Registered No: 02882515

Domino's Pizza UK & Ireland Limited

Report and Financial Statements

29 December 2019

Company information

52 weeks ended 29 December 2019

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Domino's Pizza UK & Ireland Limited is a private company registered in the United Kingdom, limited by shares.

Strategic report

52 weeks ended 30 December 2018

The directors present their strategic report and financial statements for the 52 weeks ended 29 December 2019.

Results and dividends
The profit before tax for the period amounted to £73,404,000 (2018: £64,159,000). Interim dividends of £65,000,000 (2018: £100,000,000) were paid during the period.

Business review

Market

The UK overall delivered food market in the UK continued to grow strongly in 2019 at 8%. We have seen this growth in the Domino's brand in the UK with 28 new store openings. The drivers in market are convenience, availability of digital platforms, growth of the aggregators and home entertainment. Weaker consumer environment and greater competition increases the focus on value proposition.

UK quick service restaurant ('QSR') and delivery market is one of the most advanced in the world. Traditional competition comes from two major international pizza brands and local independent operators. Digital aggregators growing rapidly and introducing new competition: customers can now enjoy their favourite dine-out brands at home. We continue to invest further in our digital platform and integrated business model to provide a superior service to our competitors; however, we recognise the risk of losing engagement with younger audiences who prefer a single app. We have run a year-long trial with Just Eat to gain data and insight. Following the results of the trial, the sales uplifts had not been significant enough to outweigh the margin penetration from the royalties paid and the additional administrative duties involved. The decision was made not to roll out any further at this time.

Our store economics are better than most operators in the QSR sector, with low opening costs, high sales, some flexibility in labour costs and low rents. During 2019 we saw a number of restaurant operators scaling back or exiting the market, a continuation of the trend seen in 2018, a trend that we have continued to defy.

With the market growth, demand for delivery drivers has increased and there has been slower growth in the labour pool, this combine with increases in the National Living Wage has caused market wide labour cost inflation. The rising costs are likely to impact on franchisee profitability and may result in franchisees increasing prices in an already competitive market. We are supporting franchisees with scale benefits, efficient supply chain and labour management tools. Collection is now a growth opportunity with lower labour costs.

We have seen continued change in customer taste with a rapid rise in the number of people looking for plant-based meat-free and gluten-free alternatives, along with increased public awareness and public policy related healthy eating. We have begun to adapt our menu to suit changing tastes, to grow a share in the vegan/vegetarian market, we continue to develop a vegan offering. We continue to engage with Public Health England to make sure we are providing customers with clear information to make informed choices, as well as offering our lower calorie Delight range utilising low fat cheese and a thinner base; however, we see on average customers order from Domino's four time a year making it a delicious occasional treat.

Drivers of growth

Compared to 2018, UK system sales were up 4.8% to £1,144m. Like-for-like growth, excluding the effect of splitting territories, was 3.7%.

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

With the 28 new stores opened in 2019, the total over the last three years comes to 262. With 1,130 stores across the UK, we are confident of continued growth over time. This confidence is underpinned by the solid performance of stores opened in the last three years.

Customer experience

We continue to invest in our own digital platforms, making it increasingly easy for customers to find the best deal, place an order and pay for their meal. Online sales in the UK grew 8.6% year-on-year and now represent 81.8% of system sales, or 91.1% of total delivery sales.

Last year we announced we would contribute £10.0m to invest in new platforms for eCommerce and app development. The aim of this development is to further improve the customer experience, whilst enabling us to introduce enhancements more quickly and flexibly.

Brand

The strength of the Domino's brand is a key differentiator for us. Our brand strength is supported by great tasting pizza, excellent service and good value for money which drives store sales and profitability. Our brand recall in 2019 was 88% (2018: 82%).

Strategic report (continued)

52 weeks ended 29 December 2019

"The Official Food of Everything" platform continued to form the bedrock of our marketing activity. In the second half we built on this platform with the launch of our 'Joy Of Missing Out', or JOMO campaign, which celebrates staying in at home with friends or family, reassuring people that they are good where they are, and proclaiming that Domino's is "The Official Food of JOMO".

Another key focus was new product development, with successful launches for the New York Hotdog and Ultimate Bacon Cheeseburger Pizzas, which sold over a million pizzas in the five months they were on sale, building on the success of the Cheeseburger Pizza launch in 2018. We also added variety to our sides with a limited time offer of Mango Habanero Wings. From a media standpoint, we continued with our dominance in Catch-up TV viewing utilising our sponsorship of All4 and ITV Hub, along with a year-on-year increase in linear TV spots.

Key performance indicators

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

System sales (52 week basis)

2019	£1,144m
2018	£1,092m

System sales represents the most useful indicator of the overall strength of the Domino's brand. The Company measures the total sales of the Company's franchisee and corporate store system in the UK and ROI to external customers. Systems sales does not represent revenue attributable to Domino's as it is derived mainly from stores owned by franchisees. The growth in total system sales was 4.8% (2018: 7.1%).

Statutory revenue

2019	£435.6m
2018	£425.8m

Statutory revenue represents revenues directly attributable to the Company being derived from monies paid by franchisees for foodstuffs together with royalty payments, franchisee fees payable for use of the Domino's brand, contributions to the National advertising and eCommerce funds.

New store openings

2019	28
2018	58

An indicator of growth in our business is continued presence by increasing store numbers.

Risk management

The business faces a wide range of risks on a daily basis. The Board has undertaken a robust assessment of what it believes are the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table overleaf summarises these principal risks and how they are being managed or mitigated.

Our approach

All businesses choose to take considered risks in the expectation of earning a return for their shareholders. The Board is clear on the risks it seeks to take (or is prepared to face) within the Company's business model and the adopted strategy, and also the risks it is not prepared to take. The latter are avoided or eliminated, as far as possible, or transferred to insurers.

The Board is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Group. Importantly, we treat identifying and managing known and emerging risks as an integral part of managing the business. Principal risks are recorded in the Group's risk register and regularly reviewed and evaluated. Each risk has a business owner, responsible for managing that risk, implementing appropriate controls and mitigating actions and reporting on it to the leadership team. In turn, the principal risks are reported on to the Board.

As a sense-check on management's actions, the Board undertakes its own assessment of principal risks in each year, which is then integrated into the risk register. These known risks are taken into account in developing the Group's strategy and business plans.

Principal risks and uncertainties

The risks in this table have been assessed on a residual basis according to our current view of the potential severity (being the combination of impact and probability) and assume that existing controls are effective.

The environment in which we operate continues to evolve: new risks may arise, the potential impact of known risks may increase or decrease and/or our assessment of these risks may change. The risks therefore represent a snapshot of what the Board believes are the principal risks and are not an exhaustive list of all risks the Company faces.

