arising during the period	-
At 30 December 2018	11.0

Reversionary share plan provisions

As discussed more fully in note 2 of the Group accounts: the employment tax provision relates to certain of the Group's historical share-based compensation arrangements dating from 2003-2010. As a result of the updated legal advice received a provision has been recorded in these financial statements amounting to £11.0m, comprising £2.6m employer's NIC, and £8.4m employee's NIC and PAYE. Within this an estimate of interest on overdue tax of £3.3m has been provided for.

No contingent asset has been recognised in the financial statements in relation to the indemnities provided by the beneficiaries of the arrangements. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities.

The timing of the utilisation of the provision is uncertain, as discussed more fully in note 2 of the Group accounts.

11. AUTHORISED AND ISSUED SHARE CAPITAL

Allotted, called up and fully paid share capital

	At 30 December 2018		At 31 December 2017	
	Number	£	Number	£
At 31 December 2017 and 25 December 2016	486,834,530	2,535,591	498,673,494	2,597,252
Issued on exercise of share options	_	_	83,080	433
Share buybacks	(18,327,800)	(95,457)	(7,849,454)	(40,883)
Share cancellations	_	_	(4,072,590)	(21,211)
At 30 December 2018 and 31 December 2017	468,506,730	2,440,134	486,834,530	2,535,591

During the year the Company bought back a total of 18,327,800 Ordinary shares of 25/48p each for a total value of £59.2m including costs of £0.4m, which were cancelled. The average price for which these shares were purchased was 323.2p.

Since 31 December 2018 the Company bought back a further 6,276,657 Ordinary shares of 25/48p each for a total value of £15.8m including costs of less than £0.1m. The average price for which these shares were purchased was 252.6p. The number of shares allotted, called up and fully paid has reduced to 462,230,073.

During the 53 week period ended 31 December 2017 83,080 Ordinary shares of 25/48p each with a nominal value of £433 were issued between 323.7p and 390.1p for a total cash consideration received of £0.7m to satisfy the share options that were exercised.

During the 53 week period ended 31 December 2017 the Company bought back a total of 10,789,454 Ordinary shares of 25/48p each for a total value of £36.6m (including costs of £0.2m). Of these shares, 7,849,454 were cancelled and 2,940,000 were bought back and held as treasury shares. The average price for which these shares were purchased was 339.2p. The Company also cancelled 4,072,590 shares that were held as treasury shares at the start of the year.

12. SHARE-BASED PAYMENTS

The total charge recognised for share-based payments in respect of employee services received during the 52 weeks ended 30 December 2018 was £0.9m (2017: £1.7m). This arises solely on equity-settled share-based payment transactions. Of this total, a charge of £0.1m (2017: £1.6m) relates to employees of the Company and a charge of £0.8m (2017: £0.1m) relates to share options granted to employees of subsidiaries. For full disclosures relating to the total charge for the period including grants to both employees of the Company and its subsidiaries please refer to note 29 of the Group financial statements.

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

2018

On 23 April 2018 the 2018 final dividend of £25.2m was paid to shareholders, and on 13 September 2018 an interim 2018 dividend of £19.1m was paid to shareholders.

In addition, the Company announced £57.0m of share buybacks during the period, of which an irrevocable liability of £15.8m remained at 30 December 2018. The buybacks were completed on 27 February 2019.

The reserves available for distribution at 30 December 2018 are £21.9m.

On 6 March 2019, after the balance sheet date, the Company received a dividend of £15m from DPG Holdings Limited. The reserves available for distribution as at 7 March 2019 are £37.1m.

2017

On 25 April 2017 the 2016 final dividend of £22.0m was paid to shareholders, and on 1 September 2017 an interim 2017 dividend of £18.4m was paid to shareholders.

In addition, the Company announced £35.0m of share buybacks during the 53 week period ended 31 December 2017, of which an irrevocable liability of £18.3m remained at 31 December 2017. The buybacks were completed on 5 February 2018.

Capital reserve - own shares

This reserve relates to shares held by an independently managed EBT and shares held by the Company as 'treasury shares'.

The shares held by the EBT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan ('LTIP') and other incentive schemes. During the period the Company acquired 1,350,000 of its own shares (2017: 2,940,000). At 31 December 2017 the Company held 1,958,324 (2017: 2,114,550) of its own shares in the EBT which had a historic cost of £6.4m (2017: £6.5m). These shares had a market value at 30 December 2018 of £4.6m (2017: £6.7m). The EBT has waived its entitlement to dividends.

