

Domino's Leasing Limited

Report and Financial Statements

25 December 2016



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52 weeks ended 25 December 2016

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Domino's Leasing Limited

Company Information

52 weeks ended 25 December 2016

Directors

D J Wild
A J Bushnell
R C E Osborne

Secretary

A J Bushnell

Auditors

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

Registered office

1 Thornbury
West Ashland
Milton Keynes
Buckinghamshire
MK6 4BB
United Kingdom

Domino's Leasing Limited is a private company registered in England & Wales, limited by shares.

Directors' report

52 weeks ended 25 December 2016

The directors present their report and financial statements for the period ended 25 December 2016.

Results and dividends

The profit for the year amounted to £2,481 (2015: £1,945). The directors do not recommend the payment of any dividends (2015: £nil).

Principal activities of the business

The principal activity of the Company during the period has remained leasing.

Directors

The current directors are shown on page 2. Changes during the period were as follows:

R C E Osborne (Appointed 10 October 2016)

A J Bushnell (Appointed 25 July 2016)

P H Doughty (Resigned 31 December 2015)

The directors had no interest, as defined by the Companies Act 2006, in the share capital of the company at any time during the year.

D J Wild and R C E Osborne are also directors of Domino's Pizza Group plc, the ultimate parent company and details of their interests therein are shown in the directors' report of that company for the year ended 25 December 2016.

Disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Special provisions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 414B and 415A of the Companies Act 2006.

Financial instruments

The company's principal financial instruments are finance leases and trade creditors.

The financial instruments are principally in place to finance equipment leased to customers.

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

Due to the nature of customers, all of whom are franchisees, the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Since the Company (Domino's Pizza Group plc and its subsidiaries) trades only with franchisees that have been subject to the franchisee selection process there is no requirement for collateral.

Directors' report (continued)

52 weeks ended 25 December 2016

Going Concern

The company has a net assets of £4,366 as at 25 December 2016 (2015: £1,885). The directors have carried out a detailed review of cash flow projections covering 12 months from the approval of these financial statements. The company is dependent on the continued support of its ultimate parent company however the directors are satisfied that the company can generate sufficient cash flow from the existing business to meet its day to day obligations as they fall due. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.


Directors' and officers' liability insurance

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

Auditor

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

By order of the board



A J Bushnell
Director

20 September 2017

Statement of directors' responsibilities in respect of the financial statements

52 weeks ended 25 December 2016

The directors are responsible for preparing the Directors' Report, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12 in accordance with applicable United Kingdom 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping 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.

Independent auditor's report

To the members of Domino's Leasing Limited

52 weeks ended 25 December 2016

We have audited the financial statements of Domino's Leasing Limited for the year ended 25 December 2016 which comprise the Statement of comprehensive income, the Balance Sheet, Statement of Changes in Equity and notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices), including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

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

Statement of comprehensive income

52 weeks ended 25 December 2016

	Notes	52 weeks ended 25 December 2016 Total £	52 weeks ended 27 December 2015 Total £
Revenue		9,750	8,844
Cost of sales		(7,269)	(6,899)
Operating profit		2,481	1,945
Profit before taxation		2,481	1,945
Taxation	5	-	-
Profit for the period		2,481	1,945
Profit for the period		2,481	1,945
Other comprehensive income		-	-
Total comprehensive income for the period		2,481	1,945

Balance sheet

52 weeks ended 25 December 2016

	Notes	At 25 December 2016 £	At 27 December 2015 £
Non-current assets			
Net investment in finance leases	6	38,037	75,041
		38,037	75,041
Current assets			
Trade and other receivables	7	120,503	98,721
Net investment in finance leases	6	62,596	61,648
		183,099	160,369
Total assets		221,136	235,410
Current liabilities			
Trade and other payables	8	(172,110)	(151,721)
Financial liabilities	9	(21,861)	(81,804)
Total liabilities		(193,971)	(233,525)
Non-current liabilities			
Financial liabilities	9	(22,799)	-
		(22,799)	-
Total liabilities		(216,770)	(233,525)
Net assets		4,366	1,885
Shareholders' equity			
Called up share capital	12	25,000	25,000
Retained deficit		(20,634)	(23,115)
Total equity shareholders' funds		4,366	1,885

