



DP Poland PLC

Annual Report and Accounts 2013

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ENTUZJAŃCZY PIZZY
ŚWIAT SIĘ KRECI WOKÓŁ PIZZY

Apple logo

Android logo

Mobile apps



MEXICANA



ITALIAN STYLE

NEAPOLITANA PALERMO
PARMA



TROPICANA



New products

DP Poland PLC

Annual Report and Accounts 2013

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Company Information

Directors	Nicholas John Donaldson - <i>Chairman</i> Peter John Edward Shaw - <i>Chief Executive</i> Maciej Adam Jania - <i>Finance Director</i> Robert Nicholas Lutwyche Morrish - <i>Non-Executive</i> Christopher Humphrey Robertson Moore - <i>Non-Executive</i> Gerald William Ford - <i>Non Executive</i>
Secretary	Patrick Michael Bodenham FCCA
Registered Office	Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD
Registered Number	7278725
Website	www.dppoland.com
Group Head Office – Poland	ul. Słomińskiego 19, lok. 508 00-195 Warszawa
Nominated Adviser and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Solicitors	Kaye Scholer LLP 140 Aldersgate Street London EC1A 4HY
Auditors	Crowe Clark Whitehill LLP Aquis House 49-51 Blagrove Street Reading Berkshire RG1 1PL
Registrars	SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD
Principal Bankers	Raiffeisen Bank Polska S.A. ul Piekna 20 00-549 Warsaw

Company Profile

DP Poland plc owns the entire issued share capital of DP Polska SA (“DPPSA”), a Polish company. DPPSA has the exclusive master franchise in Poland for Domino’s Pizza, the world’s leading pizza delivery brand. DPPSA has the exclusive right to develop and operate and sub-franchise to others the right to develop and operate Domino’s Pizza stores in Poland.

DPPSA’s first Domino’s Pizza store was opened in Warsaw in February 2011. There are now 16 corporately managed Domino’s stores and 1 sub-franchised store in Warsaw and 2 corporately managed stores in Krakow.

Poland has a population of 38 million people and has the potential to become a significant pizza delivery market. DP Poland’s objective is to establish Domino’s Pizza as the leading pizza delivery brand in Poland.

Risk Management

In addition to the review of the business given in the Chairman's Statement and the Chief Executive's Review, the Directors are required under section 417 the Companies Act 2006 to describe the principal risks and uncertainties facing the Company and the Group. The following is a summary of the principal risks and uncertainties, their potential impact, and the steps which have been taken by the Directors to mitigate them.

Master Franchise Agreement

The success of the Group and the Company is dependent on the continuation of the Master Franchise Agreement ("MFA") with Domino's Pizza. If the MFA were to be terminated it would prevent the Group from continuing to operate using the Domino's Pizza brand. To mitigate this risk the MFA has been secured for an initial 15 year period from June 2010, which may be renewed for an additional 10 year term provided certain conditions are satisfied. The Group works closely with its franchisor partner to ensure that all conditions of the MFA and amendments thereof, are adhered to.

Limited trading history

The Group has limited trading history and it is impossible to predict fully the ongoing demand for the Group's products in its chosen market and the profits and cash flows which will result from sales of those products. If sales revenues are significantly lower than anticipated, or costs are significantly higher than anticipated, this will negatively affect the Group's profitability and cash flows. To mitigate this risk the Company has chosen a proven, market-leading franchise system, which has already been successful in many markets.

Maintaining and expanding a suitable store portfolio

In order for the Group to implement its strategy (and to ensure compliance with the Domino's Pizza master franchise agreement) it will need to maintain and increase the number of its stores throughout Poland. There can be no guarantee that it will be able to identify sufficient suitable locations for new stores. To mitigate this risk, management use a site acquisition strategy utilising a number of separate sources and identifying potential sites well in advance of scheduled openings.

Changes in consumer tastes

Food service businesses are affected by changes in consumer tastes, local and national competition and factors such as demographic trends. Any material change in the market perception of the pizza home delivery and convenience food industry in general, or the Domino's brand in particular, could adversely affect the Group. To mitigate this risk the Group aims to reflect consumer tastes in its product offering and to offer value, quality and service to its customers.

Regulatory and compliance risks

The Group's operations are subject to a broad range of regulatory requirements, particularly in relation to planning, health and safety, employment, advertising and licensing. Failure to comply with these requirements could result in imposition of fines, damage to the brand and other negative consequences. To mitigate this risk, the Group has implemented a strong training and compliance regime and closely monitors changes in relevant legislation and regulations.

Economic risks

A deterioration in the general economic climate in Poland could lead to customers having less disposable income available which might in turn adversely affect the Group's revenues. The Group deliberately operates exclusively in Poland, whose economy has to date been resilient following the recent global economic slowdown.

Sub-Franchisees

Good relationships with our sub-franchisees are essential to the success of our sub-franchising business. Should these relationships deteriorate, there is a risk that we might lose franchisees or that loans made to them might become wholly or partly unrecoverable. To mitigate this risk it is our policy to work closely with sub-franchisees and to provide great service and support to them. Loans provided to sub-franchisees have where possible, appropriate guarantees to minimize any risk of financial loss.

IT systems and infrastructure

Significant failure in, or successful attacks on, the IT processes of our retail operations could impact online sales and each store's ability to trade. In the event of this happening, website sales could stop, which could have a serious detrimental effect on the financial performance of the Group. To mitigate this risk, it is our policy to regularly monitor, control and maintain the integrity and efficiency of IT infrastructure. Processes are in place to deal with any significant IT security incidents. Contingency plans are in place should any serious IT failures arise.

Chairman's Statement

In 2013 our priority was to prove the model at the store level. While we are yet to achieve EBITDA breakeven across the entire estate we have made significant progress as more stores hit monthly breakeven. Hand in hand with driving sales we have been working hard to reduce food costs, operating costs and the costs in store fit-out.

With the introduction of the more efficient S2 store format, we have made good progress in reducing capital expenditure in store fit-out and in reducing store rental. Our understanding of the ideal store location, based on our best performing stores, is also benefiting S2 store sales performance.

As sales volumes grow so do our efficiencies in procurement. We have reduced the cost of food, non-consumables and utilities, while retaining the quality of product and service expected by our customers. Our deployment of store labour is also becoming more efficient as sales volumes build.

On the sales front we continue to invest significantly in marketing and sales promotion. The online channel is playing an increasingly important part in our marketing and sales activity and we are continuously testing alternative online promotional approaches and the optimal media mix. In December, for the first time, over 50% of our delivery sales were made online, building to 59% in January 2014. Facebook is proving to be a significant promotional channel for us with over 50,000 fans. We expect our recently introduced mobile apps for Android and iPhone to take an increasing share of online orders as our customers opt for the convenience of ordering via their smartphones. Our brand tracking research indicates that awareness of Domino's pizza is growing among our target audience in Warsaw.¹

Our first sub franchised store was opened during the period and I am delighted to report that within only a few months of opening, the performance of this store is already demonstrating why the franchise model is so successful for Domino's Pizza worldwide.

Our long term focus is to roll out stores across the country and in so doing to become the leading pizza delivery business in Poland. As previously stated, in that quest we are prioritising the demonstration of sustainable profitability and growth at the store level over rapid store roll-out. In this way we intend to 'prove the model' and to attract sub-franchisees to invest in their own Domino's stores and replicate the franchise success witnessed in so many markets across the world, as well as continuing to open corporate stores as appropriate.

The task for 2014 is to continue to drive store profitability across the store estate and prove the potential of Domino's Pizza in Poland.

Nicholas Donaldson
Non-Executive Chairman
21 March 2014

¹ Market research commissioned by DP Polska, fieldwork conducted in June, October and December 2013

Chief Executive's Review

Proving the model

Proving the model will continue to be our focus in 2014, as we drive for breakeven at the store level. Once we have achieved consistently profitable stores we will accelerate corporate store openings and we will have the necessary evidence to attract sub-franchisees to open Domino's stores across more Polish cities. I am pleased to report that our first sub-franchisee has reported Store EBITDA breakeven in 3 of his first 4 full months of operation, November 2013-February 2014.

5 consecutive quarters of double digit like-for-like sales growth² provide strong evidence of the attractiveness of our offer to Polish consumers. As well as growing sales we are improving Store EBITDA performance month by month across our store estate. In the drive to store profitability we have achieved significant cost efficiencies in the procurement of food, pizza boxes and other non-consumables.

We continued to invest in city-wide marketing and promotions in Warsaw and in local store marketing, which is largely focused on leafleting, a tried and tested Domino's tactic. Our brand tracking research indicates significant increases in both spontaneous awareness and purchase intent for Domino's Pizza between June and December 2013.¹

A variety of new product introductions and price promotions were introduced in 2013 to drive top-line sales while retaining healthy margins. We saw like-for-like growth in sales of 43%² and like-for-like growth in gross profit³ of 46%². Order count was up 39%² and like-for-like Store EBITDA improved by 52%.²

Store EBITDA improved for the year ended 31 December 2013 at (£619,045) with 18 corporate stores open. By comparison, in the year ended 31 December 2012, Store EBITDA was (£996,840) with 14 corporate stores open, at a constant exchange rate.⁴

Group EBITDA remained largely unchanged at (£2,844,290) (2012: (£2,770,273)) at a constant exchange rate⁴, partly as a result of the additional funds committed to marketing in 2013 and the planned incremental increase in general and administrative expenses (G&A).