14. CONTINGENT LIABILITIES

DP Norway AS has a 5 year amortising loan facility provided by Nordea Bank AB for NOK50m maturing in 2022. DP Norway AS also has access to a NOK4.0m (£0.3m) overdraft. Both the overdraft and loan facility are guaranteed by the Company. The Company has guaranteed the liabilities of the Norwegian subsidiary.

Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited, and as a result the Irish Company has been exempted from the filing provisions in section 7, Companies (Amendment) Act 1986 of the ROI.

Five-year financial summary 52 weeks ended 30 December 2018

	30 December 2018	31 December 2017	25 December 2016	27 December 2015	28 December 2014 (restated)
Trading weeks	52	53	52	52	52
System sales (£m)¹	1,259.5	1,179.6	1,004.2	877.2	757.8
Group revenue (£m)	534.3	474.6	360.6	316.8	288.7
Underlying profit before tax (£m)	93.4	96.2	85.7	73.2	62.1
Statutory profit before tax (£m)	61.9	81.2	82.5	73.2	62.1
Basic earnings per share (pence)			•		•
– Statutory⁴	10.3	13.8	13.1	11.9	9.9
– Underlying⁴	16.1	16.0	13.8	11.9	10.0
Diluted earnings per share (pence)					
– Statutory⁴	10.2	13.7	12.9	11.8	9.9
– Underlying⁴	15.9	15.8	13.6	11.8	9.9
Dividends per share (pence) ⁴	9.50	9.00	8.00	6.92	5.83
Underlying earnings before interest, taxation, depreciation and amortisation (£m)	109.8	97.7	93.8	79.9	68.6
Adjusted net (debt)/cash (£m)²	(203.3)	(89.2)	(34.6)	40.4	11.0
Adjusted gearing ratio	1.85	0.8	0.4	(0.5)	(0.2)
Stores at start of year	1,192	1,013	931	872	835
Stores opened⁵	71	112	82	65	41
Stores acquired	_	67	_	-	_
Stores closed	(2)	-	_	(6)	(4)
Stores at year end	1,261	1,192	1,013	931	872
Corporate stores at year end	124	108	16	15	11
UK like-for-like sales growth (%) ³	4.6%	4.8%	9.8%	13.4%	13.1%

 $^{1\}quad \text{Sales from all stores in the UK, the ROI, Iceland, Norway, Sweden and Switzerland to the public.}$

 $^{{\}bf 2}\quad {\sf Excludes\ non-recourse\ loans,\ Germany\ non-controlling\ interest\ loan\ and\ share\ buyback\ obligation.}$

³ Calculated on a 52 week basis to reflect growth on a comparable period. Like for like definition restated to exclude split territories.

⁴ Historical years have been adjusted to reflect the share split of three shares for one made on 27 June 2016.

⁵ Total Domino's store openings in 2018 were 81, including 10 conversions to Dominos of previous Dolly Dimple's stores in Norway.

Shareholder information

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Aspect House Spencer Road Lancing West Sussex **BN99 6DA**

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, please contact the registrars:

- Callers in the UK: 0371 384 2895
- Callers from outside the UK: +44 121 415 0926

Lines are open from 8.30a.m. to 5.30p.m. Monday to Friday (excluding UK bank holidays).

Shareholders can also access details of their holding and other information on the registrars' website, www.shareview.co.uk.

The registrars provide an online share dealing service for those who are not seeking advice on buying or selling, available at www.selftrade.co.uk.

The registrars also offer a range of other dealing and investment services, which are explained on their website, www.shareview.co.uk.

Handle with care

Shareholders tell us that they sometimes receive unsolicited approaches, normally by telephone, inviting them to undertake a transaction in shares they own.

If you do not know the source of the call, check the details against the FCA website below and, if you have any specific information, report it to the FCA using the Consumer Helpline or the Online Reporting Form.

If you have any concerns whatsoever, do not take any action and do not part with any money without being certain that:

- · you fully understand the transaction;
- you know who you are dealing with and that they are registered with and authorised by the FCA; and

 you have consulted a financial adviser if you have any doubts. Remember, if it sounds too good to be true, it almost certainly is. You run the risk of losing any money you part with.

If you are worried that you may already have been a victim of fraud, report the facts immediately using the Action Fraud Helpline. Should you want any more information about "boiler room" and other investment-based fraud, this can be found on two websites:

Action Fraud Helpline

0300 123 2040

Action Fraud Website

www.actionfraud.police.uk

FCA Consumer Helpline

0800 111 6768

FCA Scams & Swindles Website

www.fca.org.uk/scams

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Domino's Pizza Group plc

1 Thornbury, West Ashland, Milton Keynes MK6 4BB



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