People-related risks	Failure to respond to and overcome competitive pressures	Inability to react to changes in the health debate and public desire for healthier food
Risk The business is overly dependent on key individuals (either at Executive level or in relation to specialist skills), possibly exacerbated by a failure to attract or retain the skilled and experienced people it needs.	***Risk*** The business faces strong competition from a range of players, including those exploiting emerging technologies or new food options and new entrants into the UK market.	***Risk*** As society's expectations evolve, and governmental acts on public health concerns, we may need to change the products we offer and our approach to marketing.
Potential impact High	***Potential impact*** High	***Potential impact*** Medium
Probability High	***Probability*** Medium	***Probability*** Low
Mitigation One of the four key priorities of the Board is the recruitment of a new Chair, CEO and CFO. Robust interim measures are in place as we look to recruit the above roles. Across management roles the company continues to have robust processes for talent planning and succession.	***Mitigation*** Management keeps the competitive landscape under review and the Board also monitors the markets in which it operates, as well as KPI data on the current business. Strategy is reviewed and developed by the Board on at least an annual basis.	***Mitigation*** Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these. We also engage, appropriately, with the government on the public health debate to ensure that our views are understood by policy makers and influencers.
Nature of threat These risks could have some impact on future performance, colleague retention in the wider business and strategic development.	***Nature of threat*** These risks have the potential to compromise our future performance or, in an extreme scenario, even the business model itself.	***Nature of threat*** These risks have the potential to compromise our future performance or, in an extreme scenario, even the business model.
Change from 2018 ↑	***Change from 2018*** ↔	***Change from 2018*** ↔
Commentary 2020 will be a year of change in the composition of our Board and Executive Team. The Board is focussed on recruitment at the Board and Executive level and colleague retention and engagement. The probability of the risk has increased given the change in senior positions during the year.	***Commentary*** Online channels that provide access to diverse cuisine options are becoming an increasing force in the quick service restaurant space. The Company is investing in its eCommerce channels to enhance the customer experience and maintain a highly competitive offering.	***Commentary*** Following political uncertainty throughout 2019 and a new Government, it is unclear whether the previous proposals published by the previous administration aimed at tackling childhood obesity are still likely to be implemented. We are awaiting responses to a number of consultations which came out of the Government's Childhood Obesity Plans, including the proposed 9pm watershed on HFSS advertising, to understand whether these proposals are a priority for the new Government.

Strategic report (continued)

52 weeks ended 29 December 2019

Failure to achieve UK growth through new store openings	**Commercial leverage of large franchisees**	**Food safety**
Risk This risk specifically relates to our failure to meet the store growth targets of our UK & Ireland Master Franchise Agreement ('MFA'). Our ability to open new stores depends on our ability to lease suitable premises in target areas, ideally with the necessary planning consents in place, and identify a suitable franchisee to open and operate the store.	***Risk*** The Company has a number of franchisees whose businesses run large numbers of stores and so enjoy the same commercial leverage. The Company may be unable to persuade these franchisees to implement our preferred strategies, or to pass on cost increases in full or in part.	***Risk*** There is the risk of contamination in either the pre-proved dough we produce at the Company's Supply Chain Centres, or in the pizza topping ingredients we distribute to our franchisees' stores. Food safety is of paramount importance to us and any failures may impact the Brand and our customers.
Potential impact High	***Potential impact*** High	***Potential impact*** Medium
Probability Low	***Probability*** Medium	***Probability*** Medium
Mitigation The Executive management monitor the new store pipeline regularly. We have a range of new store incentives in place, to encourage new store growth at the right time and in the right location. We have area development agreements in place with many franchisees, laying out new store plans, and we could choose to reallocate a territory if a franchisee were to breach their agreement.	***Mitigation*** Open and transparent relationships with multi-site franchisees are managed by the Senior Leadership Team of the Company. We also explain the profit-sharing model to all franchisees, so that they understand that success is mutual.	***Mitigation*** The business has implemented a rigorous regime of standards and food safety checks, with each of the Supply Chain Centres accredited to the internationally recognised food safety standard FSSC 22000.
Nature of threat These risks could have an impact on future performance. In an extreme case an unremedied breach of the UK & Ireland MFA could threaten the Company's business model and liquidity.	***Nature of threat*** These risks have the potential to compromise our future performance for a prolonged period of time.	***Nature of threat*** If this risk materialised, it could have a significant impact on future performance and potentially liquidity, for a limited time. The reputational impact could have a longer-term effect on performance.
Change from 2018 ↔	***Change from 2018*** ↔	***Change from 2018*** ↔
Commentary The overall risk remains broadly similar to 2017 and 2018 as we have continued to open new stores in the UK & Ireland. In 2019 we opened 29 franchise stores with 23 franchise partners and opened 3 corporate stores. Our MFA with DPI for the UK & Ireland sets out a requirement to have a minimum number of stores each year from 2017 to 2026. Over this ten-year period we are required to open a net 349 stores. As at 29 December 2019 we had more stores open than required by the MFA at this stage.	***Commentary*** Resolving our franchisee dispute is crucial for the long-term growth of the system, and this is a key priority of the Board. Given the status of the relationship, the risk clearly remains relevant, however the risk of a significant impact remains unchanged. The current level of return achieved from our stores show that there is still a good opportunity for the system to open new franchise stores.	***Commentary*** The risk continues to be monitored on a regular basis by a qualified in-house resource. The Board routinely receives reports on 'food safety' risk controls. The third-party assurance provided by FSSC 22000 ensures robust operational controls are in place. In 2020 a dedicated Supplier Assurance Team will be recruited to further increase our focus on the quality of our incoming ingredients.

Strategic report (continued)

