

Registration number: 09904708

Daytona JV Limited

Annual report and financial statements

For the year ended 30 June 2020



Daytona JV Limited

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Company information

Directors J J Cowin
D J Meij
D J Paul
N R Smith
A B Ten Wolde
U Schreiber

Registered office 3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Registration number 09904708

Bankers HSBC Bank plc
8 Canada Square
London
United Kingdom
E14 5HQ

Auditor Deloitte LLP
Statutory Auditor
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL
United Kingdom

Strategic report

For the year ended 30 June 2020

The directors present their strategic report for the year ended 30 June 2020.

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principal activity

The principal activity of Daytona JV Limited ("the Company") is managing and financing the German holding company owning the operational companies Domino's Pizza Deutschland GmbH and Hallo Pizza GmbH.

Review of business

The Company made a profit after tax for the year of £7,762,820 (2019: Loss after tax of £11,616,346). The results and transfers from reserves for the year are set out on pages 10 to 14.

The Company recognised an reversal of impairment of the intangible asset related to the German market access fee of £7,795,597 (2019: Impairment of £11,059,268) during this year, due to changes in market conditions.

Key performance indicators

Due to the nature of the business being a special purpose financing and investing company, the directors do not consider the use of KPIs to be applicable.

Principal risks and uncertainties

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company does not use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows. Where possible, monetary assets and liabilities are held in Euros, the Company's functional currency, so as to offset the risk of fluctuations in exchange rates.

Credit risk

The Company's principal financial assets are bank balances, related party and other receivables, and investments. The Company's credit risk is primarily attributable to its related party receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because funding is made through related parties with sufficient access to credit lines and profitable operations. The Company has significant concentration of credit risk, with exposure concentrated group companies.

Interest rate risk

The Company is subject to interest rate risk on intercompany loans. Domino's Pizza Enterprises Limited's, the Company ultimate controlling party, ('the group') treasury department monitors rates on behalf of the Company.

Management does not believe the company is any more exposed to financial statement risk factors than others in the industry and has a system of internal controls and procedures that attempt to mitigate such risk.

Strategic report

For the year ended 30 June 2020 (continued)

Section 172 statement

The following statement describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

Decision making process

The directors of the Company act in good faith to ensure the continued growth and profitability of the Company. In doing so, they are required to consider the short, medium, and long term positive and negative impacts of their decisions. Business strategies and decisions are subject to a rigorous review process involving various stakeholders.

The principal activity of the Company is to act as a holding company for other entities in the Domino's Pizza Enterprises Ltd Group, the Company has had no commercial business, employees, customers or suppliers other than transactions with other Group companies during the period and, as such, the breadth of stakeholder and other considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors.

Employees, suppliers, communities and environment

While section 172(1) requires consideration of all stakeholders, due to the nature of the Company's operations within the wider Domino's Pizza Enterprises Ltd Group, the Company does not have any direct supplier or customer engagement. Engagement with these stakeholders is undertaken at Group level.

As the Company is a holding company, it has no employees.

Effects of Brexit

There has not been a significant impact of Brexit on the Company or its investment in the German subsidiaries.

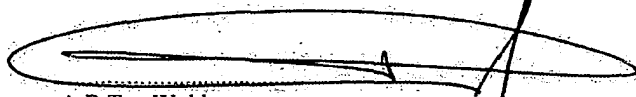
Coronavirus uncertainty

The directors intend to continue to monitor the ongoing situation regarding coronavirus and the potential impact on the trading subsidiaries and take mitigating actions as required. Given the current uncertainty, it is not possible to quantify the potential impact.

Future developments

The directors intend to continue the current activities as a special purpose financing and investing Company. The directors anticipate that its investment and market access rights assets will be maintained and profits earned from interest on the continued extension of loans to related parties.

Approved by the Board on 28 June 2021 and signed on its behalf by:



A B Ten Wolde
Director

Directors' report

For the year ended 30 June 2020

The directors present their annual report on the affairs of Daytona JV Limited (the 'Company'), together with the audited financial statements for the year ended 30 June 2020.

Future developments

Details of future developments can be found in the Strategic report on page 3 and form part of this report by cross-reference.

