

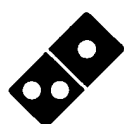


**WE GOT  
THIS**

**Annual Report  
& Accounts 2020**



**Domino's Pizza  
Group plc**



# Domino's®

## ANNUAL REPORT & ACCOUNTS 2020

**Domino's Pizza is the UK's leading  
pizza brand and a major player in  
the Republic of Ireland**



**We are incredibly proud  
that the business traded  
throughout the year and  
grateful to all our team  
members”**

### OVERVIEW

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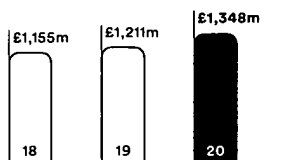
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## 2020 KEY FINANCIALS

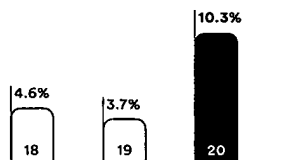
UK & Ireland system sales<sup>1</sup>

**£1,348m**



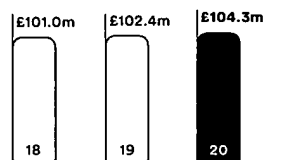
UK & Ireland like-for-like system sales growth<sup>2</sup>

**10.3%**



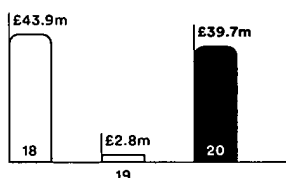
UK & Ireland underlying EBIT<sup>3</sup>

**£104.3m**



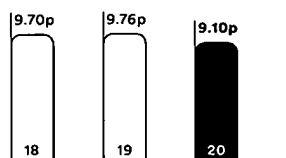
Statutory profit for the year

**£39.7m**



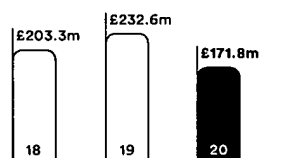
Dividends per share

**9.10p**



Net debt

**£171.8m**



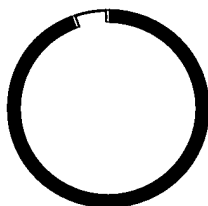
## A YEAR OF CHANGE

Welcomed our new Chair, Matt Shattock, CEO, Dominic Paul and CFO, Neil Smith

Successfully traded throughout the year, despite unprecedented operational challenges due to Covid-19

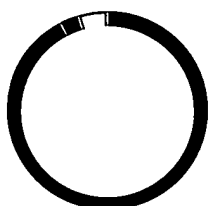
Disposed of our Norway business, reached an agreement on the disposal of our Sweden business and transactions in Iceland and Switzerland are progressing

## UK & IRELAND HIGHLIGHTS



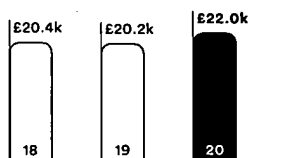
UK & Ireland system sales

● UK £1,280.7m  
○ Ireland £67.7m



UK & Ireland stores

● UK Franchised 1,110  
■ UK Corporate 37  
○ Ireland Franchised 54



UK mature stores average weekly unit sales

**£22.0k**

1. System sales represent the sum of all sales made by both franchised and corporate stores in the UK & Ireland.

2. LFL excluding splits system sales performance is calculated against a comparable 52 week period in the prior year for mature stores which were not in territories split in the year or comparable period. Mature stores are defined as those opened prior to 30th December 2018.

3. Underlying performance measures are defined as statutory performance measures excluding amounts relating to discontinued operations and non-underlying items. Non-underlying items are defined as being items that are significant in size, unusual or infrequent in nature, and are disclosed separately as non-underlying items in the notes to the accounts. See note 7 on page 177 for more information.

Use of non-GAAP measures: In addition to performance measures directly observable in the Group Financial Statements (IFRS measures), additional financial measures (described as non-GAAP) are presented that are used internally by management as key measures to assess performance. Non-GAAP measures are either not defined under IFRS or are adjusted IFRS figures. Further explanation in relation to these measures can be found on pages 169 to 171, and reconciliations to IFRS figures, where they have been adjusted, are on page 177.

**WE GOT  
THIS** 

Throughout this report  
we share stills from  
our new campaigns

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## GROUP AT A GLANCE

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Domino's Pizza is the UK's leading pizza brand and a major player in the Republic of Ireland.

We are part of the global Domino's system, the biggest pizza delivery operator in the world. We hold the exclusive master franchise rights in five markets under long-term agreements with Domino's Pizza International Franchising Inc., the international arm of Domino's Pizza Inc which is listed on the New York Stock Exchange and which owns the Domino's brand across the globe. Our core business is the UK & Ireland, where we have a clear number one market share.

Find out more at:  
[corporate.dominos.co.uk/about-us](https://corporate.dominos.co.uk/about-us)

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## WHAT WE DO

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### Supply chain

We manufacture fresh dough and act as a scale and expert wholesaler of other food and non-food supplies to our franchisees. We currently have three dough commissaries and distribution centres in the UK & Ireland, and from these we make three or four deliveries every week to every store. Our purchasing scale and expertise allow franchisees to share in the benefits of a much bigger business, so that they can be very competitive even when they are small enterprises.

### Marketing

As the master franchisor, we are responsible for national campaigns and for investing the National Advertising Fund to drive sales and build the brand. Our digital teams drive customer acquisition and order frequency through pay per click, targeted customer marketing and use of affiliate channels.

We drive brand engagement through social media and PR activities. We also develop menu innovations to refresh our product offering and drive repeat purchasing.

### Technology

We develop and run the technology ordering platforms which support both the website and the App. Our aim is to continually improve the customer experience and drive repeat sales. Our App was downloaded over 4.3 million times in the year and over 94% of UK delivery sales are now made online.

### Corporate stores

The majority, 97%, of our UK & Ireland estate is franchised however we also directly operate 37 'corporate' stores. This store estate is based in London and has grown through both acquisition of existing stores and the opening of new stores. Running corporate stores brings significant benefits in terms of the development of operational expertise and the ability to trial new pricing, technology or menu items in a live environment. Importantly, it also gives us greater empathy with our franchisees, as we experience some of the same operational challenges and opportunities.

## OUR PURPOSE

### Delivering a better future through food people love

#### CUSTOMERS

We never stop innovating and consistently deliver a better pizza experience

We go above and beyond on quality and great value

We bring people together to share in their love of Domino's

#### COLLEAGUES

We create opportunities and develop our people

We embrace diversity and fresh thinking

We celebrate entrepreneurial individuals who continuously push boundaries to drive innovation

#### FRANCHISEES

We share big ambitions – we grow and win together

We have the same vision, purpose and values

We come together to change people's lives

#### COMMUNITY

We always consider the impact of our decisions on the communities we serve

We champion sustainable choices for people and the environment

We make a local impact as responsible local businesses

#### INVESTORS

We make decisions that support long-term growth

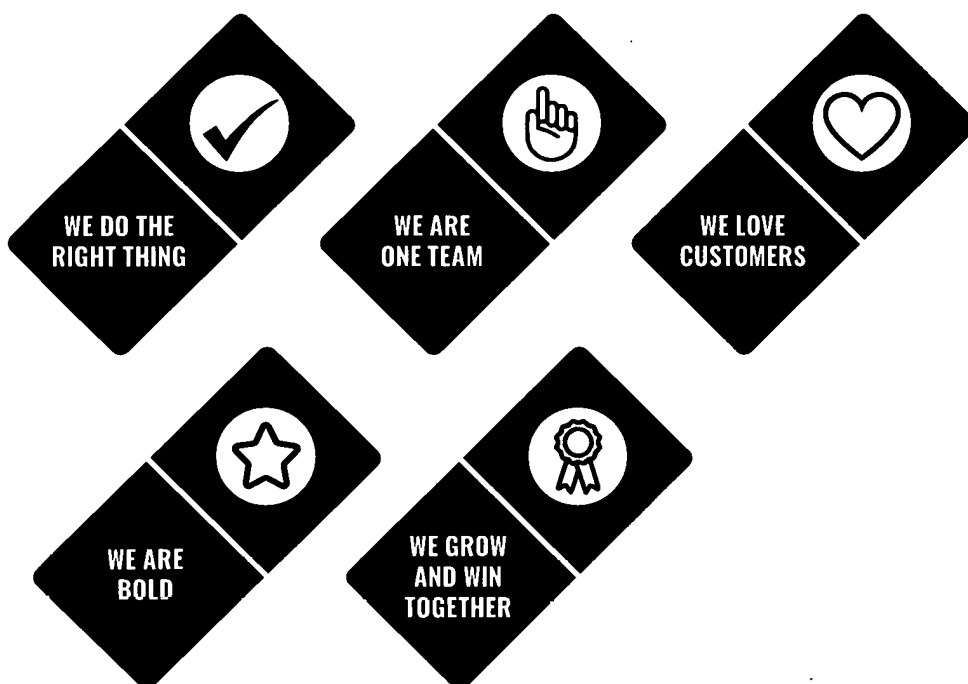
We are open and transparent about the progress we are making

We are guardians of the brand today, but committed to building a legacy for future generations

## OUR VISION

**To be the favourite food delivery and collection brand, with pizza at our heart**

## UNDERPINNED BY OUR NEW VALUES



## INVESTMENT CASE

**Our aim is to transform the Group into a high growth, high quality, world class franchisor, delivering best in class profitability. We have a strong investment case, building on our core strengths:**



We strive to be the favourite food delivery and collection brand in the UK & Ireland, driven by investment in our national brand and social media campaigns to drive sales, brand awareness and customer engagement. We are the leading delivery brand in attractive and growing segments of the market in the UK.

# #1

**for pizza brand  
awareness in the UK**



See our Market context  
on page 26



Our network of franchise operators have exceptionally strong operational expertise and experience and are passionate about our brand. We came together with our franchisees to manage the effects of Covid-19 and have demonstrated the strength of the Domino's system.

# 24.9 mins

**average  
delivery time**



See our S172 Statement  
on page 45



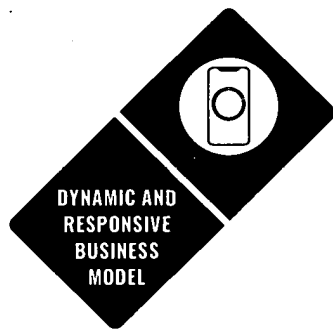
Our world class supply chain is the backbone of the business, supplying fresh pizza dough and ingredients to all our UK & Ireland stores, with our purchasing scale and expertise benefiting franchisees. We are making further investment in our supply and production facilities to support our system sales growth, with a relentless focus on product availability, quality and value.

# 99.9%

**availability  
and accuracy**



See our Business model  
on page 30



We operate a digitally driven and agile business model, combining our Group-owned corporate stores with our franchisee stores network. We have accelerated our evolution to a truly digital business, adapting rapidly to meet the surge in online and App growth, reflecting the rapid change in consumer preference and engagement across the market.

**94.3%**

**of UK delivery sales  
made online**



See our Business model  
on page 30



We are a highly cash generative business, prioritising reinvestment of this cash into the core business to enhance returns and enable future growth. Under new leadership we are embedding a cash-focused philosophy throughout the Group, with a rigorous focus on improving our cash conversion and capital allocation to enhance returns to shareholders.

**£99m**

**free cash flow**



See the Financial review  
on page 48

## CHAIR'S STATEMENT

For Group at a glance

 See page

For the introduction  
to Governance

 See page 69

### SIGNIFICANT EVENTS FROM THE YEAR

- In April we welcomed our CEO Dominic Paul to the Group, and he was quickly joined by our CFO Neil Smith. In September we welcomed Natalia Barseguyan and Lynn Fordham as non-executive Directors. In February 2021 we welcomed Stella David to the Board.
- Throughout the Covid-19 pandemic we have remained operational and carefully considered all our stakeholders in our decision making. I am proud of how the business has kept our colleagues safe and supported both franchisees and our communities.
- We were pleased to dispose of our Norwegian business in May. Contracts have been exchanged on the disposal of our Sweden business and the Iceland and Switzerland disposals are in negotiation.



**I am proud of how the business has kept our colleagues safe and supported both franchisees and our communities.”**

**Matt Shattock**

Chair

It was a privilege to join the Board in March as Chair. Domino's is one of the world's leading consumer brands and our business has been one of the success stories of the system. As I and my colleagues who are new to the Company approach our first anniversary, I see a business which offers tremendous opportunity to build upon strengths and sources of competitive advantage to create sustainable long-term value for all of our stakeholders. In this report we share our new strategy to address those opportunities in this dynamic and exciting market.

Joining the business as Covid-19 lockdown restrictions began to be rolled out means that I have so far been unable to meet many of our colleagues and stakeholders in person. There was however a significant benefit to joining the business during such an unprecedented period, which is that I have seen the true power of the system. I have seen how much and how quickly things can be achieved when everyone works together and focuses on a common goal. I have witnessed the strength of our world-class supply chain, the passion of our colleagues and the operational know-how of our franchisees and I have seen the true power of the brand and the resonance it has with our customers.

Throughout the Covid-19 pandemic we have carefully considered all our stakeholders in our decision making. Ensuring that we are doing the right thing has been a key focus of the Board. This has meant doing everything we can to take care of our people, working closely with our franchisee partners and supporting them, working closely with suppliers, giving back to our communities and acting in shareholders' long-term interests. We are also proud that no colleagues were furloughed and no UK government loan assistance was sought. You can read more about how we adapted through Covid-19 on page 8.

#### Leadership changes

My first priority upon joining was to lead the final stages of our CEO and CFO search processes, and I would like to thank my fellow Board members, led by our Senior Independent Director Ian Bull, for their hard work and support. In April, we were delighted to welcome Dominic Paul to the Group, and he took over as CEO on 1st May. Dominic is a highly experienced leader in the consumer sector with great experience of driving powerful consumer brands to new heights.

## Through the pandemic I have seen the true power of the brand and the resonance it has with customers.

Dominic's appointment was quickly followed by Neil Smith joining as Interim CFO in mid-April, and we were delighted that Neil then became permanent and joined the Board in September 2020. Dominic and Neil have made a significant positive impact since joining, bringing leadership and energy, and working tirelessly to set the business on the right path for future growth. The Executive Leadership team has been strengthened with the addition of high calibre candidates, bringing enhanced skills and experience and with demonstrable progress towards improving gender diversity amongst senior management.

Ebbe Jacobsen stepped down from the Board in January 2020. At the AGM in June, non-executive Director Helen Keays retired from the Board, having served almost nine years. I would like to thank Ebbe and Helen for their contributions to the Board and the Company.

In September, following an extensive search process, we were delighted to welcome Natalia Barsegiyan and Lynn Fordham to the Board as independent non-executive Directors. Both have highly relevant experience and impressive track records of value creation and have already made important contributions to the Group. I'm also delighted that on 23rd February 2021 we announced the appointment of Stella David, who is another excellent addition to the Board.

### Our new strategy and capital allocation philosophy

Having made solid progress on strengthening our Board and Executive Leadership teams, the Board has three clear priorities this year: firstly, to help support and guide the business and its key stakeholders through the unprecedented backdrop of Covid-19; secondly to support the Executive Leadership team as they seek to build a productive, mutually beneficial long-term relationship with our franchisee partners; and thirdly to work with Dominic, Neil and the leaders of the business in formulating the future growth strategy for the Group. We are pleased to share this strategy in this report.

Delivering a better future through food people love is our newly-launched purpose, with a vision to be the favourite food delivery and collection brand with pizza at our heart. Behind that vision is a set of five core objectives which will underpin what we do and how we do it. You can read more on page 24.

Alongside our strategy, we have also shared our new capital allocation philosophy, which seeks to amplify shareholder returns by our effective use of capital. This is a highly cash-generative business, and our first priority for this cash is to reinvest back into the core business to enhance returns and enable future growth. Total capital investment in the business this year was £19.4m.

In late March 2020, the Board took the difficult decision to suspend the final dividend payment of 5.56p which related to FY19, given the highly uncertain outlook at that time.

By the time of the half year results in August we felt able to reinstate the dividend payment, which was then paid to shareholders in September.

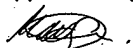
As part of our new capital allocation philosophy, we have introduced a new dividend target of EPS cover of at least 2x and are therefore recommending a total dividend for the year of 9.10p which will be paid in May. In addition, as part of our philosophy to return surplus cash to our shareholders, we have also announced a share buyback programme of £45m, which will commence imminently. We will continue to invest in the growth of the business, and together with returns to shareholders through both dividends and buybacks, we believe we will support our growth potential and maximise long-term returns for shareholders.

Our new strategy will drive the long-term success of the business and create value for all our stakeholders. The Board is committed to conducting business in a sustainable way that not only values financial performance and returns, but recognises the benefits of creating wealth through other forms of capital, including social and environmental capital. Consistent with our culture and values, we always strive to do the right thing. We are committed to minimising our environmental impacts, acting on climate change and providing our colleagues with opportunities so that they can prosper in a diverse, inclusive and safe workplace. We are aligning our reporting with external frameworks such as that promoted by the Sustainability Accounting Standards Board ('SASB') and the Task Force on Climate-Related Financial Disclosures ('TCFD'). You can read more about our approach to sustainability on page 32.

### The year ahead

At the time of writing, we are still operating against the backdrop of the Covid-19 pandemic but are hopeful that the year ahead will see our lives and the economy slowly return to full activity. I am confident that our business will continue to be adaptable and agile, and well placed to react to any changing circumstances as required. The year ahead will also be an important one as we begin the work of embedding our new strategy for growth, and I am confident that we have great leadership in place to execute our plan. We have engaged with our franchisees in the development of these strategic plans and have made an attractive offer to the Domino's franchisees to align their strategic and financial interests with ours. The franchisees have yet to agree the terms of the offer, but we remain hopeful they will appreciate the mutual benefits its acceptance would yield.

Finally, I would like to offer a heart-felt thanks to our hard-working colleagues, our franchisee partners, our suppliers, our customers and of course you, our shareholders, for your support throughout the year.



**Matt Shattock**  
Chair

8 March 2021

# OUR RESPONSE TO COVID-19

**OUR OVERARCHING PRIORITY WAS TO ENSURE THAT WE DID EVERYTHING POSSIBLE TO KEEP OUR CUSTOMERS AND COLLEAGUES ACROSS THE SYSTEM SAFE, AND THIS WAS REFLECTED IN THE DECISIONS WE MADE.**

**Our three priorities through Covid-19 were to:**

**Keep serving our customers  
and looking after our people**

**Build brand preference  
and help our communities**

**Come together  
with our franchisees**



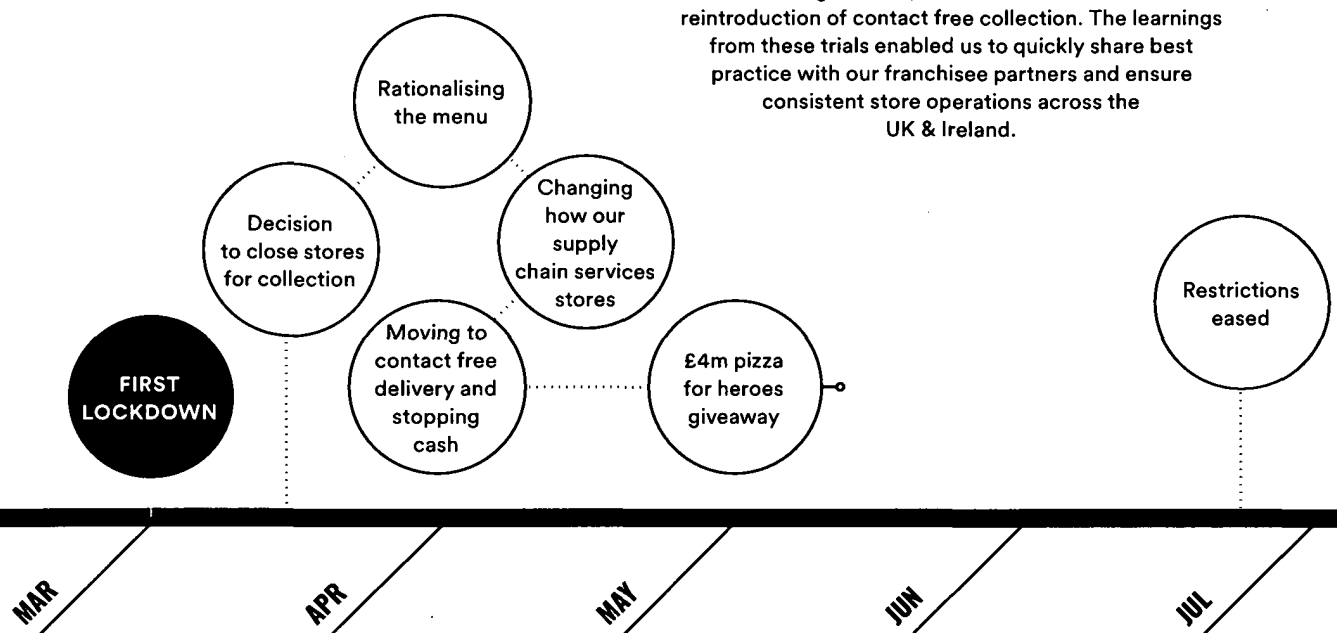
## HOW SUPPLY CHAIN OPERATIONS WERE CHANGED TO KEEP COLLEAGUES SAFE

We acted swiftly to change our supply chain operations and enable social distancing. Our delivery shifts were all rescheduled to ensure that all stores were closed when our drivers delivered food to them, and all shifts had staggered start times. We quickly sourced PPE and additional cleaning products for use throughout the Supply Chain Centres and stores. Our delivery drivers and Supply Chain Centre workers were categorised as key workers, and we are proud of their hard work to ensure our service levels remained high throughout the year.



## HOW WE USED CORPORATE STORES TO TRIAL CHANGES TO STORE OPERATIONS

We directly operate 37 stores in the London area, and used these to rapidly trial and test new ways of working. These included moving to contact free delivery, the use of Perspex screens and floor markings to keep store colleagues safe, menu rationalisation and the reintroduction of contact free collection. The learnings from these trials enabled us to quickly share best practice with our franchisee partners and ensure consistent store operations across the UK & Ireland.





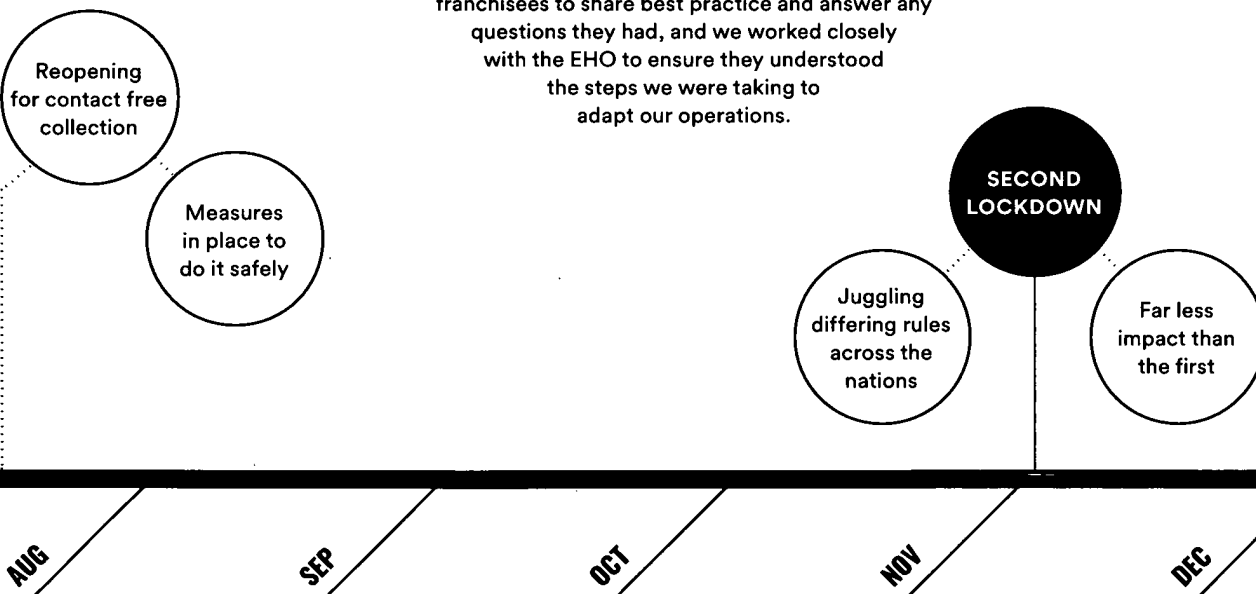
## THE VALUE OUR NEW DATA AND INSIGHTS TEAM BROUGHT

In March 2020 we established a new Data and Insights function, led by our Strategy & Insights Director, and the team is now made up of 12 colleagues. During the year the team have provided valuable data analysis which has aided decision making, for instance around the largely incremental nature of collection customers, which supported the reopening of contact free collection in the summer, the impact of stopping cash across the estate, and which products we should temporarily remove from our menus to improve social distancing on the make line.



## STEPPING UP COMMUNICATION

Under the leadership of new CEO Dominic Paul, the business increased our communication, to colleagues, to customers, and with our franchisees. We adapted quickly to home working across head office functions and utilised technology to ensure colleagues felt supported and engaged. Eighteen different emails were sent to UK customers, totalling 92 million emails overall, detailing steps we were taking to adapt our operations and keep them safe. We ran weekly webinars with our franchisees to share best practice and answer any questions they had, and we worked closely with the EHO to ensure they understood the steps we were taking to adapt our operations.



**WE GOT  
THIS** 

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## STRATEGIC REPORT

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## Q&A SESSION – CEO AND CFO

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### What attracted you to join Domino's?"

**DOMINIC:**

Domino's is a brand I have long known and admired – and I've been a customer for years, my kids especially love the product. Having spent time with Matt, it was clear to me that he was a great leader and that we would work well together. I could see that the business needed some investment and focus, and my experience at Costa, a multi-site consumer business, which has both directly-operated and franchised stores, was very relevant here.

**NEIL:**

Like Dominic, I knew the brand well and was impressed with just how synonymous 'Domino's' is with 'pizza' here in the UK. I've come from a leisure, consumer and hospitality background and saw a read across from my time at El Group, where the relationship with publicans is akin to franchisees. I was also attracted by the strong cash flow generation of the Group, and the significant opportunities for future growth.



### What has surprised you most since you joined?"

**NEIL:**

We both joined the business during lockdown, so have been working remotely throughout our time with the Company. That brings with it challenges, such as really getting to know the culture of the business, and has inhibited our ability to get out and about in stores and our supply chain. However, I have been pleasantly surprised how well our people and our technology have adapted to ensure we have traded strongly throughout.

**DOMINIC:**

I'd agree with that, virtual Board meetings now feel very normal! I clearly knew coming into the business that the relationship with our franchisees was challenging but one of the biggest positive surprises for me was the strength of the operations – we have some of the most talented franchisees in the world, and the operations they run are very impressive.



### How do you think about the growth potential of the business?"

**DOMINIC:**

In this report we've laid out our new strategy and we believe that the growth potential of the business is very significant. The delivered food market is growing at just under 10% and we are one of the leading brands within the space. The opportunities for us in collection, where we are very underpenetrated and haven't historically had a cohesive plan for how we go after those sales, is also compelling.

**NEIL:**

In addition to operating within such an attractive, growing segment of the market, we also have the opportunity to improve our capabilities, drive efficiencies and become more innovative in how we operate. That will further fuel our growth of free cash flow which we can then allocate to optimise returns for shareholders.

“

## How are discussions with franchisees going? Have you reached a resolution with franchisees?”

### DOMINIC:

We have engaged with our franchisees in the development of our strategic plans and have made an attractive offer to the Domino's franchisees to align their strategic and financial interests with ours. The franchisees have yet to accept the terms of the offer, but we remain hopeful they will appreciate the mutual benefits its acceptance would yield. We believe this offer is in the long-term interests of our shareholders, our franchisees and all other stakeholders and as such our door remains open to continue talking to find a satisfactory resolution.

### NEIL:

Whilst we have not yet been able to conclude the long-term agreement with the franchisees, we are already making good progress with the implementation of our strategic objectives. We are confident that many aspects of our strategy can be executed and will accelerate growth with or without long-term agreement with our franchisees. Whilst we would prefer a fully-aligned system we can no longer allow the business to be strategically held back so we are pushing forward with our plans.

“

## What are your top priorities for 2021?”

### NEIL:

The number one priority for the year is initiating our transformation that will underpin the delivery of our new growth strategy. Another priority for me is to improve the efficiency and cost effectiveness of the system, and to embed a cash-focused philosophy throughout the Group.

### DOMINIC:

Neil's response is a pretty good summary. We have had real operational and digital success during the pandemic and I think we have a great opportunity to build on this as we come out of the crisis.

In addition, I'd like to think we can get back into the Milton Keynes offices and meet a lot more of our colleagues in person! The business will always embrace flexible working and we don't want to get back to the office just for the sake of it, but I am really looking forward to when we can all collaborate and meet face to face a lot more.