The financial statements of Domino's Leasing Limited (Registered No: 1950021) were approved by the Board on 20 September 2017 and signed on its behalf by



A J Bushnell
Director

20 September 2017

Statement of changes in equity

52 weeks ended 25 December 2016

	Share capital £	Retained earnings £	Equity shareholders' funds £
At 29 December 2014	25,000	(25,060)	(60)
Profit for the period	-	1,945	1,945
Total comprehensive income for the period	-	1,945	1,945
At 27 December 2015	25,000	(23,115)	1,885
Profit for the period	-	2,481	2,481
Total comprehensive income for the period	-	2,481	2,481
At 25 December 2016	25,000	(20,634)	4,366

Notes to the financial statements

52 weeks ended 25 December 2016

1. Accounting policies

The financial statements of Domino's Leasing Limited were approved for issue by the Board of Directors on 20 September 2017.

Domino's Leasing Limited ('the Company') is a company limited by shares incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Company information.

These financial statements were presented in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in pounds sterling (£), which is also the Company's functional currency. The Company's financial statements are individual entity financial statements.

Basis of preparation

The Company transitioned to FRS 101 Reduced Disclosure Framework for all periods presented. Figures for comparative periods have been restated with details of adjustments set out in note 2.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 25 December 2016 and have been applied consistently to all years presented.

The Company has early adopted the requirements of statutory instrument 2015/980.

The Company has taken advantage of the following disclosure exemptions under FRS 101 in respect of:

- a) the requirements of IFRS 7 Financial Instruments: Disclosures
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

The basis for all of the above exemptions is because equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated

The financial statements have been prepared on a going concern basis as the ultimate controlling undertaking and fellow group undertakings have confirmed that they will provide financial support to enable the company to meet its financial obligations, as they fall due.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised using the liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognised for all temporary differences, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or losses can be utilised.

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

1. Accounting policies (continued)

Income Taxes (continued)

Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or to equity, in which case the income tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset against each other when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred tax relates to income taxes levied by the same tax jurisdiction on either the same taxable entity, or on different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities are expected to be settled or recovered.

Leases

Company as lessor

Rental income, including the effect of lease incentives, is recognised on a straight-line basis using the Effective Interest method over the lease term. Interest income is recognised as the interest accrues, using the effective interest method.

Where the Company transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. Finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Trade and other receivables

Trade receivables, which generally have seven to 28-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or other cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2. Transition to FRS 101

For all periods up to and including the period ended 27 December 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice ('UK GAAP'). These financial statements, for the period ended 25 December 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 29 December 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 29 December 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 29 December 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 27 December 2015.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 First Time Adoption of International Financial Reporting Standards.

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

2. Transition to FRS 101 (Continued)

		As at 27 December 2015			As at 29 December 2014		
		UK GAAP	FRS 101	FRS 101	UK GAAP	FRS 101	FRS 101
	Notes	£	reclassifications/ remeasurements	£	£	reclassifications/ remeasurements	£
Non-current assets							
Net investment in finance leases	6	75,041	-	75,041	135,446	-	135,446
		75,041	-	75,041	135,446	-	135,446
Current assets							
Trade and other receivables	7	98,721	-	98,721	-	-	-
Net investment in finance leases	6	61,648	-	61,648	59,443	-	59,443
		160,369	-	160,369	59,443	-	59,443
Total assets		235,410	-	235,410	194,889	-	194,889
Current liabilities							
Trade and other payables	8	(151,721)	-	(151,721)	(28,567)	-	(28,567)
Financial liabilities	9	(81,804)	-	(81,804)	(84,705)	-	(84,705)
		(233,525)	-	(233,525)	(113,272)	-	(113,272)
Non-current liabilities							
Financial liabilities	9	-	-	-	(81,677)	-	(81,677)
		-	-	-	(81,677)	-	(81,677)
Total liabilities		(233,525)	-	(233,525)	(194,949)	-	(194,949)
Net assets/(liabilities)		1,885	-	1,885	(60)	-	(60)
Shareholders' equity							
Called up share capital	10	25,000	-	25,000	25,000	-	25,000
Retained deficit		(23,115)	-	(23,115)	(25,060)	-	(25,060)
Total equity shareholders' funds/(deficit)		1,885	-	1,885	(60)	-	(60)

There is no impact on the prior year statement of comprehensive income as a result of the transition to FRS 101.