Going concern

The Company has an excess of assets over liabilities. The directors believe that the Company is well placed to manage its business risks and future operations for at least the next 12 months. The directors have a reasonable expectation that the Company, together with the support expressed by its (ultimate) parent demonstrated through the issuance of a letter of support, has adequate resources available within the group to continue in operational existence for the foreseeable future and achieving the set strategy. In making this assessment, the directors have considered the cash needs of the Company in the foreseeable future and have sought assurances that the parent company has sufficient resources available to be able to provide any support as and when it may be required.

The COVID-19 crisis has not had a major impact on the financial performance of the Company or subsidiaries to date. Due to the market in which the Domino's group operates, the group has seen continued strong performance through the pandemic. We expect the Domino's group to continue to perform strongly through 2021 and in the coming years, taking into consideration the challenging market circumstances. While there is uncertainty in the broader economy, we have a strong belief in our team and our offering, and intend to use this period to strengthen our business by investing in more marketing and opening more stores, by investing in our people and in our technology offerings. Even in the current uncertain market conditions the Company's trading subsidiaries were able to gain market share and increase its sales and operating cash flows.

As a consequence, the directors believe that the Company is well placed to manage its business risks and future operations for at least the next 12 months. Accordingly, the directors continue to apply going concern basis in preparing the financial statements.

Directors of the Company

The directors who served throughout the year and up until the date of signing, except where stated, were as follows:

G B Bourke (resigned 24 March 2021)

J J Cowin

D J Meij

D J Paul (appointed 1 May 2020)

N R Smith (appointed 1 May 2020)

A B Ten Wolde (appointed 22 June 2020)

D G Bauernfeind (resigned 26 December 2019)

A C Rennie (resigned 22 June 2020)

D J Wild (resigned 1 May 2020)

The following director was appointed after the year end:

U Schreiber (appointed 24 March 2021)

Directors' report

For the year ended 30 June 2020 (continued)

Directors' indemnities

During the year, the Company has maintained cover for its directors under a directors' liability insurance policy and the third party indemnity which were made during the year and were in force at the date of this report.

Dividends

The directors do not recommend the payment of a dividend (2019: £nil).

Financial risk management objectives and policies

The Company's activities expose it to certain financial risks including credit risk, cash flow risk and interest rate risk. The use of any financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes. Credit risk and cash flow risk can be found in the strategic report on page 2 and form part of this report by cross-reference.

Events after the reporting date

There are no subsequent events which require disclosure in these financial statements.

Directors' confirmations

Each of the persons who is a director at the date of approval of this report confirms that:

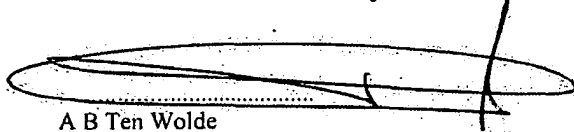
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's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

Independent auditor

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for a reappointment of Deloitte LLP as auditor of the Company. The auditors have been deemed reappointed in the absence of an AGM.

Approved by the Board on 26 June 2021 and signed on its behalf by:



A B Ten Wolde
Director

Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Daytona JV Limited

Report on the audit of financial statements

Opinion

In our opinion the financial statements of Daytona JV Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (SAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of Daytona JV Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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 Auditor's report.

Independent auditor's report

to the members of Daytona JV Limited (continued)

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

L. Cowie

.....
Lyn Cowie CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Aberdeen
United Kingdom

28 June 2021
Date:.....

Profit and loss account

For the year ended 30 June 2020

	Note	2020 £	2019 £
Turnover	4	3,605,363	2,221,870
Cost of sales		<u>(3,605,487)</u>	<u>(2,221,929)</u>
Gross loss		(124)	(59)
Administrative expenses		<u>7,225,515</u>	<u>(12,094,445)</u>
Operating profit/(loss)	5	7,225,391	(12,094,504)
Interest receivable and similar income	6	2,198,368	2,121,599
Interest payable and similar expenses	7	<u>(1,605,289)</u>	<u>(1,537,151)</u>
Profit/(loss) before tax		7,818,470	(11,510,056)
Tax on profit/(loss)	11	<u>(55,650)</u>	<u>(106,290)</u>
Profit/(loss) for the financial year		<u>7,762,820</u>	<u>(11,616,346)</u>

The above results were derived from continuing operations.