S2 stores

As announced in the September interim results statement, we have introduced a revised store format that delivers considerable cost savings in store fit-out and operational expenditure, while meeting operational guidelines and delivering the production capacity required of a mature store. Working closely with our franchisor Domino's Pizza International (DPI) and the Polish Food Safety Authority we have created a store format on a footprint that is 20-30% smaller than that of the typical Domino's store. Additionally, we have taken the opportunity to evolve the look and feel of the stores with a design that enhances customer perceptions of the quality of our brand offer, especially when compared to the local competition. Our fourteenth store recently won a Food Business Award in recognition of this new design. The new format, married to our growing knowledge of the ideal store location, enhances the chances of the S2 store to hit profitability significantly earlier than our first stores were able to do.

The rents for the stores signed in 2013 were on average 35% lower than the average rent of the first 13 stores and we achieved CAPEX savings of 31% against operating plan for the last 5 store fit-outs.

Store openings

In 2013, five new stores were opened representing a 36% increase in store numbers.

As disclosed in the September interim results statement, the DP Poland Board took the decision to prioritise 'proving the model' over rapid store roll-out. We have agreed with our franchisor, DPI, to

² Like-for-like growth in pln, matching trading periods for the same 13 stores between 1 January and 31 December 2012 and 1 January and 31 December 2013

³ Sales minus food costs

⁴ Exchange rate PLN 4.94: £1. Average for period January - December 2013, applied to 2012 figures for direct comparison

adjust our store roll-out plans further, adopting a more conservative approach in the shorter term. Once we have proven the store model, evidenced by sustained and growing store profitability, we anticipate accelerating store openings, both corporately owned and sub-franchised. The store opening schedule appended to the Master Franchise Agreement (MFA) has been adjusted accordingly.

We currently have 1 store constructed, due to open shortly, and 1 additional store signed and planned to open before the summer. We will take a view at mid-year on further store openings for 2014, based on store performance.

Sub-franchising

Our first sub-franchisee opened his first store in Warsaw in October and reported Store EBITDA breakeven for 3 of his first 4 full months, November 2013 – February 2014. We believe that the combination of the sub-franchisee's commitment, the more efficient S2 format and the store's location have all contributed to this exceptional performance.

We anticipate that sub-franchising will play a central role in the longer term roll-out of stores in Poland.

Krakow

During 2013, we opened 2 stores in Krakow, our first stores to be opened outside of Warsaw. Both sites are in the revised S2 format and are located in good residential locations. These stores are being supported through marketing activity in the vicinity of each store. All ingredients, boxes and marketing materials are being supplied from our Warsaw commissary. Both stores are performing to expectations.

Improving margin through lower costs

In 2013, we launched a number of initiatives to reduce food and operating costs. Projects to improve store labour, store operating expenditure, commissary operations and buying are all beginning to bear fruit. In the last quarter we recruited a buyer from an international multiple grocery chain to help us further improve our buying efficiencies. As sales volumes grow we expect significant improvements in our buying efficiency to continue in 2014 and beyond.

Innovation and marketing

In 2013, we launched a number of new pizzas that have become popular fixtures on our menu. The Italian Range was launched in January, led by the Parma pizza featuring Parma ham and Rocket added post-bake. The Mexicana was introduced in September and features pepperoni, Jalapeno peppers, real cactus flesh and fresh taco chips. Introducing new recipes helps to motivate new customers to try us and to bring existing customers back to try something new.

Online marketing continues to build significantly with the percentage of delivery sales ordered online exceeding 50% as of December 2013 and 59% in January 2014. Our online apps for Android and iPhone have been soft launched and we will be strongly supporting them, mirroring the shift to mobile ordering witnessed in other Domino's markets.

The number of Facebook fans registered on our fan page grew from 18,506 on 31 December 2012 to 54,631 on 31 December 2013. Facebook continues to be an important broader marketing channel for us as we run promotional competitions through our fan page, building awareness, encouraging trial and strengthening customer loyalty.

Our advertising activity in 2013 included outdoor posters, subway digital posters, radio, internet and cinema. Local store marketing focuses on leaflet and menu distribution, a critical component of the marketing media mix. We are focused on maximising efficiencies across the different media and optimising the media mix.

Our brand tracking research conducted among a representative sample of Warsaw inhabitants showed an increase in spontaneous awareness of Domino's Pizza from 28% to 60% over June to December 2013 and an increase in purchase intent from 23% to 38% over the same period.¹

Financial review

Group income

Revenue for the year ended 31 December 2013 was £3,169,801 (2012: £1,775,368). While an impressive rate of growth year-on-year the unusually mild winter months in the last quarter of 2013 negatively impacted demand, there being a direct correlation between cold and wet weather and the demand for delivery orders.

Group EBITDA for the same period was (£2,844,290) (2012: (£2,673,194)). Group EBITDA was impacted by the additional marketing investment of £778,275⁴ in 2013, compared to £485,439⁴ in 2012 while G&A grew within expectations. Our brand tracking research suggests that this investment is having a positive impact on consumer awareness and purchase intent¹.

The loss before taxation and share based payments for the period was (£3,178,019) (2012: (£3,006,653)).

Total loss for the period after tax, depreciation, finance income and accounting for share based payments was (£3,305,912) (2012: (£3,133,951))

Basic loss per share for this period was (3.58p) (2012:(11.10p)).

Cash position

The cash position of the Group as of 31st December 2013 stood at £7,297,148 (2012:£10,929,753).

Cash consumption for the year ended 31 December was (£3,641,523) (2012: (£3,071,671)).

Capital expenditure and operating expenditure

We opened 4 corporate stores and 1 sub-franchised store in 2013. Store number 20 is constructed and due to open shortly. 1 further site is already signed and that store is expected to open in the first half of 2014.

Interest received

Interest received for the 12 months ended 31 December 2013 was £98,327 (2012: £26,079).

Key performance indicators

These key performance indicators, financial and non-financial, illustrate performance at both the Group and store level and will be used to track performance in future financial reports. A constant exchange rate is applied for year-on-year comparison.

KPI	YE 2013⁵	YE 2012⁶
<i>System sales⁷</i>	£3,077,669 ⁸ (+66% vs 2012)	£1,853,268 ⁸
<i>E-commerce sales⁹</i>	£875,589 ⁸ (+140% vs 2012)	£365,100 ⁸
<i>Like-for-like store sales (pln)</i>	+43% ²	+37% ¹⁰
<i>Group EBITDA</i>	(£2,844,290) ⁸	(£2,770,273) ⁸
<i>Basic loss per share (EPS)</i>	(3.58p)	(11.10p)
<i>Delivery sales ordered online</i>	36%	26%
<i>Delivery orders on time¹¹</i>	88% of deliveries on time	94% of deliveries on time
<i>New store openings</i>	4 corporate stores. 1 franchised	2 corporate stores

Outlook

Like most start-ups we have been flexible in our growth strategy and we are now seeing significant traction at the store level as more stores regularly hit monthly EBTIDA breakeven. We are now further advanced in 'proving the model' and we will continue to push hard on sales and margin to consolidate that progress in 2014. The rate of store openings is now more clearly linked to the performance of current stores, with the potential to accelerate store roll-out as store performance improves.

⁵ Year ended 31 December 2013

⁶ Year ended 31 December 2012

⁷ Total store sales, corporate stores and sub-franchised stores

⁸ Exchange rate PLN 4.94: £1. Average for period January - December 2013, applied to 2012 figures for direct comparison

⁹ Orders made online via website and mobile apps

¹⁰ Like-for-like growth in pln, matching trading periods for the same 12 stores between 1 January and 31 December 2011 and 1 January and 31 December 2012

¹¹ Delivered within 30 minutes of ordering

I am particularly excited by the prospects for our first franchisee as he drives sales and profitability in his first store, bearing witness to the greater personal motivation inherent within the franchise model.

I am also gratified by the performance of our first stores to open outside of Warsaw, in Krakow, further supporting our evolved approach to site selection, store format and marketing.

On the macro level Poland continues to present a positive prospect to investors, with recent confirmation of very significant further funding in infrastructure and innovation from the EC and the Polish Government, strong exports, a positive balance of payments and growing consumer confidence evidenced in Polish Government statistics.¹²

The opportunity to create a significant Domino's Pizza business in this large, stable and growing European market is as evident now as it was when we set off on this journey over 3 years ago. I believe that 2014 will be a landmark year for us as we continue to 'prove the model' for Domino's Pizza in Poland.

Peter Shaw
Chief Executive
21 March 2014

Strategic Report approval

The Strategic Report on pages 2 to 10, incorporates the sections: Company Information, Company Profile, Risk Management, Chairman's Statement and the Chief Executive's Review

By order of the Board

Patrick Bodenham
Company Secretary
21 March 2014

¹² EUR 72.6bn EC financing under the Cohesion Policy framework, Treasury Ministry, Poland, msp.gov.pl 2014. Central Statistical Office of Poland tradingeconomics.com 2014.

The Board

The Board of DP Poland plc comprises 2 Executive and 4 Non-Executive Directors.

Nicholas Donaldson (aged 60), *Non-Executive Chairman*

Nick, who is a barrister by profession, has worked in investment banking for over 25 years. He is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2003 Nick was head of corporate finance at Arbutnot Securities. Prior to this he was head of investment banking in Europe for Robert W Baird and previously head of corporate finance and M&A at Credit Lyonnais. Nick was until 2007 a member of the FSA's Listing Authority Advisory Committee, which he joined on its inception. Nick has spent the majority of his career providing strategic advice to companies on mergers & acquisitions, IPOs and secondary fund raisings. Nick is an independent director of fully listed Games Workshop Group PLC. He was co-founder of the Clapham House Group PLC, the AIM quoted restaurant group, which was the subject of a recommended takeover in 2010.