The business and franchisees really came together during the pandemic, and I look forward to further improving our relationship during 2021.

We also have more work to do on our sustainability strategy and making sure that this isn't just what we say, but its reflective of how we think and operate at all levels of the organisation. So, we have quite a lot on our to do list for 2021, and we're both really excited and energised by that.

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# CHIEF EXECUTIVE OFFICER'S REVIEW

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## STRATEGIC HEADLINES

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- Strong trading performance demonstrating resilience of business model
- Accelerated growth of delivery market and step-change in digital credentials
- Significant new customer acquisitions
- Transformation of the Board and Executive Leadership team
- Good progress on exiting International businesses
- Unveiled a new strategy with ambition to deliver £1.6bn–£1.9bn of system sales in medium term
- Seeking alignment with franchisees to accelerate growth
- A new capital allocation philosophy – £88m to be returned to shareholders through dividend and share buybacks

### Performance summary

I am pleased to say that we responded promptly to the challenges created by Covid-19, prioritising the safety of our colleagues, franchisees and customers, while ensuring we were able to continue trading throughout the year. Indeed, we managed to deliver an improved financial performance year on year, reporting Group underlying profit before tax of £101.2m, up £2.4m from the prior year. This increase was despite Covid-19 related costs of approximately £9.0m incurred to ensure we were able to operate safely.



**We are delighted to have demonstrated the agility and robustness of our system to have traded safely throughout the year. Our first priority has been the safety of our teams, our franchisees and our customers and to contribute where we can to our local communities.”**

Dominic Paul  
Chief Executive Officer

Lower cash losses from the international businesses and timing differences contributed to strong cash generation in the year. We reported free cash flow of £99.0m (2019: £57.1m) and this drove a reduction in net debt of 26% to £171.8m. This cash generation has enabled us to announce a total of £88m of returns to our shareholders through a combination of the FY20 ordinary dividend and a share buyback.

Throughout the pandemic we have focused on doing the right thing and it has been pleasing to see that this has been recognised by our customers where we have seen overall satisfaction increase from 61% in 2019 to 69% in 2020. We have supported our communities with two '£4m pizza giveaways' for key workers across the country and have launched the Domino's Partners Foundation, which will provide grants to colleagues, either working directly for us or for our franchisees, in times of hardship.

2020 was a challenging year for our business, our people, our franchisees, our suppliers and for our customers. The Board and my newly formed Executive Leadership team are very proud of the work of our people, for their unrelenting focus on the day-to-day challenges to ensure that we, and our franchisees, could operate and trade safely. I would like to thank them for their ongoing commitment and dedication to Domino's.

For Our response to  
Covid-19

See page

# CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

## NEW MULTI-YEAR STRATEGIC PLAN

### Delivering the future

We are focused on the future and planning how we deliver the next phase of growth of the business, by maximising on the opportunities in our market, our digital capabilities and our brand. It is critical that we retain customers that are new to the Domino's system, continuing the digital shift that accelerated through the pandemic. Furthermore, we will ensure we are in as strong a position as possible to benefit from the gradual unlocking of the economy that we expect in 2021.

Since joining Domino's a year ago, I began a wide-ranging programme assessing our future growth avenues, our internal capabilities, our digital strategy and the optimal capital structure for the Group. Today I am excited to share the details of that work and what it means for the Domino's brand, our business and our stakeholders.

In formulating the new strategy, we recognise the core foundations of the business:

- Domino's is a brand that customers love.
- We are a leader in a growing delivery market.
- We are accelerating the pace of digital adoption for collections and delivery.
- We operate a world class supply chain.
- We have high quality franchisees achieving best-in-class returns.

As we come out of the restrictions of Covid-19 we will be competing in an environment that has most likely changed forever with an increased presence of aggregator operators and more digitally aware consumers that are familiar with the benefits of home food delivery. We have already invested in our core capabilities and built upon our core strengths to capture the opportunities ahead. We know how to improve our marketing effectiveness, utilise data and insights to inform our decision making, leverage the strength of our supply chain to drive efficiencies and accelerate our already strong digital and technology credentials.

We are starting from a position of strength. Our supply chain already achieves 99.9% availability and accuracy; 94.3% of delivery sales are made online, our IT platform stability has significantly improved; and our new mobile App is due to launch later on in the first half of this year.

In developing our strategic growth plan we have consulted extensively with our franchisees and also scoured the global Domino's system to capture best practice and innovation, informed by in-depth consumer insights and future trends to help us evolve the UK & Ireland business.

Our vision is to be the favourite food delivery and collection brand, with pizza at our heart. Behind that vision is a set of five core objectives:

### 1. Delivery: Nobody delivers like Domino's

Delivery is at the heart of our business, and what we are best known for – we have built a considerable following, with a brand that people love, enabling us to hold a leading position in the UK delivery market, with c.20% market share. Over this past year, there has been a notable increase in delivery volumes as consumers have flocked to delivery services during lockdown. While some of this growth will revert once the situation normalises, we expect some of the additional volume to endure in the future, as consumers continue to demand convenience.

Our scale and depth of vertical integration is our big advantage. We aim to capitalise on this by rolling out new digital platforms, including our mobile App that now allows group ordering, as well as launching our next generation web platform that will provide a personalised experience for our customers. We will also deploy new technology such as an upgraded GPS tracking solution to improve the delivery experience.

Our aspiration is to raise the bar for the rest of the market, accelerating our like-for-like delivery orders, and reducing the average delivery time for our customers to below 20 minutes from the current figure of just under 25 minutes.

### 2. Collection: Turbo-charge our collection business

Whilst Covid-19 has dampened the collection market considerably, with fewer people in areas where our stores are located, we expect it to bounce back swiftly as people return to work and we believe this is a strong growth avenue for Domino's. Our market-leading position in delivery is an indication of what we could aspire to in the collection business, where we currently are behind other global Domino's operators, and we see the opportunity to extend our reach into different collection occasions (such as lunch, or dinners with family and friends), as well as different customer segments, particularly those where we are strong in delivery.

There are a number of evolutions we are planning to make our overall customer experience better for collection: we are going to enhance our food offer and make our products just right for the collection customer as well as re-design our in-store collection experience and roll out targeted collection offers. In addition, we have developed an In Car Collection service, which we are already rolling out across the system and aim to have 450 stores offering the service by the end of June.

Our aspiration is to grow our collection business faster than delivery and double our market share in the UK collection market over the medium term.

### 3. Product & value: Amplify our product quality and value

Our customers love our product, and we see a great opportunity to re-ignite product innovation further to stay ahead of our competitors. There are other areas where we know we would like to focus our attention, including the introduction of more healthy options and the success of the vegan options over the last year shows that this is increasingly demanded by our customers.

We also understand from our customers there is room for us to improve the perceived value for money. We have a product we can be proud of, and which is industry-leading in terms of quality for the price at which it is offered – and will focus on improving our messaging to reinforce this. Additionally, our new digital assets will allow us to offer our customers what they want, when they want it, and at the price that they want.

Our aim is to become the undisputed #1 delivery player in terms of Net Promoter Score, and make sure that our customers feel they are getting a good deal.

### 4. Performance: Uphold our industry-leading economics

Over the years, we have built a system which rewards both franchisees and the Group for the great performance of the brand for which they are responsible. We have even more opportunity to build on this with further efficiencies along our value chain. We can also do more to put the right tools in the hands of our franchisees to enable them to turbo-charge their success.

Within our supply chain, we can leverage our scale to realise operational and procurement-led efficiencies (including dynamic routing, sophisticated new logistics technologies and smarter ingredients contracts), whilst in our stores we can deploy our operational technology to support franchisees' productivity.

Tackling both should allow us to maintain our best-in-class profitability for both franchisees and the Group.

### 5. Franchisor: Model excellence as a franchisor

The Domino's system in the UK and Ireland has grown to a point where there are now circa 70 very successful franchisees with over 1,200 stores in the network but we can do more. We want to attract new franchisees to the system and reinforce our industry-leading capabilities to better position all franchisees for growth.

More now than ever, we are investing in our franchisor toolkit: investing in building key capabilities across data science, transformation, and store operations, and continuing to upgrade our supply chain and IT infrastructure. In addition, we will reinforce the business review process with our franchisees, in order to make sure that they get the personalised support they need in order to perform at their full potential. We are undertaking a review of future store formats which will unlock the next wave of growth in the system. Alongside all of this, our goal remains to attract and retain the best talent in the industry, to be the preferred partner for prospective franchisees, whilst delivering some 200 new stores in the medium term.

## THANKING OUR HEROES

In April 2020, and again in January 2021, we ran huge pizza giveaways, totalling £8m, surprising emergency services, social care crews, postal delivery workers, chemists and more with a small token of appreciation. In October we launched 'Local legends', calling on the nation to nominate their key worker heroes, and recognise them as Local Legends with free pizza for a year.

We saw it as a privilege to stay open and trading throughout Covid-19 and, together with helping keep people safe at home, the pizza giveaways and local legends initiative were our way of thanking the true heroes of our country.

# CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

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## Implementing the plan

Any successful strategic plan needs to build upon the existing strengths of the organisation and provide the necessary culture within which change can be effective. We have refined the values which are core to our business and are aligning our colleagues behind a shared purpose and vision. We have been busy enhancing our skills and capabilities to support the execution of our strategic plan. We have seen significant change at the Board level where we have introduced greater diversity and wide-ranging skill-sets and experience. We have also made significant changes across the Executive Leadership team, with new hires including Chief Financial Officer, Chief Marketing Officer, Chief Information Officer, Operations Director, the establishment of a new data & insights team and digital team, a new CEO Ireland role to focus on growth of our business in the Republic of Ireland and a Transformation Office, with new Chief Transformation Officer to lead the strategic transformation programme.

We have clear targets against which we can measure progress and which align to the five core objectives of our strategy. Underpinning these strategic objectives is a Board-sponsored transformation programme which will be managed by our newly established Transformation Office and delivered by my Executive Leadership team.

Successful execution of the new strategic plan is expected to deliver our medium-term aspirations of total system sales of £1.6bn to £1.9bn supported by the opening of an additional 200 new stores.

## Delivering our sustainable future

Our focus is not just on financial strategy and performance but doing the right thing by supporting our people, our environment, our community and our customers, within a strong governance framework. Alongside our strategic plan we will be working to drive forward our wider sustainability programme and credentials. Important work has been done in the year to develop a more systematic understanding of our material issues. An engagement exercise with our wider stakeholders has enabled us to understand what they expect from Domino's, enabling us to establish areas of focus for our programme: our food; our customers; our people; our supply chain and the environment.

Across each area we have identified what we need to do to improve our performance and reporting, forming our Group sustainability approach. Alongside this we established a new environmental management system and policy, setting objectives across our direct and indirect material impact areas.

We recognise that we have much work to do across our impact areas. During 2021 we will measure and externally validate our current performance, setting a base line of data, which will enable us to set ourselves ambitious targets against which we can be held accountable.

## Capital allocation philosophy

Our asset-light business model is highly cash generative. As a Board we have reviewed our approach to capital allocation to develop a philosophy for the use of the cash generated to optimise long term shareholder returns. We will seek to sustain the growth of our core business through capital investment and we will operate a disciplined approach to assessing additional growth opportunities. Operating within a normalised leverage range of 1.5x–2.5x net debt to EBITDA, we aim to maximise shareholder returns with an annual allocation of surplus cash to shareholders through a combination of dividends and other forms of returns, such as share buybacks.

In the year we have generated £99.0m of free cash, in addition we have received net cash flows of £11.6m from disposals and share issuances giving a total of £110.6m available for allocation. We have firstly invested £19.4m in capital investment in our core business and have proposed a final dividend of 9.1p for the full year, amounting to £43m. From the remaining surplus cash flow, we have announced a £45m share buyback programme as an initiation of an approach to consistently review the most accretive use of our surplus cash.

## OPERATIONAL REVIEW

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### Trading summary

At the start of the first lockdown period in March 2020, we moved quickly to ensure the business continued to trade safely, switching to entirely contact free delivery and stopping customer collections. These decisions were made in collaboration with franchisees in order to ensure that store colleagues could operate in a safe environment. The like-for-like system sales growth reported for the full year of 10.3% has not been adjusted for stopping collection orders in the initial lockdown and, for context, in 2019, collection accounted for 21.3% of sales and 31.1% of orders. The performance of our delivery business during the year was very strong, more than offsetting the lack of collection business at a sales level. At an order count level, although we saw a significant acceleration of delivery orders, up 10.3%, this did not fully offset the lack of collection orders, which were down 41.9%, resulting in total orders declining by 6.0% in the year.

Another significant change to our consumer offering was the rationalisation of our menu. Working together with our franchisees, at the start of the first lockdown we rationalised our menu, to enable store colleagues to work safely and maintain appropriate social distancing in store. As lockdown restrictions have eased, and we introduced additional safety measures in stores to ensure colleague safety, some menu items such as stuffed crust and chicken wings have been reintroduced, and we have been able to launch new products such as our vegan range.

Throughout 2020 we have been focused on doing the right thing. Whilst continuing to trade it was important we did this safely. As a business that was able to continue trading it was important that we did not take direct financial support from government so we voluntarily repaid the business rate relief that we received for our wholly owned corporate stores and we placed no employees on furlough.

We are grateful to our colleagues, our franchisees and our suppliers that we have managed to work together to serve our customers and we feel privileged to have been able to offer direct support to the fantastic frontline workers through our pizza give-aways as a small token of our collective gratitude for their heroic work.

We have incurred incremental costs of £9.0m in the year in order to trade safely. These included costs associated with the changes necessary in our supply chain, the provision of safety equipment to our franchisees and community support costs. The VAT rate reduction introduced by the UK government in July 2020 has brought some relief against these costs as we have enjoyed increased royalty income on higher system sales and increased income via our corporate stores and joint venture investments. The estimated VAT benefit is £3.6m in year such that our total net cost directly attributable to Covid-19 in the year is £5.4m.

The UK government recently announced the extension of the reduced VAT rate for much of 2021 which we welcome and which we estimate will offset the on-going incremental costs that we are incurring in our supply chain and in planned community support investment.

## Capital allocation

### This is an asset-light, high returns business with strong free cash flow generation

| Priorities for capital                                   | Philosophy                                                                          | Outcomes for FY20                                                               |
|----------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Invest in the business to drive long-term organic growth | Returns-based approach to investment in core business                               | Capital investment of £19.4m to support business growth                         |
| Sustainable & progressive dividend                       | EPS cover of at least 2x                                                            | Proposed FY20 dividend of 9.1p (£43m)                                           |
| Investment in additional growth opportunities            | Board to take disciplined approach to assessing organic and inorganic opportunities | Divestment of sub-scale international businesses and focus on the core business |
| Surplus cash                                             | Return surplus cash to our shareholders                                             | £45m share buyback launched                                                     |

**Strong Balance Sheet: Normalised Net Debt / EBITDA Leverage Range of 1.5x–2.5x**

## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

### Our franchisees

We know that as a system we are stronger when we work together with our franchisees with aligned objectives, as evidenced by the performance of the organisation throughout the Covid-19 pandemic.

As part of our ongoing dialogue and engagement we have discussed with franchisee representatives a long-term agreement that would enable the whole system to align behind the strategic growth plans to our mutual benefit. In establishing the appropriate parameters of a long-term agreement we have consulted with key stakeholders including Domino's Pizza, Inc (the global master franchisor) who are supportive of the core components of an offer that we have made, which includes:

- enhanced food rebate mechanism that would encourage growth;
- new store incentives which would support accelerated store openings;
- capital investment from us to fund a new technology roadmap, a new digital platform, CRM and supply chain enhancements;
- investment in our capabilities to enhance marketing effectiveness through data and insights; and
- agreement from franchisees to participate in national deals and a modest phased increase in the funding of the National Advertising Fund, aligned with enhanced marketing effectiveness, to increase investment in the brand.

### System sales performance

Like-for-like system sales across UK & Ireland grew by 10.3% excluding split stores (9.3% including splits). The quarterly analysis of this performance is in the table below which shows a steady growth in the first half of the year, a solid performance given the significant uncertainty prevalent in the market from March onwards. The second half of the year reports very strong like-for-like sales growth largely as a result of the change in rate of VAT on hot takeaway food from 20% to 5% with effect from 15 July 2020 in the UK.

| UK & Ireland    | Q1<br>2020 | Q2<br>2020 | H1<br>2020 | Q3<br>2020 | Q4<br>2020 | H2<br>2020 | FY<br>2020 |
|-----------------|------------|------------|------------|------------|------------|------------|------------|
| LFL inc. splits | 2.2%       | 4.2%       | 3.2%       | 16.5%      | 14.1%      | 15.2%      | 9.3%       |
| LFL exc. splits | 3.5%       | 5.2%       | 4.3%       | 17.5%      | 14.6%      | 16.0%      | 10.3%      |

While the engagement has been constructive we do not yet have agreement of the terms of the offer, but we remain hopeful the franchisees will appreciate the mutual benefits its acceptance would yield. We believe this offer is in the long-term interests of our shareholders, our franchisees and all other stakeholders and as such we will continue talking to find a satisfactory resolution.

The franchisees have worked incredibly hard this year and have performed exceptionally well. Based on the unaudited data submitted to us by franchisees, average store EBITDA for all UK stores for the full year was approximately £229k, equivalent to a 20% EBITDA margin. This compares to £145k or 14% margin in 2019. Franchisee profitability would have been assisted by the strong growth of delivery during the year, along with a ten-week reduction in National Advertising Fund ('NAF') contributions from 4% to 2%, as we tactically chose to reduce marketing spend over the Q2 lockdown period. In addition, whilst franchisees have passed on some of the benefit of the VAT rate cut through increased discounts to consumers, the net benefit of the VAT reduction has more than offset increased Covid-19 related costs incurred by our franchisees.

The benefit of the reduction in the rate of VAT primarily accrues to our franchisees to mitigate the additional costs of trading in a safe, socially distanced manner and also enables them to increase the level of discounts they can offer their consumers. We enjoy limited direct benefit to our profitability from the VAT reduction by way of a small increase in royalty and income from our corporate stores and joint ventures. These benefits have been significantly outweighed by incremental Covid-19 related costs incurred in the year.

The sales performance through the year can effectively be divided into three distinct periods: before the Covid-19 pandemic, which was effectively Q1; the widespread lockdown in the UK, which closely mirrored our Q2 period; and then a longer period of easing and tightening tiered restrictions, both nationally and regionally, which we saw throughout H2. The initial national lockdown period in our Q2 stands out for two reasons: the closing of many national competitors during this time, and our decision to close our collection business to ensure the safety of our colleagues.

Collection was reopened through the second half, albeit demand was at a lower level than normal due to changes in customer behaviour.

Since Q2, we have seen the increase in delivery sales more than outweigh the decline in collection sales. However, at an order count level this has not been the case. Since the start of the Covid-19 pandemic we have seen strong growth in items per order which softens the impact on the overall order count decline on our profitability. Throughout H2 these dynamics have remained, with collection order levels around 60% of the prior year, as expected.

Our UK business, which accounts for 95% of system sales, performed strongly driven by delivery order count and ticket growth, particularly from Q2 onwards. Our business in Ireland is a much smaller part of the Group and we saw a weaker performance particularly in Q2 as the Ireland lockdown had a more pronounced impact on consumer spending.

| UK & Ireland           | LFL Inc Splits (YOY Growth) |         |        | Total (All Stores) |                  |
|------------------------|-----------------------------|---------|--------|--------------------|------------------|
|                        | Sales                       | Volume  | Price  | Orders (m)         | YOY Order Growth |
| <b>Total</b>           |                             |         |        |                    |                  |
| Q1                     | 2.2%                        | 1.3%    | 0.9%   | 17.5m              | 1.8%             |
| Q2                     | 4.2%                        | 3.2%    | 1.0%   | 15.1m              | (11.3)%          |
| Q3                     | 16.5%                       | 3.9%    | 12.6%  | 15.7m              | (6.0)%           |
| Q4                     | 14.1%                       | 0.5%    | 13.6%  | 16.8m              | (8.2)%           |
| FY                     | 9.3%                        | 1.9%    | 7.4%   | 65.1m              | (6.0)%           |
| <b>Delivery only</b>   |                             |         |        |                    |                  |
| Q1                     | 3.9%                        | 2.6%    | 1.3%   | 12.4m              | 2.5%             |
| Q2                     | 30.1%                       | 31.8%   | (1.7)% | 14.4m              | 22.4%            |
| Q3                     | 28.7%                       | 17.8%   | 10.9%  | 12.4m              | 11.8%            |
| Q4                     | 23.2%                       | 10.4%   | 12.8%  | 13.4m              | 5.1%             |
| FY                     | 21.4%                       | 15.3%   | 6.1%   | 52.6m              | 10.3%            |
| <b>Collection only</b> |                             |         |        |                    |                  |
| Q1                     | (4.2)%                      | (3.0)%  | (1.2)% | 5.1m               | 0.0%             |
| Q2                     | (93.8)%                     | (86.9)% | (6.9)% | 0.7m               | (87.2)%          |
| Q3                     | (25.6)%                     | (34.9)% | 9.3%   | 3.2m               | (41.5)%          |
| Q4                     | (20.5)%                     | (30.3)% | 9.8%   | 3.5m               | (38.1)%          |
| FY                     | (35.7)%                     | (39.8)% | 4.1%   | 12.5m              | (41.9)%          |

# CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

## OPERATIONAL REVIEW CONTINUED

### Digital

The Covid-19 lockdown period accelerated our evolution to a truly digital business, in our ways of working, our decision making and our customer engagement, and we expect this trend to be a permanent one. Full year online sales in the UK grew 23.9% to represent 90.5% of system sales, or 94.3% of total delivery sales. Our App continues to be the driving force of our digital efforts. During the year, sales generated through the App grew 26.2%, and the App accounted for 39.2% of system sales, or 43.3% of all online sales. Our App had 4.3m downloads in the year with a 4.8 star rating on the App store.

Online traffic to our sites doubled at the start of the lockdown period and has remained at elevated levels throughout the rest of the year. This increase in traffic, combined with significant changes in our operations, meant that we needed to quickly mobilise our technology teams to ensure updates could be developed and implemented, and customer demand serviced. In the second half we maintained 100% platform availability, despite a notable increase in the number of features rolled out to customers. Furthermore, over the peak Christmas period we managed record visitor numbers to our website and App, with no performance issues.

In addition to supporting and improving our online experience, we have continued to develop the next iteration of our App. This has gone through extensive testing and is currently in the process of being rolled out across the system. The new App has a new look and feel, which makes it even easier for customers to find deals, includes the option for in-car collection, Google Pay, saving customised orders and the ability to reorder your last order.

As part of our evolution to a truly digital business, we have reviewed our approach to the development of the future online eCommerce platform, to enhance flexibility and reliability. As part of the review, we identified previously capitalised development costs of £4.6m which have been impaired in the current year and charged to non-underlying results.

### Data & Insights

The Data & Insights function was created in March 2020 with a core role to ensure business decisions are being led by the rich data Domino's holds.

The function has proven to be a real asset during Covid-19. During the year the team have provided valuable data analysis which has aided decision making, for instance around the largely incremental nature of collection customers, which supported the reopening of contact free collection in the summer, the impact of stopping cash across the estate, and which products we should temporarily remove from our menus to improve social distancing on the make line.

Beyond dealing with Covid-19 the team is also building customer insight into decision making across the business. In marketing this includes ad testing to ensure our content is focused, in food innovation we will use customer insight at numerous points along the innovation cycle and we have been utilising our customer experience data to drive better operations. As a newly formed and growing team there are also capabilities that we will be building out including CRM personalisation, sales forecasting and test and learn programmes for our marketing channels.

### Brand

The Domino's brand is a significant asset for our business. During the year we have seen customer satisfaction increase to all-time highs and are pleased this performance has continued since restrictions have eased. Our overall customer satisfaction during the year was 69%, an increase of eight pts.

Throughout the crisis we acted swiftly to demonstrate the increased steps we had taken to ensure colleague and customer safety. We ensured that we aligned messaging to the prevailing environment and pulled planned new product development that would have increased store level complexity. Very soon after the announcement of the UK lockdown, we advertised on TV to communicate the enhanced hygiene steps we had implemented, including contact free delivery. We made increased use of social media channels and email to provide further customer reassurance.

In November, we launched our new brand platform, 'We Got This'. This platform has been created to demonstrate the certainty and reliability of ordering from Domino's to ensure the brand is well positioned to win the war on delivery. The new campaign was tested using a new methodology developed in partnership with Domino's Pizza Inc, and outperformed both previous UK benchmarks and UK advertising norms.

In September we launched two vegan-friendly pizzas across the UK and Ireland, our Vegan Vegi Supreme and Vegan Margherita. This followed a year of development work on a new vegan dough and our own vegan cheese alternative. Customer response to our new Vegan range has been very encouraging, with the vegan range driving incremental sales for franchisees.

### Supply chain

We remain incredibly pleased with the operational performance of our world-class supply chain, which maintained 99.9% availability and accuracy in a year with the unprecedented challenges of Covid-19 and Brexit. We adopted a proactive approach to issues presented by Covid-19, which meant that we significantly changed operational practices and delivery schedules to ensure that we could maintain supply in a manner that was safe for our teams, our franchisees and our customers. In addition,

we had to plan for all possible outcomes arising from the Brexit discussions, which meant working closely with our key suppliers to ensure we held high contingency stock levels at the year end and with agreed mitigation plans in place to ensure there were no material impacts on pricing or availability.

We continue to invest in our supply chain to enhance capacity and drive efficiency. Our new site at Cambuslang in Scotland will be operational in the next few weeks and we are expecting the first phase of our expansion of the Naas site in Ireland to be completed in December 2021.

### New store openings

During the year we opened 19 new stores, all in the UK, with eight stores opened in the first half and 11 stores in the second half. 18 of these store openings were franchised, operated by 13 different franchisees. In total the store estate at the end of the year stood at 1,201 (UK: 1,147; Ireland: 54).

### Corporate stores

At the year end we directly operated 37 stores in the London area. During the second half we opened one new store, in Camden, aligned with the planned closure of our Chalk Farm store in January 2021.

The significant reduction in footfall across London, together with the greater bias towards collection, resulted in our corporate store estate being disproportionately affected by Covid-19. Corporate store revenue for the full year was £32.3m, up 0.1%, with first half revenue down 0.1% and second half revenue up 0.4%. LFL sales excluding splits were down 1.8%, with LFL in the first half down 6.5% and in the second half up 2.8%.

The EBITDA of corporate stores was £1.6m, compared to £1.3m in 2019. EBITDA in the second half was impacted by reduced order count due to the continued Covid-19 restrictions, however this was in part offset by the reduction in rate of VAT. The first half saw additional labour costs incurred as we made the decision to pay our store teams a salary supplement whilst working during the height of the first lockdown period.

### International – German associate (continuing activity included within underlying results)

Our share of post-tax underlying profits from our German associate was £4.7m (2019: £2.9m). Our 33% investment in the German associate is a valuable investment which we hold on our balance sheet at an aggregate value of £57.6m. We have a put option exercisable from 1 January 2021 to 31 December 2023 which is not valued within our balance sheet, in accordance with the requirements of IFRS. In total we believe that exercising our put option and disposing of our interest in the associate could yield total cash receipts of £80-£110m depending on EBITDA performance of the associate and the timing of exercise. The majority shareholders have a call option exercisable from 1 January 2023.

### International – Discontinued operations

In October 2019, the Board announced that we would exit from the markets of Norway, Sweden, Switzerland and Iceland seeking new owners for these businesses. Following this decision, the trading results of these territories, together with International central costs, have been classified as discontinued operations and excluded from underlying results, consistent with the treatment in FY19.