The notes on pages 14 to 27 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 30 June 2020

	2020 £	2019 £
Profit/(loss) for the year	7,762,820	(11,616,346)
Foreign currency translation (losses)/gains	<u>(150,996)</u>	<u>998,370</u>
Other comprehensive (loss)/income	<u>(150,996)</u>	<u>998,370</u>
Total comprehensive income/(loss) for the year	<u>7,611,824</u>	<u>(10,617,976)</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Daytona JV Limited

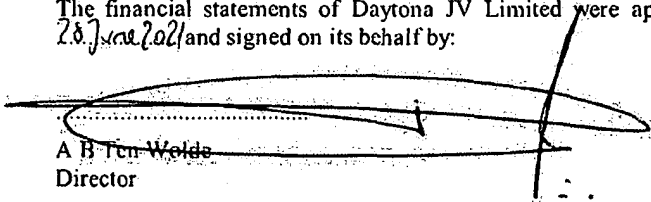
Balance sheet

as at 30 June 2020

Registration number: 09904708

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	20,864,604	13,158,419
Investments	13	<u>41,888,322</u>	<u>42,643,671</u>
		<u>62,752,926</u>	<u>55,802,090</u>
Current assets			
Debtors: amounts falling due after more than one year	14	80,339,462	78,941,228
Debtors: amounts falling due within one year	15	2,979,298	4,068,331
Cash at bank and in hand		<u>7,562</u>	<u>92,073</u>
		83,326,322	83,101,632
Creditors: amounts falling due within one year	16	<u>(226,361)</u>	<u>(1,714,710)</u>
Net current assets		<u>83,099,961</u>	<u>81,386,922</u>
Total assets less current liabilities		145,852,887	137,189,012
Creditors: amounts falling due after more than one year	17	<u>(60,448,488)</u>	<u>(59,396,437)</u>
Net assets		<u>85,404,399</u>	<u>77,792,575</u>
Capital and reserves			
Called up share capital	18	55,121,538	55,121,538
Share premium account	18	994,821	994,821
Capital redemption reserve	18	24,076,687	24,076,687
Profit and loss account	18	<u>5,211,353</u>	<u>(2,400,471)</u>
Shareholders' funds		<u>85,404,399</u>	<u>77,792,575</u>

The financial statements of Daytona JV Limited were approved and authorised by the Board for issue on 26 June 2021 and signed on its behalf by:


A B Ten Wolde
Director

The notes on pages 14 to 27 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2020

	<i>Called up share capital</i> £	<i>Share premium account</i> £	<i>Capital contribution reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 July 2018	51,759,138	994,821	24,076,687	8,217,505	85,048,151
Loss for the year	-	-	-	(11,616,346)	(11,616,346)
Translation adjustments	-	-	-	998,370	998,370
Total comprehensive loss	-	-	-	(10,617,976)	(10,617,976)
New share capital subscribed	3,362,400	-	-	-	3,362,400
At 30 June 2019	<u>55,121,538</u>	<u>994,821</u>	<u>24,076,687</u>	<u>(2,400,471)</u>	<u>77,792,575</u>
	<i>Called up share capital</i> £	<i>Share premium account</i> £	<i>Capital redemption reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 1 July 2019	55,121,538	994,821	24,076,687	(2,400,471)	77,792,575
Profit for the year	-	-	-	7,762,820	7,762,820
Translation adjustment	-	-	-	(150,996)	(150,996)
Total comprehensive income	-	-	-	7,611,824	7,611,824
At 30 June 2020	<u>55,121,538</u>	<u>994,821</u>	<u>24,076,687</u>	<u>5,211,353</u>	<u>85,404,399</u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2020

1 General information

Daytona JV Limited ("the Company") is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of its registered office is:

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', issued by the Financial Reporting Council.

Basis of accounting

These financial statements have been prepared under the historical cost convention.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel. Required disclosures have been made in the Domino's Pizza Enterprises Limited accounts, which can be obtained as disclosed in note 19.

Basis of consolidation

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Domino's Pizza Enterprises Limited. The group accounts of Domino's Pizza Enterprises Limited are available to the public and can be obtained as set out in note 19.