Peter Shaw (aged 53), *Chief Executive*

Peter is a co-founder of DPP. He has over twenty-five years' experience of working with consumer brands, and was the International Marketing Director for coffeeheaven international plc until its sale in February 2010. Peter started his career in 1984 as a graduate trainee with Unilever-owned Research International, researching fast moving consumer goods. In 1987 he joined Saatchi & Saatchi Advertising where his clients included British Airways. In 1992 Peter joined leading innovation consultancy CLK and was part of the management buy-out team that formed one of the UK's leading brand consultancies. In 2005 Peter set up his own brand and marketing consultancy, with a range of blue-chip clients in food and non-food sectors.

Maciej Jania (aged 41), *Finance Director*

Maciej was appointed as Managing Director of DP Polska SA ("DPP SA"), a wholly-owned subsidiary of the Company, in November 2010. Maciej retains the Managing Director role in DPP SA. Maciej was previously the Financial and Commercial Director of DPP SA and has a strong commercial management background in large multi-site businesses. He joined DPP SA from Samsung Electronics (Poland) where, since September 2007, he held a senior financial position. Prior to this, Maciej was a key member of the highly successful founding team at coffeeheaven international plc.

Robert Morrish FCA (aged 64),

Rob is a Chartered Accountant and has considerable experience at board level in small and medium sized businesses. He was previously a non-executive director of coffeeheaven international plc and group finance director of Supreme Petfoods Limited and until December 2010 was chief financial officer of Lookfantastic.com, an online beauty product retailer and hair salon business. Rob has introduced and developed financial, costing and reporting systems for a diverse range of businesses and has considerable practical experience in treasury, taxation and company secretarial matters. He is currently also the Finance Director of RAK Ceramics UK Ltd.

Chris Moore (aged 54), *Non-Executive Director*

Chris was Chief Executive Officer at Domino's Pizza UK & IRL, from December 2007 to December 2011, having joined that company in 1990 as European Marketing Manager. Chris is a recipient of the Domino's Pizza Chairman's Circle Award presented in July 2010 making him one of the top 15 individuals in the 50 year history of the company to receive this award. He has more than 22 years of experience working with Domino's Pizza and was responsible for growing the number of stores from 37 to 720. Chris advises and invests in a number of other businesses in the catering and online industries.

Gerry Ford (aged 55), *Non-Executive Director*

Gerry is currently Chairman and Chief Executive of Caffè Nero Group Limited. Gerry founded Caffè Nero in 1997 when he bought five retail sites in London. Today, Caffè Nero has over 500 stores globally with more than 4,000 employees. Gerry's involvement in the Polish market started with a joint venture between Caffè Nero and Warsaw based coffee bar chain Green Coffee. He has over 25 years experience managing, advising and investing in small and medium sized consumer goods companies,

including co-founding Paladin, a venture capital group which both invests in and manages food, consumer brands, and media businesses.

DP Polska S.A. Management Board

Peter Shaw, *Chairman*

Maciej Jania, *Managing Director*

Tomasz Lachowski (aged 34) *Finance Director*

Tomasz joined DP Polska from Coffeeheaven (CHI Polska S.A.), Poland's leading coffee bar brand, where he was Head of Finance in the Warsaw headquarters. Tomasz joined coffeeheaven in 2002 and saw the business grow from a handful of stores to Central Europe's leading coffee bar brand. Tomasz attended the School of Economics and Law, Kielce.

Directors' Report

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2013.

Results and Dividends

The loss for the period, after taxation, amounted to £3,305,912 (2012: £3,133,951). The Directors do not recommend payment of a dividend to ordinary shareholders.

Fixed Assets

Details of the Group's intangible assets and property, plant and equipment are shown in notes 11 and 12 to the financial statements on pages 38 and 39.

Corporate Governance

The Company complies, so far as is practicable and given the Company's size, with the recommendations of best practice in the corporate governance of public companies as set out in the UK Corporate Governance Code. In particular, the Board has a majority of Non-Executive Directors.

Board Meetings

The Company holds regular Board meetings throughout the year.

Remuneration Committee

The remuneration paid to the Chief Executive is reviewed and approved by three Non-Executive Directors; Nicholas Donaldson, Robert Morrish and Gerald Ford, acting as the Remuneration Committee. Full details of the Company's remuneration policy and the remuneration paid to all Directors is set out in the Remuneration Report on pages 17 and 18.

Audit Committee

An audit committee has been established which consists of two Non-Executive Directors, Nicholas Donaldson and Robert Morrish. The committee is responsible for ensuring that the financial performance of the Group is properly reported upon and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

Health and Safety

High standards of health and safety management are promoted at all levels within the Group. As required under the Polish Labour Code, DP Polska S.A. ("DPSA") has appointed an external health and safety consultancy to advise DPSA on all aspects of employee health and safety. Regular audits for compliance are carried out by this organisation at DPSA stores and offices and DPSA periodically receives written confirmation that there are no outstanding matters within its operations that pose a danger to the health or safety of its employees.

In addition, the Group's approach to the health, safety and welfare of its employees in all markets is supported by training programmes and written rules relating to health and safety, all of which promote a high level of awareness and commitment within the Group.

Going Concern

In forming their views, the Directors have prepared cash flow forecasts for a 12 month period following the date of signing the balance sheet. As part of the preparation of these forecasts, the Directors have estimated the likely outcome for the number of new stores opened. Before entering into a contract to acquire a new site, the Directors ensure that the Group has sufficient working capital available to allow

the completion of the outlet. Based on these forecasts, the Directors have confirmed that there are sufficient cash reserves to fund the on-going store build programme and to operate business for the period under review.

After reviewing these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors and Directors' Interests

The Directors who held office during the period were as follows:

Nicholas John Donaldson
 Peter John Edward Shaw
 Maciej Adam Jania
 Robert Nicholas Lutwyche Morrish
 Christopher Humphrey Robertson Moore
 Gerald William Ford

In accordance with the Company's Articles of Association Nicholas Donaldson and Robert Morrish offer themselves for re-election at the Annual General Meeting.

The following Directors at 31 December 2013 had interests in the ordinary shares of 0.5p each as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Peter Shaw ^{1,2}	1,309,879	1.37%
Gerald Ford ²	739,122	0.77%
Christopher Moore ²	583,333	0.61%
Robert Morrish ²	186,666	0.20%
Nicholas Donaldson ^{2,3}	180,333	0.19%
Maciej Jania ^{2,4}	13,333	0.01%

1. Peter Shaw also controls the voting rights of 283,936 ordinary shares pursuant to the terms of the Company's Joint Ownership Share Scheme.
2. The Directors are interested in an additional 506,169 ordinary shares in total, pursuant to the terms of the Company's Share Incentive Plan as follows: Peter Shaw - 51,948 shares; Nicholas Donaldson - 165,422 shares; Robert Morrish - 165,422 shares; Maciej Jania - 103,896 shares; Gerald Ford - 6,494; Christopher Moore - 12,987 shares.
3. Held through Nicholas Donaldson's personal pension
4. Under the Company's Share Option Scheme, Maciej Jania has been awarded options over a maximum of 399,028 of the company's ordinary shares exercisable at 0.5 pence per share. These options are subject to personal and Company performance conditions.

Interests in the Joint Ownership Share Scheme take the form of a restricted interest in the Company's ordinary shares which permits the participant, subject to certain performance criteria, to benefit from a proportion of the increase (if any) in the value of a number of ordinary shares over which the interest is acquired.

The DP Poland plc Share Incentive Plan provides for awards of restricted shares to employees (and under an addendum by way of sub-plan, non-executive directors of Group companies). The ordinary shares in the Company are held in an Employee Benefit Trust during a vesting period of two years but the participant enjoys certain beneficial ownership rights during that time, and becomes entitled to full rights of ownership once the ordinary shares have vested.

Substantial Interests

At 21 March 2014, the Company had been notified under the Disclosure and Transparency Rules of the following major shareholdings and the percentages of voting rights represented by such holdings, excluding the shareholdings and associated voting rights of the Directors noted above.

	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Blackrock International Limited	9,324,291	9.77%
Majedie Asset Management Ltd	6,066,666	6.36%
Hargreave Hale Ltd	5,255,666	5.51%
Hermes Investment Management Ltd	4,550,000	4.77%
JM Finn & Co Ltd	3,108,668	3.26%
Trustees of DP Poland plc Employee Benefit Trust	3,055,844	3.20%
Pageant Holdings Limited	3,000,000	3.14%

Financial Instruments

The Group's principal financial instruments comprise cash at bank or in hand and various items such as trade receivables and payables, which arise directly from its operations. It is Group policy that no trading in financial instruments shall be undertaken.

The Group's overseas operations expose it to a variety of financial risks and the Directors have identified that the main risks to the Group in this area are from interest rate and foreign currency movements.

The Group is exposed to cash flow interest risk on its floating rate deposits and bank loans. The Group is able to manage this by free movement of funds between currencies to maintain the best return for the Group. Cash and borrowing requirements are managed centrally to maximise interest income and minimise interest exposure, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its activities.

As the Group's operations are all in Poland, it is exposed to foreign exchange risks primarily with respect to Polish Zlotys, US Dollars and Euros. In each case, where revenues of the Group are in a foreign currency, there is a material match between the currency of the operating company's revenue stream, primary assets, debt and debt servicing (if applicable).

Investments of cash surpluses, borrowings and other financial instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. Customers are not traded with on credit terms.

All sub-franchisees who are provided with loans from the Group have been through the franchisee selection process, which is considered to be sufficiently robust to ensure an appropriate credit verification procedure.

