

Registered No: 02817653

Sheermans Limited

Report and Financial Statements

52 Weeks ended 26 December 2021

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52 weeks ended 26 December 2021

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Sheermans Limited

Company information

52 weeks ended 26 December 2021

Directors

R K N Caley
N J Frampton
J S Prescott

Secretary

A J Bushnell

Independent auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Bankers

Barclays Bank Plc
3rd Floor
28 George Street
Luton
LU1 3US

Registered office

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

Strategic report

52 weeks ended 26 December 2021

The Directors present their strategic report and the audited financial statements for the 52 weeks to 26 December 2021.

Results and dividends

The operating profit for the period amounted to £1,542,000 (2020: £491,000). Ordinary dividends of £nil (2020: £nil) were paid during the period.

Position at period end

At the period end the Company had net assets of £11,239,000 (2020: £10,276,000).

Principal activities

The principal activity of the Company in the period under review was to provide Domino's Pizza to local communities through offering take-away and delivery services.

Business review

Performance

In the first half of the year the Company was disproportionately affected by Covid-19 due to the greater impact of the restrictions seen in central London. However, as lockdown restrictions eased and as we lapped the closure of collection orders from Q2 2020 lockdown, performance recovered. A continued increase in footfall, along with some VAT benefit, has led the Company's revenue to increase by £2.1m to £24.3m, up 9.56% compared to the prior year.

Turnover for the 52 weeks to the 26 December 2021 was £24.3 million (52 weeks to the 27 December 2020 was £22.2 million). Gross profit margin increased from 16.16% for the 27 December 2020 to 21.45% for the 52 weeks to the 26 December 2021.

In the opinion of the Directors, the size of the business and the staffing levels are sufficient to deal with the forecast volume of business for the following financial year. Both the level of business and the period-end financial position were satisfactory, and the Directors expect the present level of activity will remain.

The Directors have considered the various risks facing the Company, including increases in costs, pressure on margins and competition both globally for the franchised brand and locally for each individual unit and feel that they have adequate systems and review processes in place to mitigate these risks.

Principal risks and uncertainties

Economic and market risks

Changes in the general economic climate can have a detrimental effect on consumer expenditure and therefore Company revenues and although economic growth has been seen in the past year this still poses a risk. However, the Directors believe that a number of prevailing trends benefit the Company's business, including a population with increasingly greater disposable income who are cash rich and time poor and an increased trend of busier and more hectic lifestyles leaving less time for home cooking. The Company is exposed to fluctuations in food prices particularly.

Regulatory Risk

The Company's operations are subject to a broad range of regulatory requirements, particularly in relation to planning, health and safety, employment, advertising and licencing laws and in terms of regulations over the Group's products and services. The Directors monitor regulatory developments and have a strong compliance regime.

Consumer taste and perception of the brand

The takeaway food service industry is affected by national, regional changes in consumer tastes economic conditions, competition and demographic trends. Any material change in market perception of the home delivery and convenience food industry, or the Domino's brand in particular, could adversely affect the performance of the Company. In addition, increasing government and media initiatives to create greater awareness of healthy eating could impact on the public's perception of the convenience food industry.

Financial risk management

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. Forecasts are consolidated with the Group's other operations to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. All major investment decisions are considered by the Directors of the Company as part of the project appraisal and approval process.

The Company has access to the Group's £350.0m syndicated RCF which matures in December 2023 and also has access to Sterling and Euro overdrafts which were undrawn at 26 December 2021 (2020: undrawn).

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations. The Company has very low exposure to credit risk due to the nature of the business the customer pays at the time of the transaction. Credit risk is factored in the measurement approach for all financial assets held at fair value, such that their carrying value includes any expected credit loss impairment.

Sheermans Limited

Strategic report (continued)

52 weeks ended 26 December 2021

Key performance indicators

Management accounts are prepared to assess the ongoing performance of the Company compared with expectations and prior periods. From these accounts, specific key performance indicators, including turnover and net profitability, are used to assess the performance of the Company, and its individual stores.