52 weeks ended 29 December 2019

Interruption of raw material supplies	Supply Chain Centres are unable to supply the stores	Failure of online ordering systems for a prolonged or critical period
Risk The business relies on a number of third-party suppliers for pizza toppings, some of whom provide the sole source of an ingredient. These suppliers must make a commercial return to stay in business and reinvest in their operations. The Company would be vulnerable if a supplier decided to cease trading, suffered a major interruption or food safety incident, or was responsible for an ethical breach of such severity that the Company would no longer trade with them.	***Risk*** We distribute both the pre-proved dough we produce and third-party sauce, cheese, toppings and boxes to our stores as well as other equipment and supplies. A loss of one or more dough production lines or loss of a Supply Chain Centre would require urgent contingency arrangements to be made wherever possible.	***Risk*** Over 91% of delivered sales are now placed online. As well as the reliance on data centres and our own software developed in house, there is also a risk from systems implementation and design failures, and from malicious denial of service attacks
Potential impact High	***Potential impact*** High	***Potential impact*** High
Probability Low	***Probability*** Medium	***Probability*** Medium
Mitigation Suppliers are selected through competitive tendering and appropriate due diligence processes. The economics of their businesses are kept under review and their performance against their obligations monitored. We assess their compliance with acceptable business standards.	***Mitigation*** In the event of the loss of a dough production line, production could be moved to another site with capacity. If additional capacity was not available, third-party dough production facilities are available, at an additional cost. In terms of delivery of third-party ingredients, our options would be to either collect from suppliers and deliver direct to stores or to use third party sites to storage facilities to house the items before delivering them to store. In 2019 we used a number of third party sites to store stock as part of our Brexit stock planning.	***Mitigation*** Cyber-risk appears on the Board agenda and Audit Committee agenda on a regular basis and management review the performance of IT infrastructure on a continual basis. We have established constant monitoring processes over our online platform which enable us to respond quickly to developing issues. Our systems are hosted by third-party specialists, with parallel processing across multiple sites and real-time replication and appropriate protection from malicious attempts to disrupt the availability of our sites.
Nature of threat These risks have the potential to compromise our future performance for a limited time.	***Nature of threat*** These risks could have a significant impact on future performance and potentially liquidity, for a period of time.	***Nature of threat*** These risks could have some impact on future performance during the downtime period and could cause wider brand perception issues
Change from 2018 ↔	***Change from 2018*** ↔	***Change from 2018*** ↔
Commentary An on-going programme is underway to reduce supplier dependency and improve security of supplies through dual sourcing. Our supply risk relating to single-source supplies has been mitigated on key items by moving to either multiple supply sites from single suppliers or achieving dual supply.	***Commentary*** The current supply chain configuration provides a degree of additional over capacity to manage short term supply issues from the loss of dough production capacity. This situation is regularly reviewed to take account of growth in the system. In 2020, the Warrington and West Ashland production facilities are well balanced to deliver peak demand at 85% utilisation. In order to meet demand beyond 2020 the Board has approved the installation of additional capacity in Scotland.	***Commentary*** As we continue to see an increase in online ordering, the potential impact of the failure of our online ordering system remains high. On the whole the level of risk of a prolonged outage remains unchanged, but we remain vigilant to the risk posed in terms of potential system disruption and online fraud. The Group has maintained its compliance with PCI level 1 and continues to enhance its systems control environment technical capability and systems resilience.

Strategic report (continued)

52 weeks ended 29 December 2019

Loss of personal data relating to customers, employees or others; loss of corporate data

Risk
For ease of use, our online ordering systems hold some customer data, the loss of which (whether accidental or following hacking) would cause disruption and cost to the Company. In addition, the Company's own data on employees and suppliers is exposed to the same risks of loss.

Potential impact
High

Probability
Medium

Mitigation
Cyber-risk appears on the Board agenda and Audit Committee agenda on a regular basis and management keep the security of data under its ownership or control under continual review. We have a robust compliance programme for GDPR. Franchisees are trained in their obligations in respect of personal data and are required to train their staff appropriately. Appropriate IT security is in place and kept under continual review. We do not hold customer credit card data on our systems.

Nature of threat
These risks have the potential to compromise our future performance. In an extreme scenario, the reputational damage could possibly threaten the business model if we suffered a total loss of consumer confidence.

Change from 2018
↔

Commentary
Cyber-risk remains a major and increasing threat. The group's cybersecurity maturity is regularly reviewed by the Company's management and external advisers. Data security is critical and continues to be a focus for our Board to strengthen our people and systems to mitigate the probability of a data breach. The Board are committed to ensuring that we have an effective information security function to support our business and the Domino's system.

On behalf of the board

N R Smith
Director
10 July 2020

Directors report

52 weeks ended 29 December 2019

The directors present their report for the 52 weeks ended 29 December 2019.

Directors of the company
The current directors are shown on page 1.

Changes during the period were as follows: -

Tony Holdway (resigned 28 June 2019)
Clive B West (appointed 1 July 2019)
Emily S M Metcalfe Somers (appointed 19 September 2019, resigned 19 February 2020)
Stephen G Hemsley (resigned 16 December 2019)
David G Bauernfeind (deceased 26 December 2019)
Barry J Wiech (resigned 17 March 2020)
David J Wild (resigned 1 May 2020)
Dominic Paul (appointed 1 May 2020)
Neil R Smith (appointed 1 May 2020)

Dividends
There were total interim dividends for the year of £65,000,000 (2018: £100,000,000).

Performance and Future developments
The Company intends to continue to operate in supplying ingredients and facilitating sales within the pizza delivery market, continuing to increase growth and profitability.

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

Financial instruments
The Company's principal financial instruments are bank loans, franchisee loans and trade creditors. 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 risk, fair value risk, 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 who trade on credit terms, being predominantly 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 trades only with franchisees that have been subject to the franchisee selection process there is no requirement for collateral.

Employment policies
The Company is committed to the principle of equal opportunity in employment. The Company recruits and selects applicants for employment based solely on a person's qualifications and suitability for the position, whilst bearing in mind equality and diversity. It is the Company's policy to recruit the most capable person available for each position. The Company recognises the need to treat all employees honestly and fairly. The Company is committed to ensuring that its employees feel respected and valued and are able to fulfil their potential and recognises that the success of the business relies on their skill and dedication.

The Company gives full and fair consideration to applications for employment from disabled persons, with regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled during their employment.

Employee involvement
Employees are encouraged to participate in the success of the business through incentive and share option schemes. Progress is regularly communicated to the management of subsidiary companies and all management and staff are expected to communicate fully within their own area of responsibility.

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.

Financial risk management objectives and policies

The Company's financial risk management objectives consist of identifying and monitoring risks which might have an adverse impact on the value of the its financial assets and liabilities, reported profitability or cash flows.

The main risks are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Board of Domino's Pizza Group plc reviews and agrees policies for managing each of these risks and these are shared with the Directors of the Company. Each of the risks is summarised below.

The Company has various financial assets such as trade receivables and cash, which arise directly from its operations. The Company's principal financial liabilities comprise bank revolving credit and overdraft facilities.

The Company has not entered into any derivative transactions such as interest rate swaps or foreign currency contracts. The Group's Treasury Policy, which applies to the Company allows it to trade in derivatives to manage commodity risk as well as foreign exchange and interest rate risks.

As at 29 December 2019 the Company had external financial liabilities of £37.5m (2018: £107.9m) subject to both foreign currency risk and interest rate risk as follows:

Financial liabilities

	At 29 December 2019 £000	At 30 December 2018 £000
Non-current		
Borrowings in GBP	-	75,000
Borrowings in Swiss Franc: CHF: 34.8million (2018: CHF 27.3million)	27,204	21,951
Borrowings in Euros: EUR 12.1million (2018: EUR 12.1million)	10,342	10,966
	37,546	107,917

The borrowings in GBP of 75.0 million were repaid on 13 December 2019 with additional borrowings from Group undertakings as shown in Note 15.