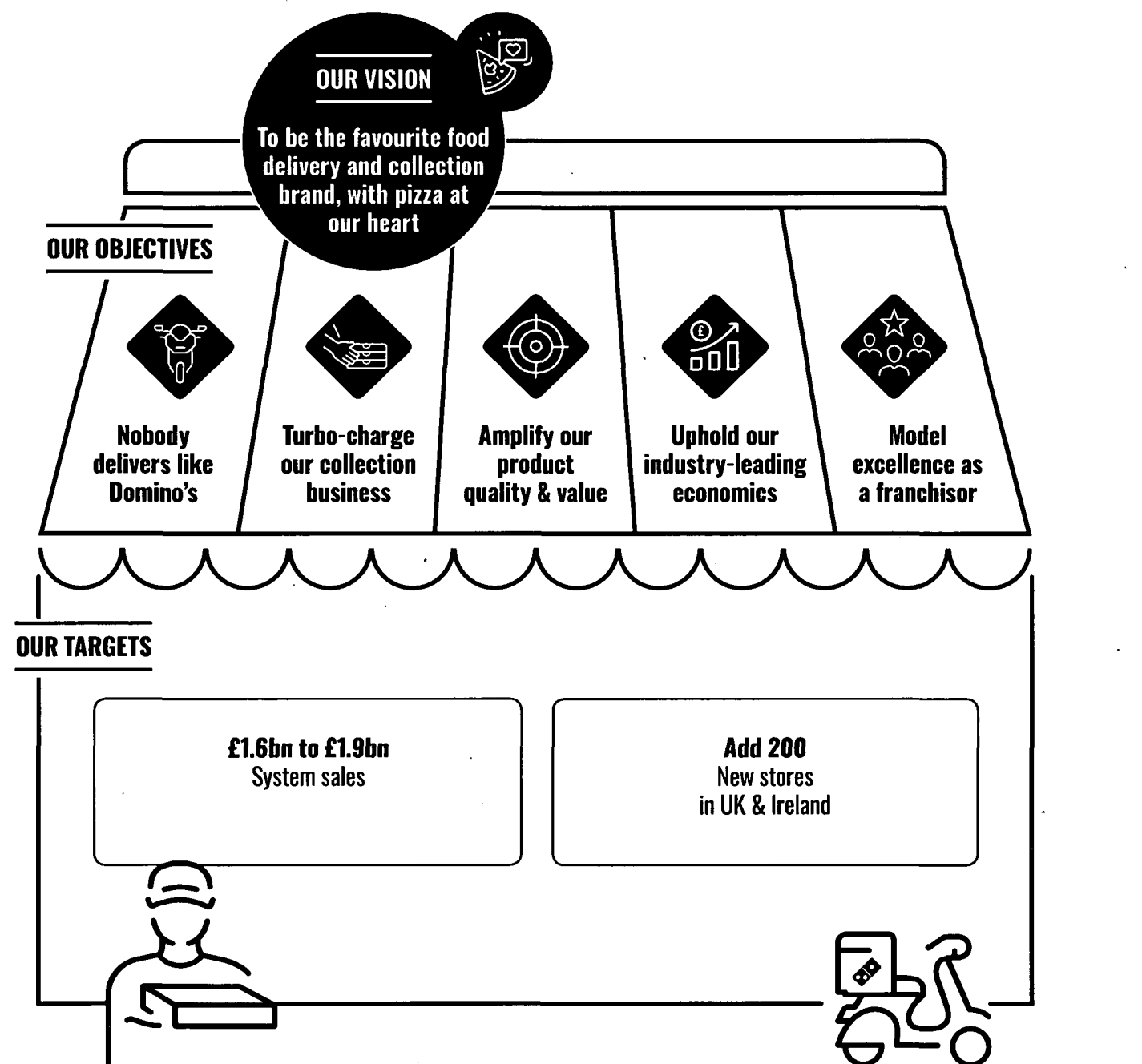
In February 2020, we announced that we had agreed the disposal of our Norwegian business, with the minority shareholders taking full ownership of this business. This transaction was a significant milestone as Norway represented our most troubled market and the largest cash drain on the Group. As part of the transaction, the minority stake in Sweden was transferred to us. The cash consideration paid to the buyers on completion of the transaction was £6.4m. Shareholder consent was given at a general meeting on 22 May 2020, with completion occurring the same day.

Marketing of the remaining businesses was difficult during the late spring and summer months due to the various Covid-19 restrictions applied in the different countries. Since the autumn the disposal process has been re-energised leading to the announcement in March 2021 that we have exchanged contracts to sell the business in Sweden, with a cash payment due to the purchaser of £1.8m. We expect the transaction to complete on 2 May 2021. The process of disposing of our interests in Iceland and Switzerland is on-going. As a result of the offers received, and based on our best estimate of expected value and current discussions, we have recorded impairments of £22.6m in discontinued operations, of which £14.5m relates to Iceland and £8.1m relates to Sweden. These impairments have arisen as market conditions have limited the pool of potential buyers and impacted their view of longer-term growth prospects of the businesses. Final agreed proceeds for each of the International disposal groups may differ from current offers or expectations, but given the advanced stage of the disposal process, a material change in fair value is not considered probable.

We are confident that, through our actions, we have stemmed the significant cash drain from the Group that has resulted from our ownership of these international businesses.

## OUR STRATEGY FOR DELIVERING THE FUTURE

During the year we have developed and launched a new strategic plan focused on delivering future growth which sets out five key objectives for the business, aligned with our vision and purpose and underpinned by our new values. Going forward, we will be reporting on progress against these objectives and our corresponding medium-term targets.





### Nobody delivers like Domino's

#### THE OPPORTUNITY

- Domino's is the leading QSR delivery brand
- Delivery market is accelerating
- We can leverage our vertical integration to strengthen our position

#### INITIATIVES

- Launch new digital platforms
  - new mobile App and website
  - personalise marketing /CRM
- End-to-end supply
  - cages and dollies
  - scan and dispatch

#### MEASURING SUCCESS

- Accelerate LFL delivery order count
- Reduce average delivery times to <20 minutes



### Turbo-charge our collection business

#### THE OPPORTUNITY

- Collection market is sizeable and growing
- We are underpenetrated in collection
- We can extend our reach to different occasions and customer segments

#### INITIATIVES

- Enhance awareness of collections offers
- Continue to develop our food offer (incl. on-the-go)
- Deployment of In Car Collection

#### MEASURING SUCCESS

- Grow collection faster than delivery
- Double our market share in collection



### Amplify our product quality and value

#### THE OPPORTUNITY

- Customers love our products
- We will drive product innovation to stay ahead of competitors
- Room to improve value for money perception

#### INITIATIVES

- Re-invigorate innovation in pizza and beyond (incl. healthy offerings)
- Use data and insight to improve marketing to reinforce our quality and value
- More targeted offers for collection and delivery

#### MEASURING SUCCESS

- Achieve #1 customer NPS vs other pizza/delivery players
- Improve perceived value for money



### Uphold our industry-leading economics

#### THE OPPORTUNITY

- Consistently strong system performance relative to peers
- Invest to enhance efficiency
- Further enable the success of our franchisees

#### INITIATIVES

- Leverage scale to drive supply chain efficiencies
- Deploy in-store tech to support franchisee profitability

#### MEASURING SUCCESS

- Maintain world-class profitability of the system



### Model excellence as a franchisor

#### THE OPPORTUNITY

- We will bolster our internal capabilities
- We can continue to grow through our franchisees
- Seek to broaden our franchise base

#### INITIATIVES

- Stronger business review process to support franchisee success
- Invest in key capabilities
  - data & insights
  - digital/technology
  - supply chain
- Renew store formats to unlock new wave of growth

#### MEASURING SUCCESS

- Attract and retain the best talent
- Be the preferred partner for prospective franchisees

# MARKET CONTEXT

## A growing delivered food market with increasing competition

Covid-19 lockdowns in the UK & Ireland led to restaurants having to close or their operations being significantly impacted. This changed the market backdrop in which we were operating during 2020. We discuss in more detail how we adapted our operations due to Covid-19 on page 8.

Here we discuss the longer-term trends in the market, and our response to them.

### A growing market – both delivery and collection

- The UK delivered food market has been growing at 9.6%, and the Covid-19 pandemic is likely to see this accelerate
- The collection market (also referred to as takeaway) has been growing by 6.4%
- This growth has been driven by convenience, ease of ordering digitally, the growth of the aggregators which broadens choice and the trend of entertaining and celebrating events at home

#### SIZE OF DELIVERY MARKET

**£5.7bn**

MARKET GROWTH RATE 2013–19:

**9.6%**

#### SIZE OF COLLECTION MARKET\*

**£3.6bn**

MARKET GROWTH RATE 2013–19:

**6.4%**

Source: GlobalData, Euromonitor

\*QSR only collections

### How Covid-19 has affected the market and our customers

- Market share changes reflect specific customer behaviour changes in the year due to Covid-19 impacts:
- Growing delivered food and pizza market
- Accelerating our position as a truly digital-first business
- Rise of cashless/digital payment methods, trend expected to continue
- Increased delivered orders, slower recovery of collection channel

#### MARKET SHARE CHANGE IN H2 FY20\*

|              | Net Change |
|--------------|------------|
| QSR 1        | -7%        |
| QSR 2        | -5%        |
| Domino's     | 3%         |
| Aggregator 1 | 5%         |
| Aggregator 2 | 13%        |
| Aggregator 3 | 13%        |

Source: Reward credit card data

\*Share data from July–December 2020 when all operators open

### What are we doing in response?

- Specific strategic objectives to both reinforce our strength in delivery and to increase our collection business, where we are significantly underpenetrated
- 19 new stores in 2020 to broaden our reach and increase convenience for delivery and collection
- Continued investment in our digital capabilities and App to further improve the customer journey

### What are we doing in response?

- Specifically focusing on and communicating our competitive differentiators versus the aggregators. This is best captured through our We Got This campaign, which aims to emphasise the reliability and consistency of ordering from Domino's
- Under our new strategy for growth, one objective is focused on turbo-charging our collections business, doubling our share of collection for home and out and about occasions

## Customer tastes and healthy eating trends

- Continued increase in number of people looking for plant-based, meat-free and gluten-free alternatives
- Increased prioritisation of health, wellness and fitness
- Renewed government focus on obesity, particularly centred on marketing and promotions of high fat, sugar and salt food ('HFSS')
- This market trend is one we must actively monitor and address to offer products that meet evolving consumer needs

## Cost inflation

This market trend impacts both our business model and, to a greater extent, that of our franchisees

- The significant increase in demand for delivery drivers, a reduction in available labour due to Brexit and increases in National Living Wage all continue to cause labour cost inflation and challenges around labour availability
- Food costs can be negatively impacted by foreign exchange movements and other market pressures such as poor harvests

## What are we doing in response?

- We are reinvigorating our food innovation for pizza and non-pizza products
- After over a year of extensive product development and testing, particularly on the formulation of a new vegan dough, we launched a range of vegan products during the year, including the Vegan Margherita pizza, the Vegan Vegi Supreme pizza and our new Vegan nuggets
- We have continued to engage with Public Health England to make sure we are providing customers with clear information to make informed choices and to actively contribute to the wider debate on obesity and promotions. This is an area on which we will further increase our focus

## What are we doing in response?

- We have significant scale and buying power through our SCC and work closely with our supplier base to ensure food prices are mitigated wherever possible. For the majority of the products we buy we have dual suppliers
- We will continue to work with franchisees and in our own corporate stores to improve labour efficiency and optimise pricing strategies
- Our focus on the collection market as a growth opportunity for the system also improves labour efficiency, as collection does not require a delivery driver to take the order to a customer's house
- 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

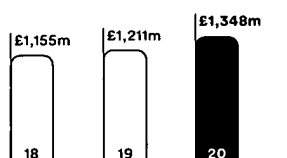
# KEY PERFORMANCE INDICATORS

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

## UK & Ireland system sales

**£1,348m**

2019: £1,211m



### Description

System sales represents the most useful indicator of the overall strength of the Domino's brand. This metric measures the total sales of the Group's franchisee and corporate store system in the UK & Ireland.

System sales do not represent revenue attributable to Domino's as it is derived mainly from stores owned by franchisees.

### Performance in 2020

**+ 10.3%**

LFL sales growth of 10.3% was driven predominantly by price as opposed to volume, continuing the trend seen in recent years. In the second half, the LFL figure was distorted by the change in VAT rate, which boosts the LFL but doesn't result in significantly higher profits for our business.

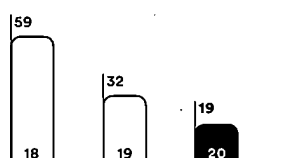
### Link to Strategy



## UK & Ireland new store openings

**19**

2019: 32



### Description

New stores are a driver of growth. They increase the scale of the system, raising the profile of the brand and increasing value for all franchisees. In addition, they are a signal of good financial returns for franchisees.

### Performance in 2020

**+ 19 stores**

New store openings continue to be impacted by our ongoing franchisee dispute, and the impact of Covid-19 in the current year.

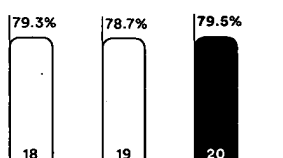
### Link to Strategy



## UK & Ireland delivered on time

**79.5%**

2019: 78.7%



### Description

Customer service is key to the long-term success of Domino's, and one of the most important aspects is speed of delivery. The quicker our customers receive their order, the better tasting the pizza and the more likely they are to order again.

We aim to deliver pizzas to customers within 30 minutes of being ordered. The metric represents the proportion of orders that meet this target.

### Performance in 2020

**+ 60BPS**

We delivered a great service in 2020, despite significant demand pressures during the Covid-19 lockdown, which saw us temporarily close for collection. This performance was helped by an increase in basket size, which improves the efficiency of our delivery operation.

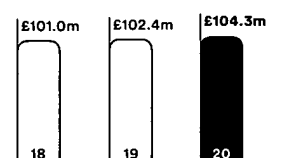
### Link to Strategy



## Underlying UK & Ireland EBIT

**£104.3m**

2019: £102.4m



### Description

Underlying operating profit is our main profitability metric and gives an indication of the efficiency of our supply chain in serving the growth in the business.

The calculation excludes the impact of restructuring costs and other one-off items, and includes the impact of IFRS 16 which increases EBIT by £2.2m in 2020.

### Performance in 2020

**+ 1.9%**

During the year we recorded strong system sales growth and a good performance in our supply chain, however this was more than offset by £9.0m of one-off Covid-19 related costs being incurred.

### Link to Strategy



## Strategy



Nobody delivers  
like Domino's



Turbo-charge our  
collection business



Model excellence  
as a franchisor



Amplify our product  
quality and value

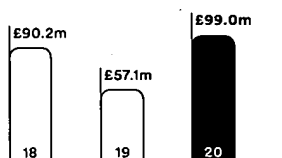


Uphold our industry-  
leading scale economics

## Free cash flow

**£99.0m**

2019: £57.1m



## Description

Free cash flow is our main cash performance metric, and gives an indication of the cash generated from our trading activities.

The comparative figures have been restated to exclude capital expenditure, which is now considered as a use of free cash flow in the current period.

## Performance in 2020

**+ £41.3m**

Increase in free cash flow is driven by increased EBITDA and reversal of timing differences of £21.0m. Excluding this impact, free cash flow has remained relatively consistent year-on-year and demonstrates continued ability to convert earnings to strong cash generation.

## Link to Strategy



## Net debt

**£171.8m**

2019: £232.6m



## Description

Group net debt is a liquidity metric and is calculated by subtracting the cash and cash equivalents from our total debt. As discussed in the Chief Financial Officer's review on page 48, our capital allocation philosophy aims for normalised Net Debt to EBITDA leverage of 1.5x–2.5x.

## Performance in 2020

**+ 26.1%**

The good performance in net debt was driven by strong free cash flow, reduction in dividend payments, together with the reversal of a £21m payment timing change, which increased net debt in 2019.

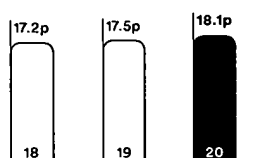
## Link to Strategy



## Underlying diluted earnings per share

**18.1p**

2019: 17.5p



## Description

Diluted underlying EPS represents the net profit attributable to each share, after taking into account tax and financing, and the change in the number of shares from year to year. It excludes one-off or non-recurring items.

## Performance in 2020

**+ 0.6p**

Strong growth in underlying diluted EPS given trading performance during the year and reduction in tax charges.

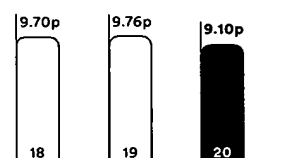
## Link to Strategy



## Dividend per share

**9.10p**

2019: 9.76p



## Description

Our asset-light business is highly cash generative, and in the current year we have developed a capital allocation philosophy to maximise shareholder returns.

## Performance in 2020

**- 0.66p**

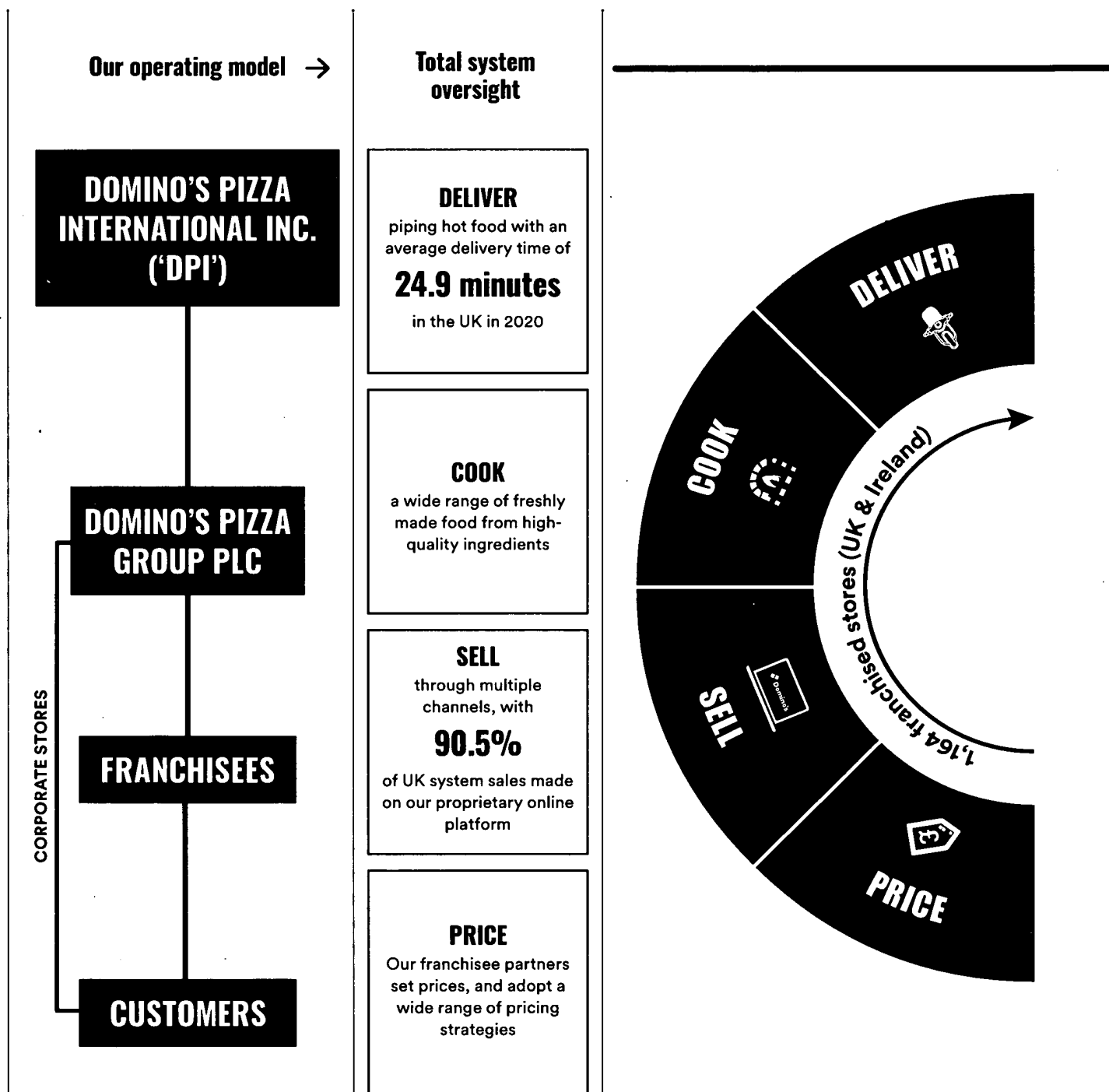
Total year end dividend proposed of 9.1p, together with share buyback announced of £45m, representing the initial phase of our new capital allocation philosophy.

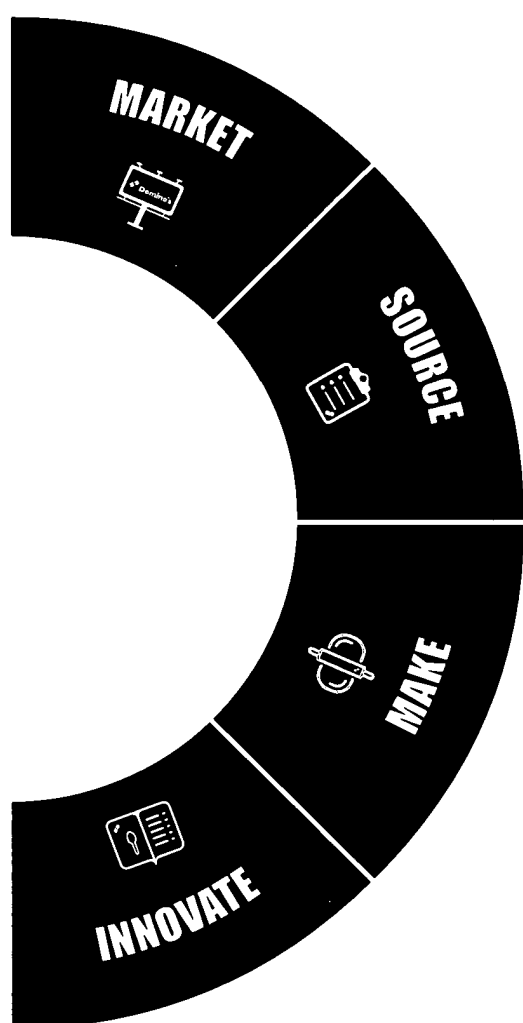
## Link to Strategy



## BUSINESS MODEL

We are different from most UK-listed restaurant businesses in that we operate a franchise model. This means we can grow with relatively low capital intensity, generating high returns.





### Total system oversight

#### MARKET

through national brand building initiatives, complemented with local/tactical initiatives, and are

**#1**

for pizza brand awareness in the UK

#### SOURCE

high-quality, fresh ingredients, spending

**£188m**

per year with our trusted suppliers

#### MAKE

**46m**

kilos of fresh dough in our UK & Ireland commissaries, and supply 32 million food and non-food items to our franchised and corporate stores through our in-house logistics fleet

#### INNOVATE

to keep our menus exciting, we launch new lines regularly, with a range of vegan products launched during 2020



### The value we create

Customers' overall satisfaction

**69%**

Up 8 ppts year-on-year

Profitable franchisees: average 2020 UK franchisee store EBITDA was

**£229k**

Employees proud to work for Domino's:

**81%**

2019; 2020 survey suspended

Rewarded investors: dividend per share

**9.1p**

Down 0.66p year-on-year

Trusted suppliers:

**£195m**

spent on raw materials

Remunerated master franchisee:

**2.7%**

of UK & Ireland system sales paid to DPI in royalties

# SUSTAINABILITY

**2020 was a challenging year for everybody and a remarkable year for sustainability. While Covid-19 provided an enduring stress test for the resilience of societies, companies, and individuals alike, it did not happen at the expense of environmental and social concerns.**

## Introduction

The expectations of companies to manage their sustainability impacts continued to grow, particularly as they relate to climate change and employee welfare. Stakeholders have made it clear that they demand a far greater focus on the sustainability of and in business – a demand that is likely to increase in future years.

As a business that strives to have a positive impact wherever we operate, our approach to sustainability continues to grow and evolve. We are pleased to say that 2020 marked a step-change in the right direction as outlined in this section.

## Our material sustainability issues

Amidst the Covid-19 crisis, we focused on three priorities: serving our customers while looking after our people; helping our communities; and coming together with our franchisees. Despite the enormous challenges arising from managing a food company during a pandemic, we have invested time and effort in developing a more systematic understanding of sustainability issues and the steps we need to take to continue improving our performance.

This follows from consumer and stakeholder research undertaken in 2019 to gain a better understanding of the perceptions of our position on a range of sustainability topics in the UK & Ireland. We engaged with multiple stakeholder groups including colleagues, MPs, suppliers, and public health experts. This exercise – combined with a systematic assessment of expectation from investors – has given us a more comprehensive picture of what our stakeholders expect from us, with material issues including:

**Corporate governance** – such as Board composition, remuneration, and the integration of sustainability criteria into decision-making.

**Our people** – how we attract, develop, and retain the best people from a diverse talent pool while maintaining high labour standards.

**Environmental performance** – particularly as it relates to waste minimisation, climate change, and carbon reduction.

**Responsible supply chain management** – as it relates to social and environmental impacts in our up and downstream extended operations.

**Customer welfare** – pertaining to product safety and quality as well as health and nutrition.

The five material issues above are far from our only responsible business priorities, but they appear consistently at the top of the agenda when we engage with our internal and external stakeholders. As such, they form the foundation of our Group sustainability approach, which is subject to ongoing reviews and continuous development.

Our business model relies on long-term, trusted partnerships with franchisees, business partners, and suppliers, making our management of sustainability performance more complex than in many otherwise comparable organisations. Where we exercise partial or indirect control, for example with franchisees, we encourage sustainable behaviour by setting and promoting policies that create a strong foundation for action. These frameworks are implemented across our corporate stores, Supply Chain Centres ('SCC'), as well as our franchisees and supply chain partners.

## CORPORATE GOVERNANCE

Our corporate governance structure and activities are described in more detail from page 74. Our Board holds responsibility for embedding sustainable business practices across our operations. The Board oversees our sustainability efforts, sets strategic and financial objectives, implements robust risk management frameworks, and establishes the ethical standards we abide by. Sustainability was a more frequent agenda item for 2020's Board meetings.

In recent years, we have created Working Groups in six sustainability areas, bringing together experts and those with functional responsibilities who meet regularly to identify key actions and develop our approach to:

- Allergens;
- Health;
- Animal welfare;
- Recycling;
- Employment practices; and
- Inclusion & diversity.

We ensure our commercial partners adhere to agreed standards through a programme of audits and other forms of assessments. While we provide guidance, support, and tools on key processes and policies for franchisees, they operate their teams independently and are responsible for their own policies and day-to-day business. All stores, whether corporate or franchisee-run, are required to comply with our Food Safety Management System ('FSMS'), a resource that sets out policies and processes to follow for the safe and legal production of our products.

Our Anti-Bribery and Corruption Policy is shared with all new suppliers and those undergoing a contract review. If any supplier were to act in contravention of the standards of this policy, their contracts with Domino's may be terminated immediately. We also have a separate Due Diligence Policy within the Anti-Bribery and Corruption Policy that we use to assess the potential risk of bribery in a new supplier,

and the level of due diligence required as a result. We have mandatory training on compliance with our Anti-Bribery and Corruption Policy.

Suppliers are provided with our Supplier Technical Manual, which covers what we expect from them when they supply us with their goods. Our Supplier Assurance Function oversee compliance with the Supplier Technical Manual. Policies cover key issues such as animal welfare, genetically modified food, and palm oil sustainability, as well as requirements to ensure safe and legal products are delivered. Beyond this, our Environmental Policy outlines our commitment to compliance and to improving performance across key areas such as energy and carbon, waste and packaging, and water usage.

We provide access to an independent, confidential reporting hotline available 24 hours, 7 days a week to ensure that any significant matters receive an independent investigation and appropriate follow-up action.

## WHISTLEBLOWING

In 2020, we relaunched our Whistleblowing Policy. The term whistleblowing has been reported to attract a negative stigma with concerns centering on being branded a 'whistleblower' and facing negative repercussions, including worries around the workplace becoming hostile and damage to future career prospects. We are committed to conducting business in an environment of openness and transparency with integrity engrained in everything we do. The new policy, now referred to as the Speak Up Policy, encourages colleagues and third-parties to speak up if they have any genuine concerns and emphasises the Company's zero-tolerance approach to detrimental treatment against anyone who does so.

# SUSTAINABILITY CONTINUED

## OUR PEOPLE

**We believe that when our colleagues thrive, we thrive. We promote open and honest communication within the business and provide support to enable our colleagues to develop, grow, and achieve their potential.**

### Responding to Covid-19

2020 was undoubtedly one of the toughest years on record for individuals, businesses, and societies alike. We were proud of the way our colleagues handled the many challenges coming our way while keeping the business running and helping customers and local communities. We also learned that our existing focus on better colleague communication and flexible working proved worthwhile in this most difficult of tests. To date, none of our colleagues in the UK & Ireland have been furloughed during the pandemic. We are proud that we were able to react appropriately in the face of crisis and went a step further to help our colleagues and team members by launching the Domino's UK & Ireland Partners Foundation, a stand-alone charity providing grants to our eligible team members who may face exceptional adversities. More details on the Foundation can be found on page 37.

Across our corporate store estate, we introduced the Domino's Gameplan, an evolving set of expectations and guidance on how to implement social distancing in the store environment, run with a reduced menu, do Contact Free Delivery, handle staff sickness and more. Our risk assessment and measures were and are based on the most recent government guidance, and we have been working closely with our Primary Authority Environmental Health Officer to get things right. In addition to the Gameplan, we have introduced a set of mandatory controls to mitigate the spread of the virus, including additional cleaning, perspex screens, floor markings and team cohorting to keep team members working together safely. Our franchisee stores have been made aware of the above controls and have implemented them as part of Domino's policies.