Section 172

Sheermans Limited is part of a listed group headed by Domino's Pizza Group plc ("the Group"), the board of which has ultimate responsibility for compliance with section 172 for all subsidiaries within the UK Group. Sheermans Limited is a trading subsidiary of the Group, therefore the Groups considerations of section 172 are a direct reflection of the considerations for Sheermans Limited. Further details of how the Group undertook its responsibilities for the period ended 26 December 2021, along with the Group-wide considerations, can be found on page 34 of the Group 2021 annual report.

On behalf of the board

A handwritten signature in black ink, appearing to be 'N J Frampton', with a stylized, flowing script.

N J Frampton
Director

22 June 2022

Directors' report

52 weeks ended 26 December 2021

The Directors present their report and audited financial statements for the 52 week period ended 26 December 2021.

Directors of the Company

The current directors are shown on page 1.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

| | |
|--------------|--------------------------|
| R K N Caley | |
| N J Frampton | Appointed 1 January 2022 |
| J S Prescott | Appointed 1 January 2022 |
| S A Bush | Resigned 1 January 2022 |
| R M Smith | Resigned 1 January 2022 |

Results and dividends

The results for the period are set out on page 9. No dividends will be distributed for the period ended 26 December 2021 (2020: £nil).

Performance and Future developments

The Company intends to continue to operate in the take-away and delivery service market by continuing to provide Domino's Pizza to the local communities whilst continuing to increase growth and profitability within the Company.

For the current year performance of the business, please refer to the strategic report on Page 2.

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Company at the period were equivalent to 36 day's purchases, based on the average daily amount invoiced by suppliers during the period.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company's continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

There is no employee share scheme at present, but the Directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the Company's performance.

Going Concern

The Directors have considered the going concern position of the Company based on the Company's current financial position, together with consideration of the overall position of Domino's Pizza Group plc ("the Group").

The Company is a trading subsidiary of the Group, and therefore the position of the Company is directly related to the overall position of the Group. For this reason and due to the participation of the Company as an Obligor in the Group's Revolving Credit Facility, the going concern assessment has been based on the overall position of the wider Group. The Group company has confirmed that they will offer support to the Company for a minimum of 18 months from the date of signing these financial statements.

The Directors of the Group have performed an assessment of the overall position and future forecasts (including the 12-month period from the date of this report) for the purposes of going concern in light of the current environment. The overall Group has continued to trade strongly throughout the year in the UK and Ireland, and sales growth has been strong, despite Covid-19 and supply chain labour disruptions. Sales growth has benefitted from the VAT rate reduction together with a strong underlying performance. Benefits from sales growth have been partially offset with additional costs incurred in ensuring the Group continued to trade safely and without disruptions to supply. The International operations have all been disposed of and did not have a significant impact on trading performance or cash flows.

Directors' report (continued)

52 weeks ended 26 December 2021

Going Concern (continued)

The Directors of the Group have considered the future position based on current trading and a number of potential downside scenarios which may occur, either through reduced consumer spending, reduced store growth, further supply chain disruptions, general economic uncertainty and other risks, in line with the analysis performed for the viability statement outlined in the Directors' report of the Group. The assessment has considered the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage business risks. The Group has a £350.0m multicurrency syndicated revolving credit facility which matures in December 2023, and a net debt position of £199.7m. The facility has leverage and interest covenants, with which the Group have complied with.

On the basis of the above, the Directors of the Company have, both through consideration of the Company's financial position and the position of the Group, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As at 26 December 2021 the Company had net assets of £11,239,000 (2020: £10,276,000).

Events since the end of the financial year

There were no significant events affecting the Company's business since the balance sheet date.

Research and development

The Company did not engage in any research and development activities during the financial year.