Notes to the financial statements

For the year ended 30 June 2020

2 Accounting policies (continued)

Functional and presentational currency

The directors have decided that the presentational currency for the Company's financial statements continues to be Pound Sterling. The functional currency of the Company is Euros. The Company maintains its accounting records in Euros as this is the currency of the majority of the transactions. These financial statements are presented in UK sterling using the average rate for the period in the profit and loss account (1 Euro = 0.87825 GBP) (2019: 1 Euro = 0.88171 GBP) and the exchange rate ruling at the balance sheet date for the balance sheet (1 Euro = 0.91243 GBP) (2019: 1 Euro = 0.89655 GBP), except equity which is translated at the historical rate. Differences arising on the translation are accounted for in other comprehensive income.

Going concern

The Company has an excess of assets over liabilities. The directors believe that the Company is well placed to manage its business risks and future operations for at least the next 12 months. The directors have a reasonable expectation that the Company, together with the support expressed by its (ultimate) parent demonstrated through the issuance of a letter of support, has adequate resources available within the group to continue in operational existence for the foreseeable future and achieving the set strategy. In making this assessment, the directors have considered the cash needs of the Company in the foreseeable future and have sought assurances that the parent company has sufficient resources available to be able to provide any support as and when it may be required.

The COVID-19 crisis has not had a major impact on the financial performance of the Company or subsidiaries to date. Due to the market in which the Domino's group operates, the group has seen continued strong performance through the pandemic. We expect the Domino's group to continue to perform strongly through 2021 and in the coming years, taking into consideration the challenging market circumstances. While there is uncertainty in the broader economy, we have a strong belief in our team and our offering, and intend to use this period to strengthen our business by investing in more marketing and opening more stores, by investing in our people and in our technology offerings. Even in the current uncertain market conditions the Company's trading subsidiaries were able to gain market share and increase its sales and operating cash flows.

As a consequence, the directors believe that the Company is well placed to manage its business risks and future operations for at least the next 12 months. Accordingly, the directors continue to apply going concern basis in preparing the financial statements.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in other comprehensive income.

Administrative expenses

Expenses are accounted for on an accruals basis. Administrative expenses comprise normal business administration expenditure for book keeping and other administrative filings. Also included in administrative expenses are costs of incorporating and establishing the current business operations. These costs are expensed immediately as incurred.

Notes to the financial statements

For the year ended 30 June 2020

2 Accounting policies (continued)

Investment in controlled entities

Investments in controlled entities are recorded at cost. Cost is the fair value of consideration provided and liabilities assumed. Investments are tested for impairment of an annual basis and impaired to their recoverable value where required.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimates.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method
German market access rights	27 years straight line

Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating units is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if due reasons for the impairment loss have ceased to apply.

Notes to the financial statements

For the year ended 30 June 2020

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component, of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets 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 or assets are expected to be settled or recovered.

Notes to the financial statements

For the year ended 30 June 2020

2 Accounting policies (continued)

Revenue recognition

Interest revenue is recognised as interest accrues using the effective interest method.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty revenues recognised over the period for which intellectual property is licensed to the ultimate user of the intellectual property.

Cost of sales

The Company recognises expenses within the profit and loss account as cost of sales which relate to royalties paid to a controlled entity. Royalties paid are recognised as cost of sales, rather than administrative expenses due to the direct link to the royalty revenue generated.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Debtors due within one year are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provisions for bad and doubtful debtors. Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

Debtors due after one year are basic financial instruments and are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method.

Notes to the financial statements

For the year ended 30 June 2020

2 Accounting policies (continued)

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings

All interest-bearing loans which are basic financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in interest expense.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

There are no critical judgements made by the directors in the process of applying accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the tincture, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Useful life of intangible assets

The Company establishes a reliable estimate of the useful life of intangible assets acquired. This estimate is based on a variety of factors such as the expected use of the acquired assets, the expected useful life of the cash generating units to which the intangible is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

For the year ended 30 June 2020

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Investment valuation

Investments in subsidiaries are carried at cost less impairment. They are assessed at each reporting date to determine whether there is objective evidence that the asset is impaired. In determining the recoverable amounts, management must estimate the quantum and timing of future cash flows from the subsidiary. Impairment charges are recognised where the calculated recoverable amount is lower the investment carrying value.

Impairment of intangible asset

In the process of evaluating the potential impairment of the intangible asset related to the German market access fee, the Company is required to make subjective judgements in determining the independent cash flows, used lives, expected future revenue and expenses related to the specific asset with the consideration of the nature of the quick service restaurant business in this market. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

4 Turnover

The analysis of the Company's turnover is as follows:

	2020 £	2019 £
Royalties received	3,253,651	2,103,394
Other revenue	<u>351,712</u>	<u>118,476</u>
	<u>3,605,363</u>	<u>2,221,870</u>

The total revenue is generated in Germany.