Annual General Meeting

The Annual General Meeting of the Company will take place at the offices of Peel Hunt LLP Moor House, 120 London Wall, London EC2Y 5ET, on 02 May 2014 at 11.00 a.m.

The notice of Annual General Meeting contains an ordinary resolution at resolution 5, which seeks to give the Directors authority to allot shares up to a maximum aggregate nominal amount of £159,063 and which, if passed, would allow the Directors to allot and issue up to 31,812,600 new ordinary shares of 0.5p each, representing approximately one third of issued ordinary share capital of the Company at the date of the notice of Annual General Meeting. This resolution also authorises the Directors to allot shares up to a further aggregate nominal amount of £159,063 where the shares are to be offered by way of a fully pre-emptive rights issue. The Directors do not have any present intention to exercise such authority. However, if the Directors were to exercise such authority and allot more than one third of the issued share capital, the Directors intend to follow best practice as regards the Directors standing for re-election, as recommended by the ABI. The notice of Annual General Meeting also contains a special resolution at resolution 6 which will authorise the Directors to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 5 in the notice of Annual General

Meeting referred to above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £47,719 representing 9,543,800 ordinary shares of 0.5p each, otherwise than pro rata to existing shareholders. The Directors have no present intention of issuing any further new ordinary shares in the exercise of such power.

Statement of Disclosure of Information to Auditors

The Directors of the Company who held office at the date of approval of this Annual Report as set out above each confirm that:

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

Auditors

Crowe Clark Whitehill LLP has indicated its willingness to continue as auditor. Accordingly a resolution proposing its re-appointment as auditor will be put to the members at the next Annual General Meeting.

On Behalf of the Board

Peter Shaw
Director
21 March 2014

Remuneration Report

Overview and Policy

The Remuneration Committee comprises Robert Morrish, Nicholas Donaldson and Gerald Ford, Non-Executive Directors of the Company. The terms of reference of the committee are that it makes recommendations to the Board on the framework and quantum of executive remuneration.

The overall policy of the committee is to provide remuneration and benefit packages to the Chief Executive and other senior managers in the Group which are appropriate to retain and motivate them to meet the objectives set by the Board.

In determining the mix of short-term reward (salary, bonus and other benefits) and longer-term reward (share incentives), the committee is mindful of the continuing 'development' nature of the business.

Recent survey data indicate that the base pay and total earnings of the Company's Directors are at the lower end of total pay for similar size quoted UK businesses. The current framework of executive remuneration is weighted very heavily in favour of longer-term incentives in the form of share incentives, the value of which is dependent upon how successful the executive management is in increasing the share price of the Company and thus 'shareholder value'. The number and pricing of such incentives also reflects the risk to the management of a significant portion of their remuneration being provided in this way.

Directors' Contracts and Remuneration

Chief Executive

Peter Shaw is responsible for the strategic management and development of the Company's business. Under the terms of his director's service contract he is entitled to a salary of £125,000 per annum for a minimum time commitment of 26 hours per week. At the discretion of the Remuneration Committee, he may additionally be paid an annual bonus which is also subject to achieving detailed performance conditions. The amounts payable under his contract in 2013 were: salary £20,833; discretionary bonus £30,000. His employment may be terminated by 12 months notice by either party. In the event that his employment is terminated by the Company before 31 Stores have been opened, a termination payment is payable which is the higher of (i) £200,000 or (ii) the amount of the annual salary and bonus payable at the date of termination.

The Company had previously entered into an agreement with Brand Catalyst Limited ("BC") under which BC agreed to provide consultancy services to the Company, including the services of Peter Shaw as Chief Executive of the Company. Such services were provided on a non-exclusive basis and the agreement was terminable upon not less than 12 months' notice by either party, or earlier under certain circumstances. The fee paid under this agreement was £120,000 per annum plus value added tax. The agreement with BC was terminated by mutual consent and without additional payment on 1st November 2013. The total amount payable under this agreement in 2013 was £100,000.

Finance Director

Maciej Jania is responsible for all matters relating to Group finance. He is also Managing Director of DP Polska S.A. He receives a UK director's fee of £6,000 per annum and additionally receives a consultancy fee of 276,000 Polish Zloty (approximately equivalent to £55,859) per annum from DP Poland plc. For his directorship of DP Polska S.A. he receives additional fees and salary totalling 114,000 Polish Zloty (approximately equivalent to £23,072) per annum.

Non-Executive Directors

Nicholas Donaldson is Non-Executive Chairman of the Company. During the year ended 31 December 2013, the fee payable to him was £15,000 per annum. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Robert Morrish is a Non-Executive Director of the Company with special responsibility for the finance function. During the year ended 31 December 2013, the fee payable to him was £15,000 per annum. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Gerald Ford is a Non-Executive Director of the Company. During the year ended 31 December 2013, the fee payable to him was £15,000 per annum. He is also entitled to receive shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £15,000 per annum. The total fee paid during the year was £15,000. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Christopher Moore is a Non-Executive Director of the Company. During the year ended 31 December 2013 he received no cash remuneration. He is entitled to receive shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £30,000 per annum. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Remuneration and Share Incentives in the year to 31 December 2013

Total remuneration, fees and benefits paid or payable to the Directors by the Group for the year ended 31 December 2013 are set out below and amounts in aggregate to £283,800 (2012: £194,263).

Details of share incentives held by, and granted to, Directors are set out in the Directors' Report on page 14. No share awards vested during the year.

Details of individual Directors' emoluments for the year are as follows: ¹

Name of Director	Year ended 31 December 2013 <i>salary or fees</i>	Year ended 31 December 2013 <i>performance based bonus</i>	Year ended 31 December 2013 <i>total emoluments</i>	Year ended 31 December 2012 <i>total emoluments</i>
	£	£	£	£
Nicholas Donaldson	15,000	-	15,000	15,000
Peter Shaw	120,833	30,000	150,833	142,163
Maciej Jania	84,931	3,036	87,967	19,850
Robert Morrish	15,000	-	15,000	16,000
Christopher Moore	-	-	-	-
Gerald Ford	15,000	-	15,000	1,250
Total			283,800	194,263

¹ This schedule is part of the audited information

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the Company's auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of DP Poland plc

We have audited the financial statements of DP Poland Plc for the year ended 31 December 2013 which comprise the Group Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity, and the related notes numbered 1 to 25. 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.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report and any other surrounding information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss 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 IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Ian Dale
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
Reading
RG1 1PL

21 March 2014

Group Income Statement

for the year ended 31 December 2013

	Notes	2013 £	2012 £	
Revenue	2	3,169,801	1,775,368	
Cost of sales		(1,768,711)	(1,224,813)	
Gross profit		1,401,090	550,555	
Distribution costs		(507,678)	(271,143)	
<i>Administrative expenses - excluding depreciation, amortisation and share based payments</i>		(3,737,702)	(2,952,606)	
GROUP EBITDA		(2,844,290)	(2,673,194)	
Finance income	6	98,327	26,079	
Finance costs	7	-	-	
Foreign exchange gains / (losses)		5,985	18,486	
		104,312	44,565	
Depreciation and amortisation		(438,041)	(378,024)	
Loss before taxation and share based payments		(3,178,019)	(3,006,653)	
Share based payments	22	(127,893)	(127,298)	
Loss before taxation	4	(3,305,912)	(3,133,951)	
Taxation	8	-	-	
Loss for the period		(3,305,912)	(3,133,951)	
Loss per share				
	Basic	10	(3.58 p)	(11.10 p)
	Diluted	10	(3.58 p)	(11.10 p)

All of the loss for the year is attributable to the owners of the Parent Company.

Group Statement of comprehensive income

for the year ended 31 December 2013

	2013	2012
	£	£
Loss for the period	(3,305,912)	(3,133,951)
Currency translation differences	27,620	137,083
Total comprehensive income for the period	(3,278,292)	(2,996,868)

Company Statement of comprehensive income

for the year ended 31 December 2013

	2013	2012
	£	£
Loss for the period	(457,501)	(386,815)
Total comprehensive income for the period	(457,501)	(386,815)

All of the loss for the year for both the Company and the Group, is attributable to the owners of the Parent Company.