Virtually all office-based colleagues continue to work from home, a policy that was initiated in March 2020. With some fluctuations, there are fewer than five office-based colleagues who have been unable to permanently work from home. For these colleagues, a Covid-secure office has been made available, segregated from SCC operations.

For colleagues working from home, we have embraced digital ways of working – moving meetings, business updates, and all business communication online. All colleagues received guidance on setting up their home workstation correctly, and equipment is made available if it is needed to ensure a safe home working environment. We launched Blink, an internal communication tool that helped colleagues to stay in touch during the year. Blink is used like major social media platforms, empowering colleagues to make their own posts and respond directly to communications. We also created alternative channels for colleagues to raise any concerns, which are dealt with on a one-to-one basis.

Colleagues who were advised to shield in line with government guidelines and who were able to work from home continued to do so. The small number of colleagues who were unable to work from home and advised to shield received their full pay during this period. Normal sick pay rules, as per individual employment contracts, were adhered to when colleagues were required to self-isolate and in line with UK government guidelines, Statutory Sick Pay was awarded from day one.

Bonus schemes have remained operational; however, they are subject to the usual eligibility and performance criteria being met. Salary reviews will take place as usual in 2021.

Our operational teams and franchisees also went above and beyond to thank the heroes in our communities with various initiatives launched throughout the Covid-19 crisis, including surprising key workers with £8m worth of free pizza and providing a year's worth of free pizza to 60 outstanding key worker heroes who have gone above and beyond for their communities. Further details on the giveaways can be found on page 17.

**We implemented safety measures to look after our people while we continued to serve our customers. The measures implemented for our colleagues include:**



**Physical measures to keep store and SCC-based colleagues safe include:**

**Providing access to hand sanitiser and face coverings**

**Mandatory wearing of face masks at all times, where possible**

**2m social distance measures implemented (signage, communication and monitoring)**

**Regular temperature checking by body scanner**

**Perspex screens installed**

**Fogging of internal areas with a viricidal agent**

**Reducing face-to-face working and keeping contact time as short as possible**



**Physical measures to keep office-based colleagues safe include:**

**Providing access to hand sanitiser and face coverings**

**Created a Covid-secure office at our Lasborough Road site that is physically segregated from our production building**

**Mandatory wearing of face masks at all times other than when at a desk**

**2m social distance measures implemented (signage, communication and monitoring)**

**Perspex screens installed on all workstations**



**Other initiatives were introduced and offered to employees to help maintain mental health and wellbeing across our operations:**

**Regularly signposting external sources of support available**

**Providing senior leaders with information and guidance, including how to manage remote teams effectively**

**Organising regular business meetings such as All Colleague Meetings & Senior Leadership meetings via video conference**

**Regular communication to promote staff engagement on business and social topics, including tailored messaging during Mental Health Week**

**Maintaining all reactive pathways for support around mental health**

**Offering flexibility around working hours for colleagues that cannot source childcare or face other disruptions due to Covid-19**

# SUSTAINABILITY CONTINUED

## OUR PEOPLE CONTINUED

### Engaging colleagues

In recent years, we have stepped up our colleague engagement mechanisms, which comprise various communication channels including annual engagement surveys, All Colleague Meetings held every six weeks, and the Share a Voice Colleague Forums. Further details on the Forums can be found in the Workforce Engagement section on page 86.

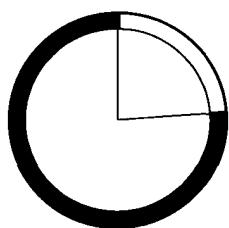
During 2020, ongoing communications have been heavily weighted towards guidelines and working arrangements around Covid-19 and have provided an opportunity to reassure colleagues with the measures taken across our business. For Head Office colleagues, this has also included input into the refurbishment of the Head Office and measures taken to adapt to remote working throughout the year.

### Promoting diversity and inclusion

Despite the turbulence of 2020, we remain strongly committed to creating a diverse and inclusive working environment, where every colleague feels welcome and empowered. We believe in the benefits of bringing a wide range of skills, experience, and perspectives into our business. We do not condone any type of bullying, harassment, or discrimination in the workplace.

While Board gender diversity improved in 2020, the proportion of women in senior leadership and across the company as a whole decreased. We are working hard to change this through programmes such as 'Stepping into Leadership', a career development initiative that involves a high percentage of female talent. Our gender diversity numbers have been impacted by the disposal of our Norwegian business, reducing our workforce by around 800 people.

Our Board has recently agreed future diversity objectives for the business, which will focus our programmes and activities. Namely, we are committed to reaching and exceeding the targets set out in the Hampton-Alexander and Parker Reviews, respectively. Our goals are to reach 33% female Board representation during 2021 rising to 40% by end of 2025. We will maintain at least one Board member from Black, Asian and Minority Ethnic backgrounds, increasing to two Board members from Black, Asian and Minority Ethnic backgrounds by 2025.

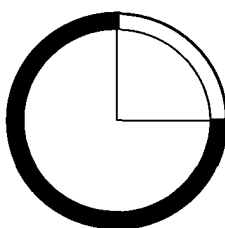


All Colleagues<sup>1</sup>

**3,156**

○ Female 745 (24%)  
● Male 2,411 (76%)

2019: 3,997  
(1,074 female, 2,923 male)

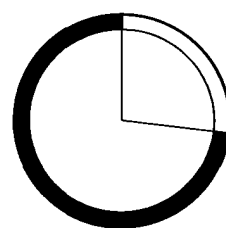


Senior Leadership Team<sup>1</sup>

**52**

○ Female 13 (25%)  
● Male 39 (75%)

2019: 59  
(18 female, 41 male)



Group Directors<sup>2</sup>

**11**

○ Female 3 (27%)  
● Male 8 (73%)

2019: 7  
(1 female, 6 male)

1. As at 27 December 2020.

2. As at 8 March 2021.

## LAUNCHING THE PARTNERS FOUNDATION

Established in April 2020 during the Covid-19 pandemic, The Domino's UK & Ireland Partners Foundation was created to support our colleagues and communities in times of special need, crisis, or tragedy. The Foundation is an independent entity and was granted Charity Status in November 2020.

The Charity provides immediate financial assistance in the form of grants to all eligible permanent Domino's store team members, Supply Chain and Head Office colleagues experiencing crisis, natural disaster, personal hardship, and adversity.

Similar arrangements exist in Domino's USA & Australia, and the inspiration to launch in the UK & Ireland came from the Executive Leadership team and franchisees, who felt strongly about 'taking care of our own' during the Covid-19 crisis.

The Foundation is overseen by an eight-person Board of Trustees made up of franchisees and Domino's colleagues, and it is operated by a Foundation Manager.

On launch, the Foundation received an initial donation of £250,000 from Domino's Pizza Group. All Domino's Board members, including CEO Dominic Paul, donated 20% of their net salaries to the fund for three months. Non-executive Director, Usman Nabi, pledged a contribution of £100,000 on behalf of Browning West.

The Foundation plans to launch a voluntary payroll giving scheme in 2021 which would give all Domino's team members the opportunity to contribute to the Foundation.

**We are delighted to have launched the Partners Foundation here in the UK & Ireland, which aims to support anyone within the business who is experiencing personal hardship.**

# SUSTAINABILITY CONTINUED

## ENVIRONMENTAL PERFORMANCE

The development of our environmental management systems was a key milestone in 2020 and our revised Environmental Policy, approved by the Board in March 2021, sets out objectives across our most material impact areas including:

|                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Climate change</b></p>                                                                                                                                                                |  <p><b>Food waste</b></p>                                                                                                                                                     |  <p><b>Packaging waste</b></p>                                                                                        |  <p><b>Partnerships</b></p>                                                                                                                                                                                                                                                                               |
| <p>Including setting Science-Based Targets ('SBT') to reduce our greenhouse gas emissions ('GHG') in line with the Paris Agreement to limit global warming to 1.5 °C. This target will cover our own emissions as well as those arising from our supply chain activities.</p> | <p>Minimising waste from our SCCs and corporate stores, and providing franchisees with the tools to do so, too. Where it is not possible to avoid surplus food, we will ensure it is distributed to those who need it the most or used in purposeful ways.</p> | <p>Reviewing the upstream and downstream impacts of our pizza boxes to ensure they are as low-impact as they can be across their lifecycle as well as minimising our single-use plastic footprint.</p> | <p>Ensuring we learn from others and share environmental lessons by joining sector collaborations and initiatives, and by disclosing our impacts more transparently. We are progressing our approach to reporting against the Task Force on Climate-Related Financial Disclosures' ('TCFD') recommendations, as well as those of the Sustainability Accounting Standards Board ('SASB').</p> |

We also recognise the need to increase diversity in our senior management team. To this effect, our aim is for 36% of senior roles to be held by female executives by 2022, rising to 44% by 2025. Similarly, our objective is for 6% of senior roles to be held by BAME executives by 2022 rising to 12% by 2025.

The Board Diversity Policy requires gender and diversity to be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy.

We developed the new environmental management system through a rigorous review of our current impacts, best practices within our own and adjacent sectors, future regulatory developments, and expectations from key stakeholders. We then sense-checked the suggested focus areas with functional leads and our senior leadership team before agreeing on the objectives and building out operational plans. Once launched in full, we expect the system to continue to develop against a backdrop of growing expectations. As part of the execution of the environmental management system, we updated our Environmental Policy in March 2021, with a focus on ensuring compliance and improving performance across our key environmental areas.

### Waste

As a business, we dedicate time and resource to reduce our waste footprint. We have a longstanding objective to achieve zero waste to landfill, operationalised in our commitment to minimise waste, increase the proportion of waste recycled or recovered, switching to more sustainable materials and helping customers recycle.

In 2020, Domino's created 22,093 tonnes of packaging waste from our operations across the UK and Ireland. The packaging was made up of cardboard (93%) and plastic (7%), with minor uses of steel, aluminium and wood. Our pizza boxes are made from 80% recycled material, with the remaining 20% of materials being Forest Stewardship Council ('FSC') certified. They also remain 100% recyclable.

We are currently trialling 19 products which can be transported in food baskets rather than cardboard. Once rolled out, we expect this to reduce the number of cardboard boxes we use in our supply chain by 2.3 million per year. We are working with our suppliers to deliver this change programme, with a view to remove cardboard from our key food lines by 2025.

In April 2020, plastic carrier bags were removed from Domino's stores which will eliminate roughly eight million bags per year from our supply chain. Thanks to new scanning technology we have also removed paper for all deliveries in our supply chain.

During the year, our three main SCCs produced 5,733 tonnes of waste, of which the vast majority was recycled with small proportions being recovered in different ways and even smaller proportions being sent to landfill. Our SCC in Naas, Ireland has even used dough waste to generate electricity.

We believe in learning from our peers and working through partnerships, so we continue to engage with organisations and initiatives such as The Waste and Resources Action Programme ('WRAP'), The Local Authority Recycling Advisory Committee ('LARAC'), and the British Retail Consortium as part of continuous improvement of the recyclability and minimisation of our waste.

We have phased out plastic and shrink wrapping in our deliveries, and thanks to major technology upgrades in our supply chain fleet, we have also removed the use of paper by switching completely to scanning technology. This will remove 546,000 sheets of paper from our supply chain.

We are updating our trailers to be waste management capable in order to transport rubbish and cardboard back to sites for disposal. We will commence store waste collection trials in early 2021.

### Greenhouse gas emissions

GHG emissions are our most material environmental impact. They stem from our agricultural supply chains; the energy used in our offices, stores, and SCCs; the transport and distribution of ingredients and products; and any waste we produce. Together, they contribute to climate change which in turn represents one of the greatest challenges of our time. Solving the challenge is not only a moral imperative but also built into the expectations of what it means to be a responsible company. A growing list of stakeholders, including investors, regulators, and our employees, has made it clear that environmental sustainability must become integrated into business as usual.

2020 marks the eighth year of reporting on our GHG emissions. Our new reporting period for GHG emissions is in line with our financial year. This is a change from previous years, where we reported on the period 1 October to 30 September. For clarity and comparability, we have included both reporting periods for 2020 but in the future, we will report only on the period consistent with our financial year. As such, the FY2020 data in the table below represents our new baseline.

On a like-for-like reporting period basis, our total GHG emissions dropped from 14,500 tCO<sub>2</sub>e to 13,399 tCO<sub>2</sub>e, a 7.6% reduction. In part, this reduction is due to a 9% greening of the UK's electricity grid, and also in part due to the energy efficiency measures described overleaf.

|                                                | 2018/19 <sup>1</sup> | 2019/20 <sup>1</sup> | 2020   |
|------------------------------------------------|----------------------|----------------------|--------|
| Total CO <sub>2</sub> e emissions (Tonnes)     | 14,500               | 13,399               | 14,544 |
| Scope 1 (tCO <sub>2</sub> e)                   | 9,973                | 9,567                | 10,700 |
| Scope 2 - location-based (tCO <sub>2</sub> e)  | 4,527                | 3,832                | 3,844  |
| tCO <sub>2</sub> e per tonne of dough produced | 0.31                 | 0.29                 | 0.31   |
| Total Energy Consumption (MWh)                 |                      | 60,869               | 63,641 |

1. The previous reporting period was 1st October to 30th September. We are now reporting on a calendar year basis to closer align with the financial reporting period.

#### Methodology

1. We have applied the UK government's 2020 Conversion Factors for Company Reporting and GHG standards and the Streamlined Energy and Carbon Reporting guidance to quantify and report our greenhouse gas emissions.
2. A financial control approach has been used to define the reporting process. This is the same approach as in previous years.
3. Emissions for all significant sites have been disclosed, which includes our offices, corporate stores, and Supply Chain Centres (supplying both corporate stores and franchisees).
4. Emissions Intensity: We have chosen to report our emissions in relation to tonnes of dough produced, as this figure reflects activity at our SCCs which supply dough to our own corporate stores and our network of franchises across the UK & Ireland. Changes to the dough tonnage calculation method have been updated in FY2020, leading to the restatement of the 2018/19 figure, to enable comparisons with 2019/20 and FY2020 emissions.
5. Exclusions: There are no material exclusions. Emissions for discontinued operations in Norway, Sweden and Switzerland are not reported as they are estimated to account for less than 5% of the carbon footprint.

# SUSTAINABILITY CONTINUED

## ENVIRONMENTAL PERFORMANCE CONTINUED

### Energy reduction measures

At our SCCs we have been through a consolidation and optimisation exercise. We expect the associated investment in energy efficient production machinery will realise both cost and emissions savings in future years. At West Ashland SCC, our largest production site, we completed the upgrade of our lighting to LEDs with occupancy sensors, which has resulted in a 6% reduction in electricity consumption on that site. At our newly constructed Cambuslang SCC, only LED lighting is used. Occupancy sensors have been fitted internally so only the energy needed is used. Additionally, in all HGV parking areas electrical sockets have been fitted, which reduces reliance on diesel to keep vehicles chilled.

Our delivery fleet accounts for more than half of our total emissions which are influenced by both our production levels and delivery distances between our SCC and stores. In 2019, we implemented an improved fleet management system with new routing software which allows us to realise driver efficiencies and closely monitor and manage our fuel usage. We have been using this data to remodel our delivery network and reduce the number of fleet vehicles. We have also been evaluating the potential electrification of the refrigeration component of our HGVs. Following successful pilot programmes, we are now rolling out trailers with the latest fridge technology, running on electricity rather than independent diesel engines. 80% of our trailers will have this technology, which not only reduces GHG emissions but also noise levels.

### CDP

As with previous years, in 2020 we completed the CDP climate assessment, obtaining an overall score of C. CDP is a voluntary energy and carbon rating exercise, requested by investors and other financial stakeholders. The C score indicates a solid performance at the 'Awareness' level – in line with our industry peers – following similar scores in 2016, 2017, and 2018. However, compared with the B- achieved in 2019, it marks a decrease, which we believe reflects a more rigorous approach to data collection and analysis. We consider 2020 to be a baseline year and expect this rating to improve for 2021, as we set our science-based targets and start performing against them.

### Task Force on Climate-Related Financial Disclosures reporting

Recognising the medium to long-term potential strategic risks posed by climate change to our business model, we have committed to disclosing against the Task Force on Climate-Related Disclosures' (TCFD) recommendations. This follows from a Policy Statement issued by the Financial Conduct Authority in late 2020, requiring commercial companies with a UK premium listing to include a statement in their annual financial report. As at 7 December 2020, the new rule applies to 460 companies, including Domino's Pizza Group. We will publish a full disclosure over the next two years and will be undertaking a rigorous assessment of the climate-related risks and opportunities that are relevant to us. This forms part of our commitment to work more transparently – and in collaboration with our franchisees, suppliers, and other commercial partners – on our material sustainability issues.

#### TCFD statement year 1

*"As the UK's leading pizza brand and a major player in the Republic of Ireland, Domino's Pizza Group is stepping up to tackle one of the defining challenges of our current times, climate change. We acknowledge the importance of this for our colleagues, shareholders and other stakeholders, as well as the potential impacts that climate change has on our operations and supply chain. Being a company with a long-term approach in the way we do business and the relationships with our franchisees and suppliers, we consider it appropriate to integrate the TCFD recommendations in the way we report and in our approach towards climate-related risks and opportunities. We support the Task Force's aims and are working towards future disclosure in line with its recommendations."*

**Dominic Paul**  
Chief Executive Officer

8 March 2021

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT

**We have a long history with our suppliers, with partnerships in some cases stretching back over 25 years. We work together to ensure that we are sourcing our products as safely and responsibly as we can.**

Our supply chain and store partners implement our approach from delivering a safe and legal product, to reducing our environmental impact through efficiencies and maintaining customer relationships.

Though our suppliers and franchisee partners retain ultimate responsibility for adhering to the policies we set, and for contributing to our key Group targets, our due diligence includes rigorous procurement processes for all new suppliers and partners, as well as regular risk assessments and audits for existing suppliers and stores.

### Responsible sourcing

We have a rigorous system in place for assessing risk and monitoring both new and existing suppliers. To ensure our requirements for safe, legal and high-quality production are met, all suppliers are vetted and frequently audited by our procurement and supplier assurance teams. Due to Covid-19 travel restrictions in 2020, we were unable to physically audit some of our suppliers and we therefore developed remote food safety audits, which we will continue until travel restrictions are lifted.

One of our requirements for new and existing suppliers is registering with Sedex, an ethical trade service provider that works to improve working conditions in global supply chains. 100% of our food suppliers are linked with us via Sedex as well as 42% of our non-food suppliers. We expect to drive up our non-food suppliers rate in 2021.

All suppliers, including third-party labour agencies and service providers are required to comply with our Supplier Code of Practice. The Code of Practice includes our Code of Conduct and Supplier Technical Manual. These documents cover what we expect of our supply chain partners in the supply of goods to Domino's Pizza Group and are routinely reviewed and updated. The Supplier Code of Practice is based on international standards and good practice, and is an extended version of the Ethical Trade Initiative's Base Code, in alignment with the Sedex Members Ethical Trade Audit ('SMETA') Scheme.

In 2020, we also updated our supplier risk assessment. The risk assessment is comprehensive and covers six key areas for us: country, labour, health and safety, bribery and corruption (business ethics), environment and product type. The assessment has been built using a number of reputable external indices, such as the Global Rights Index, Human Development Index, Corruption Perception Index, and the Global Forest Resource Assessment, amongst others.

This allows us to segment suppliers by risk level – high, medium and low, based on our risk categories, which are then supplemented by spend data. We currently require all suppliers to undergo an audit every two years, but in 2021, we will be updating the requirements of audit type and frequency based on spend and risk level. Suppliers are also required to have a third-party accreditation from a globally recognised food safety standard, namely the Global Food Safety Initiative ('GFSI') standards.

In addition to mapping suppliers by risk level, we also use a supplier scorecard system which grades suppliers by the quality of products. The scorecard is based on a programme of due diligence and product testing between ourselves and our suppliers and we use the ranking, along with other indicators, to agree objectives and improvements with suppliers twice a year.

In order to increase visibility of social and environmental risks in our extended supply chain, we have begun a mapping exercise with our direct suppliers, requesting information tracking back to primary manufacturers and growers. We are now using this information to establish closer partnerships with suppliers where there may be a higher risk to food safety, labour, and health & safety standards. As part of this exercise, we have also carried out ethical sourcing-focused meetings with identified high risk suppliers, to understand in greater detail the ethical sourcing policies they have in place and their supply chains.

We have also established a new supplier assurance team, reporting to the Supply Chain Director. The team's primary focus is to work with suppliers to ensure food safety and quality of supplied food and non-food items. This team will also pay attention to ethical issues during audits and work closely with suppliers to rectify issues. The supplier assurance team will also receive training to enhance their knowledge on the structure and requirements of ethical audits in 2021.

### Working with safe, responsible ingredients

Our customers expect top quality from us, so ensuring all our ingredients are safe and responsibly sourced is imperative. In 2020, NSF, an independent organisation providing audit and risk management services for public health and the environment, conducted over 400 food safety evaluations in stores with no critical violations against the standard and an average overall score of 94%.

# SUSTAINABILITY CONTINUED

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT CONTINUED

Our processes require all core ingredients, pizza toppings, sides and desserts to be regularly tested by our internal quality panel against specifications agreed with suppliers. All ingredients are also sent, according to a risk assessed schedule, to an accredited third-party laboratory for microbiological and chemical analysis against agreed protocols and specifications. The Covid-19 restrictions disrupted our usual product testing activities from March 2020 onwards, but we continued undertaking ad-hoc assessments on products that were either new and launching into the business or had been flagged by stores over quality issues. We expect our assessment and testing regime to go back to normal in 2021.

In 2020 we carried out a surveillance programme of testing for our new range of vegan-friendly products in stores. This included mystery shopper assessments of product made in store to validate the absence of any products of animal origin. We aim to have no meat traces at all in our vegan products and take a zero-tolerance approach to non-compliance. We will not hesitate to terminate contracts with suppliers failing to meet our standards.

Our Supplier Technical Manual, which covers all the policies and processes we expect of our supply chain, is supported by a programme of due diligence product testing between ourselves and our suppliers.

All stores have access to our Food Safety Management System, which details the in-store guidelines for the safe production of our products. It is based on the principles of Hazard Analysis and Critical Control Points ('HACCP') and outlines areas such as temperature control, allergen control procedures, correct storage, dating and rotation of ingredients, as well as best practice on managing the health and hygiene of a store's environment and colleagues. All store colleagues are trained on allergens and allergen management in store and are required to take an annual refresher course.

### Allergen management

Our work on allergen management within the supply base continued in 2020 and following successful trialling, our new audit template was used when auditing new and existing suppliers within the supply chain. In early 2020, Reading Scientific Services Limited ('RSSL') completed an end-to-end review of our allergen management processes. We acted on the RSSL's findings during Q2, introducing new pizza and side boxes that all carry a 'may contain' warning statement and direct customers to more detailed allergen information on our corporate website.

Our Allergen Working Group continue to focus attention on the high and medium priorities highlighted in the RSSL review. Our focus in 2021 will be on how we manage the risks of cross-contamination within the supply base, providing clear written expectations to suppliers. Different stores have different procedures for collecting and dealing with allergen-related complaints. We are working

to standardise this process through multiple avenues, including investigation by the Technical Manager for Stores working with customer care, the stores, and our customers to investigate all alleged allergic reactions. Ultimately, all customer feedback on our social media channels and through customer care will be included in the scope of root cause investigations.

Furthermore, we plan to further review the store Food Safety Management System, aided by a multi-disciplinary HACCP team and clearer advice provided to stores on what is mandatory and what is guidance or best practice. Priority will be given to aspects of food safety over quality parameters.

### Animal welfare

In 2020, we developed a new approach to animal welfare which develops on our mission to do the right thing when it comes to animals in our supply chain. As part of this, in 2020, we established an internal Animal Welfare Working Group with Executive Leadership team sponsorship from the Group's Supply Chain Director to ensure our animal welfare standards and performance continue to progress. Our focus is on the ingredients that go into the products our customers love the most – cheese, pork, and chicken. As part of this, we have continued to work closely with Compassion in World Farming ('CIWF') to create a credible approach that resonates with all stakeholders.

We are proud to say that we use:

- 100% cage-free for broiler chicken;
- 100% cage-free for liquid egg products; and
- 100% Red Tractor approved and tether free for dairy cattle.

CIWF also supported us in our engagement with the Business Benchmark for Animal Welfare ('BBFAW'). BBFAW's annual review saw us retain our Tier 3 grading, ranking 66 out of 150 of the world's largest food companies. We have identified areas for improvements and outlined our continued animal welfare commitments in the updated animal welfare policy. The policy sets out the steps we are taking to strengthen our management practices and performance, including:

- providing data and statistics against KPIs, including improvements to reporting for our 2020 commitments;
- reinforcing our supplier declaration process, so we can track and monitor our suppliers against commitments;
- a new section on farm animal welfare outcome measures in our policy, which we have previously not reported on; and
- adding animal welfare within supplier contracts, as well as guiding policies in the supplier technical manual.

Going forward, our approach to animal welfare will be more transparent, and we will seek out opportunities to work with our industry to raise standards overall.

## CUSTOMER WELFARE

**As a customer-focused business, excellent service and quality are at the centre of our approach. We seek to inspire our customers through campaigns to promote healthy eating and ingredients, charitable giving and waste reduction while also engaging with them to ensure we are meeting their needs.**

As part of our commitment to the health of our customers, our Health Working Group ensures we are making progressive changes to our products to meet and exceed consumer expectations. We stay abreast of trends and opinions through frequent consumer research, as well as playing an active role in contributing to and shaping legislation around public health.

### Improving customer engagement

We obtain customer feedback through a variety of channels to ensure we keep improving the customer experience and stay abreast of their expectations. Our Feed Us Back programme, in which customers who provide us with a valid email address are invited to complete a survey, remains our biggest customer satisfaction programme. The questionnaire focuses on six key measures and metrics relating to overall satisfaction, value, timeliness, taste, accuracy and appearance of food.

In 2020, we were pleased to see our Overall Satisfaction ('OSAT') score increase to 69%, up from 61% in 2019. The score increase was driven by improvements in four areas, namely taste, accuracy, time and appearance. Compared with the average OSAT score for our peers, as provided by the third-party agency we work with, our score is 11 percentage points above the average UK benchmark. This is a result we are proud of.

### Promoting healthy eating

Healthy eating is an important element of our product development approach. We are actively working on sugar reduction activities in line with recommendations in the Childhood Obesity Strategy and have submitted our data to benchmark overall reductions as a nation. We also continue to work with Public Health England and have participated in recent consultations on their proposed calorie reduction programme.

We continue to work with our suppliers to reduce the overall sugar content in our products. For example, we previously took the step to discontinue two of our dessert options as we were unable to reformulate these to meet government guidelines. Similarly, we work with our suppliers to reduce the amount of salt across our product range, with several new products in the final stages of consumer approval.

We continue with our pledges to not develop any products with hydrogenated vegetable oils and we do not allow any added trans fats in any of our ingredients. We recognise the effect that some artificial colours have on the hyperactivity of children and therefore we do not allow the use of any artificial colours. We do not allow the use of artificial flavour enhancers such as monosodium glutamate and all other flavour enhancers.

## EXPANDING OUR VEGAN OFFERING

We are conscious of the rapid rise in the number of people looking for plant-based, meat-free, and gluten-free alternatives as well as increased public health awareness. To this effect, we are developing our menu to suit changing tastes and growing our vegan and vegetarian offering.

In 2020 we trialled the Vegan-Friendly Margherita and Vegan-Friendly Vegi Supreme at a handful of Domino's stores to get feedback from our customers. The trial was a success and later in the year, they became a permanent fixture on our menus across the UK & Ireland. In December 2020, just in time for Veganuary, we announced the expansion of our Vegan-Friendly range with our new Chick-Ain't pizza, soya 'chicken' chunks, as well as Vegan Nuggets. Customers can also get a Vegan-Friendly version of the iconic Garlic & Herb Dip with their pizza to complete the Domino's experience.

# SUSTAINABILITY CONTINUED

## CUSTOMER WELFARE CONTINUED

We know it is possible to include pizza in a balanced diet and we therefore remain committed to providing transparent nutritional information to enable our customers to make an informed choice. We publish nutritional profiles for more than 1,000 combinations of pizzas on our website.

We regularly conduct consumer focus groups on health to support the efforts of our Health Working Group. The overriding message from these sessions is that our consumers are looking for choice and not change to our current core products. We have therefore launched a range of pizzas that are less than 650 kcals per whole small pizza. While Covid-19 has posed operational challenges resulting in reduced menu availability across our stores, we hope to offer a fuller selection again in 2021.

We do not proactively target children with any of our advertising. Through all digital advertising where we can add age targeting, this is firmly set at 18+. Likewise, we do not proactively target children with any of our menu items.