5 Operating profit/(loss)

Operating loss is stated after charging/(crediting):

	2020 £	2019 £
Amortisation of intangible assets	538,834	1,009,901
(Reversal of impairment) / Impairment of intangible assets	<u>(7,795,597)</u>	<u>11,059,268</u>

6 Interest receivable and similar income

	2020 £	2019 £
Interest received from controlled entities	<u>2,198,368</u>	<u>2,121,599</u>

Notes to the financial statements

For the year ended 30 June 2020

7 Interest payable and similar expenses

	2020 £	2019 £
Interest paid to controlling entities	<u>1,605,289</u>	<u>1,537,151</u>

8 Staff costs

The Company does not have any employees (2019: nil).

9 Directors' remuneration

The directors of the Company are also directors of other companies within the Domino's group. The directors are remunerated by other group companies and do not receive any emoluments from this Company. The directors do not believe that they received any emoluments for their qualifying services to this Company.

10 Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of Company's annual accounts	<u>12,508</u>	<u>13,195</u>
Total audit fees	<u>12,508</u>	<u>13,195</u>
Accounts preparation services of any associate of the Company	<u>-</u>	<u>2,832</u>
Total non-audit fees	<u>-</u>	<u>2,832</u>

11 Tax on profit/(loss)

The tax charge comprises:

	2020 £	2019 £
Current taxation		
UK corporation tax on profit before taxation	106,724	106,290
Adjustments in respect of prior periods	<u>(51,074)</u>	<u>-</u>
Total current tax	<u>55,650</u>	<u>106,290</u>

Notes to the financial statements

For the year ended 30 June 2020

11 Tax on profit/(loss) (continued)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit/(loss) before tax	7,818,470	(11,510,056)
Corporation tax at standard rate in UK of 19% (2019: 19%)	1,485,509	(2,186,911)
Effects of:		
Expense not deductible	102,378	59
Amortisation of intangibles	-	191,881
Income not taxable	(1,481,163)	-
Impairment of intangible asset	-	2,101,261
Adjustments in respect of prior period	(51,074)	-
Tax charge for the year	55,650	106,290

Factors affecting future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023.

Notes to the financial statements

For the year ended 30 June 2020

12 Intangible assets

	<i>German market access rights £</i>
Cost	
At 1 July 2019	28,566,765
Foreign exchange movements	<u>449,421</u>
At 30 June 2020	<u>29,016,186</u>
Amortisation and impairment	
At 1 July 2019	15,408,346
Amortisation charge	538,833
Reversal of impairment	<u>(7,795,597)</u>
At 30 June 2020	<u>8,151,582</u>
Net book value	
At 30 June 2020	<u>20,864,604</u>
At 30 June 2019	<u>13,158,419</u>

During 2016 the shareholders contributed to an intangible asset which allows the Company access to operate a franchise system in Germany. The initial recognition of this asset was recorded against the capital contribution reserve. The intangible has been licensed for a royalty return to a controlled entity. The useful life of the intangible has been assessed as 27 years.

The reversal of the impairment relates to the fair value of the market access fee payable by Domino's Pizza Enterprises Ltd to Domino's Pizza Group plc - both are the direct shareholders of this Company. As the intangible assets relate to the market access to operate a franchise system in Germany, and is contributed based on the share in capital of the shareholders, the fair value adjustments in the market access fee payable are reflected in valuation of the part contributed by Domino's Pizza Enterprises Ltd in the intangible asset, in case the fair value of the market access fee is lower than the portion contributed by Domino's Pizza Enterprises Ltd in the intangible asset. The fair value of the market access fee is calculated based on an adjusted EBITDA formula of the results in the German market which both shareholders agreed on. As a result of increased German market performance the fair value of the market access fee payable increased in financial year 2020 and as a result prior year impairments on the intangible assets have been partially reversed in 2020.