Group Balance Sheet

at 31 December 2013

		2013	2012
	Notes	£	£
Non-current assets			
Intangible assets	11	368,209	322,557
Property, plant and equipment	12	2,867,583	2,527,836
Deferred tax asset	15	86,843	86,200
Trade and other receivables	16	125,419	-
		3,448,054	2,936,593
Current assets			
Inventories	17	135,860	87,857
Trade and other receivables	16	648,433	441,193
Cash and cash equivalents	18	7,297,148	10,929,753
		8,081,441	11,458,803
Total assets		11,529,495	14,395,396
Current liabilities			
Trade and other payables	19	(858,895)	(572,289)
Total liabilities		(858,895)	(572,289)
Net assets		10,670,600	13,823,107
Equity			
Called up share capital	21	477,190	477,190
Share premium account		18,825,667	18,827,775
Capital reserve - own shares		(56,361)	(56,361)
Retained earnings		(8,357,800)	(5,179,781)
Currency translation reserve		(218,096)	(245,716)
Total equity		10,670,600	13,823,107

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2014 and were signed on its behalf by:

Peter Shaw
Director

Maciej Jania
Director

Company Balance Sheet

at 31 December 2013

		2013	2012
	Notes	£	£
Non-current assets			
Investments	13	3,841,523	3,771,746
Receivables from subsidiary undertakings	14	7,913,925	3,980,190
		11,755,448	7,751,936
Current assets			
Trade and other receivables	16	59,951	49,587
Cash and cash equivalents	18	6,402,044	10,780,675
		6,461,995	10,830,262
Total assets		18,217,443	18,582,198
Current liabilities			
Trade and other payables	19	(86,695)	(119,734)
Net assets		18,130,748	18,462,464
Equity			
Called up share capital	21	477,190	477,190
Share premium account		18,825,667	18,827,775
Retained earnings		(1,172,109)	(842,501)
Shareholders' Equity		18,130,748	18,462,464

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2014 and were signed on its behalf by:

Peter Shaw
Director

Maciej Jania
Director

Group Statement of Cash Flows

for the year ended 31 December 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Loss before taxation for the period		(3,305,912)	(3,133,951)
<i>Adjustments for:</i>			
Finance income		(98,327)	(26,079)
Finance costs		-	-
Depreciation and amortisation		438,041	378,024
Loss on disposals of property plant and equipment		7,149	-
Share based payments expense		127,893	127,298
Operating cash flows before movement in working capital		(2,831,156)	(2,654,708)
Increase in inventories		(47,739)	(12,168)
Decrease/(increase) in trade and other receivables		(191,706)	223,231
Increase in trade and other payables		144,173	136,957
Cash generated from operations		(2,926,428)	(2,306,688)
Taxation paid		-	-
Net cash from operating activities		(2,926,428)	(2,306,688)
Cash flows from investing activities			
Payments to acquire software		(7,475)	(890)
Payments to acquire property, plant and equipment		(543,954)	(773,032)
Payments to acquire intangible fixed assets		(102,739)	(21,562)
Lease deposits net amount repaid / (advanced)		(35,897)	4,422
Proceeds from disposal of property plant and equipment		3,100	-
Loan to sub-franchisee		(126,457)	-
Interest received		98,327	26,079
Net cash used in investing activities		(715,095)	(764,983)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		-	13,161,586
Interest paid		-	-
Net cash from financing activities		-	13,161,586
Net increase/(decrease) in cash and cash equivalents		(3,641,523)	10,089,915
Exchange differences on cash balances		8,918	(33,834)
Cash and cash equivalents at beginning of period		10,929,753	873,672
Cash and cash equivalents at end of period	18	7,297,148	10,929,753

Company Statement of Cash Flows

for the year ended 31 December 2013

	2013	2012
Note	£	£
Cash flows from operating activities		
Loss before taxation	(457,501)	(386,815)
<i>Adjustments for:</i>		
Finance income	(80,472)	(19,002)
Finance expense	-	-
Share based payments expense	58,116	56,817
Operating cash flows before movement in working capital	(479,857)	(349,000)
Increase in trade and other receivables	(10,364)	(13,565)
Increase in trade and other payables	(35,147)	21,082
Cash used in operating activities	(525,368)	(341,483)
Cash flows from investing activities		
Loans to subsidiary company	(3,933,735)	(2,466,164)
Interest received	80,472	19,002
Net cash used in investing activities	(3,853,263)	(2,447,162)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	-	13,161,586
Net cash from financing activities	-	13,161,586
Net increase/(decrease) in cash and cash equivalents	(4,378,631)	10,372,941
Cash and cash equivalents at beginning of period	10,780,675	407,734
Cash and cash equivalents at end of period	18	6,402,044
	10,780,675	

Group Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2011	102,968	6,504,961	(2,173,128)	(382,799)	(56,361)	3,995,641
Shares issued	374,222	13,032,427	-	-	-	13,406,649
Expenses of share issue	-	(709,613)	-	-	-	(709,613)
Share based payments	-	-	127,298	-	-	127,298
Translation difference	-	-	-	137,083	-	137,083
Loss for the period	-	-	(3,133,951)	-	-	(3,133,951)
At 31 December 2012	477,190	18,827,775	(5,179,781)	(245,716)	(56,361)	13,823,107
Expenses of share issue - adjustment	-	(2,108)	-	-	-	(2,108)
Share based payments	-	-	127,893	-	-	127,893
Translation difference	-	-	-	27,620	-	27,620
Loss for the period	-	-	(3,305,912)	-	-	(3,305,912)
At 31 December 2013	477,190	18,825,667	(8,357,800)	(218,096)	(56,361)	10,670,600

Company Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £	Share premium account £	Retained earnings £	Total £
At 31 December 2011	102,968	6,504,961	(582,984)	6,024,945
Shares issued	374,222	13,032,427	-	13,406,649
Expenses of share issue	-	(709,613)	-	(709,613)
Share based payments	-	-	127,298	127,298
Loss for the period	-	-	(386,815)	(386,815)
At 31 December 2012	477,190	18,827,775	(842,501)	18,462,464
Shares issued	-	-	-	-
Expenses of share issue - adjustment	-	(2,108)	-	(2,108)
Share based payments	-	-	127,893	127,893
Loss for the period	-	-	(457,501)	(457,501)
At 31 December 2013	477,190	18,825,667	(1,172,109)	18,130,748

Notes to the Financial Statements

for the year ended 31 December 2013

1. ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with IFRSs

The DP Poland plc Group and Company financial statements for the period ended 31 December 2013 were authorised for issue by the Board of the Directors on 21 March 2014 and the balance sheets were signed on the Board's behalf by Peter Shaw and Maciej Jania. DP Poland plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange.

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements for the year ended 31 December 2013 applied in accordance with the provisions of the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Basis of preparation

The financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments and share based payments. The consolidated and Company financial statements of D P Poland plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2014). The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2013.

The Group and Company financial statements are presented in Sterling. The assets and liabilities of the foreign subsidiary, whose functional currency is Polish Zloty, are translated into sterling at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average rate for the year. Differences arising from the translation of the opening net investment in the subsidiary are taken to reserves and reported in the consolidated statement of comprehensive income.

Basis of consolidation

The Group financial statements comprise the financial statements of DP Poland plc, its subsidiary undertaking and the Employee Benefit Trust ("EBT") drawn up to 31 December of each year, using consistent accounting policies. Subsidiary undertakings have been included in the Group financial statements using the purchase method of accounting. Accordingly the Group Income Statement and Group Statement of Cash Flows include the results and cash flows of subsidiaries from the date of acquisition.

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

New standards and interpretations not applied

All relevant IFRS applicable to this accounting period, issued by IASB and endorsed by the EU, have been adopted by the Group in preparation of these financial statements. The Directors consider that there are no standards issued but not yet endorsed or yet to be endorsed by the EU that would have a material impact on the financial statements.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets with a finite life are amortised and charged to administrative expenses on a straight line basis over their expected useful lives, as follows:

Licences – over the duration of the legal agreement;

Computer software – 2 years from the date when the software is brought into use

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

Fixtures, fittings and equipment

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and any impairment in value. Leasehold property comprises leasehold improvements including shopfitting and associated costs.

Depreciation

Depreciation is provided on all tangible non-current assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold property	– over the expected lease term (generally taken to be 5 years)
Fixtures, fittings and equipment	– 3 to 10 years

The carrying values of tangible non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Assets Under Construction

Assets under construction comprise the cost of tangible fixed assets in respect of stores that have not yet opened and therefore no depreciation has yet been charged. Depreciation will be charged on the assets from the date that they are brought into use.

Impairment

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 of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

Financial instruments

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them.

Financial assets

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group holds financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, loans to sub-franchisees, prepayments, accrued income and cash and cash equivalents in the balance sheet.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or as other financial liabilities.

The Group only holds financial liabilities classified as other financial liabilities. Other financial liabilities comprise trade and other payables, loans and accruals.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Store opening costs

Operating costs incurred by stores prior to opening are written off to the income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories comprise food and packaging goods for resale. The Group applies a first in first out basis of inventory valuation.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

Employee share incentive plans

The Group issues equity-settled share-based payments to certain employees (including Directors). These payments are measured at fair value at the date of grant by use of a Black-Scholes model. Vesting is dependent on performance conditions other than conditions linked to the price of the shares of DP Poland plc (market conditions). In valuing equity-settled transactions, no account is taken of these performance conditions. This fair value cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. No cost is recognised for awards that do not ultimately vest.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of lease incentives is spread on a straight line basis over the term of the lease. Where lease premiums are paid, these are depreciated over the lease terms.

Assets held under finance leases are recorded in the balance sheet at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the period. Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts with the exception of:

- Where 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.
- For taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures.
- Where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Capital instruments

Ordinary shares are classified as equity instruments. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in equity. The finance costs recognised in the Income Statement in respect of capital instruments other than equity shares are allocated to periods over the term of the instrument at a constant rate on the carrying amount applying the effective interest method.

Capital reserve - own shares

DP Poland plc shares which are held within the Company's employee benefit trust, for the purpose of providing share based incentives to Group employees are classified as 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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Cost of Sales

Cost of sales comprises foods costs and store labour expenses.

Interest income

Revenue is recognised as interest accrues applying the effective interest method.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors must make an assessment as to whether the Group is a going concern. In forming their views, the Directors have prepared cash flow forecasts for a 12 month period following the date of signing the balance sheet. As part of the preparation of these forecasts, the Directors have estimated the likely outcome for the number of new stores opened. Before entering into a contract to acquire a new site, the Directors ensure that the Group has sufficient working capital available to allow the completion of the outlet. Based on these forecasts, the Directors have confirmed that there are sufficient cash reserves to fund the on-going build, own and operate business for the period under review.