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

3. Auditor's remuneration

Auditor's remuneration has been borne by the parent company.

4. Director's remuneration

No salaries or wages have been paid to directors during the year (2015: £nil). The directors were remunerated by Domino's Pizza UK & Ireland Limited. The following disclosures relate to the total amounts paid to the directors of Domino's Leasing Limited for their services to this company and other subsidiaries of the Company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other fellow subsidiaries.

Directors' remuneration

	52 weeks ended 25 December 2016 £	52 weeks ended 27 December 2015 £
Directors' remuneration	1,179,225	1,805,474
Aggregate contributions to defined contribution pension schemes	66,266	79,294
Number of Directors accruing benefits under:		
– defined contribution schemes	3	2

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

	52 weeks ended 25 December 2016 £	52 weeks ended 27 December 2015 £
Directors' remuneration	936,760	1,192,923
Aggregate contributions to defined contribution pension schemes	51,692	49,846

5. Taxation

(a) Tax on profit on ordinary activities

	Total	
	52 weeks ended 25 December 2016 £	52 weeks ended 27 December 2015 £
Tax charged in the income statement		
Current income tax:		
UK corporation tax:		
– current period	-	-
Total current income tax charge	-	-

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

5. Taxation (continued)

b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 25 December 2016 is lower (2015: lower) than the statutory corporation tax rate of 20.00% (2015: 20.25%). The differences are reconciled below:

	52 weeks ended 25 December 2016 £	52 weeks ended 27 December 2015 £
Profit before taxation	6,912	1,945
Accounting profit multiplied by the UK statutory rate of corporation tax of 20.00% (2015: 20.25%)	1,382	394
Group relief claimed and not paid for	(1,382)	(394)
Total tax expense reported in the income statement	-	-

A change to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 was substantively enacted on 26 October 2015.

6. Finance leases

The balance shown in franchisee leasing consists of leases over store equipment granted to franchisees on terms of between one and five years bearing interest at fixed rates of an average of 5.8% (2015: 5.8%).

	At 25 December 2016 £	At 27 December 2015 £
Analysis of net investment in finance leases		
Current	62,596	61,648
Non-current	38,037	75,041
	100,633	136,689

Future minimum payments receivable:

	At 25 December 2016 £	At 27 December 2015 £
Not later than one year	67,276	68,056
After one year but not more than five years	40,030	78,555
	107,306	146,611
Less: finance income allocated to future periods	(6,673)	(9,922)
	100,633	136,689

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

7. Trade and other receivables

Included in current assets:

	At 25 December 2016 £	At 27 December 2015 £
Trade receivables	1,558	-
Other receivables	3,177	-
Amounts owed by Group undertakings	115,768	98,721
	120,503	98,721

The ageing analysis of trade receivables is as follows:

	Total £	Neither past due nor impaired £	Past due but not impaired	
			<30 days £	>30 days £
As at 25 December 2016	1,558	-	-	1,558
As at 27 December 2015	-	-	-	-

8. Trade and other payables

	At 25 December 2016 £	At 27 December 2015 £
Current		
Included in current liabilities:		
Trade payables	4,425	-
Accruals	2,708	-
Amounts owed to Group undertakings	164,977	151,721
	172,110	151,721

9. Financial liabilities

	At 25 December 2016 £	At 27 December 2015 £
Current		
Current instalments due on other loans	21,861	81,804
	21,861	81,804
Non-current		
Non-current instalments due on other loans	22,799	-
	22,799	-

Other loans

Other loans include loans entered into to acquire assets which are then leased on to franchisees under finance lease agreements. The Group has an asset finance facility of £5,000,000 (2015: £5,000,000) with a term of five years. The balance drawn down on this facility and held within "other loans" as at 25 December 2016 is £44,660 (2015: £81,804). The loans are repayable in equal instalments over a period of up to five years. The loans are secured by a limited guarantee and indemnity by the Company and Domino's Leasing Limited (limited to an annual sum of £300,000) and a mortgage charge over the assets financed. The interest rate on these loans is fixed at an average of 5.9% (2015: 5.7%).