Independent auditors

A resolution was passed to appoint PricewaterhouseCoopers LLP as the Group independent auditors at the 2021 AGM.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officer's liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

The financial statements on pages 9 to 21 were approved by the Board of Directors on 22 June 2022 and signed on its behalf by



N J Frampton
Director
22 June 2022

Report on the audit of the financial statements

Opinion

In our opinion, Sheermans Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 December 2021 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 26 December 2021; the Statement of comprehensive income and Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Sheermans Limited

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 26 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to other food regulations, waste regulations, health and safety regulations and non-compliance with employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries either in the underlying books and records or management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with the Directors, internal audit and the Group's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Claire Browne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
22 June 2022

Statement of comprehensive income

52 weeks ended 26 December 2021

| | Note | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|--|------|---|---|
| Revenue | 2 | 24,340 | 22,216 |
| Cost of sales | | (19,119) | (18,627) |
| Gross profit | | 5,221 | 3,589 |
| Distribution costs | | (2) | - |
| Administrative expenses | | (3,677) | (3,098) |
| Operating profit | 3 | 1,542 | 491 |
| Finance income | 5 | 5 | - |
| Finance Expense | 6 | (356) | (379) |
| Profit before taxation | | 1,191 | 112 |
| Taxation | 8 | (228) | (40) |
| Profit for the financial period | | 963 | 72 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 963 | 72 |

All amounts included within the Statement of comprehensive income for the period relate to continuing activities.

The notes on pages 12 to 21 form part of these financial statements.

Balance sheet

At 26 December 2021

| | Notes | At 26 December 2021 £000 | At 27 December 2020 £000 |
|-----------------------------------|-------|-----------------------------------|-----------------------------------|
| Non-current assets | | | |
| Intangible assets | 9 | 1,371 | 1,386 |
| Property, plant and equipment | 10 | 1,859 | 2,313 |
| Right-of-use asset | 11 | 6,766 | 7,190 |
| Deferred tax asset | 8 | 157 | 116 |
| | | 10,153 | 11,005 |
| Current assets | | | |
| Inventories | 12 | 98 | 87 |
| Trade and other receivables | 13 | 10,109 | 9,417 |
| Current tax asset | | - | 275 |
| Cash and cash equivalents | 14 | 64 | 121 |
| | | 10,271 | 9,900 |
| Total assets | | 20,424 | 20,905 |
| Current liabilities | | | |
| Trade and other payables | 15 | (1,983) | (3,037) |
| Lease liabilities | 11 | (791) | (807) |
| | | (2,774) | (3,844) |
| Non-current liabilities | | | |
| Lease liabilities | 11 | (6,150) | (6,500) |
| Financial liabilities | | (261) | (285) |
| | | (6,411) | (6,785) |
| Total liabilities | | (9,185) | (10,629) |
| Net assets | | 11,239 | 10,276 |
| Shareholders' equity | | | |
| Called up share capital | 16 | - | - |
| Retained earnings | 17 | 11,239 | 10,276 |
| Total shareholders' equity | | 11,239 | 10,276 |

The notes on pages 12 to 21 form part of these financial statements.

The financial statements on pages 9 to 21 of Sheermans Limited (Registered No: 02817653) were approved and authorised for issue by the Board of Directors on 22 June 2022 and signed on its behalf by:



N J Frampton
Director

Statement of changes in equity

52 weeks ended 26 December 2021

| | Called up Share capital £000 | Retained Earnings £000 | Total Equity £000 |
|---------------------------------|---------------------------------------|------------------------------|----------------------|
| At 30 December 2019 | - | 10,204 | 10,204 |
| Profit for the financial period | - | 72 | 72 |
| At 27 December 2020 | - | 10,276 | 10,276 |
| Profit for the financial period | - | 963 | 963 |
| At 26 December 2021 | - | 11,239 | 11,239 |

The notes on pages 12 to 21 form part of these financial statements.

Notes to the financial statements

52 weeks ended 26 December 2021

1. Accounting policies

General information

Sheermans Limited is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The Company's registered number and registered office is 1 Thornbury, West Ashland, Milton Keynes, Buckinghamshire, MK6 4BB. The Company's principal activities and nature of its operations are disclosed in the Directors' report.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The accounting policies have been applied consistently across both the reported and comparative periods.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Financial reporting standard 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 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:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- d) the requirements of paragraphs 10(d), 10(f), 16, 38(a), 38(b), 38(c), 38(d), 40(a), 40(b), 40(c), 40(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- f) the requirements of paragraph 17 and 18(a) of IAS 24 Related Party Disclosures;
- g) 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;
- h) 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; and
- i) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

Where required, equivalent disclosures are given in the consolidated financial statements of Domino's Pizza Group plc, the ultimate parent company.