After reviewing these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Group's determination of whether intangibles are impaired requires an estimation of the value in use of the cash generating units to which the intangible asset is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate. The recoverable amount of the cash generating unit has been determined based on fair value calculated using discounted future cash flows, which are subject to significant estimates due to the growth phase of the business. Future cash flows are based on the Group's business plan. The calculation of the fair value is most sensitive to the following assumptions: store performance; discount rates; store openings in Poland; foreign exchange rates.

The discount rate reflects management's estimate of the return on capital employed for the investment in Poland. The store openings are based on the current business model being used by management, which is progressing in line with expectations.

The calculation of the Group's total tax charge involves a degree of estimation and judgement in respect of the recoverability of tax losses. Further details of the treatment of deferred tax can be found in note 15.

2. REVENUE

Revenue represents amounts received from the sale of goods from the Group's principal continuing activity, being the operation of Domino's Pizza stores. All of the revenue is derived in Poland. Revenue is measured at fair value of consideration net of returns, rebates and value added taxes. Revenue from pizza delivery is recognised on delivery to customers.

3. SEGMENTAL REPORTING

In accordance with the Group's risks and returns, the definition of segments for primary and secondary segment reporting reflects the internal management reporting structure. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Segment expenses consist of directly attributable costs and other costs, which are allocated based on relevant criteria.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments. The board considers that the Polish subsidiary represents the only operating segment.

4. LOSS BEFORE TAXATION

This is stated after charging

	2013 £	2012 £
Auditors' remuneration – audit of company and group financial statements	22,500	21,500
– tax compliance services	1,900	1,850
Directors' emoluments – remuneration and fees	283,800	194,263
Amortisation of intangible fixed assets	66,612	57,647
Depreciation of property, plant and equipment	371,429	320,377
Operating lease rentals – land and buildings	649,944	540,747
Foreign exchange losses	-	-
<i>and after crediting</i>		
Foreign exchange gains	5,985	18,486

5. STAFF COSTS

Details of directors' remuneration, which is included in the amounts below, are given in the remuneration report on pages 17 to 18.

	2013	2012
Wages and salaries and directors' fees	921,946	861,478
Social security costs	207,309	174,616
Share based payments	127,893	127,298
	1,257,148	1,163,392

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

	2013 Number	2012 Number
Operational	47	38
Administration	17	12
Total	64	50

6. FINANCE INCOME

	2013 £	2012 £
Interest on short-term deposits	98,327	26,079
	98,327	26,079

7. FINANCE COSTS

	2013 £	2012 £
Bank Interest	-	-
	-	-

8. TAXATION

	2013 £	2012 £
Current tax	-	-
Deferred tax credit relating to the origination and reversal of temporary differences	-	-
Total tax credit in income statement	-	-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities as follows:

	2013 £	2012 £
Loss before tax	(3,305,912)	(3,133,951)
Tax credit calculated at applicable rate of 19%	(628,123)	(595,451)
Income taxable but not recognised in financial statements	35,243	130,473
Income not subject to tax	(1,646)	(184)
Expenses not deductible for tax purposes	65,719	129,588
Tax losses for which no deferred income tax asset was recognised	528,807	335,574
Total tax credit in income statement	-	-

The Directors have reviewed the tax rates applicable in the different tax jurisdictions in which the Group operates. They have concluded that a tax rate of 19% represents the overall tax rate applicable to the Group.

9. LOSS ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY

The loss relating to transactions in the financial statements of the parent company was £457,501 (2012: £386,815).

10. LOSS PER SHARE

The loss per ordinary share has been calculated as follows:

	2013	2013	2012	2012
		£		£
	Weighted average number of shares	Profit / (loss) after tax	Weighted average number of shares	Profit / (loss) after tax
Basic	92,382,142	(3,305,912)	28,229,602	(3,133,951)
Diluted	92,382,142	(3,305,912)	28,229,602	(3,133,951)

The weighted average number of shares for the year excludes those shares in the Company held by the employee benefit trust. At 31st December 2013 the basic and diluted loss per share is the same, as the vesting of JOSS, SIP or share option awards would reduce the loss per share and is, therefore, anti-dilutive.

11. INTANGIBLE ASSETS

Group	Franchise fees and intellectual property rights £	Software £	Total £
Cost:			
At 31 December 2011	265,105	104,364	369,469
Foreign currency difference	16,711	6,369	23,080
Additions	21,562	890	22,452
At 31 December 2012	303,378	111,623	415,001
Foreign currency difference	1,421	772	2,193
Additions	102,739	7,475	110,214
At 31 December 2013	407,538	119,870	527,408
Amortisation			
At 31 December 2011	12,740	18,563	31,303
Foreign currency difference	1,529	1,965	3,494
Amortisation charged for the period	27,343	30,304	57,647
At 31 December 2012	41,612	50,832	92,444
Foreign currency difference	28	115	143
Amortisation charged for the year	34,409	32,203	66,612
At 31 December 2013	76,049	83,150	159,199
Net book value:			
At 31 December 2013	331,489	36,720	368,209
At 31 December 2012	261,766	60,791	322,557

Franchise fees consisting of the cost of purchasing the Master Franchise Agreement (MFA) from Domino's Pizza Overseas Franchising B.V. have been capitalised and are written off over the term of the MFA. The amortisation of intangible fixed assets is included within administrative expenses in the Income Statement. The Group has performed an annual impairment test for the Franchise Fees and the recoverable amount of the cash generating unit has been determined based on fair value calculated using discounted future cash flows based on the Group's business plan, and incorporating the Directors' estimated 12% discount rate, future store openings and the average Polish Zloty exchange rate for the year ended 31 December 2013. Further details of the assumptions made can be found on page 35. The fair value calculation indicates that no impairment is required. As at 31 December 2013, no reasonably expected change in the assumptions would give rise to an impairment charge.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property £	Fixtures fittings and equipment £	Assets under construction £	Total £
Cost:				
At 31 December 2011	1,244,105	1,045,669	44,858	2,334,632
Foreign currency difference	82,950	68,261	3,423	154,634
Additions	264,994	169,974	25,203	460,171
At 31 December 2012	1,592,049	1,283,904	73,484	2,949,437
Foreign currency difference	9,417	7,304	(287)	16,434
Additions	301,047	302,578	101,581	705,206
Disposals		(24,523)		(24,523)
At 31 December 2013	1,902,513	1,569,263	174,778	3,646,554

Depreciation:

At 31 December 2011	23,851	63,227	-	87,078
Foreign currency difference	5,647	8,499	-	14,146
Depreciation charged for the year	151,923	168,454	-	320,377
At 31 December 2012	181,421	240,180	-	421,601
Foreign currency difference	133	82	-	215
Depreciation charged for the year	148,907	222,522	-	371,429
Disposals	-	(14,274)	-	(14,274)
At 31 December 2013	330,461	448,510	-	778,971

Net book value:

At 31 December 2013	1,572,052	1,120,753	174,778	2,867,583
At 31 December 2012	1,410,628	1,043,724	73,484	2,527,836

13. NON CURRENT ASSET INVESTMENTS

	Group £	Company £
Investments in Group undertakings		
At 31 December 2011	-	3,701,265
Investment in subsidiary company - capital contribution	-	70,481
At 31 December 2012	-	3,771,746
Investment in subsidiary company - capital contribution	-	69,777
At 31 December 2013	-	3,841,523

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

The Company holds 20% or more of the share capital of the following company, which is included in the consolidation:

Company	Nature of business	Location	Class	% holding
DP Polska S.A.	Operation of Pizza delivery restaurants	Poland	Ordinary	100

14. NON-CURRENT RECEIVABLES FROM SUBSIDIARY UNDERTAKINGS

	Group £	Company £
At 31 December 2011	-	1,514,026
Loans advanced	-	2,466,164
At 31 December 2012	-	3,980,190
Loans advanced	-	3,933,735
At 31 December 2013	-	7,913,925

Loans to subsidiary undertakings are non- interest bearing. The directors have confirmed that the company will not seek repayment of these amounts for at least 2 years, however beyond that they have no set term or repayment date.

15. DEFERRED TAX ASSET

2013

Deferred tax asset

	At Start	Charged to Income	Charged to Equity	Exchange Differences	At End
Tax losses	86,200	-	-	(643)	86,843
Deferred income not yet taxable	-	-	-	-	-
Accrued expenses not yet deductible	-	-	-	-	-
	86,200	-	-	(643)	86,843

Presented in financial statements as:

Deferred tax asset	86,200	86,843
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The Group has unused tax losses of £7,623,129 available for offset against future profits. Polish tax losses are only recognised for deferred tax purposes to the extent that they are expected to be used to reduce tax payable of future profits. Under Polish law, losses can only be carried forward for five years and only 50% of the losses brought forward can be set off in any one year. Polish tax losses expire as follows: £359,494 in 2016; £3,553,860 in 2017 and £2,437,292 in 2018.

No deferred tax asset has been recognised in respect of the UK losses of £694,147 as there is insufficient evidence to determine that these losses will be recovered.

A deferred tax asset of £86,843 has previously been recognised in respect of Polish losses of £453,681 on the basis that it is expected to reduce the tax liability of DP Polska S.A. in future accounting periods.

No additional deferred tax asset has been recognised in respect of the Polish losses as there is insufficient evidence at this stage to determine when, or whether, these losses will be utilised.