### Maintaining high hygiene standards

We take hygiene and cleanliness extremely seriously. All our stores in England, Wales and Northern Ireland are subject to the Food Hygiene Rating Scheme ('FHRs'). The equivalent scheme in Scotland is called Food Hygiene Information Scheme ('FHIS'). Under the FHRs, food businesses are given one of six ratings on a numerical scale from '5' (very good hygiene standards) at the top to '0' (urgent improvement

required) at the bottom. Popularly referred to as 'Scores on the Doors', the average score awarded to Domino's stores in 2020 was 4.97, based on 301 inspections. Any stores receiving a score below 4 will be subject to further conversations and guidance for improvements to be implemented as soon as possible.

The latest independent assessment of the largest high street chains in England, Wales and Northern Ireland puts Domino's in fifth place of 20, maintaining our position from last year's leader board.

### Supporting good causes

2020 was a turbulent and isolating year for a lot of people, not least young people with cancer. Our five-year partnership with Teenage Cancer Trust provided a vital source of income – we have now raised over £4.5m for the charity. Domino's colleagues and franchisees continued to show their commitment with multiple fundraising and awareness-raising initiatives taking place during the year. This included a fundraiser by our running club, a push-up competition, in-store charity deals, and an extraordinary year-long running challenge, with many of our colleagues joining in to support one another and the charity. We also provided 800 pizza vouchers for young people with cancer to enjoy at home, for quiz night prizes, lads' nights in, and as a pick-me-up for families who were shielding and struggling.

Our customers also did their part, continuing to round up their orders online with Pennies. In fact, through Pennies, our customers in both the UK and the Republic of Ireland donated more in 2020 than any other year, totalling over £1m for the first time - supporting all of our charity partners. In spite of the pandemic, our customers' generosity and desire to give back to their communities are stronger than ever. In summary, we raised over £1,160,000 for charity during 2020, including:

- over £1,000,000 for Teenage Cancer Trust;
- over £86,800 for Pennies;
- over £30,800 for Northern Ireland Children's Hospice; and
- over €42,000 for Barretstown.

Lastly, we celebrated our 16th year with our Republic of Ireland charity partner Barretstown. Over the last 16 years, Domino's has raised over €400,000 for the charity, delivering 100 seven-day camps to children living with serious illness, as well as hosting around 48 pizza-making workshops for almost 6,000 children. Again, this is in no small part due to Pennies donations made by our customers online and in App.

## PARTNERING WITH FARESHARE

2020 marked our third year of partnering with FareShare. FareShare is the UK's largest food redistribution charity and works with more than 11,000 frontline charities, not-for-profit organisations, and community groups to provide food to vulnerable people at schools, homeless shelters, and community cafés. Through this partnership, we have been able to redistribute surplus food from our Supply Chain Centres to charities and community groups across the UK. In December 2020, we donated 40,000 meals over the difficult Christmas period, heightened by the impact of the pandemic, taking our total equivalent of meals contributed to date to 100,000.

## SECTION 172 OF THE UK'S COMPANIES ACT

**The Board continues to maintain high governance standards and make long-term decisions for the benefit of the Company and its stakeholders.**

### Section 172 of the UK's Companies Act

In summary, as required by section 172 of the UK's Companies Act, a Director of a Company must act in the way he/she considers, in good faith, would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- Company's reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

The following is an overview of how the Board has performed its duties during the year.

### Shareholders

The Chair, Chief Executive Officer, Chief Financial Officer and Senior Independent Director (and the Chairs of the principal Board Committees where required) have regular contact with major shareholders. The Board receives regular updates on the views of shareholders which are taken into account when the Board makes decisions. Examples of relevant decisions taken include development of the Group's strategy and the franchisee relationship, the decision to suspend the 2019 final dividend, the Board's capital allocation philosophy, appointments to the Board, Board composition and diversity and the Group's approach to climate change and sustainability more generally.

### Employees

Kevin Higgins is the designated non-executive Director for the purposes of workforce engagement. Details of the Board workforce engagement programme are shown on page 86. The Board receives regular updates on matters relating to its workforce including reports, feedback from engagement surveys, health and safety matters and other reports on a variety of workforce engagement mechanisms. These views have been taken into account when the Board (or its Committees) considered; development of the Group's strategic plan and the relationship with the Group's franchisees, decisions regarding the development of the

Group's purpose and values; ensuring the safety, wellbeing and ongoing support for colleagues during the Covid-19 pandemic both in our Supply Chain Centres, offices and working remotely; and remuneration and reward including the structure of incentives arrangements.

### Customers

The Group's customer base primarily comprises its franchisees and consumers. The Chief Executive Officer, Chief Financial Officer and other members of the Executive Leadership team have regular contact with franchisees as this relationship is fundamental to our business model. The Board receives updates on feedback from franchisees at every Board meeting. Feedback is taken into account in Board decisions which have included the decisions regarding strategic development; investment in eCommerce and Information Technology; the provision of additional support and guidance to enable franchisees to operate safely throughout the Covid-19 pandemic and to support their day-to-day operational issues.

As a consumer brand we welcome and reflect on the views of our end customers. Group undertakes regular surveys to establish consumer views on brand perception, marketing campaigns, product development, product quality, service levels and value for money perception. These views are reflected in decisions on; the Group's strategy; the introduction of new product ranges and operational matters to ensure that we have been able to serve customers safely during the Covid-19 pandemic.

### Community and environment

We recognise that the business has a role in contributing to wider society. The Board encourages the fund raising efforts of the Group and Franchisee community for Teenage Cancer Trust, Barretstown and the many other local initiatives supported by the Group. In April 2020, we launched the Domino's Partners Foundation, a charity focused on supporting our Group and Franchisee colleagues across our operations in the UK & Ireland. The Board reviews its Environmental Policy annually which has been revised and updated to incorporate the Group's commitment to reduce carbon emissions and to establish science based environmental targets. More details on the Group's community engagement and climate change initiatives are located in the sustainability report and the Engaging with our stakeholders and workforce table on pages 38 and 39, 43 and 44 and pages 46 and 47.

# ENGAGING WITH OUR STAKEHOLDERS AND WORKFORCE

**Our stakeholders are integral to the long-term success of the business. To ensure we are taking their views into account, we engage with each of our key stakeholder groups throughout the year. 2020 was a challenging year. Our approach to stakeholder engagement has had to adapt to focus on the challenges that we faced around the Covid-19 pandemic coupled with key changes to the Board and management. We are committed to a process of continual improvement of our engagement processes.**

| Our stakeholders       | Communities                                                                                                                                                                                                                                                                                                       | Consumers                                                                                                                                                                                                                                                                                                                      |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Why they matter</b> | We recognise that we have a responsibility to ensure we're a force for good within the neighbourhoods that we operate in by supporting local initiatives, being a good neighbour and providing employment.                                                                                                        | With an ever-increasing competitor set and changing consumer tastes, understanding the needs of our customers allows us to continually improve our service, products and experience.                                                                                                                                           |
| <b>How we engage</b>   | Local and national charity fundraising and community initiatives – Teenage Cancer Trust, Barretstown, £8m key worker pizza giveaways, 'Local Legends' free pizza for a year giveaway.<br><br>Local council engagement.<br><br>Food bank donations.<br><br>Digital platform and social media to share information. | Consumer taste panels, customer surveys, consumer research panels.                                                                                                                                                                                                                                                             |
| <b>Issues raised</b>   | Local communities expect the Company to operate safely and sustainably. We are continuing to maintain high animal welfare standards, and have partnered with Fareshare to help feed people and tackle food poverty.                                                                                               | From our customers, and potential customers, we gain insight on their awareness of the Domino's brand compared with competitors and brand preferences. We receive invaluable feedback on product quality and service delivery so that we can refine our product offering and improve adherence to brand standards as required. |

\* For further details on our Colleague Forums, see page 86 on Workforce engagement.

For more information on how we consider stakeholder views at Board level to promote the long-term success of our business, see our Section 172 Statement on page 45.

**Employees**

Our dedicated and experienced colleagues are a key asset of our business. We recognise the importance of creating and maintaining a positive working environment and providing opportunities for individuals to fulfil their potential.

Colleague surveys.

Health & Safety focus events.

Health & Wellbeing events.

A designated non-executive Director attends Colleague Forums\*.

All-Colleague Meetings.

Celebratory Events: The Domi awards ceremony.

Colleagues typically raise questions regarding pay and benefits. However, the overriding focus in 2020 was the Group's response to the Covid-19 pandemic and the operational processes and procedures being operated to maintain a safe working environment and support for colleagues working from home.

**Franchisees**

We recognise the critical role that franchisees play in the long-term success of the business, by providing outstanding customer service; day-in, day-out. Franchisees are the custodians of the Domino's brand at store-level and it is the Company's role to provide franchisees with the support they need to operate efficient and profitable businesses and to maintain the highest brand standards.

Engagement with our franchisees community is integral to our business model. There is regular contact with franchisees by the Chief Executive Officer and the Executive Leadership team, both formal and informal, and through dedicated business partners. The Company and franchisees operate a number of established forums to collaborate on marketing activity, technical matters and operations issues.

There is ongoing dialogue with franchisees on store level profitability and the support provided by the Company, including how to improve labour efficiency and cost management. Franchisees have engaged with management on strategic development, the ongoing franchisee/franchisor relationship, marketing activity, new product development and IT/eCommerce development. There has been close cooperation with franchisees on the operational standards required to maintain safe working arrangements throughout the Covid-19 pandemic.

**Shareholders**

Our shareholders have invested in the Company's shares and expect to see a return on their investment. Shareholders play an important role in the oversight of the Group's governance.

We maintain a constructive dialogue with shareholders and engage with them regularly to understand their perspectives and ensure these are considered in our decision-making.

During the year shareholders raised questions regarding Board and management succession, the franchisee/franchisor relationship, progress with disposal of discontinued operations, capital allocation philosophy and the competitive landscape and the risk posed by aggregators.

**Suppliers**

An efficient supply chain is integral to the Group's business model and the relationship with our suppliers is a key element in achieving our operational goals.

Engagement with our suppliers is through a combination of organised events (e.g. annual supplier conference), periodic performance/commercial reviews conducted by our procurement teams and supplier assurance function.

The relationship with our suppliers is commercially focused and yet very collaborative. During the year we have worked closely with our suppliers to maintain continuity of supply during the Covid-19 pandemic, continuing to pay our suppliers promptly and developing our plans to minimise any disruption arising from Brexit.

# CHIEF FINANCIAL OFFICER'S REVIEW



**Given the backdrop of the Covid-19 pandemic we are very pleased to have delivered a strong financial performance in the year.”**

Neil Smith

Chief Financial Officer

|                                                                            | Pre-IFRS 16 | Impact of IFRS 16 | At 27 December 2020<br>£m<br>Reported | At 29 December 2019<br>£m<br>Reported |
|----------------------------------------------------------------------------|-------------|-------------------|---------------------------------------|---------------------------------------|
| <b>Group Revenue</b>                                                       | 530.5       | (25.4)            | 505.1                                 | 508.3                                 |
| <b>UK &amp; Ireland underlying EBIT before contribution of investments</b> | 96.0        | 2.2               | 98.2                                  | 100.4                                 |
| Contribution of investments                                                | 6.1         | –                 | 6.1                                   | 2.0                                   |
| <b>UK &amp; Ireland underlying EBIT</b>                                    | 102.1       | 2.2               | 104.3                                 | 102.4                                 |
| German associate contribution                                              | 4.7         | –                 | 4.7                                   | 2.9                                   |
| <b>Underlying EBIT</b>                                                     | 106.8       | 2.2               | 109.0                                 | 105.3                                 |
| Underlying interest                                                        | (6.3)       | (1.5)             | (7.8)                                 | (6.5)                                 |
| <b>Underlying profit before tax</b>                                        | 100.5       | 0.7               | 101.2                                 | 98.8                                  |
| Underlying tax charge                                                      | (16.9)      | –                 | (16.9)                                | (17.7)                                |
| <b>Underlying profit after tax</b>                                         | 83.6        | 0.7               | 84.3                                  | 81.1                                  |
| Non-underlying items                                                       | (2.1)       | –                 | (2.1)                                 | (21.8)                                |
| <b>Profit after tax from continued operations</b>                          | 81.5        | 0.7               | 82.2                                  | 59.3                                  |
| Loss from discontinued operations                                          | (42.5)      | –                 | (42.5)                                | (56.5)                                |
| <b>Statutory profit after tax</b>                                          | 39.0        | 0.7               | 39.7                                  | 2.8                                   |

The results for the Group are summarised above, including the impact of IFRS 16 as explained on the following page. Given the backdrop of the Covid-19 pandemic we are very pleased to have delivered a strong financial performance in the year. Underlying profit before tax on a reported basis is £101.2m, up £2.4m on last year and as a result of significant efforts to reduce the drag of international losses, and reduction in non-underlying charges and impairments, our statutory profit after tax is £39.7m compared to only £2.8m in the prior year.

## FINANCIAL HIGHLIGHTS

- Underlying profit before tax of £101.2m, up £2.4m, with Covid-19 costs incurred of £9.0m
- Statutory profit after tax of £39.7m, up from £2.8m, with non-underlying charges reduced to £2.1m (2019: £21.8m) and loss on discontinued international operations reduced to £42.5m (2019: £56.5m), including £22.6m (2019: £35.2m) of impairments of international operations
- Free cash flow increased by 73% to £99.0m (2019: £57.1m)
- Disciplined cash management leading to net debt reduced by 26% to £171.8m, driven by trading performance and actions taken to preserve headroom
- £45m share buyback programme, to commence imminently, in line with new capital allocation philosophy and commitment to distribute surplus capital to shareholders
- Total dividend for FY20 of 9.10p per share proposed as a final dividend to be paid 4 May 2021



## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

### Group revenue

Our key metric for measuring the revenue performance of the Group is system sales, rather than our Group revenue. System sales are the total sales to end customers through our network of stores, for both franchisee and corporate stores. Our Group revenue consists of food and non-food sales to franchisees, royalties paid by franchisees, contributions into the National Advertising Fund and eCommerce Fund, rental income and end-customer sales in our corporate stores. Within our Group revenue, the volatility of food wholesale prices, together with the combination of different revenue items, means that analysis of margin generated by the Group is less comparable than an analysis based on system sales. We consider that system sales provide a useful alternative analysis over time of the health and growth of the business.

### IFRS 16

During the period, the Group has adopted IFRS 16 Leases for the first time. The Group has adopted a modified retrospective approach to application, and therefore comparatives have not been restated. IFRS 16 impacts the treatment of our property and equipment leases, and our lease receivables with franchisees. The summary impact of the change in accounting standard on the income statement for 2020 is set out above.

Overall EBIT has increased by £2.2m as a result of the implementation, with a benefit to profit before tax of £0.7m. Statutory revenue has decreased as income on property lease agreements has been de-recognised and this is offset by increases in cost of sales and other cost categories which represent the removal of lease charges and replacement with depreciation.

Within finance costs, whilst the net impact is an increase in net finance costs of £1.5m, there is a gross increase to both finance income and expense. The finance income represents the interest unwind of our lease receivables with franchisees, and the expense represents the interest unwind of the liability under our lease contracts.

Given the relatively small size of the impact at an EBIT level, movements are discussed including the impact of IFRS 16 in the FY 2020 figures, compared to excluding the impact of IFRS 16 in the FY 2019 numbers. Where impacts are considered significant these have been explained.

Earnings per share includes the impact of IFRS 16 in the current period. This has increased underlying basic EPS measures for continuing operations by 0.1p and statutory basic EPS including both continuing and discontinued operations by 0.2p.

Group revenue, consisting of directly generated UK & Ireland revenues, decreased by 0.6% to £505.1m. This includes a £25.4m reduction due to the impact of IFRS 16, as lease income is no longer being recognised in revenue for our long-term leases with franchisees. If the impact of IFRS 16 is excluded, revenue increased by 4.4%. The drivers of revenue growth continued to be sales growth within the franchisee system, which drives increased food and royalty revenues and is reflected in system sales.

### Underlying earnings before interest and taxation

The reported underlying earnings before interest and taxation was £109.0m, an increase on the prior year reported earnings of £105.3m. The reported increase primarily arose from the IFRS 16 adjustment of £2.2m and £1.3m fair value movement on the investment in Shorecal.

Excluding the impact of IFRS 16, UK & Ireland underlying EBIT was down £0.3m from the prior year, largely driven by significant incremental Covid-19 related costs. In the year we have incurred some £9.0m of Covid-19 related costs and have received incremental benefit to our royalty and JV income from the VAT reduction of £3.6m. Removing the impact of the above identified items, UK & Ireland underlying EBIT would have increased by £5.1m or 5.0%.

Our associate investment in Germany contributed £4.7m (2019: £2.9m), an increase of £1.8m as the business traded strongly throughout the year with high same store monthly sales growth and the finalisation of the conversion of Hallo Pizza stores.

### Interest

Net underlying finance costs in the period were £7.8m, a £1.3m increase year-on-year. Of this increase, £1.5m relates to the implementation of IFRS 16. Excluding this impact, net underlying finance costs have remained relatively consistent year-on-year, with interest payable under the revolving credit facility increasing from £6.4m to £6.7m as a result of additional drawdowns made over the Covid-19 period to ensure sufficient flexibility, offset with £0.5m additional foreign exchange gains. Statutory net finance costs were £7.5m (2019: £6.3m) after non-underlying interest and foreign exchange gains relating to the Market Access Fee and put options of £0.3m (2019: £0.2m).

### Taxation

The underlying effective tax rate for 2020 was 16.7% (2019: 17.9%), which is lower than the UK statutory rate due to the one-off impact of adjustments to prior year and the contribution of the Daytona joint venture. The statutory effective tax rate excluding discontinued operations is 16.9% (2019: 21.1%) due to the lower level of disallowable non-underlying charges.

### Profit after tax and non-underlying items

Underlying profit after tax from continuing operations was £84.3m, an increase from £81.1m in 2019. After non-underlying items, statutory profit after tax from continuing operations was £82.2m, an increase from £59.3m in 2019. Net non-underlying items were £2.1m (2019: £21.8m). These costs are itemised in full in note 7 and are summarised below:

|                                                               | 52 weeks ended 27<br>December 2020<br>£m | 52 weeks ended 29<br>December 2019<br>£m |
|---------------------------------------------------------------|------------------------------------------|------------------------------------------|
| eCommerce asset impairment                                    | (4.6)                                    | –                                        |
| Legal and professional fees                                   | (3.5)                                    | (1.4)                                    |
| Amortisation of London corporate stores                       | (1.1)                                    | (1.0)                                    |
| German associate store conversion costs                       | (0.5)                                    | (2.8)                                    |
| Market Access Fee revaluations                                | 7.1                                      | (2.1)                                    |
| Corporate stores impairment                                   | –                                        | (18.7)                                   |
| Contribution to eCommerce fund                                | –                                        | (7.1)                                    |
| Put option revaluations                                       | –                                        | 9.0                                      |
| Other non-underlying items                                    | –                                        | 0.2                                      |
| Non-underlying interest charges                               | 0.3                                      | 0.2                                      |
| Tax impact of non-underlying items                            | 0.2                                      | 1.9                                      |
| <b>Total non-underlying items after interest and taxation</b> | <b>(2.1)</b>                             | <b>(21.8)</b>                            |

- **eCommerce asset impairment:** An impairment charge of £4.6m has been recorded in relation to assets previously capitalised in respect of the new eCommerce platform which, following strategic review of the future direction of the development, have no future use.
- **Legal and professional fees:** Professional fees of £3.5m have been incurred, of which £2.3m relates to professional fees associated with the development of our long-term strategy, and £1.2m relates to the disposal and marketing of the remaining international operations.
- **Amortisation of London corporate stores:** During the period amortisation of acquired intangibles of £1.1m (2019: £1.0m) was incurred in relation to the Standard Franchise Agreement ('SFA') recognised on the acquisition of the London corporate stores in 2017 and Have More Fun (London) Limited in 2018. No further impairment of corporate stores has been recorded in the current year.
- **German associate store conversion costs:** Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £0.5m (2019: £2.8m) which relate to the conversion of the Hallo Pizza stores which were acquired by the German associate in January 2018, which has now completed.
- **Market Access Fee revaluations:** A gain of £7.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2019: loss of £2.1m).
- **Costs and income recorded in 2019:** No further costs or income have been recorded in 2020 relating to corporate stores impairments, the contribution to the eCommerce fund which concluded in 2019 or put option revaluations, which were extinguished following the disposal of Norway in May 2020.

### Discontinued operations

The total loss recorded from discontinued operations was £42.5m (2019: £56.5m). This consists of a trading loss of £10.1m, reduced from £20.8m in 2019, interest and tax charges of £1.0m and non-underlying costs of £33.4m (2019: £35.4m) relating to the disposal of Norway of £10.8m, and impairments of the remaining international businesses of £22.6m (2019: £35.4m). The total loss from discontinued operations is set out below:

|                                                    | 2020         |               | 2019         |               |
|----------------------------------------------------|--------------|---------------|--------------|---------------|
|                                                    | System sales | EBIT          | System sales | EBIT          |
| Iceland                                            | 29.2         | 0.6           | 36.6         | 1.7           |
| Norway                                             | 9.3          | (3.3)         | 38.3         | (11.3)        |
| Switzerland                                        | 22.1         | (1.5)         | 20.6         | (5.4)         |
| Sweden                                             | 8.2          | (4.5)         | 5.2          | (4.0)         |
| Central costs                                      |              | (1.4)         |              | (1.8)         |
| <b>Trading result from discontinued operations</b> | <b>68.8</b>  | <b>(10.1)</b> | <b>100.7</b> | <b>(20.8)</b> |
| Finance costs and taxation                         |              | 1.0           |              | (0.3)         |
| Loss on disposal of Norway                         |              | (10.8)        |              | –             |
| International impairments                          |              | (22.6)        |              | (35.4)        |
| <b>Total charge from discontinued operations</b>   |              | <b>(42.5)</b> |              | <b>(56.5)</b> |

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

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Total system sales from consolidated discontinued International operations were £68.8m, compared to £100.7m last year, largely as a result of the disposal of Norway. Excluding Norway, system sales for the remaining businesses decreased by £2.9m, a decrease of 4.6% on a reported currency basis. On a constant currency basis, system sales increased by 1.6%. We made a trading loss of £10.1m, compared to a loss of £20.8m in 2019. This includes a trading loss from Norway, prior to its disposal, of £3.3m (2019 Norway loss: £11.3m).

In Iceland we currently have 23 stores (24 at the end of 2019). Performance in 2020 was significantly impacted by both competitive pressure and Covid-19, which reduced local demand and affected the Icelandic economy given that it is highly dependent on tourism, resulting in a 3.0% LFL decline in FY20.

In Switzerland we currently have 20 stores (21 at the end of 2019). Covid-19 led to a significant reduction in average weekly orders (down 7.4% LFL), which was offset by an increase in average ticket (up 8.8% LFL) as carry out and dine-in were temporarily stopped. Overall, the market was up 0.7% LFL with trading significantly improving towards the end of 2020.

In Sweden we currently have 14 stores (13 at the end of 2019). Following completion of the Norwegian transaction we now own 100% of this business. Performance in Sweden has also been affected by Covid-19 although our mature stores recorded year-on-year sales growth of 14.9% LFL, with trading particularly improving in the Malmo area due to higher ticket.

The Norway transaction resulted in a loss on disposal of £10.8m, including £1.9m of foreign exchange losses recycled from reserves, and £1.6m of other costs associated with the Norway disposal. In addition, impairments of £22.6m were recorded over the remaining businesses in Iceland of £14.5m and Sweden of £8.1m, to write the carrying values down to the expected disposal value. These costs, together with the trading losses, finance costs and taxation, resulted in a total loss from discontinued operations of £42.5m (2019: £56.5m loss).

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchasers by the Group. This is materially consistent with the balance sheet values recorded after impairments.

After inclusion of the loss from discontinued operations, the overall statutory profit for the period was £39.7m (2019: £2.8m).

### Earnings per share

Underlying basic EPS increased to 18.2p from 17.6p as a result of the underlying profit increase and decreased tax charge. Statutory basic EPS increased to 8.9p from 2.8p as a result of lower non-underlying charges and reduced loss from discontinued operations.



**Our asset-light business model is highly cash generative. As a Board we have reviewed our approach to capital allocation to develop a philosophy for the use of the cash generated to optimise long-term shareholder returns. We will seek to sustain growth of our core business through capital investment and we will operate a disciplined approach to assessing additional growth opportunities. Operating within a normalised leverage range of 1.5x–2.5x net debt to EBITDA, we aim to maximise shareholder returns through an annual allocation of surplus cash to shareholders through a combination of dividends and other forms of returns, such as share buybacks.”**

**Neil Smith**

Chief Financial Officer

### Free cash flow and net debt

|                                                                                                        | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>(restated)<br>£m |
|--------------------------------------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------|
| Underlying EBITDA                                                                                      | 125.5                                    | 117.0                                                  |
| Discontinued operations EBITDA                                                                         | (4.2)                                    | (15.2)                                                 |
| Add back non-cash items                                                                                |                                          |                                                        |
| – Contribution of investments                                                                          | (10.8)                                   | (4.9)                                                  |
| – Other non-cash items                                                                                 | (0.1)                                    | 1.2                                                    |
| Working capital                                                                                        | 29.1                                     | (23.3)                                                 |
| IFRS 16 – net lease payments                                                                           | (11.0)                                   | –                                                      |
| Dividends received                                                                                     | 2.5                                      | 1.0                                                    |
| Net interest                                                                                           | (4.4)                                    | (5.7)                                                  |
| Corporation tax                                                                                        | (23.1)                                   | (14.1)                                                 |
| <b>Free cash flow before non-underlying cash items</b>                                                 | <b>103.5</b>                             | <b>56.0</b>                                            |
| Non-underlying cash                                                                                    | (4.5)                                    | 1.1                                                    |
| <b>Free cash flow</b>                                                                                  | <b>99.0</b>                              | <b>57.1</b>                                            |
| Capex                                                                                                  | (19.4)                                   | (23.4)                                                 |
| Repayment from/(funding to) German associate                                                           | 4.6                                      | (2.9)                                                  |
| Disposals                                                                                              | (6.4)                                    | (2.7)                                                  |
| Dividends                                                                                              | (25.6)                                   | (44.3)                                                 |
| Share transactions                                                                                     | 0.5                                      | (17.4)                                                 |
| Proceeds from issue of shares                                                                          | 12.9                                     | –                                                      |
| <b>Movement in net debt</b>                                                                            | <b>65.6</b>                              | <b>(33.6)</b>                                          |
| Opening net debt                                                                                       | (232.6)                                  | (203.3)                                                |
| Forex on RCF                                                                                           | (4.8)                                    | 4.3                                                    |
| <b>Closing net debt</b>                                                                                | <b>(171.8)</b>                           | <b>(232.6)</b>                                         |
| <b>Last 12 months net debt/EBITDA ratio from continuing operations (excl IFRS 16)</b>                  | <b>1.46x</b>                             | <b>1.99x</b>                                           |
| <b>Last 12 months net debt/EBITDA ratio from continuing and discontinued operations (excl IFRS 16)</b> | <b>1.57x</b>                             | <b>2.28x</b>                                           |

Free cash flow in the table above has been restated for the 52 week period ended 29 December 2019 from £33.7m to £57.1m due to the removal of capex from the free cash flow definition. Capex is now shown as a utilisation of free cash flow, which we consider better reflects the sources and uses of cash in the business.

## CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Overall Group net debt decreased from £232.6m at 29 December 2019 to £171.8m, primarily due to increased free cash flow and the impact of the temporary suspension of the FY 2019 dividend and removal of the interim dividend.

Free cash flow was an inflow of £99.0m (2019: £57.1m), which consists of an inflow of £106.1m in our UK business and an outflow of £7.1m in our International business.

Underlying EBITDA was £125.5m (2019: £117.0m) with discontinued operations EBITDA of a loss of £4.2m (2019: £15.2m).

The Group experienced a working capital inflow of £29.1m (2019: £23.3m outflow) in the period which primarily consisted of an inflow of £21m due to a change in a payment timing at the end of 2019, £4m cash timing benefit as a result of increased creditors at the end of 2020, and £2m reduction in inventory levels.

Dividends received relates to amounts received from our UK joint venture and associates. The net interest cash outflow of £4.4m (2019: £5.7m) has decreased year-on-year due to the timing of drawdowns and related interest payments.

Corporation tax payments have increased by £9.0m as a result of changes in timing of UK corporation tax payments in the year.

Non-underlying cash paid of £4.5m relates mainly to UK strategy costs and international business disposal costs.

Capital expenditure in the period was £19.4m, of which £16.9m (2019: £15.0m) relates to our UK & Ireland business, and £2.5m (2019: £8.4m) relates to the international business. This is lower than the prior year primarily due to reduced international spend.

Funding from our German associate of £4.6m (2019: payment of £2.9m) represents repayment of funding and loan balances from the associate.

The disposal of our 71% interest in Norway resulted in a £6.4m cash outflow, this consisted of £3.4m cash remaining in the company and an additional £3.0m paid on disposal.