Foreign currency risk

The Company has invested in operations in Ireland and corporate stores in the United Kingdom and invested in an associate in England and another in Ireland. In addition, the company is currently financing the Group's operation in Switzerland by way of a subordinated loan. As a result, the value of the Group's non-functional currency revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates. The Group seeks to mitigate the effect of its currency exposures by agreeing fixed currency contracts with franchisees and suppliers wherever possible.

The Company does not currently use derivatives to hedge balance sheet and profit and loss translation exposures arising on its investment in Shorecal Limited and loan to Domino's Pizza GmbH. Instead the company used the Group's Revolving Credit Facility ("RCF") to borrow Euros to finance its investment in Shorecal and loan to Domino's Pizza GmbH.

The Company is exposed to foreign currency risk on these borrowings.

Interest rate risk

Interest rate risk is the risk that movement in the interbank offered rates increase causing finance costs to increase. The Company's interest rate risk arises predominately from the Group's RCF.

As set out in Note 16, the Company is charged an interest margin above LIBOR (or equivalent) depending on the Group's leverage ratio with the LIBOR rate fixed for a set interest period. The Group's RCF permits interest periods of one week, one month, three months or six months. The interest margin charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent), when the Group's leverage is less than 1:1, up to 1.85% per annum above LIBOR (or equivalent), for leverage above 2.5:1.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its obligations as they fall due.

To manage liquidity risk, the Company prepares short-term, medium-term and long-term forecasts, including cash flow, which are reviewed regularly and challenged. These forecasts are consolidated with the Group's other operations to ensure the Group has sufficient liquidity to meet it liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. All major investment decisions are considered by the 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 29 December 2019 (2018: 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 counterparties to the Company's trade and other receivables, net investment in finance leases and NAF and eCommerce debtor are predominantly franchisees. Franchisees are subject to a robust selection and verification process, and on time payment of balances owing is a condition of the franchise agreements on which a franchisee's business model depends. No expected credit loss impairment has been recognised (2018: nil) in respect of balances due from franchisees in light of the very low historic incidence of franchisee related credit losses.

Credit risk relating to cash and cash equivalents is controlled by limiting counterparties to those that have been Board approved and have high credit ratings. The long-term credit rating of the Company's cash and cash equivalents counterparties is A or higher. As such, no expected credit loss impairment has been recognised in respect of cash and cash equivalents (2018: nil).

Specific credit reviews of the counterparties to the other financial assets held have not revealed any significant risk of credit loss (2018: nil).

Directors report

52 weeks ended 29 December 2019

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.

Going Concern

The Company has net current liabilities £66,787,000. 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. The Group company has confirmed that they will offer support to the Company for a minimum of twelve months from the date of signing these accounts.

The directors of the Group have performed an assessment of the overall position and future forecasts for the purposes of going concern in light of the current environment. The overall Group has continued trading in the UK and international markets throughout the COVID-19 period. In the UK, sales growth has been strong during the first half of the year, especially over the initial lockdown period. This increase in sales growth has been offset with additional costs incurred in ensuring continued trade. 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 further COVID-19 related impacts, general economic uncertainty and other risks. This 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 any business risks. Based on this assessment, the Directors of the Group have formed a judgement that there is a reasonable expectation the Group will have adequate resources to continue in operational existence for the foreseeable future.

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.

Auditor

Following a tender process, a resolution to appoint PricewaterhouseCoopers LLP was passed at the 2019 Domino's Pizza Group plc AGM. Accordingly, we have appointed PricewaterhouseCoopers LLP to replace Ernst & Young LLP.

Directors' statement of disclosure of information to auditors

Having made the requisite enquiries, the Directors in office at the date of these Financial Statements have each confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 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 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

Directors report

52 weeks ended 29 December 2019

- 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 13 to 31 were approved by the board and signed on its behalf by

N R Smith
Director

10 July 2020

Report on the audit of the financial statements

Opinion

In our opinion, Domino's Pizza UK & Ireland Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2019 and of its profit for the 52 week period (the "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 29 December 2019; the Statement of comprehensive income and the Statement of changes in equity for the 52 week 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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 29 December 2019 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.

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 received 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.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 July 2020

Statement of comprehensive income

52 weeks ended 29 December 2019

	Notes	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 (restated) £000
Revenue	2	435,559	425,761
Cost of sales		(220,572)	(218,364)
Gross profit		214,987	207,397
Distribution costs		(27,937)	(27,657)
Administrative expenses		(116,873)	(121,724)
Operating profit	3	70,177	58,016
Investment income		4,707	6,009
Finance income	6	924	1,223
Finance expense	7	(2,404)	(1,089)
Profit before income tax		73,404	64,159
Tax on profit	8	(15,783)	(10,132)
Profit for the financial year		57,621	54,027
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of the parent		57,621	54,027

All amounts included within total comprehensive for the period relate to continuing activities.

Results for the 52 weeks ended 30 December 2018 have been restated to reflect revenues recognised in relation to the NAF and eCommerce funds as detailed in note 1.

Domino's Pizza UK & Ireland Limited

Balance sheet

At 29 December 2019

	Notes	At 29 December 2019 £000	At 30 December 2018 £000
Non-current assets			
Intangible assets	10	15,790	14,917
Property, plant and equipment	11	76,878	56,692
Trade and other receivables	12	71	360
Investments	13	37,193	42,240
		129,932	114,209
Current assets			
Inventories	14	11,798	4,903
Trade and other receivables	12	90,125	96,984
Deferred consideration		-	895
Cash and cash equivalents		-	12,707
		101,923	115,489
Total assets		231,855	229,698
Current liabilities			
Trade and other payables	15	(161,278)	(87,831)
Deferred consideration		(200)	-
Current tax liabilities	8	(5,092)	(2,712)
Provisions		(363)	-
Cash and cash equivalents		(1,777)	-
		(168,710)	(90,543)
Non-current liabilities			
Trade and other payables	15	(120)	(673)
Financial liabilities	16	(37,546)	(107,917)
Deferred tax	8	(1,454)	(240)
Provisions		(363)	-
Total liabilities		(208,193)	(199,373)
Net assets		23,662	30,325
Shareholders' equity			
Called up share capital	17	2,250	2,250
Retained earnings		21,412	28,075
Total equity shareholders' funds		23,662	30,325

The financial statements of Domino's Pizza UK & Ireland Limited (Registered No: 02882516) were approved by the Board on 10 July 2020 and signed on its behalf by

N R Smith
Director

Statement of changes in equity

52 weeks ended 29 December 2019

	Share capital £000	Retained earnings £000	Equity Shareholder' funds £000
At 31 December 2017	2,250	74,302	76,552
Total comprehensive income for the period	-	54,027	54,027
Current tax charge to equity	-	441	441
Deferred tax charge to equity	-	(695)	(695)
Equity dividends paid	-	(100,000)	(100,000)
At 30 December 2018	2,250	28,075	30,325
Total comprehensive income for the period	-	57,621	57,621
Current tax credit to equity	-	200	200
Deferred tax credit to equity	-	516	516
Equity dividends paid	-	(65,000)	(65,000)
At 29 December 2019	2,250	21,412	23,622

Notes to the financial statements

52 weeks ended 29 December 2019

1. Accounting policies

General information

The financial statements of Domino's Pizza UK & Ireland Limited for the 52 weeks ended 29 December 2019 were authorised for issue by the Board of Directors on 10 July 2020 and signed on its behalf by N R Smith. Domino's Pizza UK & Ireland Limited is a limited liability company incorporated and domiciled in the United Kingdom.