16. TRADE AND OTHER RECEIVABLES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Current				
Trade receivables	28,301	27,926	22,000	10,000
Other receivables	269,496	184,545	12,481	16,806
Prepayments and accrued income	111,476	37,243	25,470	22,781
Rent and supplier deposits	239,160	191,479	-	-
	648,433	441,193	59,951	49,587
Non-current				
Sub-franchisee loan	125,419	-	-	-
At 31 December	773,852	441,193	59,951	49,587

Other receivables mainly comprise Polish value added tax recoverable in future periods. No receivables are past due date. Other than amounts held by the Company, all trade and other receivables are in Polish Zloty. Trade receivables are non - interest bearing and are generally on 30 - 60 days terms. During the year ended 31 December 2013 no bad debts were written off (2012: nil)

The loan to a sub-franchisee is interest free. No repayments are due for the first two years from 8th October 2013 and the loan is then repayable in equal monthly instalments over the next three years. Repayments may commence earlier in the event that the sub-franchised store achieves certain turnover targets earlier than expected. The loan is secured by a charge over certain assets of the sub-franchisee.

17. INVENTORIES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Raw materials and consumables	135,860	87,857	-	-
At 31 December	135,860	87,857	-	-

The cost of inventories recognised as an expense and included in cost of sales amounted to £1,247,310 (2012: £667,373)

18. CASH AND CASH EQUIVALENTS

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Cash at bank and in hand	1,597,874	5,230,479	702,770	5,081,401
Short term bank deposits	5,699,274	5,699,274	5,699,274	5,699,274
At 31 December	7,297,148	10,929,753	6,402,044	10,780,675

19. TRADE AND OTHER PAYABLES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Current				
Trade payables	559,141	304,372	18,843	20,392
Other payables	53,051	133,558	3,945	1,165
Accruals and deferred income	246,703	134,359	63,907	98,177
At 31 December	858,895	572,289	86,695	119,734

20. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013	2013	2012	2012
	Loans and receivables £	Financial liabilities at amortised cost £	Loans and receivables £	Financial liabilities at amortised cost £
GROUP				
Financial Assets				
Cash at bank	7,297,148		10,929,753	
Trade receivables	28,301		27,926	
Other receivables - current	269,496		173,976	
Other receivables - non current	125,419		-	
Prepayments and accrued income	111,476		37,243	
Total	7,831,840		11,168,898	
Financial Liabilities				
Trade payables		(559,141)		(304,372)
Other liabilities - current		(46,235)		(133,558)
Accruals - current		(246,703)		(134,359)
Total		(852,079)		(572,289)
Net	6,979,761		10,596,609	
	2013	2013	2012	2012
	Loans and receivables £	Financial liabilities at amortised cost £	Loans and receivables £	Financial liabilities at amortised cost £
COMPANY				
Financial Assets				
Cash at bank	6,402,044		10,780,675	
Other receivables	12,481		16,806	
Prepayments	25,470		22,781	
Amounts due from subsidiaries	7,913,925		3,980,190	
Total	14,353,920		14,800,452	
Financial Liabilities				
Trade payables		(18,843)		(20,392)
Other liabilities - current		(3,945)		(1,165)
Accruals		(63,907)		(98,177)
Total		(86,695)		(119,734)
Net	14,267,225		14,680,718	

The fair value of the Group's financial assets and liabilities is not considered to be materially different from the carrying amount as set out above.

Maturity of the Group's financial liabilities

	2013	2013	2012	2012
	Trade and other payables £	Total £	Trade and other payables £	Total £
Due within one year	(858,895)	(858,895)	(572,289)	(572,289)
Due within one to two years	-	-	-	-
Due within two to five years	-	-	-	-
Due after five years	-	-	-	-
	<u>(858,895)</u>	<u>(858,895)</u>	<u>(572,289)</u>	<u>(572,289)</u>

Capital Risk Management

The Group aims to manage its overall capital so as to ensure that companies within the Group continue to operate as going concerns, whilst maintaining an optimal capital structure to reduce the cost of capital.

The Group's capital structure represents the equity attributable to shareholders of the company together with borrowings and cash and cash equivalents.

Currency Risk

The foreign currency risk stems from the Group's foreign subsidiary which trades in Poland and whose revenues and expenses are mainly denominated in local currencies. Additionally, some Group transactions are also denominated in US Dollar and Euro currencies. The Group is therefore subject to foreign currency risk due to exchange rate movements that will affect the Group's operating activities and the Group's net investment in its foreign subsidiary. In each case where revenues of the Group are in a foreign currency, there is a material match between the currency of each operating company's revenue stream, primary assets, debt and debt servicing (if applicable).

The carrying amount in Sterling, of the Group's foreign currency denominated monetary assets and liabilities at the reporting dates is as follows:

	2013	2012
	£	£
Assets		
Polish Zlotys	1,342,659	1,096,159
Liabilities		
Polish Zlotys	799,384	638,186

Sensitivity analysis

The potential impact on Group net loss and equity reserves from a 20% weakening of the Polish Zloty against sterling affecting the reported value of financial assets and liabilities would be an increased net loss and reduction in Group reserves of £108,655. A depreciation of 20% has been selected for the analysis as an illustration on the basis that it is a reasonable estimate of a likely market fluctuation.

An appreciation of 20% against Sterling would produce an equal and opposite effect.

Interest Rate Risk

Interest rate risk arises on the Group's cash and cash equivalents. All of the Group's cash and cash equivalents earn interest at variable rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher and all other variables were held constant, the effect on the Group's net result and equity reserves would have been an increase of £109,298.

Credit Risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents, trade and other receivables and loans to subfranchisees.

The Group manages its exposure to this risk by applying Board-approved limits to the amount of credit exposure to any one counterparty and employs minimum credit worthiness criteria as to the choice of counterparty, thereby ensuring that there are no significant concentrations of credit risk.

All sub-franchisees who are provided with loans from the Group will have been through the franchisee selection process, which is considered to be sufficiently robust to ensure an appropriate credit verification procedure.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus funds are invested on a short term basis at money market rates and therefore such funds are available at short notice.

21. SHARE CAPITAL

	2013 £	2012 £
<i>Called up, allotted and fully paid:</i>		
95,437,986 (2012: 95,437,986) Ordinary shares of 0.5 pence each	477,190	477,190

Movement in share capital during the period

	Number	Nominal value £	Consideration £
At 31 December 2011	20,593,572	102,968	7,501,226
Placing 20/23 January 2012	3,768,334	18,842	2,261,000
Open offer 7 February 2012	1,076,080	5,380	645,648
Placing 30 November 2012	70,000,000	350,000	10,500,000
At 31 December 2012	95,437,986	477,190	20,907,874
At 31 December 2013	95,437,986	477,190	20,907,874

DP Poland Employee Benefit Trust ("EBT")

The trustee of the EBT holds 3,055,844 ordinary shares in the Company for the purposes of satisfying outstanding and potential awards under the Company's Joint Ownership Share Scheme, Share Option Scheme and the Share Incentive Plans. The historic cost of these shares was £62,476 with a net contribution of £6,115 made by the JOSS award holders to acquire their joint interests. The shares held by the EBT had a market value of £504,214 at 31 December 2013.

22. SHARE BASED PAYMENTS

	Group 2013	Group 2012
	£	£
Share based payments expense	127,893	127,298

During the period ended 31 December 2013 the Company provided four types of share-based incentive arrangements:

<i>Type of arrangement</i>	<i>Vesting period</i>	<i>Vesting conditions</i>
Joint Ownership Share Scheme	2.5 - 3.5 years	Achievement of store growth and financial targets
Employee Share Incentive Plan	2 years	Two years service
Non-Executive Directors' Share Incentive Plan	2 years	Two years service
Employee Share Option Plan	Variable*	Detailed individual performance targets

The Company established the Joint Ownership Share Scheme ("JOSS") and the Share Incentive Plans on 25 June 2010 and the Employee Share Option Plan on 06 May 2011. The Group has calculated charges for the JOSS and share option awards using a Black-Scholes model. Volatility and risk free rates have been calculated for each JOSS grant based on expected volatility over the vesting period and current risk free rates at the time of each award. Volatility assumptions are based on historic volatility for a comparable company .

Assumptions used in the valuation of JOSS awards were as follows:

Award date	Hurdle price	Expected volatility	Risk free rate	Expected dividends	Award life in years	IFRS2 fair value per JOSS share
25 June 2010	23.08 pence + 3% per annum	55%	0.70%	-	2.5 years	£0.0704
25 June 2010	23.08 pence + 3% per annum	55%	0.70%	-	3.5 years	£0.0821

Assumptions used in the valuation of share option awards were as follows:

Award date	Exercise price	Expected volatility	Risk free rate	Expected dividends	Option life in years	IFRS2 fair value per share option
20 May 2011	0.5 pence	55%	0.70%	-	2 years	£0.9114
27 May 2011	0.5 pence	55%	0.70%	-	2 years	£0.8682
04 May 2012	0.5 pence	55%	0.70%	-	1.5 years	£0.4361
27 May 2012	0.5 pence	55%	0.70%	-	1.5 years	£0.3822

The share based payments charge for the year by scheme was as follows:

	2013	2012
Share Incentive Plan	44,548	37,702
Joint Ownership Share Scheme	8,114	19,115
Employee Share Option Scheme	75,231	70,481
	127,893	127,298

All of the above amounts related to equity-settled share based payment transactions.