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

10. Financial risk management objectives and policies

The Company's financial risk management objectives consist of identifying and monitoring those risks which might have an adverse impact on the value of the financial assets and liabilities or on reported profitability and on the cash flows of the Company. The principal financial liabilities comprise other loans. The Company has various financial assets such as trade receivables, which arise directly from its operations. The Company has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. It is, and has been throughout 2016 and 2015, the Company's policy that no trading in derivatives shall be undertaken.

The Company's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the Company is determined and monitored by the Board. The Group monitors its cash resources on behalf of the Company through short, medium and long-term cash forecasting, against available facilities. Surplus cash is pooled into an interest bearing account with the bankers. The Company monitors its overall level of financial gearing monthly, with short and medium-term forecasts showing levels of gearing within targets. It is the Company's policy not to have high financial leverage, comparing net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA').

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and cash flow interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk

Customers who trade on credit terms and obtain finance leasing from the Company are predominantly franchisees and it is considered that the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Since the Company trades only with franchisees that have been subject to the franchisee selection process and provide guarantees as required under the franchisee agreements, there is no requirement for collateral.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generation of its operations with cash collection targets set throughout the Company.

The table below summarises the maturity profile of the Company's financial liabilities at 25 December 2016 and 27 December 2015 based on contractual undiscounted payments.

	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Period ended 25 December 2016					
<i>Fixed rate borrowings</i>					
Other loans – fixed rate	-	5,465	16,396	22,799	44,660
<i>Non-interest bearing</i>					
Trade and other payables	172,110	-	-	-	172,110
	172,110	5,465	16,396	22,799	216,770
	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Total £000
Period ended 27 December 2015					
<i>Fixed rate borrowings</i>					
Other loans – fixed rate	-	22,078	59,729	-	81,804
<i>Non-interest bearing</i>					
Trade and other payables	151,721	-	-	-	151,721
	151,721	22,078	59,729	-	233,525

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

10. Financial risk management objectives and policies (continued)

Interest rate risk

The Board has a policy of ensuring a mix of fixed and floating rate borrowings based on the best available rates. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Company to benefit from a reduction in borrowing costs when market rates are declining. Conversely, whilst floating rate borrowings are not exposed to changes in fair value, the Company is exposed to cash flow interest rate risk as costs are impacted by changes in market rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit for the 52 week period ended 25 December 2016 would decrease/increase by £nil (2015: increase/decrease by £nil). This is mainly attributable to the Company's exposure to interest rates being netted by offsetting borrowings with net investment in finance leases. There would be no impact on other comprehensive income.

Capital management

The primary objective of the Company's capital management is to ensure that it retains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

11. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements:

	Carrying value 2016 £	Carrying value 2015 £	Fair value 2016 £	Fair value 2015 £
Financial assets				
Net investment in finance leases	100,633	136,689	100,633	136,689
Financial liabilities				
Fixed rate borrowings	44,660	81,804	44,660	81,804

The fair value of the net investment in finance leases has been calculated by discounting the expected future cash flows at the market interest rate. The fair value of fixed rate borrowings has been calculated by discounting the expected future cash flows at a market rate of interest.

Management has determined that the fair value of cash and cash equivalents, trade and other receivables, trade and other payables and share buyback obligations approximate their carrying amounts largely due to the short-term maturity of these instruments.

The fair value of overdrafts and fixed rate borrowings are determined using a rate that reflects the entity's borrowing rate as at the end of the reporting period. The inputs used in these discounted cash flow calculations are at level 2 in the hierarchy.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Notes to the financial statements (continued)

52 weeks ended 25 December 2016

12. Share capital and reserves

Authorised share capital

	At 25 December 2016	At 27 December 2015
Ordinary shares of £1 each:		
– number	25,000	25,000
– value (£)	25,000	25,000

Allotted, called up and fully paid share capital

	At 25 December 2016		At 27 December 2015	
	Number	£	Number	£
Ordinary shares of £1 each	25,000	25,000	25,000	25,000