The financial statements are presented in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. These standards have been applied consistently across both the reported and comparative periods. The financial statements have been prepared under the historic cost convention.

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

Basis of preparation

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

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because:
   (i) the share based payment arrangement concerns the instruments of another group entity; and
   (ii) the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
b) the requirements of IFRS 7 Financial Instruments: Disclosures
c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
d) 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.
e) 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;
f) the requirements of IAS 7 Statement of Cash Flows;
g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
h) the requirements of paragraph 17 and 18(a) of IAS 24 Related Party Disclosures;
i) 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
j) 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
k) 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.

Consolidated financial statements

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 Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of DPG Holdings Limited, and the results are included in the consolidated financial statements of Domino's Pizza Group plc. The consolidated financial statements of Domino's Pizza Group plc are available from 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB.

The Company expects to maintain its positive net asset position and continue to generate profit and positive cash flows on its own account for the foreseeable future. The directors, having assessed the Company's position and future prospects, are confident over the ability of the Company to continue as a going concern or its ability to access external funding to provide sufficient levels of head room to allow the company to operate and execute its growth strategy. The company is obligor to a 5-year revolving unsecured multi-currency facility of £350m which was extended December 2019. On the basis of their assessment of the Company's financial position and of the enquiries made the directors reasonably expect that the Company will be able to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Stores within the Domino's Pizza system contribute into a National Advertising Fund ('NAF') and eCommerce fund (together 'the Funds') designed to build store sales through increased public recognition of the Domino's brand and the development of the eCommerce platform. The Funds are managed with the objective of driving revenues for the stores and are planned to operate at break-even with any surplus or deficit carried in the balance sheet (for details please see note 12).

- Whilst commercially and through past practice, the use of the Funds are directed by franchisees through the operation of the Marketing Advisory Committee ('MAC'), the terms of the Standard Franchise Agreement ('SFA') allow the Company to control the Funds. The Company monitors and communicates the assets and liabilities on a separate basis, however from a legal perspective under the franchise agreement these assets and liabilities are not legally separated.
- As a result, for the purposes of accounting we consider that we are principal over the operation of the Funds. For this reason, contributions by franchisees into the Funds are treated as revenue, and expenses which are incurred under the Funds are treated as administrative expenses by the Company. This results in an increase to statutory revenue and administrative expenses of the Company.
- The Funds are presented on a net basis in the balance sheet. The presentation of the Funds on this basis represents substance over legal form of the Funds.

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.

Restatement of 2018 results

During the period, the Company changed its accounting policy for the NAF and eCommerce funds. The Funds are planned to operate at break-even with all income from the Funds designated for a specific purpose. The Company therefore previously considered itself to act as an agent for the Funds and, as such, all income and expenses of the Funds were not included in the Company's comprehensive income statement. Any short-term timing surplus or deficit of the Funds was carried in the Company balance sheet.

During the period, the Company reconsidered the contractual arrangements around the operation of the Funds in conjunction with the new auditors of the Company. Whilst commercially and through past practice, the use of the Funds are directed by franchisees through the operation of the MAC, the terms of the SFA allow the Group to control the Funds. The Company monitors and communicates the assets and liabilities on a separate basis, however from a legal perspective under the franchise agreement these assets and liabilities are not legally separated.

After reconsideration of the contractual arrangements, the Company determined that it acts as the principal in operation of the Funds and not as an agent. Contributions by franchisees into the Funds will be treated as revenue, and expenses which are incurred by the Funds will be treated as administrative expenses by the Company. This results in an increase to statutory revenue and administrative expenses of the Company.

Total NAF and eCommerce revenues recognised in the 52 weeks ended 30 December 2018 were £53,900,000, and therefore revenue in the comparative period has been increased by this amount. Cost of sales has been decreased by £1,100,000 and administrative costs has increased by £55,000,000. There is no impact on operating profit, profit before tax and total comprehensive income.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

	52 weeks ended 30 December 2018 £000 As previously reported	NAF and eCommerce restatement	52 weeks ended 30 December 2018 £000 As restated
Revenue	371,861	53,900	425,761
Cost of sales	(219,464)	1,100	(218,364)
Gross profit	152,397	55,000	207,397
Distribution costs	(27,657)	-	(27,657)
Administrative expenses	(66,724)	(55,000)	(121,724)
Operating profit	58,016	-	58,016
Amounts written off investments	6,009	-	6,009
Finance income	1,223	-	1,223
Finance expense	(1,089)	-	(1,089)
Profit before income tax	64,159	-	64,159
Tax on profit	(10,132)	-	(10,132)
Profit for the financial year	54,027	-	54,027
Other comprehensive income	-	-	-
Total comprehensive income for the year attributable to owners of the parent	54,027	-	54,027

Investments
Investments held in subsidiaries are stated at cost less provision for impairment.

As at 29 December 2014, in accordance with paragraph D15 of IFRS 1 First Time Adoption of International Financial Reporting Standards ('IFRS 1') Appendix D, the Company has measured all investments at a deemed cost, being the previous GAAP carrying amount as at this date.

The Company assesses these investments for impairment wherever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Foreign currencies
The Company's financial statements are presented in sterling, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Intangible assets
Computer software
Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the cost incurred to acquire and bring into use the specific software. Internally developed computer software programmes are capitalised to the extent that costs can be separately identified and attributed to particular software programmes, measured reliably, and that the asset developed can be shown to generate future economic benefits. These assets are considered to have finite useful lives and are amortised on a straight-line basis over the estimated useful economic lives of each of the assets, considered to be between three and ten years.

Master franchise fees
Master franchise fees are fees paid towards or recognised at fair value on acquisition of the master franchise for the markets in which the Company operates. These are carried at cost less impairment and are treated as having indefinite useful lives.

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

Other intangibles

Notes to the financial statements (continued)

The Company provides interest-free loans to assist franchisees in the opening of new stores. The difference between the present value of loans recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated via the royalty income and Supply Chain Centre sales that will be generated. These assets are amortised over the life of a new franchise agreement of ten years.

Property, plant and equipment
Assets under construction is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the 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:

• Freehold land	Not depreciated
• Freehold buildings	50 years
• Assets under construction	Not depreciated
• Fixtures and fittings	Over 5 to 10 years
• Supply Chain Centre equipment	Over 3 to 30 years

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

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.