Share scheme awards outstanding

Scheme and date of award	Hurdle price	Vesting date	Number awarded	Number surrendered or lapsed	Number vested	Outstanding at 31 December 2013
JOSS 25 June 2010	23.08 pence + 3% per annum	31.12.12	952,690	625,410	327,280	-
JOSS 25 June 2010	23.08 pence + 3% per annum	31.12.13	952,690	625,410	327,280	-
SIP 27 July 2010	n/a	27.07.12	100,000	-	100,000	-
SIP 30 May 2012	n/a	30.05.14	75,000	-	-	75,000
SIP 19 June 2013	n/a	19.06.15	331,169	-	-	331,169
Share options 20 May 2011	0.5 pence	n/a*	143,860	-	-	143,860
Share options 27 May 2011	0.5 pence	n/a*	421,449	198,026	-	223,423
Share options 04 May 2012	0.5 pence	n/a*	54,703	-	-	54,703
Share options 04 May 2012	0.5 pence	50% 31.12.13 50% 30.04.14	33,750	-	-	33,750
Share options 27 May 2012	0.5 pence	50% 31.12.13 50% 30.04.14	148,160	-	-	148,160
Share options 04 May 2012	0.5 pence	50% 30.04.13 50% 31.12.13	105,836	105,836	-	-
Share options 27 May 2012	0.5 pence	50% 30.04.13 50% 31.12.13	53,334	-	-	53,334

* These share options will only vest when the Group has opened its 30th store in Poland.

In April 2013 additional awards of options under the Employee Share Option Scheme with a maximum fair value of £277,046 were agreed in principle by the Board. The value of these awards is based on a percentage of the award holders' salary and subject to detailed performance conditions. The options relating to these awards will be granted in April 2014 and will vest immediately. The amount accrued in the financial statements as at 31 December 2013 in respect of these awards is £45,598.

23. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

At the period end the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	Motor vehicles 2013 £	Motor vehicles 2012 £	Land and buildings 2013 £	Land and buildings 2012 £
Within one year	5,966	20,331	691,848	485,081
Within two to five years	-	5,921	1,885,257	1,406,655
In more than five years	-	-	1,117,930	680,191
At 31 December	5,966	26,252	3,695,035	2,571,927

Operating leases for land and buildings are normally for an initial term of 5 years with an option to renew thereafter. Lease payments are subject to regular rent reviews to reflect market rates.

24. CAPITAL COMMITMENTS

At the balance sheet date, the Group had no capital expenditure contracted for but not yet provided in the financial statements.

25. RELATED PARTY TRANSACTIONS

During the period the group and company entered into transactions, in the ordinary course of business, with other related parties. The transactions with directors of the company are disclosed in the Directors' Remuneration Report. Transactions with key management personnel (comprising the Directors and key members of management in Poland) are disclosed below:

	Group 2013	Group 2012
	£	£
Short-term employee benefits	322,295	294,497
Share-based payments	122,623	103,092
At 31 December	444,918	397,589

The Company has provided loans to its subsidiary undertaking DP Polska S.A. as disclosed in note 14. The Company made a charge of £12,000 to DP Polska S.A. for management services provided in 2013 (2012: £12,000).

A fee of £nil (2012: £10,000) was paid during the year to London Bridge Capital, a firm in which Nicholas Donaldson, Non-Executive Chairman of the Company, is a partner.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of DP Poland plc (the "Company") will be held at the offices of Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET on 2 May 2014 at 11.00 a.m. for the purpose of considering, and if thought fit, passing the following resolutions which in the case of resolutions 1 to 5 will be proposed as ordinary resolutions and in the case of resolution 6 will be proposed as a special resolution:

Ordinary Resolutions

1. To receive, consider and if approved, adopt the Directors' report and the financial statements of the Company for the period ended 31 December 2013, together with the Auditors' report thereon.
2. To re-appoint Crowe Clark Whitehill LLP as auditor to the Company, to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.
3. To re-elect as a Director, Nicholas Donaldson, who retires in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.
4. To re-elect as a Director, Robert Morrish, who retires in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.
5. That, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot:
 - (a) shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company (such shares, and rights to subscribe for or to convert any security into shares in the Company being "relevant securities") up to an aggregate nominal amount of £159,063 representing approximately one third of the nominal value of the issued ordinary share capital of the Company at the date of this Notice; and
 - (b) equity securities (within the meaning of Section 560 of the Act) up to a further aggregate nominal amount of £159,063 in connection with a rights issue in favour of the ordinary shareholders of the Company on the register on a record date fixed by the Directors where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, record dates or legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) (a "Rights Issue"),

provided that unless previously revoked, varied or renewed, this authority shall expire on the date which is fifteen months from the date of passing this resolution or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. Such authority shall be in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, but shall be without prejudice to the continuing authority of the Directors to allot relevant securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made.

Special Resolution

6. That, subject to the passing of resolution 5, the Directors be generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by resolution 5 above, as if section 561(1) of the Act did not apply to such allotment, provided that:

- (a) the power conferred by this resolution shall be limited to:
- (i) the allotment of equity securities in connection with any Rights Issue or other invitation or offer to ordinary shareholders where the entitlements of ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, record dates or legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) and in the case of the authority conferred by resolution 5(b), to any allotment by Rights Issue alone; and
 - (ii) the allotment, otherwise than pursuant to sub-paragraph (a)(i) of this resolution, of equity securities up to an aggregate nominal value equal to £47,719, representing approximately 10% of the nominal value of the issued ordinary share capital of the Company at the date of this Notice; and
- (b) unless previously revoked, varied or renewed, this power shall expire on the date which is fifteen months from the date of passing this resolution or at the conclusion of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

By Order of the Board

Registered Office:
Thames House,
Portsmouth Road,
Esher, Surrey,
KT10 9AD

Patrick Michael Bodenham
Company Secretary
Dated: 21 March 2014

Notes:

1. Members of the Company are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. Members of the Company should only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form. In addition, a member of the Company who is a corporation may authorise a person or persons to act as its representative at the meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company provided that they should not do so in relation to the same shares.
2. The appointment of a proxy does not preclude a member of the Company from attending the meeting and voting in person. In those circumstances, the proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting in order to represent the member by whom the proxy has been appointed. To appoint as a proxy a person other than the Chairman of the meeting, that person's full name must be inserted where indicated on the proxy form accompanying this Notice. If the proxy form is signed and returned but with no name inserted in place of that of the Chairman of the meeting, the Chairman will be deemed to be the proxy of the member completing and returning the form. Where a member appoints as a proxy someone other than the Chairman, it is the responsibility of that member to ensure that they attend the meeting and are aware of the member's voting intentions. A member wishing to appoint a proxy to speak on their behalf at the meeting, will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by that member. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which the member is the registered holder will be apportioned to the blank proxy form. To appoint more than one proxy you must complete a separate proxy form for each proxy or, if appointing multiple proxies electronically, follow the instructions given on the relevant electronic facility. Members can copy their original proxy form, or additional proxy forms can be obtained from SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD.
5. To direct a proxy how to vote on the resolutions at the meeting the appropriate boxes on the proxy form should be marked with an 'X'. To instruct a proxy to abstain from voting on a resolution, the relevant "Vote withheld" box should be marked with an 'X'. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, a proxy will vote or abstain from voting at his or her discretion. A proxy will also be entitled to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using the form accompanying this Notice, the proxy form must be:
 - completed and signed;
 - sent or delivered to SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD.; and
 - received by SLC Registrars no later than 11.00 a.m. on 30 April 2014.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by two duly authorised signatories or by a director of the company in the presence of a witness who attests the signature.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-names bring the most senior).
9. Any power of attorney or any other authority under which a proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form when returning it to SLC Registrars.

10. If a member submits more than one valid proxy appointment in respect of the same share, the appointment received by the Registrars last in time (regardless of the date of its making) shall be treated as revoking and replacing any others as regards that share.
11. No electronic address provided in the proxy form is to be used to communicate with the Company for any purposes other than those expressly stated.
12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 30 April 2014 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after the close of business on 30 April 2013 or, in the event that the meeting is adjourned, the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 7RA01) by 11.00 a.m. on 30 April 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
15. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
16. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
17. Copies of the Directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.
18. Resolution 5 – Under section 551 of the Act, the directors of a company may allot shares only if authorised to do so. At the annual general meeting held in 2013, the Directors were given general authority, which will expire on conclusion of the meeting, to allot a maximum of £42,397 in nominal amount of relevant securities. This authority is proposed to be replaced by that set out in paragraph (a) of resolution 5, which in accordance with guidance issued by the Association of British Insurers, is to be limited to the allotment of relevant securities with an aggregate nominal value of £159,063, representing approximately one-third of the issued ordinary share capital of the Company as at the date of this Notice. The Directors were also given authority at the annual general meeting held in 2013, to allot up to a further one-third of

the existing issued share capital of the Company in connection with a fully pre-emptive rights issue. This authority is proposed to be replaced by that set out in paragraph (b) of resolution 5 which, in line with the guidance issued by the Association of British Insurers, is to confer power on the Directors to allot equity securities up to a further aggregate nominal amount of £159,063, representing approximately one-third of the issued ordinary share capital of the Company as at the date of this Notice, but only in connection with a rights issue to existing shareholders in proportion (as nearly as practicable) to their existing holdings. The proposed new authorities (unless previously revoked, varied or renewed by the Company in general meeting), will expire fifteen months from the date of passing resolution 5 or at the conclusion of the 2015 AGM, whichever is the earlier.

19. Resolution 6 - Section 561(1) of the Act requires that equity securities proposed to be allotted for cash are first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1). Resolution 6, therefore empowers the Directors to allot equity securities up to an aggregate nominal value of £47,719, being equal to approximately 10 per cent. of the Company's issued ordinary share capital as at the date of this Notice, for cash without first offering them to existing shareholders. This means that the proportionate interests of existing ordinary shareholders could not, without their agreement, be reduced by more than 10% by the issue of new shares for cash.

This authority (unless previously revoked, varied or renewed by the Company in general meeting), will expire fifteen months from the date of passing the resolution or at the conclusion of the 2015 AGM, whichever is the earlier.



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