Going concern

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. The Group Company has confirmed that they will offer support to the Company for a minimum of 18 months from the date of signing these financial statements.

Judgements and key sources of estimation uncertainty

Treatment of leases

The length of leases are determined by the term remaining on the standard franchise agreement ("SFA") instead of the term remaining in the lease agreement. The contractual extension periods are within the SFA which each of the stores enter into, which relates solely to the property address. As the sub-lease and the SFA are entered into at the same time, the contracts have been linked for the purposes of assessing extension periods. This is considered a significant judgement as if the lease terms were not considered extended on the sub lease, the classification of the sub lease would be treated as an operating lease under IFRS 16 and therefore would alter the classification of amounts recognised under the lease.

Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

1. Accounting policies (continued)

Intangible assets other than goodwill

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of four years.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

- | | |
|--------------------------|----------------------------|
| • Leasehold improvements | Over the life of the lease |
| • Fixtures and fittings | Over 5 years |
| • Motor vehicles | Over 4 years |

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period that the asset is derecognised.

All items of property, plant and equipment are reviewed for impairment in accordance with IAS 36 Impairment of Assets when there are indications that the carrying value may not be recoverable.

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Company under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The methodology for calculating the discount rate incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the risk of the wider group) and an asset class adjustment (reflecting the variation risk between asset categories). The average discount rates applied to property and equipment leases are 5.08% and 3.39% respectively, these take into account the nature and location of the particular asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Company has chosen not to revalue the right-of-use land and buildings.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

1. Accounting policies (continued)

Leases (continued)

Modification to leases

The Company remeasures the lease liability and lease receivable whenever:

- the lease term has changed; or
- there is a significant event or change in circumstances in relation to the treatment of extension options; or
- a lease contract is modified to alter future cash flows and the lease modification is not accounted for as a separate lease.

Both the lease liability and lease receivable are remeasured following such changes, and where relevant, a corresponding adjustment is made to the related right-of-use asset.

Impairment of assets

The Company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the statement of comprehensive income 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 periods. Such reversal is recognised in profit or loss. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, including till floats in corporate stores.

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.

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:

- 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.

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.

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

1. Accounting policies (continued)

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, 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.

Pensions

The Company contributes to the personal pension plans of certain staff with defined contribution schemes. The contributions are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date. The Company has no further payment obligations once the contributions have been paid.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns, rebates and value added taxes.

Revenue from food and drink sales is recognised on delivery to customers.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Borrowing costs consist of interest and other finance costs that the Company incurs. The policy is adopted for all assets that meet the definition of qualifying assets under IAS 23.

New standards interest rate benchmark reform

The Company has elected to early adopt amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 as issued in August 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption. Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss has been recognised. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change). For more details see note 18.

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

2. Revenue

Revenue recognised in the income statement is analysed as follows:

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|-----------------------|--|--|
| Corporate store sales | 24,340 | 22,216 |

All revenue arose within the United Kingdom.

3. Operating profit

This is stated after charging:

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|---|--|--|
| Amortisation of intangible assets | 15 | 24 |
| Depreciation of property, plant and equipment | 533 | 907 |
| Depreciation of right-of-use assets | 1,088 | 1,025 |
| Cost of inventories recognised as an expense | 6,337 | 5,899 |

4. Auditors' remuneration

The following amounts were paid by Domino's Pizza UK & Ireland Limited, a fellow group Company, to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|--|--|--|
| Fees payable for the audit of the Company financial statements | 15 | 15 |
| | 15 | 15 |

5. Finance income

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|---------------------------|--|--|
| Other interest receivable | 5 | - |

6. Finance expense

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|-------------------------|--|--|
| Interest paid on leases | 355 | 379 |
| Other interest payable | 1 | - |
| Total interest expense | 356 | 379 |

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

7. Staff costs and directors' remuneration

(a) Staff costs

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|-----------------------|--|--|
| Wages and salaries | 7,433 | 7,727 |
| Social security costs | 517 | 473 |
| Other pension costs | 754 | 95 |
| | 8,704 | 8,295 |

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

| | 52 weeks ended 26 December 2021 Number | 52 weeks ended 27 December 2020 Number |
|-----------------------------|--|--|
| Administration | 14 | 16 |
| Production and distribution | 458 | 575 |
| | 472 | 591 |

(b) Directors' remuneration

The Directors have been remunerated by Domino's Pizza UK & Ireland Limited a fellow group 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 Group companies.