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 income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in 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.

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.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

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:

- 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.

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.

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

The Company's revenue arises from the sale of products and services and the charging of royalties and fees to franchisees.

Royalties, franchise fees and sales to franchisees

Contracts with customers for the sale of products include one performance obligation, being the delivery of products to the end customer. The Company has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the franchisee, generally on delivery. Revenue is recognised at the invoiced price less any estimated rebates.

The performance obligation relating to royalties is the use of the Domino's brand. This represents a sales-based royalty with revenue recognised at the point the franchisee makes a sale to an end consumer.

Franchise fees comprise revenue for initial services associated with allocating franchisees allotted address. They are non-refundable, and no element of the franchise fee relates to subsequent services. Revenue from franchisee fees is recognised when a franchisee opens a store for trading, as this is the point at which all performance obligations have been satisfied.

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.

Capitalisation of borrowing costs commences when:

- expenditures for the asset and borrowing costs are being incurred; and
- activities necessary to prepare the asset for its intended use are in progress.

Capitalisation of borrowing costs ceases when the asset is substantially ready for its intended use.

For borrowing associated with a specific asset, the actual borrowing costs less any investment income on temporary investment of those borrowings are capitalised. To the extent funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Share-based payments

The Company provides benefits to employees (including Executive Directors) in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair values of employee share option plans are calculated using a Stochastic model for awards with TSR-related performance conditions and a Black-Scholes model for SAYE awards and other awards with EPS-related performance conditions. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Ultimate Parent Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions and/or service conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest on achievement or otherwise of non-market conditions or, in the case of an instrument subject to a market condition, be treated as vested as described above.

The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding payable due to Domino's Pizza Group plc.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. This includes anywhere non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

2. Revenue

Revenue recognised in the income statement is analysed as follows:

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 (restated) £000
Sales to Franchisees	314,975	307,899
Royalties, franchise fees	65,862	63,962
National advertising and eCommerce income	54,722	53,900
	435,559	425,761

All revenue arose within the United Kingdom.

Results for the 52 weeks ended 30 December 2018 have been restated to reflect revenues recognised in relation to the NAF and eCommerce funds as detailed in note 1.

3. Operating profit

This is stated after charging:

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Depreciation of property, plant and equipment	3,491	3,352
Amortisation of intangible assets	6,451	7,047
Operating lease payments (minimum lease payments)		
– Plant, machinery and vehicles	3,909	3,662
Impairment loss recognised on investments	5,254	4,206
Impairment loss recognised on intangible assets	718	-
Impairment loss recognised on tangible assets	1,208	6,510
Impairment of intercompany loans	10,563	22,567
Net foreign currency gain	(252)	(425)
Cost of inventories recognised as an expense	168,551	173,062

4. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Fees payable for the audit of the Company annual report*	100	84
Total audit fees	100	84

*The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent Domino's Pizza Group plc.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

5. Staff costs and directors' remuneration

(a) Staff costs

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Wages and salaries	36,080	33,936
Social security costs	3,702	3,094
Other pension costs	1,051	822
Share based payments	707	823
	41,540	38,675

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

	52 weeks ended 29 December 2019	52 weeks ended 30 December 2018
Administration	308	303
Production and distribution	513	489
	821	792

(b) Directors' remuneration

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Directors' remuneration	2,896	3,144
Aggregate contributions to defined contribution pension schemes	342	188
Number of Directors accruing benefits under:		
– defined contribution schemes	10	10

The remuneration stated above relates to services to the Company and the wider group.

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

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Directors' remuneration	635	531
Aggregate contributions to defined contribution pension schemes	51	51

6. Finance income

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Other interest receivable	231	142
Interest receivable from Group undertakings	693	657
Foreign exchange	-	424
Total finance income	924	1,223

7. Finance expense

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Other interest payable	2,058	3
Bank interest payable	67	1,086
Foreign exchange	279	-
Total finance expense	2,404	1,089

8. Taxation

(a) Tax on profit

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Tax charged in the income statement		
UK corporation tax:		
– current period	14,245	11,471
– adjustment in respect of prior periods	(191)	(775)
Total current income tax charge	14,054	10,696
Deferred tax:		
Origination and reversal of temporary differences	2,446	(526)
Effect of change in tax rate	-	71
Adjustment in respect of prior periods	(717)	(109)
Total deferred tax	1,729	(564)
Tax charge in the income statement	15,783	10,132
The tax charge in the income statement is disclosed as follows:		
Income tax expense	15,783	10,132

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

8. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the 52 weeks ended 29 December 2019 is higher (2018: lower) than the statutory corporation tax rate of 19.00% (2018: 19.00%). The differences are reconciled below:

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Profit before taxation	73,403	64,159
Accounting profit multiplied by the UK statutory rate of corporation tax of 19.00% (2018: 19.00%)	13,947	12,190
Expenses not deductible for tax purposes	3,955	6,624
Income not taxable	(679)	(2,013)
Adjustment relating to prior years	(908)	(884)
Impact of change in UK tax rate	(236)	71
Share option exercise deduction	478	(22)
Research and development credits	(108)	-
Group relief claimed for no cost	(666)	(5,834)
Total tax expense reported in the income statement	15,783	10,132

(c) Deferred tax

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

	At 29 December 2019 £000	At 30 December 2018 £000
Deferred tax arising in the UK on non-capital items	1,531	1,573
Deferred tax arising in the UK on capital items	(2,985)	(1,813)
Deferred tax	(1,454)	(240)

	At 29 December 2019 £000	At 30 December 2018 £000
Gross movement in the deferred income tax account		
Opening balance	(240)	(109)
Tax credit/(charge) to equity	516	(695)
Income statement (charge)/credit	(1,730)	564
Closing (liability)	(1,454)	(240)

Deferred tax arising in the UK and ROI

	Accelerated capital allowances £000	Share-based payments £000	Other short term timing differences £000	Total £000
At 31 December 2017	(2,344)	2,037	198	(109)
Charge to equity	-	(695)	-	(695)
Credit/(charge) to income	531	111	(78)	564
At 30 December 2018	(1,813)	1,453	120	(240)
Credit to equity	-	516	-	516
Credit/(charge) to income	(1,172)	(478)	(80)	(1,730)
At 29 December 2019	(2,985)	1,491	40	(1,454)

9. Dividends paid and proposed

	52 weeks ended 29 December 2019 £000	52 weeks ended 30 December 2018 £000
Dividends declared and paid during the year: *144p per share (2018: 222p per share)*	65,000	100,000

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

10. Intangible assets

	Franchise fees £000	Software £000	Other £000	Total £000
Cost or valuation				
At 31 December 2017	1,028	29,941	800	31,769
Additions	-	7,044	-	7,044
Disposals	-	-	(300)	(300)
At 30 December 2018	1,028	36,985	500	38,513
Additions	-	8,042	-	8,042
At 29 December 2019	1,028	45,027	500	46,555
Accumulated amortisation				
At 31 December 2017	996	15,313	240	16,549
Provided during the year	-	6,956	91	7,047
At 30 December 2018	996	22,269	331	23,596
Provided during the year	-	6,401	50	6,451
Impairment	-	718	-	718
At 29 December 2019	996	29,388	381	30,765
Net book value at 29 December 2019	32	15,639	119	15,790
Net book value at 30 December 2018	32	14,716	169	14,917

Franchise fees

Master franchise fees (MFA) consist of costs relating to the MFA for the UK and the ROI. The UK and ROI MFA runs into perpetuity, with a development clause that is renewable on a ten-year basis. These have an indefinite life. They are tested annually for impairment in accordance with IAS 36.