Dividends of £25.6m represents the deferred payment of the FY19 final dividend, which was paid in September 2020. No dividend payment was made during the year in respect to the financial performance of the 2020 year.

A total of £13.4m was raised through issue of shares, of which £0.5m related to issues for employee share options and £12.9m related to proceeds from the issue of shares in relation to an option granted in 2014 held by a former minority interest of our previous wholly owned German operations.

### Capital employed and balance sheet

|                                                  | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|--------------------------------------------------|---------------------------|---------------------------|
| Intangible assets                                | 30.5                      | 34.5                      |
| Property, plant and equipment                    | 91.1                      | 84.8                      |
| Right-of-use assets                              | 20.1                      | –                         |
| Lease receivables                                | 204.7                     | –                         |
| Investments, associates and joint ventures       | 51.7                      | 42.9                      |
| Market Access Fee                                | 15.3                      | 7.1                       |
| Deferred consideration                           | 5.7                       | 5.7                       |
| Lease liabilities                                | (226.5)                   | –                         |
| Provisions                                       | (13.5)                    | (15.5)                    |
| Working capital                                  | (21.9)                    | 16.5                      |
| Net debt (continuing operations)                 | (180.2)                   | (237.3)                   |
| Put options                                      | –                         | (0.9)                     |
| Tax                                              | (0.4)                     | (6.9)                     |
| Held within assets and liabilities held for sale | 14.6                      | 27.8                      |
| Net (liabilities) / assets                       | (8.8)                     | (41.3)                    |

Intangible assets have decreased from £34.5m to £30.5m as a result of additions of £6.5m offset by amortisation of £5.6m and impairment of £4.9m, relating primarily to the UK & Ireland eCommerce platform.

Property, plant and equipment has increased from £84.8m to £91.1m, primarily due to additions of £11.6m offset by depreciation of £5.3m.

Right of use assets of £20.1m represents the lease assets for our corporate stores, warehouses and equipment leases recognised under IFRS 16 in the current period. Lease receivables of £204.7m represents a financial receivable for the leases we hold with franchisees, where we are the lessor.

Investments, associates and joint ventures represents our investment in the German associate and our investment in Full House and West Country in the UK, which are treated as associates and joint ventures respectively, as well as our investment in Shorecal. This has increased by £8.8m during the year, largely as a result of trading performance of the associates and joint ventures in excess of dividends received.

The Market Access Fee asset, representing the fee receivable following our disposal of the German MFA ('Master Franchise Agreement'), has increased from £7.1m to £15.3m, largely due to the revaluation at the end of 2020 as a result of increased trading performance during the year, leading to increased expected future cash receipts.

Deferred consideration largely represents the amounts owed to the Group following our disposal of shares held in the joint venture company, DP Shayban Limited, in H1 2019.

The lease liability of £226.5m represents the amounts payable under leases, either for our own leases or for franchisee leases where we lease the property from the landlord, and then sub lease to a franchisee.

Working capital has increased from an asset of £16.5m to a liability of £21.9m as a result of the factors outlined in the cash flow section above.

The put option liability of £0.9m has been extinguished on the disposal of the Norway business in H1 2020.

Tax liabilities have decreased from £6.9m to £0.4m as a result of the change in legislation over timing of corporation tax payments.

The overall assets held for sale balance has decreased by £13.2m, largely as a result of impairments recorded in 2020 over the international asset base.

Total equity has improved by £32.5m from a net liability position of £41.3m to £8.8m largely due to the profits for the period exceeding dividend payments made. There are sufficient distributable reserves in the standalone accounts of Domino's Pizza Group plc for the proposed dividend payment and announced share buyback. The reserves available for distribution of Domino's Pizza Group plc at 27 December 2020 were £100.1m.

### Treasury management

The Group holds an unsecured multi-currency revolving credit facility of £350m to December 2023 with a syndicate of eight lenders. An option for the Group to extend the facility by a further 12 months to December 2024 has been deferred by nine months with all lender consent and becomes exercisable in August 2021. The facility's lower range remains at a margin of 75bps above LIBOR rising to 185bps with increased leverage, plus a utilisation fee of between 0bps and 30bps of the aggregate amount of the outstanding loans. A commitment fee in the base currency computed at 35% of the margin is payable for the undrawn loan amount. The Group monitors its overall level of financial gearing on a regular basis to ensure that it remains well within its targets and banking covenants. The Group monitors its cash resources centrally through short, medium and long-term cash forecasting. Surplus cash in the UK is swept into interest bearing accounts or placed on short-term money market deposits.

We ended the year with net debt of £171.8m, giving us a leverage ratio of 1.46x from continuing operations, and 1.57x including the trading EBITDA of our International operations classified as discontinued.

Underpinning treasury management is a robust Treasury Policy and Strategy that aims to minimise financial risk. Foreign exchange movement arising from transactional activity is reduced by either agreeing fixed currency rates with suppliers or pre-purchasing the currency spend.

# RISK MANAGEMENT

**The Board has continued to identify, evaluate and monitor risks facing the Group and, during the year under review, a particular focus has been placed on assessing the likely impact that each identified risk could have on the business.**

## Principal risks and uncertainties

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 Group, 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.

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.

We have linked the risks to the strategic pillars described on page 24. 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 Group faces.

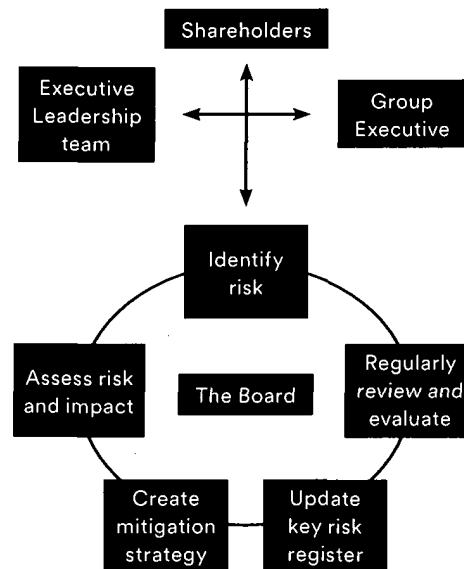
## OUR APPROACH

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 Group'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 Executive 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.

The Board identify, evaluate and monitor risks facing the Group and, during the year under review, a particular focus has been placed on assessing the likely impact that each identified risk could have on the business.



See our Strategy on page 24

# PRINCIPAL RISKS & UNCERTAINTIES

## Competitive pressures

### Risk Summary

#### Risk profile:

This risk has the potential to compromise our future performance or, in an extreme scenario, even threaten the business model itself.

#### Change in risk severity from 2019:



#### Risk ownership:

Chief Marketing Officer

#### Residual risk:

High

This risk was considered in assessing long-term viability.

### Linkage to strategy

Nobody delivers like Domino's Turbo-charge our collection business Amplify our product quality & value

We have a continual focus on product innovation and menu development to satisfy changes to consumer preference.

Domino's market leading delivery times are recognised by customers as clear differentiation to aggregators – which our new advertising campaign We Got This aims to reinforce.

We will deliver better perceived value to our customers whilst maintaining system profitability.

### Description of risk factors

The business faces strong competition from a range of competitors, including those exploiting emerging technologies, food options, delivery models, or innovative locations and formats. Failure to stay relevant in the face of competition, through a lack of new products or inappropriate new products, may lead to the loss of customer and franchisee confidence. Additional risks may arise from the potential inflexibility of the existing operational platform to offer an enhanced product range.

We may fail, through ineffective promotion or lack of personalised and tailored messaging, to communicate to customers the value from available deals and offers. Local pricing decisions may not offer a co-ordinated defence against national competitors. Our competition may consequently be able to target our core customers with aggressive pricing strategies.

Given the LFL growth achieved by aggregators and direct sector competitors, this risk is considered to be increasing.

### Risk mitigations in place and planned

Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these. We will implement a calendar of new product innovations to target core customers.

We and franchisees work together to constantly change the mix of menu prices and local offers, supplemented by national price-pointed offers. We have developed an offer testing methodology to help determine the optimum national price promotions to maximise appeal and purchase intent. We have developed a peer group framework to enable us to make more tailored recommendations to franchisees to optimise local pricing and promotions.

We continue to invest in and deploy new technology to improve our already class-leading delivery service and to maintain advantage over competitors.

We have invested in a new CRM technology platform that will enable us to have a more personalised communication with customers to help prevent lapsing.

## Strategy Key



Nobody delivers like Domino's



Turbo-charge our collection business



Amplify our product quality & value



Uphold our industry-leading economics



Model excellence as a franchisor

## PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

### Franchisee relationships

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Risk profile:</b><br>These risks have the potential to affect our future performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Change in risk severity from 2019:</b><br>→                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Risk ownership:</b><br>Chief Executive Officer | <b>Residual risk:</b><br>High                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| This risk was considered in assessing long-term viability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|  <b>Uphold our industry-leading economics</b><br>We aim to work collaboratively with franchisees and deliver best in class profitability across the system.<br>We set ourselves ambitious targets for store growth and like-for-like order count growth.                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                   | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>The current relationship with franchisees is challenging, a situation dating back several years.</p> <p>Our ability to grow depends on the attractiveness of Domino's as a long-term investment opportunity to both new and existing franchisees. Strong sustainable profitability at maturity, attractive investment economics, and targeted new store incentives all being key in encouraging franchisee investment decisions.</p> <p>Without a collaborative and mutually beneficial franchise framework, the Group may be unable to persuade our franchisees to invest or to implement our preferred growth strategies.</p> <p>The Group has 68 franchisees in the UK &amp; Ireland with the largest three franchisees accounting for 42% of our 1,201 stores.</p> |                                                   | <p>Relationships with franchisees are managed by the CEO, CFO and wider Executive Leadership team of the Group. This team are in detailed discussions with franchisee representatives to realign our relationship and re-establish a mutually acceptable balance of commercial risk and reward.</p> <p>Our franchisee discussions aim to demonstrate that a sustainable best-in-class return can be achieved from our stores and show that there is an excellent opportunity to invest in profitable system growth.</p> <p>As well as franchisee commitments to investment and growth, we would expect to make capital investments in technology and supply chain operations to support growth, together with investment to upgrade some of our internal capabilities.</p> |

## Brexit and Covid-19 related risks

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Risk profile:</b><br>Whilst currently well managed by the Group, these risks are highly unpredictable, difficult to control, and can escalate rapidly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Change in risk severity from 2019:</b><br>New risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Risk ownership:</b><br>Chief Executive Officer | <b>Residual risk:</b><br>Moderate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| This risk was considered in assessing long-term viability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>Nobody Delivers Like Domino's</b>  <b>Model excellence as a franchisor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| We aim to implement and maintain world-class internal control and risk management frameworks to ensure the continuity of our supply chain and operational activities is preserved in the event of rapidly developing risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                   | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Brexit</b><br>We source approximately 52% of our supplies by value from within the UK, 31% within the EU, and 17% from outside the EU. We and our franchisees operate stores in the UK, Ireland, Iceland, Switzerland, and Sweden. Any impediment to our ability to move goods and capital easily across borders would have implications for our supply chain and business model. We are exposed to disruption to raw material supplies into the UK and between our Naas, Ireland SCC and our franchise stores in Northern Ireland.<br><br>Aside from potential supply chain disruption, we consider that Brexit may have consequences for us on the availability of store labour, employee settlement and residency, and data protection requirements, and vehicle fleet licensing. |                                                   | We continue to engage with external advisers to monitor the outcome of the post transition period and associated risks to our business activities. Our Brexit Steering Group has been working with specialists to map our supply chain, assess the impact of identified risks, plan mitigations, monitor delivery of actions, and report progress to the Board. Whilst the UK and EU have agreed a trade deal, uncertainty remains over the precise nature of the detail. We will continue to evaluate the situation and address any risks as they crystallise.<br><br>The Group continues to operate a series of tactical contingency measures to reduce the impact of Brexit-related supply chain disruption in Q1 2021.                                                       |
| <b>Coronavirus (Covid-19)</b><br>As well as the implications of Covid-19 on our supply chain and store operations, we are faced with additional consequences as our corporate employees continue to work remotely and customers adapt to limitations placed upon them by national and regional tier restrictions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                   | The Group has worked tirelessly to adapt to the changing requirements of the Covid-19 restrictions, and has thankfully kept operational throughout. Operational practices and systems of work have been modified to facilitate contact-free deliveries and we and our franchisees have invested in PPE and store adaptations to protect the safety of employees and customers. Our online platforms have handled significantly higher web and App order volumes, with additional capacity introduced to preserve resilience. We have strengthened cyber security for remote workers, including ensuring device security measures, patching, and multi-factor authentication are in place. Further details on our response to Covid-19 are more fully disclosed on pages 8 and 9. |

## PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

### Supply chain disruption

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Risk profile:</b><br>Disruption to raw material supplies – acute impact for a limited time.<br>Loss of Supply Chain Centre ('SCC') capacity – if prolonged, potentially significant impact on financial performance and resilience.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Change in risk severity from 2019:</b><br>↓                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Risk ownership:</b><br>Supply Chain Director | <b>Residual risk:</b><br>Moderate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| This risk was considered in assessing long-term viability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|  <b>Nobody Delivers Like Domino's</b><br>We seek to build resilience throughout our supply chain, ensuring the freshest ingredients are available and delivered to all stores on time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                 | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p><b>Failure of a key raw material or equipment supplier to maintain deliveries leading to cessation of dough production or shortage of key ingredients.</b></p> <p>The business relies on a number of third-party suppliers, some of whom represent the sole source of an ingredient. The Group would be vulnerable if a supplier decided to cease trading, suffered a major cyber security incident, had a major interruption or food safety incident, or was responsible for an ethical or compliance breach of such severity that the Group would no longer trade with them.</p> <p><b>Catastrophic failure of one or more of the Domino's UK SCCs leading to disruption to dough production.</b></p> <p>We distribute both the pre-proved dough we manufacture ourselves and third-party pizza sauce, cheese, toppings, sides and boxes to our stores as well as other equipment and supplies. A loss of more than one dough production line or loss of an SCC, for example through a cyber security or major IT/OT incident, would require urgent contingency arrangements to be made wherever possible.</p> <p>This risk is reducing due to the practical completion of the SCC in Scotland.</p> |                                                 | <p>We aim to dual source our key ingredients and, for the small number where this is not practicable, mitigate risk by moving to multiple supply sites. Suppliers are selected through competitive tendering and appropriate due diligence processes. The economics and cyber security posture of their businesses are kept under regular review to identify adverse changes to supplier vulnerability. We audit supply chain resilience and supplier compliance with agreed standards, and hold buffer stock, where possible, in the supply chain to mitigate potential fluctuations in product availability and lead times.</p> <p>Domino's currently operates two, soon to be three, UK SCCs and one in Ireland. Each SCC operates efficiently, but at utilisation levels that provide capacity for the loss or unavailability of any single production line. Deliveries of ingredients, usually distributed to stores via our SCCs, would, in the event of loss of one or more SCC, require use of third-party cold storage facilities.</p> <p>Residual risk will be reduced in 2021 by the full commissioning of the new SCC in Cambuslang, and further initiatives to increase dual sourcing or multi-site production of critical ingredients.</p> |

## Food safety

### Risk Summary

#### Risk profile:

If this risk materialised, it could have a significant short-term impact on performance and liquidity. Longer-term reputational impact could affect viability.

#### Change in risk severity from 2019:

→

#### Risk ownership:

Supply Chain Director

#### Residual risk:

Moderate

This risk was considered in assessing long-term viability.

### Linkage to strategy



#### Amplify our product quality & value

We strive to ensure the highest of operational standards are met consistently across the supply chain and in Domino's stores.

### Description of risk factors

There is the risk of contamination in either the pre-proved dough we produce at the Group's SCCs, or in the pizza toppings and other ingredients we distribute to our stores. Any failures may impact the brand and our customers in the UK & Ireland.

A decline in store standards leading to reduced food quality and customer satisfaction.

### Risk mitigations in place and planned

The business has an established and rigorous regime of standards and food safety checks, with each of the SCCs accredited to the internationally recognised food safety standard FSSC 22000. Adherence to our constantly evolving standards, codes of practice, and food safety management systems in our SCCs is regularly audited by our technical team. Compliance with Domino's global standards is audited annually by Domino's Pizza International. Early warning systems are in place across the supply chain to log, review, investigate, and act upon issues which may impact food safety or quality.

Stores operate to clearly defined standards and policies, periodically verified by operational evaluation processes and third-party food safety evaluations to audit areas such as food storage and handling, product quality, safety, and store condition. Franchisees are financially incentivised to maintain a minimum score on evaluations.

We plan to further increase the frequency and coverage of assurance over food safety management systems in the supply chain and in stores during 2021.

## PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

### eCommerce and mobile platform

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Risk profile:</b><br>These risks could have some impact on future performance during the downtime period and could cause wider brand perception issues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Change in risk severity from 2019:</b><br>→                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Risk ownership:</b><br>Group Digital Director &<br>Chief Information Officer | <b>Residual risk:</b><br>High                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| This risk was considered in assessing long-term viability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|  <b>Model excellence as a franchisor</b>  <b>Nobody Delivers Like Domino's</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| We strive to ensure that online web and App ordering offers our customers world class levels of availability and user experience. This technology supports fast and efficient customer ordering to complement our class-leading delivery time performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                 | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>Approximately 95% of delivered sales are now placed online through the website or mobile App. There is significant reliance on third-party data centres and IT teams for hosting the platform, and on both internal and third-party development resource for our applications.</p> <p>Loss of platform or application availability or integrity would result in a short-term impact on commercial performance, including potential loss of customer confidence in the platform and/or mobile App. This loss of customer goodwill and revenue could have longer-term consequences for customer confidence in the Domino's brand. It may also negatively impact franchisee relationships if they lose confidence in the resilience and security of the platform.</p> <p>Alongside third-party risks, application development, and infrastructure availability risks, there also exists a significant cyber security risk. As we become increasingly reliant on internet trade we also find ourselves operating in an ever increasing and sophisticated cyber threat landscape, where ransomware, data breaches and targeted advanced cyber attacks are becoming more commonplace.</p> |                                                                                 | <p>Strong controls at an IT level are in place to protect the platform availability, through data centre replication, clustering and other IT-reliant architecture methods. IT resilience is well developed and mature.</p> <p>There exists a good level of controls with respect to PCI Data Security Standards, against which we have been compliant since 2015, however we are constantly reviewing the effectiveness of our controls and improving them wherever gaps are identified.</p> <p>We are building a strategic, risk-based security management framework and will continue to invest appropriately in the further development of security controls to better protect the platform from both known and unknown threats.</p> <p>We continue to invest in and deploy new technology to improve our already class-leading delivery service and to maintain this advantage over competitors.</p> <p>Cyber-risk appears regularly on the Board and Audit Committee agendas and management reviews the performance of IT infrastructure on a continual basis.</p> |

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

### Risk Summary

#### Risk profile:

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 in risk severity from 2019:

→

#### Risk ownership:

Chief Financial Officer

#### Residual risk:

High

This risk was considered in assessing long-term viability.

### Linkage to strategy



#### Model excellence as a franchisor

We aim to implement and maintain world-class cyber security, internal control, and risk management frameworks.

### Description of risk factors

For ease of use, our online ordering systems hold some customer data, the loss of which (whether accidental or as a result of unauthorised intrusion) would cause disruption and cost to the Group. In addition, the Group's own data on employees, partners and suppliers is exposed to the same risks of loss.

We do not hold customer credit card data on our systems.

### Risk mitigations in place and planned

Cyber security, a key mitigation against data risk, appears on the Board and Audit Committee agendas on a regular basis and management keep the security of data under its ownership or control under continual review. The technical mitigations in place to protect our Group's systems from malicious attack are also relevant to this risk. A description of mitigations in place against that risk is included on page 62 of this report.

We have a robust compliance programme in place for GDPR. Franchisees are trained in their obligations in respect of personal data and are required to train their staff appropriately.

Residual risk is to be addressed through further investment in our cyber security measures, and specific assurance by internal audit and external specialists over Data Protection compliance which is to be performed in 2021.

## PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

### Climate change

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                |                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Risk profile:</b><br>This risk has the potential to compromise our future performance or, in an extreme scenario, even threaten the business model itself.                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Change in risk severity from 2019:</b><br>New risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>Risk ownership:</b><br>Chief Executive Officer                                                                                                                                                                                                                                                              | <b>Residual risk:</b><br>Moderate |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                |                                   |
|  <b>Model excellence as a franchisor</b><br>We aim to improve our performance on climate change to exceed customer, franchisee and investor expectations.<br>We aim to meet all mandatory requirements for ethical and climate reporting.                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                   |                                   |
| The effect of climate change on the business will change over time and the Group will need to consider its risk profile and mitigation in the medium and longer-term. Climate change poses commercial risks which may include possible changes in consumer demand, increased cost and/or reduced availability of ingredients and increased costs associated with our distribution network. In addition, we expect a tightening of the regulatory environment in which we operate with the potential to increase operating costs and additional external reporting. | The Group is enhancing its environmental management systems and will be establishing science-based environmental targets during 2021. The Group is developing a road map to achieve full alignment with TCFD reporting and to comply with requirements of the UKLA's Listing Rules introduced in January 2021. |                                   |

## Public health debate

### Risk Summary

#### Risk profile:

This risk has the potential to compromise our future performance or, in an extreme scenario, even threaten the business model itself.

#### Change in risk severity from 2019:

↑

#### Risk ownership:

Chief Marketing Officer

#### Residual risk:

Moderate

This risk was considered in assessing long-term viability.

### Linkage to strategy



#### Amplify our product quality & value

We will aim to reinvigorate our food innovation to improve customer satisfaction and experience and exceed customer, franchisee and investor expectations, addressing the need for healthier and free-from choices.

### Description of risk factors

Inability to react to changes in the health debate and public desire for healthier food. As society's expectations evolve, and governments act on public health concerns, we may need to change the products we offer and our approach to marketing.

Whilst we comply with existing transparency requirements to provide nutritional information and suggested serving sizes for over 1000 pizza and sides options, there is a risk that targets and guidelines on sugar and salt content reduction could become more stringent or mandated. We have been working with suppliers to develop new products, and modifications to existing recipes, to respond to changing requirements. There is also a risk that the UK & Irish levies on sugar in soft drinks could be extended to apply to other products.

The risk severity has increased from 2019 due to further consultation and potential restrictions over the promotion and advertising of foods deemed high in fat, sugar and salt.

### Risk mitigations in place and planned

Management keeps consumers' purchasing preferences under continual review and adjusts menus in response to these, as illustrated by our growing range of vegan pizzas and sides. We also engage, appropriately, with the government on the public health debate to ensure that our views are understood by policy makers and influencers.

We also work with suppliers to ensure new and existing product development is in line with new targets around fat, salt and sugar content, and are developing an updated food philosophy document which will be used to provide strategic direction on new and existing product development.

# PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

## People-related risks

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>Risk Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Risk profile:</b><br>These risks could have some impact on future performance, for a limited time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Change in risk severity from 2019:</b><br>↓                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Risk ownership:</b><br>People Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Residual risk:</b><br>Moderate |
| <b>Linkage to strategy</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                   |
|  <b>Model excellence as a franchisor</b><br>We aim to make the Domino's Group a great place to work for all colleagues, enhancing our ability to attract and retain the right talent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                   |
| <b>Description of risk factors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Risk mitigations in place and planned</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                   |
| <p>The business is dependent on key individuals (either at Executive level or in relation to specialist skills or volume of roles required), possibly exacerbated by a failure to always retain the skills and experienced people it needs.</p> <p>As noted above, Brexit is expected to have an adverse impact on the availability of store labour and supply chain labour and will introduce requirements on EU &amp; EEA workers, both employed by the Group and by franchisees, to apply for settled status.</p> <p>Despite Brexit, risk at an Executive level is reducing as disruption to the continuity and composition of the Board and executives experienced in 2019 and early 2020 has now been addressed through the appointment of new Executive and non-executive Directors. These appointments are fully described on pages 88 and 89.</p> | <p>The Board considers succession planning on a regular basis and has set the CEO a personal objective of developing multiple potential successors in key roles. Contingency plans are being developed which could be implemented on a short-term basis should we suddenly lose a key Executive.</p> <p>There continues to be considerable work undertaken to improve the HR operating model to establish more robust processes for talent management and succession planning. People planning sessions are held at all levels within the organisation to utilise better the skills pool, drive performance and identify and develop successors for key roles.</p> <p>Brexit mitigation communication has been issued to our own employees and to franchisees to inform, support, and encourage application for settled status by any affected EU workers.</p> |                                   |

# VIABILITY STATEMENT

## The Group's current position

The Group's core UK & Ireland business model has been shown to be solid since it was formed. We operate under what is effectively a perpetual Master Franchise Agreement ('MFA'), so the business model is long term. The Group's strategy and business model which is explained on pages 12 to 31, is well established and we have a market-leading position in the UK & Ireland, having successfully exploited the emergence of eCommerce as a sales channel.

We continue to open new stores in the UK & Ireland and have demonstrated good growth in system sales, like-for-like sales and profitability in our core business over many years, with high rates of converting operating profit to cash. At 27 December 2020, the Group has net debt of £171.8m and a committed £350m five-year multi-currency bank facility, which expires in December 2023 of which £104.8m was undrawn and has cash funds of £71.8m at 27 December 2020. An option to extend the facility by a further 12 months to December 2024 has been deferred to August 2021 with all lender consent.

## Our strategic planning process

The CEO, supported by the Executive Leadership team, is responsible for the Group's strategic planning process. This starts with an annual strategy review, which is informed by both in-house monitoring of market trends and developments and external market research. Following this review, an initial strategic plan is drafted, including a detailed financial model. The Board review and challenge the draft plan, utilising their experience, market insight and knowledge of the financial, technical and human resources available to the Group.

## Long-term viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the long-term viability of the Group over the period to December 2023. The strategic plan is prepared on a five-year basis, but both management and the Board are conscious that the Group operates in a fast-moving environment. The viability assessment is performed over a three year period as there is greater certainty of cash flows associated with the Group's performance-related revenue.

The assessment has been based on the Group's strategic plan, balance sheet position, agreed financing and financial modelling of the strategic, operational and emerging risks discussed in the Risk Management section of the strategic report including the current situation of Franchisee discussions. 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 or 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, as has been demonstrated by the Group's reaction to emerging Covid-19 related risks over the period.

In stress testing the Group's viability, the Directors have assessed the impact of events occurring in isolation and in combination, as may occur in certain scenarios. The Directors have also considered what mitigating capital management actions could be taken in response.

The following 'severe but plausible' scenarios were modelled as part of the stress testing performed:

### Scenario 1: Economic, Covid-19 and Brexit impacts

Link to risk: Supply chain disruption, Competitive pressures, Food safety, Franchisee relationships, Public health debate, Brexit and Covid-19 related risks

This scenario considers the following risks:

- a downside impact of economic uncertainty and other sales related risks over the forecast period, reflected in sales performance, with a c.5% reduction in LFL sales compared to budget and the impact of no new store openings over the forecast period;
- a further reduction in sales of c.3% from 2022 to account for the potential impact of the public health debate;
- future potential Covid-19 related risks, including a potential local outbreak within our SCCs impacting our ability to supply stores for a period of two weeks, further restrictions in the UK & Ireland leading to the temporary closure of 10% of our stores for four weeks and disruption to one of our key suppliers impacting our supply chain over a period of four weeks whilst alternate sourcing is secured;
- future potential impacts of Brexit related tariffs without any pass through in pricing; and
- the impact of retention of our International operations.

### Scenario 2: IT disruptions and Data breaches

Link to risk: eCommerce and mobile platform, loss of personal data relating to customers, employees or others; loss of corporate data

This scenario considers the downside of scenario one impacts combined with impacts of temporary failure of our online sales platform over two 24 hour periods during peak trading and the severe but plausible impacts of a potential wider data breach.

## Conclusion

In each of the 'severe but plausible' scenarios modelled, there remains significant cash headroom on the revolving credit facility. Under scenario one there remains sufficient headroom under the covenant requirements of the facility. If all the risks under scenario one and scenario two were to occur simultaneously, the Group would breach its leverage covenants. The Board has mitigation actions available in the form of an early exit from the investment in Daytona and delays of dividends and share buybacks which would prevent a breach.

Reverse stress testing has also been performed, which is a materially worse scenario than the combinations described in the scenarios above, which concluded that the Group's currently agreed financing could only be breached if a highly unlikely combination of scenarios resulted in a material annual reduction in system sales greater than 26%.

The Group's compliance with the terms of its UK & Ireland MFA is of fundamental importance to its business model and viability. MFA targets have been agreed for a 10 year period starting in 2016 and the Group is currently on track with those targets. It is considered highly improbable that the Group's MFA would be terminated in the period under review.

Following their assessment, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the period to December 2023.

The Directors also consider it appropriate to prepare the financial statements on the going concern basis as explained in the basis of preparation paragraph in note 2 to the financial statements.