8. Taxation

(a) Tax on profit

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|---|--|--|
| Tax charged in the income statement | | |
| UK corporation tax: | | |
| – current period | 267 | 128 |
| – adjustment in respect of prior periods | 2 | - |
| Total current income tax charge | 269 | 128 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (2) | (85) |
| Effect of change in tax rate | (37) | (3) |
| Adjustment in respect of prior periods | (2) | - |
| Total deferred tax | (41) | (88) |
| Tax charge in the income statement | 228 | 40 |
| The tax charge in the income statement is disclosed as follows: | | |
| Income tax charge | 228 | 40 |

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

8. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax charge in the income statement for the 52 weeks ended 26 December 2021 is lower (2020: Higher) than the statutory corporation tax rate of 19% (2020: 19%). The differences are reconciled below:

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|---|--|--|
| Profit before taxation | 1,191 | 112 |
| Accounting profit multiplied by the UK statutory rate of corporation tax of 19% (2020: 19%) | 226 | 21 |
| Expenses not deductible for tax purposes | 39 | 26 |
| Adjusted closing deferred tax at closing rate | (37) | (7) |
| Total tax charge reported in the income statement | 228 | 40 |

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|---|--------------------------------|--------------------------------|
| Deferred tax arising in the UK on non-capital items | (8) | (5) |
| Deferred tax arising on capital gains | (149) | (111) |
| Deferred tax | (157) | (116) |

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|--|--------------------------------|--------------------------------|
| Gross movement in the deferred income tax account | | |
| At 28 December 2020 and 30 December 2019 | (116) | (28) |
| Income statement credit | (41) | (88) |
| At 26 December 2021 and 27 December 2020 | (157) | (116) |

A deferred tax credit of £42,000 (2020: £88,000) has been recognised on continuing operations to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the corporation tax rate from 19% to 25% from 1 April 2023. Where deferred tax assets and liabilities are expected to unwind after 1 April 2023, they have been revalued to reflect the rate change.

9. Intangible assets

| | Goodwill £000 | Software £000 | Total £000 |
|---|------------------|------------------|---------------|
| Cost or valuation | | | |
| At 27 December 2020 | 1,351 | 106 | 1,457 |
| At 26 December 2021 | 1,351 | 106 | 1,457 |
| Accumulated amortisation | | | |
| At 29 December 2019 | - | 47 | 47 |
| Charged in the period | - | 24 | 24 |
| At 27 December 2020 | - | 71 | 71 |
| Charged in the period | - | 15 | 15 |
| At 26 December 2021 | - | 86 | 86 |
| Net book value at 26 December 2021 | 1,351 | 20 | 1,371 |
| Net book value at 27 December 2020 | 1,351 | 35 | 1,386 |

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

10. Property, plant and equipment

| | Leasehold Improvements £000 | Motor Vehicles £000 | Fixtures and fittings £000 | Total £000 |
|---|-----------------------------------|------------------------|-------------------------------------|---------------|
| Cost or valuation | | | | |
| At 29 December 2019 | 336 | 171 | 4,214 | 4,721 |
| Additions | - | 98 | 605 | 703 |
| At 27 December 2020 | 336 | 269 | 4,819 | 5,424 |
| Additions | - | - | 79 | 79 |
| At 26 December 2021 | 336 | 269 | 4,898 | 5,503 |
| Accumulated depreciation | | | | |
| At 29 December 2019 | 33 | 166 | 2,005 | 2,204 |
| Charged in the period | 17 | 6 | 884 | 907 |
| At 27 December 2020 | 50 | 172 | 2,889 | 3,111 |
| Charged in the period | 17 | 14 | 502 | 533 |
| At 26 December 2021 | 67 | 186 | 3,391 | 3,644 |
| Net book value at 26 December 2021 | 269 | 83 | 1,507 | 1,859 |
| Net book value at 27 December 2020 | 286 | 97 | 1,930 | 2,313 |

11. Leases

The net book value of right-of-use assets as at 26 December 2021 were as follows:

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|-----------|-----------------------------------|-----------------------------------|
| Equipment | 487 | 374 |
| Property | 6,279 | 6,816 |
| | 6,766 | 7,190 |

Right-of-use asset additions during the period was £664,000 (2020: £1.14m).