Notes to the financial statements

For the year ended 30 June 2020

13 Investments in controlled entities

	2020 £	2019 £
Investments in subsidiaries	<u>41,888,322</u>	<u>42,643,671</u>
Subsidiaries		£
Cost		
At 1 July 2019		42,643,641
Foreign exchange loss		<u>(755,319)</u>
At 30 June 2020		<u>41,888,322</u>
Net book value		
At 30 June 2020		<u>41,888,322</u>
At 30 June 2019		<u>42,643,671</u>

The Company's subsidiary undertakings, all of which are 100% owned, are as follows:

Details of undertakings

Subsidiary undertakings	Country of incorporation	Principal activity	Registered office	Class of share
Direct investments				
Daytona Germany	Germany	Investing company (holding)	Am Sandtorkai 75-77, 20457 Hamburg, Germany	Ordinary
Indirect investments				
Hallo Pizza GmbH	Germany	Hallo Pizza Franchisor in Germany	Hans-Böckler-Straße 48, 40764 Langenfeld (Rheinland), Germany	Ordinary
Domino's Pizza Deutschland GmbH	Germany	Domino's Pizza Franchisor in Germany	Am Sandtorkai 75-77, 20457 Hamburg, Germany	Ordinary

Notes to the financial statements

For the year ended 30 June 2020

14 Debtors: amounts falling due more than one year

	2020 £	2019 £
Amounts owed by subsidiary companies	<u>80,339,462</u>	<u>78,941,228</u>

Amounts owed by subsidiary companies are unsecured.

Interest is charged at 2.8% per annum on amounts outstanding. The directors expect recovery of the loan to remain outstanding for a period in excess of 12 months from 30 June 2020. The loan is measured at amortized cost using the effective interest rate. The elective interest rate used for loans currently outstanding was 2.8% as the directors determined that the interest charged in cash on the loan represented the effective interest rate. For the year to 30 June 2020 interest of £2,198,368 (2019: £2,121,599) accrued.

15 Debtors: amounts falling due within one year

	2020 £	2019 £
Amounts owed by subsidiary company	2,979,298	3,936,008
Corporation tax	-	132,323
	<u>2,979,298</u>	<u>4,068,331</u>

Amounts owed by subsidiary companies are unsecured, repayable upon demand and are interest free.

16 Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts due to parent companies	133,796	1,714,710
Accruals and other creditors	88,380	-
Corporation tax	4,185	-
	<u>226,361</u>	<u>1,714,710</u>

Amounts due to parent companies are unsecured, repayable upon demand and are interest free.

Notes to the financial statements

For the year ended 30 June 2020

17 Creditors: amounts falling due more than one year

	2020 £	2019 £
Amounts owed to parent companies	<u>60,448,488</u>	<u>59,396,437</u>

Interest is charged at 2.7% per annum on amounts outstanding. The maturity date is the earlier of the shareholder no longer holding shares in the Company or 15 December 2023, in accordance with the agreement. The loan is measured at amortised cost using the effective interest rate. The effective interest rate used for loans currently outstanding was 2.7% as the directors determined that the interest charged in cash on the loan represented the effective interest rate. For the year to 30 June 2020 interest of £1,605,289 (2019: £1,537,151) accrued.

Amounts owed to parent companies are unsecured, repayable upon demand and are interest free.

18 Called-up share capital and reserves

Authorised, allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary share of £1 each	<u>55,121,538</u>	<u>55,121,538</u>	<u>55,121,538</u>	<u>55,121,538</u>

The Company has one class of ordinary shares which carry no right to fixed income.

In June 2019, the Company issued 3,362,400 ordinary shares with a nominal value of £1 each for a total consideration of £3,362,400.

The Company's other reserves are as follows:

Share premium account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Capital contribution reserve

The capital contribution reserve represents capital contributions made by a shareholder Company.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Notes to the financial statements

For the year ended 30 June 2020

19 Parent and ultimate parent undertaking

The Company's immediate parent is Daytona Holdco Limited a company registered in England and Wales. Daytona Holdco Limited holds 66.67% of the issued capital. The remaining capital is held by Domino's Pizza Group plc a company registered in England and Wales.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Domino's Pizza Enterprises Limited, whose registered office is Kingsford Smith Drive, Hamilton, Queensland, Australia.

The consolidated accounts of the group are available to the public and may be obtained from Domino's Pizza Enterprises Limited, Kingsford Smith Drive, Hamilton, Queensland, Australia.

20 Events after the reporting date

There are no subsequent events which require disclosure in these financial statements.