## Strategic Report

Signed on behalf of the Board

*Dominic Paul*

Dominic Paul

Chief Executive Officer

8 March 2021



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## GOVERNANCE

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# BOARD OF DIRECTORS

**The Board of Directors are responsible for determining the overall strategy of the Group. The structure of the Board and the integrity of the individual Directors ensures that no single individual or group dominates the decision making process.**



## Matt Shattock

Chair

## Colin Halpern

Non-executive Vice-Chair

## Ian Bull

Senior Independent Director

### Appointed

Matt was appointed to the Board as Chair on 16 March 2020.

### Appointed

Colin was appointed to the Board as non-executive Vice-Chair in December 2007, prior to which he was the Executive Chair from founding the Company.

### Appointed

Ian was appointed to the Board in April 2019 and was appointed as the Senior Independent Director on 9 September 2019. Ian accepted the role of Interim Non-executive Chair in December 2019 and held the position until March 2020.

### Experience

Matt joined Beam, the world's third-largest premium spirits company, in March 2009 as President and CEO and led the company's successful growth strategy transformation and subsequent transition to become a standalone public company in 2011. He then led the integration of the Beam and Suntory spirits businesses following Beam's acquisition by Suntory in 2014. Matt served as non-executive Chair of Beam Suntory Inc. until December 2020. Prior to joining Beam, he spent six years at Cadbury plc, where he led its businesses in The Americas and then in the Europe, Middle East and Africa region. Prior to Cadbury, he spent 16 years at Unilever in various leadership roles, culminating in his role as Chief Operating Officer of Unilever Best Foods North America. Matt is an experienced Chair and has a demonstrable track record of strong leadership and of driving growth through innovation, brand communication and operational excellence.

### Experience

Colin acquired the Domino's Pizza Master Franchise Agreement for the UK and Republic of Ireland in 1993 through International Franchise Systems Inc. In 1999, with Colin as Chair, the Company was taken public and listed on AIM and subsequently moved to the Main Market in 2008.

### Experience

Ian is a Fellow of the Chartered Institute of Management Accountants and has over 20 years' financial experience with a variety of businesses across a range of sectors. He was previously Group Finance Director of Greene King plc, Chief Financial Officer at Ladbroke's plc, and was most recently Chief Financial Officer of Parkdean Resorts Group. His finance career included the Walt Disney Company, Whitbread plc and BT Group, and he was formerly also a non-executive Director of Paypoint Ltd.

### Other appointments

Matt is currently the Independent Chair of The Clorox Company and a non-executive Director of VF Corporation.

### Other appointments

None

### Other appointments

Ian is currently Senior Independent Director and Audit Committee Chair of St. Modwen Properties plc and a non-executive Director and Audit Committee Chair of Dunelm Group plc.

## Committee membership



Audit Committee



Nomination Committee



Remuneration Committee



Committee Chair

**Dominic Paul**

Chief Executive Officer

**Neil Smith**

Chief Financial Officer

**Natalia Barsegiyan**

Non-executive Director

**Appointed**

Dominic was appointed to the Board as Chief Executive Officer on 1 May 2020, having previously held the position of Chief Executive Officer (Designate) from 6 April 2020.

**Appointed**

Neil was appointed to the Board as Chief Financial Officer on 16 September 2020, having previously held the position of Interim Chief Financial Officer from 15 April 2020.

**Appointed**

Natalia joined the Board in September 2020.

**Experience**

Dominic was previously Chief Executive Officer and Managing Director of Costa Coffee. He led the Costa brand from 2016 to 2019, overseeing its growth ahead of its £3.9 billion sale to Coca-Cola. Dominic strengthened Costa's position in the UK, grew new segments, accelerated its digital development and restructured and grew the international business. Prior to this, Dominic held senior positions with Royal Caribbean Cruise Line, Easyjet, British Midland and British Airways.

**Experience**

Neil most recently served as CFO of Ei Group plc (formerly Enterprise Inns) from 2011 until its takeover by Stonegate Pub Company. He has also served in senior finance roles in Compass Group, Virgin Media and Telewest.

**Experience**

Prior to joining Domino's, Natalia spent 14 years at Yum! Brands, Inc. where she held various senior positions, including Chief Financial Officer at Taco Bell, Chief Commercial Officer of Yum! Brands and General Manager of Pizza Hut Europe. Natalia was born in Ukraine and has worked in a wide range of countries. She started her career at SFAT Transportation Services before progressing to roles at Unertek Engineering, Ford Motor Company and Rosinter Restaurants Holding.

**Other appointments**

None

**Other appointments**

None

**Other appointments**

None

## BOARD OF DIRECTORS CONTINUED



### Stella David

Non-executive Director

### Lynn Fordham

Non-executive Director

### Kevin Higgins

Non-executive Director

#### Appointed

Stella was appointed to the Board in February 2021.

#### Appointed

Lynn was appointed to the Board in September 2020.

#### Appointed

Kevin was appointed to the Board in September 2014.

#### Experience

Stella was the Chief Executive Officer of William Grant & Sons from 2009 until 2016 when she decided to focus on a non-executive portfolio. At Grant's she led the business to rapid growth, with a focus on building their premium brands (including Hendricks, The Balvenie, Glenfiddich, Drambuie, Tullamore D.E.W. & Monkey Shoulder), expansion into new markets, as well as numerous acquisitions and innovations. Prior to this she worked for Bacardi Ltd., where she held a variety of executive positions, including CEO of the UK, Regional President for the UK, ROI, Benelux, Global Travel Retail and African business and Global Chief Marketing Officer. Stella served as a non-executive Director of the Nationwide Building Society for seven years, where she was chair of its Remuneration Committee for five years, and as chair of CJ Clark Limited, the UK shoe manufacturer and retailer.

#### Experience

Lynn was most recently Managing Partner of private equity firm Larchpoint Capital LLP, a position she held between June 2017 and February 2021. Prior to joining Larchpoint, Lynn was CEO of SVG Capital plc for nine years and before that held senior finance, risk and strategy positions at Barratt Developments plc, BAA plc, Boots plc, ED&F Man plc, BAT Plc and Mobil Oil. Lynn spent seven years on the Board of brewer and pub operator Fuller, Smith & Turner plc where she also chaired the Audit Committee and was a member of the Remuneration and Nominations Committees. As a non-executive, she was until recently a Supervisory Board Member of Varo Energy BV and is currently Chair of RMA-The Royal Marines Charity.

#### Experience

Kevin's career spans more than 20 years in branded consumer foods in both Europe and the United States, and he has previously served as president of Burger King Europe, Middle East and Africa. Prior to his role with Burger King, Kevin served as general manager of Yum! Brands (Pizza Hut, KFC and Taco Bell) Europe and Russia Franchise Business Unit based in Switzerland. Earlier in his career he held executive roles with PepsiCo and Mars. He has also held the role of non-executive Chair of Lunch Garden, a Belgian restaurant and catering chain.

#### Other appointments

She is currently a non-executive Director of Home Serve plc, where she is chair of the People Committee, having previously served as its Senior Independent Director and Chair of the Remuneration Committee. She is also a non-executive of Norwegian Cruise Line Holdings Ltd and the Senior Independent Director and member of the Nomination, Remuneration and ESG Committee of Entain plc.

#### Other appointments

None

#### Other appointments

None

## Committee membership

 Audit Committee

 Nomination Committee

 Remuneration Committee

 Committee Chair
**Usman Nabi**

Non-executive Director

**Appointed**

Usman was appointed to the Board in November 2019.

**Elias Diaz Sese**

Non-executive Director

**Appointed**

Elias was appointed to the Board in October 2019.

**Experience**

Usman is the Founder, Managing Partner and Chief Investment Officer of Browning West LP. Prior to founding Browning West, Usman held various roles at H Partners, Perry Capital, The Carlyle Group, and Lazard Freres. Usman has also been a Director of Six Flags Entertainment Corp. and Tempur Sealy International Inc.

**Experience**

Elias has over 20 years' experience in developing global consumer foods brands and teams all over the world (Europe, Middle East, Asia Pacific and North America). He most recently led the Kraft Heinz turnaround in UK, Ireland & Nordics as President for Northern Europe. Prior to that he spent 15 years with Restaurant Brands International in various roles, which included CEO of Tim Hortons, President Asia Pacific for Burger King and SVP Franchise & Emerging Markets Europe, Middle East & Africa also for Burger King.

**Other appointments**

Usman is the Founder, Managing Partner and Chief Investment Officer of Browning West LP.

**Other appointments**

None

## CHAIR'S INTRODUCTION TO CORPORATE GOVERNANCE



**I am delighted to present my first Corporate Governance review for the Group."**

**Matt Shattock**  
Chair

I am delighted to present my first Corporate Governance review for the Group. To put the year in context, it's worth reflecting on last year's Corporate Governance review which highlighted the process of Board transition which aimed to refresh the Board and included specific objectives of improving diversity and introducing the range of skills and experience required to drive sustainable future growth which creates long-term value for shareholders and benefits the Group's wider stakeholders. Details of engagement with our principal stakeholders are set out on page 46 and the Board's report on how stakeholders' views are taken into account when decisions are made is set out on page 45.

I am pleased to report that we have made significant progress on reshaping our Board. We have greatly improved the Board's diversity, although there is more to be done. The appointments made in 2020 and early 2021 have added *strength and depth* to the skills and experience available around the Boardroom table and are already enhancing the Board's critical thinking, leading to better debate and decision making. The non-executive Directors are engaged with the Executive team to gain a full understanding of how the business works and where they can offer guidance and support and leverage their experience and expertise; helping to shape the Group's strategy and improve operational performance.

Our corporate governance arrangements are critical in ensuring that the Board is able to:

- direct and control the Group;
- provide strategic leadership and effective oversight;
- promote a culture that supports the long-term success of the Company and its stakeholders; and
- maintain a framework within which the Executive Leadership team can conduct its day-to-day operational management of the business.

### **OUR PURPOSE**

**Delivering a better future through food people love**

### **OUR VISION**

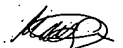
**To be the favourite food delivery and collection brand, with pizza at our heart**

On page 16 we report on the review of our strategy. As part of our strategic review we have redefined the Group's purpose and values so that they are aligned with our strategic direction. We have defined our purpose as 'Delivering a better future through food people love'. This articulates our passion for innovation, for creating opportunities for our people and for working alongside our franchisee partners for the benefit of our stakeholders both today and in the years ahead. Similarly, the Group's values have been redefined and restated to promote and underpin a culture that supports our purpose and in delivering our strategic objectives and the long-term success of the business. Our purpose and values are summarised on page 3.

The Board continues to work with executive management to promote the Group's values and to monitor attitudes and behaviours to ensure that they are consistent with our culture. This is achieved in a variety of ways, which include reviewing the results of colleague engagement surveys and responding to feedback; dialogue and interaction with senior management and the workforce generally; reviewing reports raised through the Group's confidential whistle-blowing arrangements; receiving regular reports on training programme completion rates; interaction between management and the internal audit function; reports and presentations on health and safety management.

This report sets out the how the Board has applied the principles of good governance set out in the FRC's Corporate Governance Code (the 'Code') which are updated to reflect corporate governance best practice as required. Other than as set out on page 76, the Board's Corporate Governance arrangements comply with the Code.

For the Board, 2020 was a year of huge change and renewal. Despite the necessary travel restrictions and social distancing measures in place to control the Covid-19 pandemic, I have been impressed with the way the new Board has quickly developed strong working relationships, immersing itself in the business and providing guidance and support to the Executive team during a period of difficult operating conditions. Our corporate governance arrangements will continue to evolve to meet the needs of the new Board and the business and to ensure that they are not only compliant but truly effective. Domino's is a first-class business and we strive for best in class governance.



**Matt Shattock**

Chair

8 March 2021

## OUR VALUES



# CORPORATE GOVERNANCE

## Compliance with the UK Corporate Governance Code

Domino's Pizza Group plc ('the Company') is incorporated and has a premium listing in the UK. As a result, it is required to report on its compliance with the UK Corporate Governance Code (the 'Code') or explain why it has chosen not to comply. For the year ended 27 December 2020, it was subject to the edition of the Code published by the Financial Reporting Council in July 2018, which is available from [www.frc.org.uk](http://www.frc.org.uk).

The Company complied with the Code throughout the year with the following exceptions:

- From 30 December 2019 to 16 March 2020, Ian Bull was Interim Chair whilst also being a member of, and chairing, the Audit Committee. These arrangements were not compliant with Provision 24 of the Code but the Board considered the arrangements to be acceptable until the new Chair was recruited in March 2020.
- From 17 June 2020 to 16 September 2020 the Audit Committee comprised of only two independent non-executive Directors. These arrangements were not compliant with Provision 24 of the Code but the Board considered these arrangements to be acceptable for a short period of time while additional independent non-executive Directors were recruited, which were completed in September 2020.

The Code contains 18 main principles and 32 provisions. Together, these set out the key elements of effective Board practice, and we explain in this report how we have applied these during the year. Where appropriate, some explanations are contained in the Nomination Committee report, the Audit Committee report, the Directors' remuneration report and the Directors' report.

Within our delegation framework, the Board retains certain key decision-making responsibilities:

- Setting the group's purpose and its values
- Setting and approving overall group strategy
- Setting and approving the group's capital structure and funding arrangements
- Setting a risk appetite, within which management is required to operate
- Reviewing and approving business plans and budgets
- Reviewing and approving major business decisions
- Reviewing major risks and the implementation of mitigation strategies
- Reviewing the functioning of the internal control environment
- Monitoring operational and trading results against previously approved plans
- Reviewing and approving significant contractual and other commitments, including capital expenditure
- Reviewing corporate governance arrangements
- Reviewing succession plans for the board and executive directors
- Exercising its control by an annual review of 'matters reserved' for the Board's decision

As noted above, the Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It also retains oversight of the risk management and internal control systems with the aim that these are sound and protect stakeholders' interests.

## Board leadership

### Leadership and Company purpose

The Company is led by the Board, whose members are collectively responsible for the long-term success of the Company. Day-to-day management of the business is delegated to management, led by the Chief Executive Officer. The role of the Board can be summarised as follows:

#### Decide on the longer-term aims

- Agree the company's business model
- Agree an appetite for risk
- Set values and standards for the company
- Provide entrepreneurial leadership
- Appoint the executive Directors

#### Decide on the short-term goals

- Review and approve strategy, providing constructive challenge as necessary
- Ensure the necessary financial and human resources are in place
- Agree business plans and budgets
- Review the risk management process and internal control environment

#### Monitor and manage performance

- Monitor management's performance in delivering the strategy, and challenge or support as necessary
- Approve major expenditure and other commitments
- Monitor the risk environment in which the company operates and review internal controls
- Determine the remuneration of executive directors and senior management
- Oversee the governance of the company and group to ensure shareholders' interests are protected

#### Report to, and engage with, stakeholders

- Monitor the integrity of financial information and the reporting of performance generally
- Report to shareholders on business performance
- Ensure other external obligations are met, including reporting to other stakeholders;
- Understand shareholders' views and act as necessary

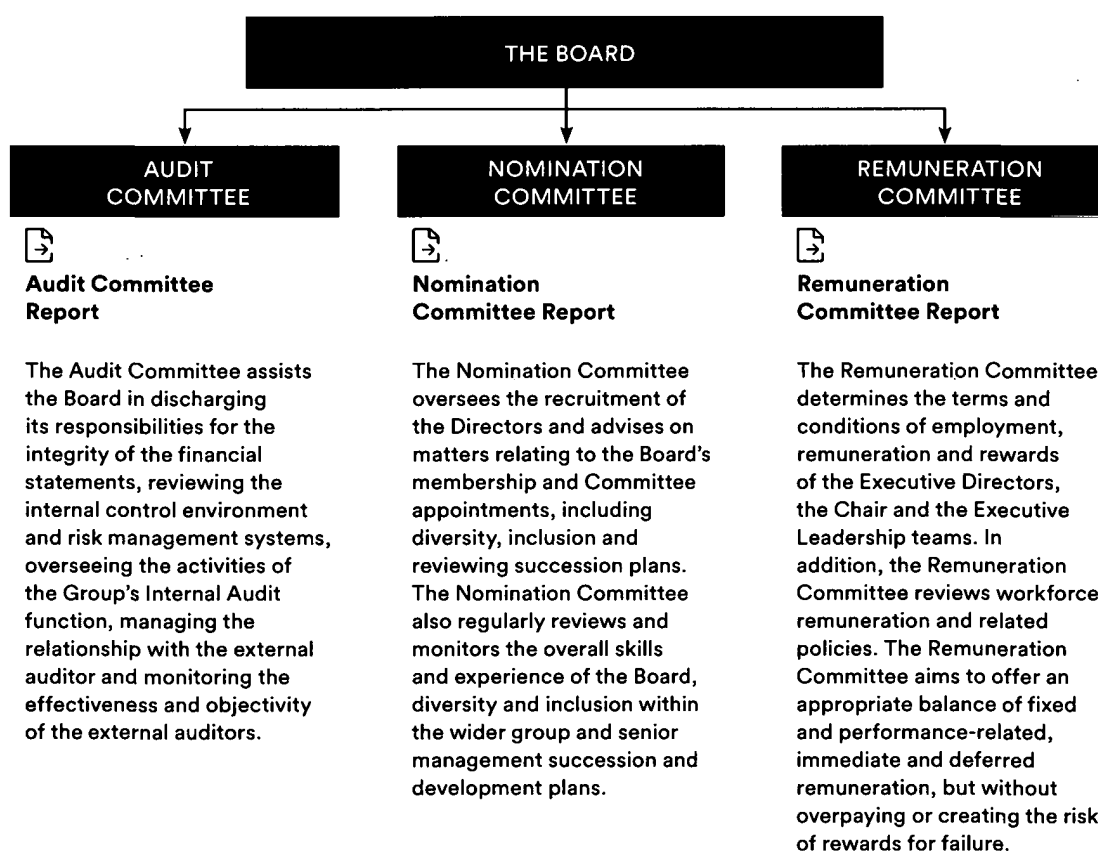
#### Meetings of non-executive Directors

The non-executive Directors, led by the Chair, meet without the Executive Directors being present. In addition, the independent non-executive Directors, led by the SID, meet during the year as needed, including to review the performance of the Chair.

## CORPORATE GOVERNANCE CONTINUED

The Board is supported in its work by three Committees:

Terms of reference for these Committees, which are regularly reviewed by the Board, are available on the Company's investor relations website (<https://investors.dominos.co.uk>) as is the formal schedule of matters reserved for the Board's decision.



## Board leadership continued

### Accountability to shareholders

The Board has established formal and transparent arrangements for considering how they apply the principles of sound corporate reporting, risk management and internal control and how the Company and Board maintain an appropriate relationship with the Company's auditor. These responsibilities are overseen by the Audit Committee and are explained in its report from pages 90 to 99.

The Board considers that the 2020 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Details of how we do this are also explained in the Audit Committee's report.

### Relations with shareholders

We maintain an active dialogue with our shareholders and potential investors, which we intend to be based on a mutual understanding of objectives. The Group's Investor Relations function, together with the Executive Directors, routinely engage with analysts, institutional and retail shareholders and potential investors, through results presentations, roadshows and one-off meetings and calls. The Chair and Senior Independent Director are available for meetings with shareholders on request.

In years in which there is a significant change to the Executive remuneration policy or there is a binding vote on remuneration at the AGM, the Chair, the Chair of the Remuneration Committee and the Company Secretary meet with major shareholders to discuss remuneration and any other governance issues.

Our aim is to ensure we build and maintain strong relationships, and that we communicate our strategy and performance against it in a clear and consistent way. In turn, we seek to understand the views of our investors through regular dialogue, and feedback is provided to the Board as a whole to give additional context for strategic decision making and capital allocation.

The regular finance report to the Board includes a detailed update on all investor relations matters, including movements in the share register, recent meetings with investors, summaries of analysts' reports and key discussion topics. In addition, our brokers provide an independent view on matters of strategic importance such as potential acquisitions, disposals and capital allocation philosophy.

## 2020 Investor Relations

Key investor relations activities in 2020:

- Introduced our new Chair, CEO and CFO to key stakeholders, including holding a virtual listening roadshow with our largest investors.
- Maintained regular reporting to keep investors regularly informed and updated.
- Continued to engage actively with institutional investors, through roadshows, conferences and numerous one-off meetings and calls, both physical and virtual.

Key topics discussed with shareholders in 2020:

- Board succession plans (prior to the new Board members being appointed).
- Franchisee relations and franchisee profitability.
- The sale process of our International businesses.
- The competitive environment in the UK, including the role of online aggregators.
- The broader UK consumer environment and the value perception of Domino's Pizza's customers.
- Our investments in our own stores and in supply chain capacity.

### The Annual General Meeting ('AGM')

The AGM is treated as an opportunity to communicate with all of our shareholders, and their participation is encouraged. The Chairs of all Board Committees attend the AGM and are available to answer questions. An explanatory circular containing the notice of meeting is sent to shareholders at least 20 working days beforehand, with separate votes being offered on each substantive issue. All proxy votes received are counted with the balance for and against and any votes withheld announced at the meeting and published on the Company's investor relations website after the meeting. This website, <https://investors.dominos.co.uk>, also contains a host of up-to-date information on the Group.

Government issued Covid-19 restrictions were in place at the time the 2020 AGM would have usually taken place. This meant the AGM was held later than it otherwise would have been, and physical attendance could not be permitted. To facilitate shareholder participation, members of the Company were encouraged to submit questions in advance of the meeting and these were addressed directly.

# CORPORATE GOVERNANCE CONTINUED

## Division of Responsibilities

### Board roles and responsibilities

There is a clear separation between the roles of the Chair and the Chief Executive Officer, which is recorded in a document approved by the Board in January 2020 and summarised below. In essence, the Chair manages the Board and the Chief Executive Officer manages the business. Importantly, no one individual has unfettered powers of decision.

The Chair and Chief Executive Officer have regular meetings to discuss matters relating to strategic development, stakeholder views, operational matters and business performance. The Chair also has separate discussions with the non-executive Directors.

#### Chair

The role of the Chair is:

- providing leadership to and ensuring the effectiveness of the Board in directing the Company;
- demonstrating objective judgement at all times;
- ensuring that the Board agendas emphasise strategic, rather than routine, issues;
- ensuring that the Directors receive accurate and clear information well ahead of the time when a decision is required;
- promoting a culture of openness and constructive debate, and facilitating an effective contribution by the non-executive Directors;
- arranging informal meetings of the Directors, including meetings of the non-executive Directors without the Executive Directors being present;
- ensuring effective communication by the Group with its shareholders;
- seeking regular engagements with major shareholders in order to understand their views on governance and performance against the strategy;
- ensuring the Board as a whole has a clear understanding of the views of shareholders;
- arranging for the Chairs of the Committees to be available to answer questions at the AGM and for all Directors to attend;
- taking the lead in providing a properly constructed, full, formal and tailored induction programme and ongoing development for new Directors; and
- acting on the results of Board evaluations by recognising the strengths and addressing any weaknesses of the Board.

#### Chief Executive Officer

The role of the Chief Executive Officer is:

- leading and managing the development of the Group's strategic direction and objectives;
- identifying and executing acquisitions and disposals and leading geographic diversification initiatives;
- reviewing the Group's organisational structure and recommending changes as appropriate;
- identifying and executing new business opportunities;
- overseeing risk management and internal control;
- managing the Group's risk profile, including the health and safety performance of the Group;
- implementing the decisions of the Board and its Committees;
- building and maintaining an effective Group leadership team;
- reporting to the Board on operating performance;
- encouraging the implementation of culture throughout the business;
- maintaining communication with key external stakeholders and maintaining relationships with the government and trade bodies; and
- ensuring the Chair and the Board are alerted to forthcoming complex, contentious or sensitive issues affecting the Group.

## Diversity

The Board's policy on diversity is explained in the Nomination Committee report on pages 88 and 89.

## Board membership

The Board currently comprises the Chair, the Chief Executive Officer, Chief Financial Officer, six independent non-executive Directors and two non-executive Directors. The names and biographical details of the serving Directors, and the offices held by them, can be found on pages 70 to 73.

As we move forward the composition of the Board will need to be of a sufficient size and calibre that match the growth aspirations and requirements of the business whereby good governance can be met and normal succession challenges managed, but is not so large as to be unwieldy.

The current non-executive Directors' tenure reflects our approach to refreshing the Board.

### Senior Independent Director ('SID')

The SID focuses on:

- meeting regularly with the independent non-executive Directors without the Chair present;
- holding annual meetings with non-executive Directors without the Chair present to appraise the Chair's performance and other appropriate matters;
- providing a sounding board for the Chair and acting as an intermediary for other Directors;
- chairing the Nomination Committee when it is considering succession to the role of the Chair of the Board;
- being available to shareholders if they have concerns which contact through the normal channels of Chair or Chief Executive Officer has failed to address or would be inappropriate; and
- meeting with major shareholders regularly enough to gain a balanced view of their issues and concerns.

### Non-executive Director

The role of a non-executive Director is:

- providing creative contribution to the Board by way of constructive criticism;
- bringing independence, impartiality, experience, specialist knowledge and a different perspective to the Board;
- providing guidance on matters of concern and strategy;
- overseeing risk management and internal control;
- protecting shareholder and stakeholder interests;
- constructively challenging the Executive Directors and monitoring Executive performance;
- supporting the Executive team in shaping and delivering the strategic goals of the business;
- optimising shareholder return and protection of shareholder assets; and
- ensuring the Board is able to work together effectively and make maximum use of its time.

Each non-executive Director has committed to the Company that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively. Any additional appointments they are contemplating taking on are discussed with the Chair in advance, including the likely time commitment and whether these could in any way constitute a conflict of interest. These matters are formally reviewed by the Board on an annual basis.

## CORPORATE GOVERNANCE CONTINUED

### Board Committees

Membership of the three Board Committees during the year ended 27 December 2020 was as follows:

|                            | Audit Committee | Nomination Committee | Remuneration Committee |
|----------------------------|-----------------|----------------------|------------------------|
| Matt Shattock              |                 | Chair                | Member                 |
| Ian Bull                   | Chair           | Member               | Member                 |
| Natalia Barsegiyan         | Member          | Member               | Member                 |
| Kevin Higgins              | Member          | Member               | Chair                  |
| Lynn Fordham               | Member          | Member               | Member                 |
| Ebbe Jacobsen <sup>1</sup> |                 | Member               |                        |
| Helen Keays <sup>1</sup>   | Member          | Member               | Member                 |
| Usman Nabi                 |                 | Member               |                        |
| Elias Diaz Sese            |                 | Member               | Member                 |

1. Ebbe Jacobsen and Helen Keays ceased to be Directors of the Company on 28 January 2020 and 17 June 2020 respectively.

### Attendance at Board and Committee meetings

The Board is scheduled to meet seven times in each year. Additional meetings are arranged as necessary which do not necessarily require the full participation of all Directors. Committees meet as necessary to discharge their duties. Attendance of individual Directors at meetings of the Board and its Committees (including additional meetings) during the year ended 27 December 2020 was as follows:

|                                 | Board <sup>1</sup> | Audit Committee | Nomination Committee | Remuneration Committee |
|---------------------------------|--------------------|-----------------|----------------------|------------------------|
| Matt Shattock <sup>2</sup>      | 11 of 11           |                 | 2 of 2               | 3 of 3                 |
| Colin Halpern                   | 13 of 13           |                 |                      |                        |
| Dominic Paul <sup>2</sup>       | 5 of 5             |                 |                      |                        |
| David Wild <sup>3</sup>         | 8 of 8             |                 |                      |                        |
| Neil Smith <sup>2</sup>         | 2 of 2             |                 |                      |                        |
| Ian Bull                        | 13 of 13           | 4 of 4          | 3 of 3               | 5 of 5                 |
| Natalia Barsegiyan <sup>2</sup> | 2 of 2             | 1 of 1          | 1 of 1               | 1 of 1                 |
| Kevin Higgins                   | 13 of 13           | 4 of 4          | 3 of 3               | 5 of 5                 |
| Lynn Fordham <sup>2</sup>       | 2 of 2             | 1 of 1          | 1 of 1               | 1 of 1                 |
| Ebbe Jacobsen <sup>3</sup>      | 0 of 0             |                 |                      |                        |
| Helen Keays <sup>3</sup>        | 6 of 9             | 2 of 2          | 1 of 1               | 3 of 3                 |
| Usman Nabi                      | 13 of 13           |                 | 3 of 3               |                        |
| Elias Diaz Sese                 | 13 of 13           |                 | 3 of 3               | 5 of 5                 |

1. All Directors attended the scheduled Board meetings apart from Helen Keays who was unable to attend one scheduled meeting due to prior commitments. There were six unscheduled Board meetings held during the year and Helen Keays was not available for two of these unscheduled meetings due to other diary commitments.

2. Matt Shattock joined the Board on 16 March 2020. Dominic Paul joined the Board on 1 May 2020. Neil Smith, Natalia Barsegiyan and Lynn Fordham joined the Board on 16 September 2020.