Other intangible assets

Included above are intangible assets with a carrying value of £119,000 (2018: £169,000) in relation to interest-free loans given to franchisees to assist in the opening of new stores. The difference between the present value of loan recognised and the cash advanced has been capitalised as an intangible asset in recognition of the future value that will be generated.

The amortisation of intangible assets is included within administration expenses in the income statement.

Software

Included in software is the eCommerce platform and the new GPS software. These have a useful life of three years.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

11. Property, plant and equipment

	Land and buildings £000	Assets under construction £000	Supply Chain Centre equipment £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 31 December 2017	16,730	13,706	30,293	1,288	62,017
Additions	7,460	2,039	2,608	673	12,780
Transfer between classes	-	(15,745)	15,344	401	-
At 30 December 2018	24,190	-	48,245	2,362	74,797
Additions	21,446	156	2,087	2,382	26,071
Disposals	(2,683)	-	-	-	(2,683)
Transfer between classes	-	23	-	(23)	-
At 29 December 2019	42,953	179	50,333	4,721	98,185
Accumulated depreciation and impairment					
At 31 December 2017	45	-	7,601	617	8,263
Charged in the year	405	-	2,397	550	3,352
Impairment	1,466	-	5,044	-	6,510
At 30 December 2018	1,916	-	15,042	1,167	18,125
Charged in the year	520	-	2,209	762	3,491
Depreciation on disposals	(1,517)	-	-	-	(1,517)
Impairment	1,208	-	-	-	1,208
At 29 December 2019	2,127	-	17,251	1,929	21,307
Net book value at 29 December 2019	40,826	179	33,083	2,792	76,878
Net book value at 30 December 2018	22,274	-	33,203	1,195	56,672

Included within Land and buildings is freehold land of £5,394,000 (2018: £3,086,000) and leasehold land of £957,000 (2018: £948,000).

During the period £21,446,000 (2018: £8,610,000) of land and buildings were acquired from DP Group Developments Limited, a Group company.

12. Trade and other receivables

Non-current	At 29 December 2019 £000	At 30 December 2018 £000
Loans to franchisees	71	-
Other receivables	-	380
	71	380

Current	At 29 December 2019 £000	At 30 December 2018 £000
Trade receivables*	10,677	10,371
Amounts owed by associated undertakings*	1,040	1,106
Amounts owed by other Group undertakings*	38,977	61,700
Loans to franchisees*	98	-
	-	6,200
Other receivables*	2,150	3,089
Prepayments and accrued income	36,786	14,518
Net investment in finance leases*	397	-
	90,125	96,984

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

Trade and other receivables (continued)* Financial assets at amortised cost.

Amounts owed by group undertakings are repayable on demand and all inter-group loans are made on an interest free basis.**12.**

NAF and eCommerce funds

The NAF and eCommerce fund balance comprises the net of balances relating to: the NAF, which is a fund into which the franchisees contribute for purposes of marketing, advertising and other promotion; and an eCommerce fund into which the franchisees contribute to cover the research, development and operating costs of the Domino's website and mobile apps, as well as related credit card costs, such as merchant data handling costs and chargebacks. The balance of the Funds at 29 December 2019 was a net surplus of £2,000,000 and is therefore presented within trade and other payables (2018: £6,200,000 deficit disclosed in trade and other receivables).

The timing difference, being the difference between the amounts received under the contract and expenditure incurred, is held on the balance sheet and presented in trade and other receivables or trade and other payables on a net basis across both funds. As the relevant performance obligations are under the same contract with the customer, it is appropriate to present the contract assets or liabilities on a net basis.

The legal form defined by the SFAs is that the two funds are separate with no right of offset if there is a deficit. Franchisees are presented with data which shows the respective surplus or deficit of each fund separately. The Company has the right to increase the charges for either fund to recover any deficits on a prospective basis, and for that reason there is no concern over the recoverability of amounts. The Company also has the ability to recover any deficit through decreased future charges into the fund. Surpluses or deficits naturally arise because of timing differences between cash flows of the NAF and eCommerce expenditure and contributions received from the franchisees.

The commercial practice has been to combine the NAF and eCommerce fund and present any surplus or deficit on a net basis and this is the principle accepted by all parties because of the broad crossover between marketing and the website in promoting the Domino's brand.

As at 29 December 2019 and as at 30 December 2018, the gross amounts of the NAF and eCommerce fund were as follows:

	At 29 December 2019 £000	At 30 December 2018 £000
NAF surplus	(16,792)	(14,100)
eCommerce fund deficit	14,800	20,300
Net NAF and eCommerce (creditor)/debtor	(2,000)	6,200

13. Investments

	Subsidiary undertakings £000	Associates £000	Investments £000	Total £000
Carrying value before impairment				
At 30 December 2018	42,265	3,305	11,083	56,653
Additions	836	-	-	836
Foreign exchange on translation	-	-	(630)	(630)
At 29 December 2019	43,101	3,305	10,453	56,859
Provisions for impairment				
At 30 December 2018	14,413	-	-	14,413
Provided during the year	5,254	-	-	5,254
At 29 December 2019	19,667	-	-	19,667
Carrying value at 29 December 2019	23,434	3,305	10,453	37,192
Carrying value at 30 December 2018	27,852	3,305	11,083	42,240

The impairment charge in the year relates to the investment in the London corporate store network. The impairment charge has been calculated using value in use methodology. The two entities that have bene impaired are Sell More Pizza Limited and Have More Fun (London) Limited, incurring impairment charges of £2,555,000 and £2,699,000 respectively.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

13. Investments (continued)

Name of company	Country of incorporation	Proportion of voting rights and share capital	Registered office
Subsidiary undertakings			
DP Pizza Ltd	Ireland	100% Ordinary	Unit 1B Toughers Business Park, Newhall, Naas CO. Kildare, Ireland
Domino's Leasing Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
DP Newcastle Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Sell More Pizza Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Have More Fun (London) Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Indirect holdings in subsidiary undertakings			
Sheermans Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Sheermans SS Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Sheermans Harrow Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
WAP Partners Limited	England	100% Ordinary	1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom
Associate undertakings			
Full House Restaurants Holdings Limited	England	49% Ordinary	34 Anyards Road, Cobham, Surrey, KT11 2LA, United Kingdom
Investments			
Shorecal Limited	Ireland	15% Ordinary	4 Haddington Terrace, Dun Laoghaire, Co. Dublin, A96DX80, Ireland

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

14. Inventories

	At 29 December 2019 £000	At 30 December 2018 £000
Finished goods and goods for sale	11,593	4,597
Raw materials	205	306
Total inventories at lower of cost or estimated net realisable value	11,798	4,903

Provisions against inventories were £388,000 (2018: £747,000). During the period £539,000 (2018: £1,045,000) of inventories were written off, this decrease is due to wasted stock during the set up of the production processes at the Warrington supply chain centre that opened in 2018.