Depreciation recognised on right-of-use assets was as follows:

| | 52 weeks ended 26 December 2021 £000 | 52 weeks ended 27 December 2020 £000 |
|-----------|--|--|
| Equipment | 480 | 401 |
| Property | 608 | 624 |
| | 1,088 | 1,025 |

The below table shows the maturity analysis of lease liabilities on an undiscounted basis, and the impact of discounting:

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|--|-----------------------------------|-----------------------------------|
| Lease liabilities included in the statement of financial position | | |
| Due within one year | 791 | 807 |
| Due in more than one year | 6,150 | 6,500 |
| | 6,941 | 7,307 |

Total cash outflows in relation to leases during the period were £1,332,000 (2020: £1,285,000). Total cash inflows in relation to leases during the period were £nil (2020: £nil).

Amounts recognised in the income statement relating to short term leases amounted to £57,000 (2020: £118,000)

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

12. Inventories

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|---|--------------------------------|--------------------------------|
| Raw materials | 98 | 71 |
| Finished goods and goods for sale | - | 16 |
| Total inventories at lower of cost or estimated net realisable value | 98 | 87 |

During the period £13,000 (2020: £9,000) of inventories were written off.

13. Trade and other receivables

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|---------------------------------|--------------------------------|--------------------------------|
| Included in current assets | | |
| Prepayments and accrued income | 1,090 | 1,131 |
| Intercompany debtors | 9,019 | 8,128 |
| Amounts owed by group companies | - | 158 |
| | 10,109 | 9,417 |

Amounts owed by Group companies are unsecured, interest-free and repayable on demand

14. Cash and cash equivalents

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|--------------|--------------------------------|--------------------------------|
| Cash at bank | 64 | 121 |
| | 64 | 121 |

15. Trade and other payables

| | At 26 December 2021 £000 | At 27 December 2020 £000 |
|---------------------------------------|--------------------------------|--------------------------------|
| Included in current liabilities: | | |
| Trade payables | 243 | 202 |
| Other taxes and social security costs | 603 | 219 |
| Other payables | 513 | 510 |
| Accruals and deferred income | 356 | 470 |
| Amounts owed to Group undertakings | 268 | 1,636 |
| | 1,983 | 3,037 |

Amounts owed to Group undertakings are unsecured, interest-free and repayable on demand.

16. Called up share capital

Allotted, called up and fully paid share capital

| | At 26 December 2021 | | At 27 December 2020 | |
|----------------------------|---------------------|-----|---------------------|-----|
| | Number | £ | Number | £ |
| Ordinary shares of £1 each | 100 | 100 | 100 | 100 |

17. Retained earnings

Retained earnings represents all net gains and losses and transactions with owners (e.g. dividends) that are not recognised elsewhere.

Notes to the financial statements (continued)

52 weeks ended 26 December 2021

18. Contingent liabilities

The Group holds a bank revolving facility which is secured by an unlimited cross-guarantee between the Company, Domino's Pizza Group Plc, DPG Holdings Limited, Domino's Pizza UK & Ireland Limited, DP Pizza Limited, DP Realty Limited, Sell More Pizza Limited and Sheermans SS Limited. The maximum drawdown limit is £350m.

The revolving facility agreement was amended and restated in December 2021, to amend the GBP interest base rate from LIBOR to SONIA. Interest charged on the revolving credit facility ranges from 0.75% per annum above SONIA (or equivalent), when the Group's adjusted leverage ratio is less than 1:1, up to 1.85% per annum above SONIA (or equivalent), for leverage above 2.5:1. A further utilisation fee of 0.15% is charged if over one-third utilised, which rises to 0.30% if over

19. Ultimate parent company and controlling party

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

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