15. Trade and other payables

	At 29 December 2019 £000	At 30 December 2018 £000
Included in current liabilities:		
Trade payables*	21,971	18,951
Other taxes and social security costs	4,391	5,839
Other payables*	20,704	1,779
Accruals and deferred income	21,106	39,322
NAF Creditor	1,992	-
Amounts owed to Group undertakings	91,114	21,940
	161,278	87,831

	At 29 December 2019 £000	At 30 December 2018 £000
Included in non-current liabilities:		
Other payables*	120	673
	120	673

* Financial liabilities at amortised cost.

Terms and conditions of the above financial liabilities:

- trade payables are non-interest bearing and are normally settled on seven to 30-day terms; and
- other payables are non-interest bearing and have an average term of six months.

Amounts owed to group undertakings are repayable on demand and all inter-group loans are made on an interest free basis.

16. Financial liabilities

	At 29 December 2019 £000	At 30 December 2018 £000
Non-current		
Bank revolving facility	37,546	107,917
	37,546	107,917

The Group has a £350.0m multicurrency syndicated revolving credit facility with an original term of five years to 13 December 2022 with the option of submitting two extension notices to extend the facility twice, each by a period of twelve months. The first extension was arranged in November 2018 and extended the facility to 12 December 2023 with fees of £0.5m paid for this extension. There is an option for a second extension to extend for a further year in September 2020. Arrangement fees of £2.3m (2018: £3.0m) directly incurred in relation to the facility are included in the carrying values of the facility and are being amortised over the extended term of the facility.

Interest charged on the revolving credit facility ranges from 0.75% per annum above LIBOR (or equivalent), when the Group's leverage is less than 1:1, up to 1.85% per annum above LIBOR (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 two-thirds is drawn.

There is a cross guarantee for the facility, for details see note 21.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

17. Called up share capital

Authorised, allotted, called up and fully paid share capital

	At 29 December 2019		At 30 December 2018	
	Number	£	Number	£
Ordinary shares	45,000,000	2,250,000	45,000,000	2,250,000

18. Share-based payments

Some employees of the Company are awarded grants of market value options or performance shares under the 2012 Long Term Incentive Plan ('2012 LTIP') of the parent company Domino's Pizza Group plc. Awards are approved and granted at the discretion of the Remuneration Committee of Domino's Pizza Group plc. All awards are capable of vesting within a three-year period should certain performance targets be achieved. For certain Senior Executives, awards that vest are subject to a further two year holding period.

Under a Sharesave scheme, all employees of the Company have the option to acquire shares in the parent company, Domino's Pizza Group plc, at a 20% discount. Employees have the option to save an amount per month up to a maximum of £500 and at the end of three years they have the option to purchase shares at a discount or to take their savings in cash.

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 29 December 2019 was £707,000 (2018: £823,000).

The fair value of awards granted is estimated at the date of grant using Stochastic and Black-Scholes models, taking into account the terms and conditions upon which they were granted. Total Shareholder Return ('TSR') is generated for the parent company and the comparator group at the end of the three-year performance period. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. The following table summarises the inputs used in the fair value models for grants made in the period ended 29 December 2019, together with the fair values calculated by those models:

	52 weeks ended 29 December 2019	52 weeks ended 30 December 2018
Weighted average fair value at grant	133.95p	190.35p
Weighted average share price at grant	247.61p	285.58p
Weighted average exercise price	77.11p	0.00p
Weighted average expected term	3 years	3 years
Expected dividend yield	3.88%	3.27%
Risk-free rates	0.57%	0.77%
Expected volatility	29.35%	28.6%

Further information on the awards granted under the 2012 LTIP and the Sharesave scheme is given in note 29 of Domino's Pizza Group plc's 2019 Annual Report.

Notes to the financial statements (continued)

52 weeks ended 29 December 2019

19. Related party transactions

	Sales to related party £000	Amounts owed by related party £000
Related party		
Associates and joint ventures		
29 December 2019	24,869	1,002
30 December 2018	38,633	1,106

Terms and conditions of transactions with associates and joint ventures

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured and interest free and cash settlement is expected within seven days of invoice. The Company has not provided for or benefited from any guarantees for any related party receivables or payables. During the financial period ended 29 December 2019, the Company has made a provision of £nil for doubtful debts relating to amounts owed by related parties (2018: £nil).

20. Obligations under leases and hire purchase contracts

The Company has entered into commercial leases on motor vehicles and items of plant, machinery and equipment. These leases have an average duration of between three and five years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	At 29 December 2019 £000	At 30 December 2018 £000
Not later than one year	1,828	1,627
After one year but not more than five years	1,371	2,055
After five years	-	783
	3,199	4,465

21. Contingent liability

Pursuant to the relevant regulation of the European Communities Regulations 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited, and as a result the Irish Company has been exempted from the filing provisions in section 7, Companies (Amendment) Act 1986 of the ROI.

The bank revolving facility is secured by an unlimited cross-guarantee between the Company, DP Pizza Limited, DPG Holdings Limited, DP Realty Limited, Domino's Pizza Group Plc, DP Group Developments Limited, DP Cyco Switzerland Limited and Domino's Pizza GmbH. The maximum drawdown limit is £350m.

22. Ultimate parent company and controlling party

In the opinion of the directors the immediate parent company and controlling party is DPG Holdings 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, MK6 4BB.

23. Post balance sheet event

Following the year end the COVID-19 pandemic has hit the United Kingdom and the rest of the world. Many businesses across the country have been forced to close due to government social distancing rules. Domino's Pizza as a franchise has been fortunate to remain open and continue serving pizza to the community during the pandemic. The Company has seen inflated sales during the pandemic, largely due to competitors being forced to close. The Company has also seen increased costs including but not exclusively, PPE for all team members, additional pizza boxes to enable contactless delivery and antibacterial hand gels. The increased sales combined with increased costs means profitability has remained relatively stable.