3. Ebbe Jacobsen ceased to be a Director on 28 January 2020. David Wild ceased to be a Director on 1 May 2020. Helen Keays ceased to be a Director on 17 June 2020.

## Composition, Succession and Evaluation

### Board composition

In terms of composition the Board is cognisant of its diversity policy and aims to make appointments in-line with that policy. Our preferred Board structure is to be led by a non-executive Chair, to have high calibre Executive Directors to drive the performance of the business under the leadership of a Chief Executive Officer, and to have a number of non-executive Directors drawn from a range of backgrounds, whose role is to provide constructive challenge, provide guidance in developing strategy, offer advice relating to their areas of specialism and, ultimately, to hold management to account. Our aim is that the independent non-executive Directors always constitute at least half of the Board. This structure and the integrity of the individual Directors should ensure that no single individual or group dominates the decision-making process.

There is a common purpose of promoting the overall success of the Group with a unified vision of the definition of success, the core strategic principles, and the understanding, alignment and mitigation of risk.

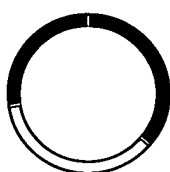
Non-executive Directors are appointed for three-year terms (subject to annual re-election by shareholders) and the offer of any further term of appointment after year six would be weighed carefully by the Nomination Committee, which keeps the need for progressive refreshing of the Board (particularly to maintain an appropriate balance of skills and experience) and orderly succession to key appointments under continual review.

### Board composition

The members of the Board as at 8 March 2021 were drawn from a range of backgrounds and gained their experience in a range of relevant industry sectors:

11

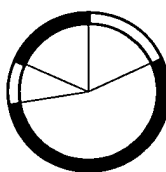
Professional skills



|                      |   |
|----------------------|---|
| ■ Finance/Accounting | 4 |
| □ Retail management  | 4 |
| ■ General management | 3 |

11

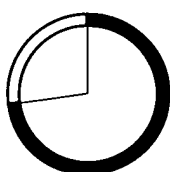
Primary experience



|                         |   |
|-------------------------|---|
| □ Consumer retail       | 2 |
| ■ Food retail           | 6 |
| □ Professional services | 1 |
| ■ Investment management | 2 |

8:3

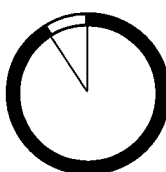
Gender balance



|          |     |
|----------|-----|
| ■ Male   | 73% |
| □ Female | 27% |

10:1

Ethnic diversity



|                       |     |
|-----------------------|-----|
| ■ Non-ethnic minority | 91% |
| □ Ethnic minority     | 9%  |

# CORPORATE GOVERNANCE CONTINUED

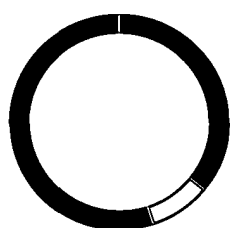
## Independence

The Board reviews the independence of its non-executive Directors annually. In assessing the independence of each Director, the Board considers whether each is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

The Board has considered the independence of the current non-executive Directors, other than the Chair. It does not believe that Colin Halpern is independent in view of his long service with the Company (including his former Executive responsibilities). It does not regard Usman Nabi as independent as Usman is Founder, Managing Partner and Chief Investment Officer of The Browning West Group LP, a significant shareholder of the Company.

### Board balance

The Board composition creates a majority of independent non-executive Directors (excluding the Chair), with the current position being:



|                                           |     |
|-------------------------------------------|-----|
| ■ Non-independent Directors (4)           | 36% |
| □ Chair (1)                               | 9%  |
| ■ Independent non-executive Directors (6) | 55% |

## Board effectiveness

We believe that there are five key steps in creating an effective Board:

### 1. Recruit the right people

We have a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, overseen by the Nomination Committee. For each appointment, we develop an objective brief summarising the role and the skills and experience required and use an appropriate head-hunting firm with proven expertise in the relevant field. As noted above, we take care to ensure that we recruit on merit, from the widest possible range of backgrounds, recognising the benefits of diversity, and the search firms we use are signatories to the Code of Conduct for executive search firms. Before confirming an appointment, we check whether the preferred individual can commit to the time expected including, in the case of an appointment to the Chairship, the need to be available in the event of a crisis.

### 2. Make sure Directors have the right tools

All Directors go through a tailored, formal induction process on joining the Board, including the opportunity to meet major shareholders. The aim of this is to ensure that they understand the Company and its business model, our strategy, the drivers of value in the business and the key risks we face, and that they understand the legal and regulatory environment in which we operate and their own personal obligations. Directors are expected to update and refresh their skills and knowledge on an ongoing basis, and to continue to build their familiarity with the Company and its business throughout their tenure. The Company will provide the necessary resources for developing and updating its Directors' knowledge and capabilities, including access to our operations, staff and franchisees.

All Directors have access to the services of the Company Secretary, and the opportunity to seek independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as Directors or as members of Board Committees. If Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they can request that their concerns are recorded in the Board minutes, or provide a written statement to the Chair, for circulation to the Board.

The Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties effectively. This is provided in good time ahead of all meetings and decisions, and non-executive Directors are encouraged to seek clarification from management whenever they feel appropriate.

### 3. Identify and manage any conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. However, the Company's Articles of Association allow the Board to 'authorise' conflicts, where felt appropriate. Any Director who becomes aware that he or she is in a situation which does or could create a conflict of interest, or has an interest in an existing or proposed transaction in which the Company also has an interest, is required to notify the Board in writing as soon as possible. The interests of new Directors are reviewed during the recruitment process and authorised (if appropriate) by the Board at the time of their appointment.

Executive Directors are permitted, and where felt appropriate even encouraged, to hold non-executive directorships outside the Group. However, the Board would not agree to a full-time Executive Director taking on more than one non-executive directorship in, nor the role of the Chair, of a FTSE250 company.

#### 4. Formally check on effectiveness

The Board undertakes a formal and rigorous annual evaluation of its own performance each year. It also reviews the performance of the Board Committees and the Nomination Committee reviews the performance of individual Directors. Board and Committee evaluation considers the balance of skills, experience (including familiarity with the Company and its business) and independence of the Group taken as a whole, and also the diversity, including gender and ethnicity, of the Directors. The process also examines how the Directors work together as a unit, and explores other factors relevant to effectiveness. The Chair acts on the results of the performance evaluations as necessary including, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors.

Individual evaluation aims to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties).

##### Process

Our Board evaluation in 2020 was undertaken in-house and facilitated by the Company Secretary in conjunction with the Chair. The evaluation was conducted using an online questionnaire and a report compiled for discussion by the Board.

The evaluation addressed core aspects of the Board's performance and focused on the following areas:

- the effectiveness of the Board's arrangements for engaging with stakeholder groups and monitoring culture;
- strategic oversight;
- oversight of risk management and internal control;
- board dynamics and development;
- meeting management and the Board's agenda;
- board support; and
- succession planning and talent development.

The performance of the Chair and the Committees of the Board were also evaluated, and Board members were invited to assess their own individual contribution to the Board. The anonymity of all responses was guaranteed throughout the process to promote open and honest feedback.

The Company Secretary subsequently analysed the survey results and delivered detailed reports on the performance of the Board and its Committees, the Chair, and the individual Directors.

The Board has reviewed the reports and agreed detailed priority actions which include:

- improvements in the Group's governance and reporting of ESG/Sustainability;
- increased focus on the Group's Purpose and aligning culture, monitored through effective colleague engagement ;
- refining Board pack content so that it is concise and relevant;
- increased focus on senior management capability and the talent pool; and
- maintained focus on a growth strategy and successful implementation through rigorous execution.

#### 5. Ask shareholders to confirm appointments

Ultimately, the Directors' main responsibility is to promote the long-term success of the Company, acting in shareholders' best interests. All of our Directors submit themselves for re-election at each AGM and we provide shareholders with sufficient information in the meeting papers for them to decide whether their commitment and performance warrant a further year in office. At the 2020 AGM, each serving Director was re-elected, with votes in favour exceeding 94% of those cast in all cases.

#### Remuneration

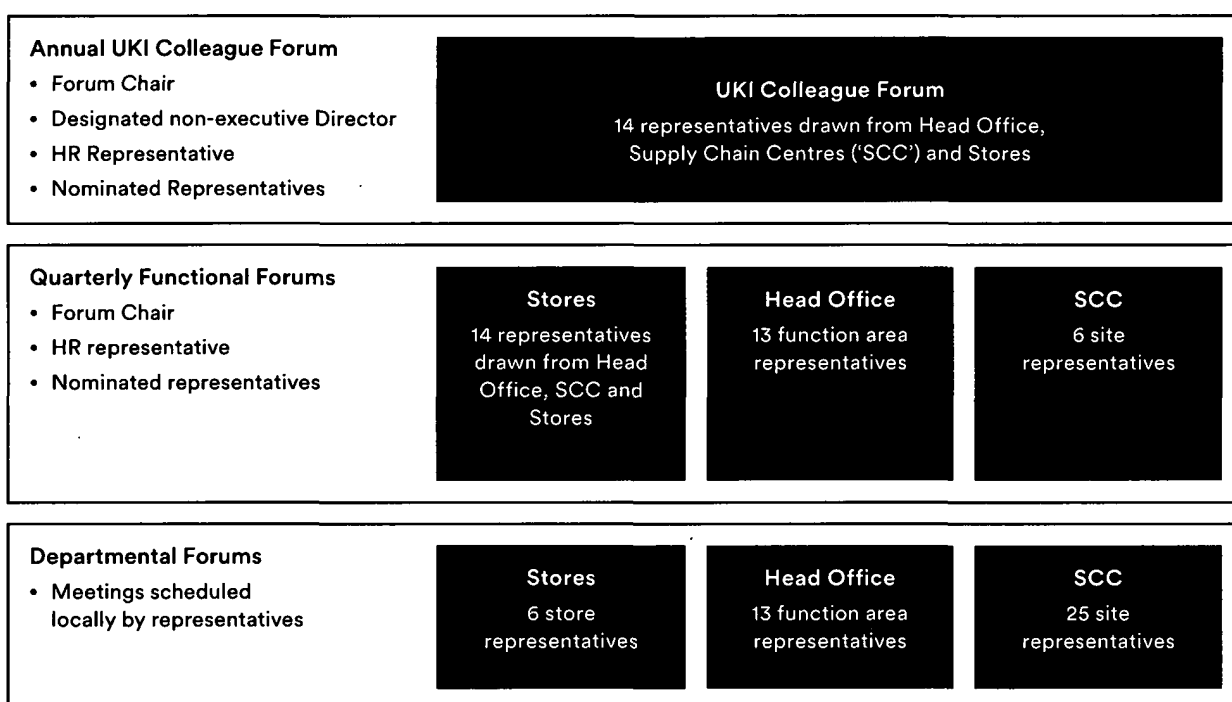
There are formal and transparent procedures for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors, which are overseen by the Remuneration Committee and are explained in its report from pages 100 to 126. This report explains how Executive Directors' remuneration is designed to promote the long-term success of the Company and shows how the performance-related elements are transparent, stretching and rigorously applied.

## CORPORATE GOVERNANCE CONTINUED

### Workforce engagement

#### Colleague forums

During 2019 our Supply Chain Centre forums integrated the additional Board reporting required by the UK Corporate Governance Code with the appointment of Kevin Higgins as the designated non-executive Director for workforce engagement. As reported in the 2019 Annual Report, plans to extend our UK & Ireland ('UKI') colleague forums across the business progressed in 2020 and the Head Office 'Share A Voice' forum was established with appointments made via elections at the beginning of 2020. The forums facilitate the sharing of relevant information, provide colleagues with the opportunity to raise issues, and offer a structured way to give feedback on key business issues.



As a result of Covid-19, the framework outlined above has been adapted to facilitate forums and continued engagement across the business. The Stores' forums were established in the latter part of 2020 and meetings will commence in 2021. Due to the impact of Covid-19, the 2020 Annual Forum which was scheduled to be held in October 2020 was postponed until February 2021.

During 2020, ongoing communications during the Covid-19 pandemic was heavily featured, with discussions around guidelines and working arrangements featuring on a reoccurring basis. These discussions provided an opportunity to reassure colleagues of the measures taken across our business. For Head Office colleagues, discussions also focused on the refurbishment of the Head Office building and measures taken to adapt to remote working throughout the year. It is intended that the framework will be re-established in 2021.



# NOMINATION COMMITTEE REPORT

3

Meetings in 2020

100%

Meeting attendance

Committee Members

Elias Diaz Sese

Kevin Higgins

Ian Bull

Stella David

Lynn Fordham

Natalia Barseguyan

Usman Nabi

### Overview

This is my first report as Chair of the Nomination Committee since joining the Board in March 2020. In last year's report it was highlighted that a key focus in 2020 would be for the new Chair to lead the process of reshaping the Board and improving its diversity. I'm pleased to report that we have made substantial progress during the year but recognise more needs to be done.



We have made substantial progress against our plans and goals and will continue this momentum."

Matt Shattock  
Chair

### ACTIVITIES IN 2020

During the year the Committee met to consider the following key matters:

- the review of the performance of all the non-executive Directors seeking re-election at the 2020 AGM;
- receiving reports from management on plans to improve diversity and inclusion within the Group;
- agreeing changes to the Board's policy on diversity and inclusion;
- approving a revised Terms of Reference;
- succession planning for the roles of Chair, Chief Executive Officer and Chief Financial Officer;
- recommending to the Board the following appointments:
  - Matt Shattock as Chair of the Board;
  - Dominic Paul as Chief Executive Officer;
  - Neil Smith as Chief Financial Officer;
  - Natalia Barseguyan as an additional independent non-executive Director; and
  - Lynn Fordham as an additional independent non-executive Director.

In March 2020, we finalised the recruitment of our new CEO with Dominic Paul joining the Board on 1 May 2020. This was a critically important appointment for the Company and I was delighted that we secured a high-calibre candidate with the experience to lead the development of the Group's strategy and to develop the management team to deliver for stakeholders.

Following the tragic death of David Bauernfeind in December 2019 a search was launched for an Interim Chief Financial Officer. Neil Smith joined the Company on an interim basis in April 2020 and his appointment became permanent in September 2020 adding his extensive experience to the Executive team.

Ebbe Jacobsen stepped down from the Board in January 2020. The Company previously announced that Helen Keays would retire from the Board during 2020 having joined the Board in 2011. Helen retired from the Board at the conclusion of the AGM in June 2020. In September 2020 we announced the recruitment of two additional independent non-executive Directors, Natalia Barsegiyan and Lynn Fordham joining the Board on 16 September 2020. We recently announced that Stella David joined the Board on 23 February 2021. These new appointments bring additional skills to the Boardroom and have improved the Board's gender diversity. On behalf of the Committee, Heidrick and Struggles undertook searches with a mandate to identify only female candidates against clearly defined candidate briefs. These appointments demonstrate positive momentum towards meeting our gender diversity goals.

### How the Committee operates

The principal purpose of the Nomination Committee is to ensure that the Company has the right leadership, both on the Board and amongst senior management. This is a combination of continual review and monitoring of, and also responding to, specific situations as needed.

The Company Secretary attends meetings in his capacity as Secretary of the Nomination Committee and the Chief Executive Officer and People Director are expected to attend whenever necessary.

The Committee's membership is comprised of non-executive Directors, the majority of which are independent.

While the Chair of the Board chairs the Nomination Committee in normal circumstances, he would abstain in matters relating to the appointment of a successor to the Chairship.

The number of meetings held in the year and attendance at those meetings is shown on page 82.

### Purpose

The Nomination Committee has four principal duties:

- to ensure that plans are in place for orderly succession for appointments to senior management and to the Board, taking account of the findings of the Board evaluation, so as to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshing of the Board;
- to lead the process for Board and Committee appointments and make recommendations to the Board;
- where external recruitment is required, to evaluate the balance of skills, experience, independence and knowledge on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee would then oversee the selection process with the aim of ensuring that this results in an appointment made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender and ethnicity; and

- to undertake formal performance evaluation of non-executive Directors who are standing for annual re-election and to ascertain whether the individual's performance continues to be effective and they demonstrate sufficient commitment to the role.

The terms of reference of the Nomination Committee were updated in August 2020. These terms of reference are available on the Company's investor relations website (<https://investors.dominos.co.uk>).

### Policy on diversity

The Board recognises the importance and benefit of having Directors with the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. They play a key governance role in protecting stakeholders' interests by ensuring that the Board and management are challenged, constructively and effectively, and it is important that they do so from a range of perspectives.

A key factor in achieving this effectiveness is drawing members from a range of backgrounds, which has been shown to help avoid 'group think'. We value diversity in our business and we recruit and develop people regardless of their gender, race or any other characteristic. It is in the long-term interests of the Company and its stakeholders to recruit and develop the very best people, drawn from the widest pool of talent.

The policy of the Board on recruitment is always to seek to appoint the best candidate to each role. Our diversity policy incorporates defined goals to meet the targets set out in the Hampton-Alexander review on gender diversity and Parker review on ethnicity. On gender diversity, our goal is to achieve a Board comprising 33% female Board members during 2021 rising to 40% by 2025. On ethnicity, we aim to maintain at least one Board member from the BAME community and increasing this to two Board members from the BAME community by 2025.

A copy of the Board's Diversity Policy Statement is available on the Company's investor relations website (<https://investors.dominos.co.uk>).

Details of the Group-wide diversity data are shown on page 36.

### Note of thanks

I'd like to thank my colleagues for their support and contribution to the work of the Committee this year. We have made substantial progress against our plans and goals and will continue this momentum into 2021.



**Matt Shattock**

Chair

8 March 2021

# AUDIT COMMITTEE REPORT

4

Meetings in 2020

100%

Meeting  
attendance

Committee Members

Kevin  
Higgins

Natalia  
Barsegiyan

Lynn  
Fordham



**We have been mindful of balancing the appropriate level of consideration on all key matters, flexing to address pandemic impacts and progressing work on improving risk management and internal controls.”**

Ian Bull

Committee Chair

## Chair's summary statement

Dear shareholder,

I am pleased to present the Audit Committee report for the year ended 27 December 2020 to explain how we have discharged our responsibilities with an overview of our principal activities and their outcome.

Meetings of the Audit Committee have been attended by the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the external auditor, the Company Secretary (as Secretary to the Audit Committee) and other Directors and members of management by invitation. We had four scheduled meetings in the year and attendance at those meetings is shown below. In addition to the scheduled Committee meetings, I have, together with other Audit Committee members, met regularly with the finance team and other members of the Executive Leadership team, KPMG in their role as internal auditors and with PwC as external auditor to discuss their reports and any issues highlighted. I regularly meet with both PwC and KPMG as part of our ongoing review of the business and their effectiveness.

This has also been a year of significant change within the Committee. In June 2020, Helen Keays stepped down from the Board and Audit Committee after almost nine years on the Committee, and I thank her for her support and insight provided. I was delighted in September to welcome both Natalia Barsegiyan and Lynn Fordham to the Committee, and both appointments add significant financial and governance expertise. Natalia has a background in both senior managerial and financial roles across QSR companies, and Lynn brings a wealth of experience through previous senior financial roles and private equity leadership.

The appointment of Neil Smith as CFO during the year also brings a wealth of financial and operational experience, and I look forward to Neil's leadership of the continued control improvements and focus areas in the years ahead.

The Committee's terms of reference were updated in May 2020.

As documented in previous years, the Group's internal control environment has been informal and often undocumented. We continue to recognise that this needs uprating, and note improvement during the year including the appointment of a new Head of Internal Audit and Control, working alongside the outsourced Internal Audit with KPMG, together with other control improvements made across the business. The Audit Committee remains focused on achieving continued improvements, and whilst progress has been impacted through the year with Covid-19, we overall consider that the direction of travel remains positive.

During 2020, the emerging risk of Covid-19 was also considered by the Audit Committee, both at the beginning of the year and throughout as developments occurred. This includes additional review of cash flow forecasting and liquidity based on the initial uncertainty of the Group being able to continue to trade. As developments occurred, the risk transferred into a continuity of supply risk, focusing on the financial impact of any disruption to our suppliers or internal supply chain operations. The management structures put in place by the Company enabled the business to react to any emerging risks, and placed the Group in a good position through the crisis. The impact of such risks has been reflected in the Group's principal risks and included in the related going concern and viability scenarios. During the year, we changed some of the priorities and requested KPMG to perform an internal audit review of the key control areas related to Covid-19, both in operational issues, remote working and in related cash flow forecasting and treasury controls.

The Committee also continues to focus on those matters it considers to be important by nature of their size, complexity, level of judgement required or impact on the financial statements, including the treatment and fair valuation of the international markets, the development of the new eCommerce platform, fair valuations over the investments held in Shorecall and the Market Access Fee, provisions related to legal, regulatory and tax matters, and the appropriateness of costs relating to the eCommerce and NAF funds.

Both the external auditors (PwC) and the internal auditors (KPMG) were appointed in 2019, and have now been established and gained a good understanding of the business. Effectiveness reviews over the internal audit function was performed during 2020. The 2019 year end process with PwC was reviewed and actions implemented and noted with the external audit effectiveness review planned for 2021. The Audit Committee, PwC and management are committed to ensuring that audit quality is delivered, and the Committee have reviewed presentations from the external auditors, assessed the

overall scope and risk focus of the work performed, and ensured that their audit plan continues to reflect the risks faced by the business. In relation to Audit Quality, the Audit Committee has:

- observed an in-depth audit with deep questioning and appropriate scepticism, including the use of subject matter experts where required;
- received an explanation of areas where management and judgements have been robustly challenged along with the outcomes of those challenges; and
- ensured that audit independence is maintained through review of additional services provided and consideration of any conflicts of interest.

The Audit Committee has direct access to members of management and the external and internal auditor. It is able to seek further professional advice at the Company's cost if deemed necessary. No such needs have arisen in the year.

We have performed an Audit Committee effectiveness review during the year, inviting input from management and Committee members. No significant matters were raised.

Looking ahead, in line with the strategy announced earlier in this report, there are a number of focus areas for the business. Management have committed to overall improvement in the control environment alongside this strategy, and control improvement remains a key area of focus going forward.

There is also increasing focus from stakeholders in the area of audit reform in the UK, including the Kingman and Brydon reviews, alongside the Business, Energy and Industrial Strategy and Competition and Market Authority proposals. The Committee has closely followed these developments, together with management and the Board, will act in due course to accelerate its current corporate governance and control improvement agenda.

The Audit Committee has therefore agreed a clear set of objectives for the next two years covering the responsibilities and reviews outlined above, and has agreed a clear forward agenda for consideration of all of the responsibilities covered below, including the timetable for an Audit Committee effectiveness review.

I hope that the report provides a useful overview to the activities of the Committee during the year. I will be available at the AGM or any other time to answer any questions relating to the work of the Committee.



Ian Bull  
Chair of the Audit Committee  
8 March 2021

## AUDIT COMMITTEE REPORT CONTINUED

### KEY ACTIVITIES IN 2020

- assessment of the Group's accounting policies and applications to developments in the year, including continued classification of the International businesses as held for sale and discontinued operations, and impairment reviews over the Group's cash generating units including the International operations and London corporate stores;
- review of the Group's processes and progress in applying new accounting standards, in particular IFRS 16 Leases;
- review of the appropriateness of the classification of non-underlying items within the Group financial statements;
- considered the progress made on implementing improved internal controls across the Group, and the implementation of controls as a result of the findings from internal audit;
- monitoring and reviewing the Group's response to the Covid-19 pandemic, including the robustness of cash and liquidity forecasting and reviewing internal audit reports focused on the Group's response;
- monitoring and evaluating the Group's information security controls in conjunction with the Board as part of the overall risk assessment framework;
- a review of the Group risk profile to ensure this reflects key strategic developments of the Group and wider environment.

### Composition

| Committee member <sup>1</sup>       | Member since   | Meetings attended out of maximum possible |
|-------------------------------------|----------------|-------------------------------------------|
| Ian Bull                            | April 2019     | 4/4                                       |
| Kevin Higgins                       | September 2014 | 4/4                                       |
| Natalia Barsegiyan                  | September 2020 | 1/1                                       |
| Lynn Fordham                        | September 2020 | 1/1                                       |
| Helen Keays (resigned 22 June 2020) | November 2011  | 2/2                                       |

1. For full biographies of the Committee members see the Board biographies on pages 70 to 73.

### Committee membership, attendees, access and objectives

Ian Bull is a qualified accountant with extensive experience across a number of sectors, and the Board has determined that he has recent and relevant financial experience which qualifies him to chair the Audit Committee. He is a Fellow of the Chartered Institute of Management Accountants. Lynn is a chartered accountant with significant experience across a variety of sectors. Natalia Barsegiyan has significant finance experience, including across the QSR sector. Kevin Higgins has considerable business experience which enables him to make a positive contribution to the Audit Committee. All members are non-executive and are considered independent under the UK Corporate Governance Code. The Board is satisfied that, as a whole, the Committee has competence relevant to the sector in which it operates.

### Principal duties delegated to the Audit Committee

**Financial Reporting** – Monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

**Narrative Reporting** – The Committee reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and recommends to the Board for approval accordingly.

**Internal Controls and Risk Management Systems** – Review and, where necessary, challenge management's reports on the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems, and review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

**Compliance, Whistleblowing and Fraud** – Review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action, and review the Company's procedures for detecting fraud and review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

**Internal Audit** – Assessing the remit of the internal audit function, setting the internal audit plan and monitoring the responsiveness of management to findings and recommendations.

**External Audit** – Overseeing the relationship with the external auditor, reviewing the result of quality reviews and effectiveness of the external audit, and assessing its independence and objectivity.

### Terms of reference

The terms of reference for the Audit Committee were reviewed and revised in May 2020. The Committee's terms of reference are available on the Company's investor relations website.

### Focus of the Committee

The focus of the Committee during the year has been primarily devoted to significant accounting issues and the overall financial control environment. These are discussed in more detail below.

### Significant judgements and financial issues

The Audit Committee's reviews of the half and full year financial statements focused on the following areas of significance:

| Significant judgement or issue                                                                                                                                                                                                                                                                                                            | Work undertaken by and conclusion of the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Classification of international operations as held for sale and related impairments</b><br>The Group continues to hold the international operations as held for sale during the year. Overall impairments of £22.6m have been recorded during the year over the remaining international businesses in Iceland, Sweden and Switzerland. | The Committee have reviewed the appropriateness of the classification of the International operations as disposal groups held for sale and discontinued operations under IFRS 5 Non-current assets held for sale and discontinued operations. This was reviewed based on the status of the overall disposal programme and based on review of the considerations by management of the likelihood and timeframe of the disposals. Whilst the disposal programme has been impacted by the Covid-19 environment, the treatment adopted remains appropriate given the intentions of management. The Committee considered the impairments recorded to reduce the investment values to market value, sought views of advisors, acknowledging the impact of Covid-19, and concurred with management's assessment and recorded fair value adjustments. |
| <b>Impairment reviews of corporate stores</b><br>Management performed an impairment review over the goodwill recorded on the acquisition of the London Corporate stores. No further impairments have been recorded in the current year.                                                                                                   | The Committee received reports from management covering the key judgements, forecasts and valuation metrics supporting the impairment reviews of goodwill associated with the Corporate stores business. The Committee concurred with management's conclusion that no further impairment should be recorded, following the impairment to goodwill taken in 2019. The Committee challenged the forecasts used, the discount rate and other key assumptions plus any relevant comparable precedent transactions and were comfortable that this represented an appropriate valuation, and that sufficient headroom remained.                                                                                                                                                                                                                     |

## AUDIT COMMITTEE REPORT CONTINUED

| Significant judgement or issue                                                                                                                                                                                                                                                                                                                  | Work undertaken by and conclusion of the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>eCommerce impairment</b><br>The Group recorded a £4.6m impairment over development costs of the new eCommerce platform following a change in strategic development of the platform.                                                                                                                                                          | The Committee reviewed the basis and assumptions used in determining the appropriateness of the impairment recorded. The impairment was recorded due to a change in strategic direction of the platform development during 2020, which meant that the previous costs capitalised over the years 2018 through early 2020 for the 'back end' of the new platform were no longer useful. The Committee challenged the appropriateness of the impairment and the process undertaken to identify the costs related to the impaired element. The Committee also challenged the strategic rationale for the change in approach in the platform development. The Committee challenged the timing of the impairment taken, in light of the previous impairment recorded in FY19 of £0.7m over the App development. The Committee were satisfied that the decision around strategic direction of the platform in 2020 was the appropriate trigger for impairment. The Committee concurred with management's assessment that the previous costs capitalised were appropriate for impairment. |
| <b>Valuation of the Shorecal investment</b><br>The Group recorded a £1.3m increase in valuation over the 15% investment in Shorecal Ltd, a franchisee group based in Ireland.                                                                                                                                                                   | The Committee challenged the fair valuation model inputs and the basis of the resulting valuation, the increase of which was as a result of strong performance during the year and increased forecast expectations. The Committee considered the inputs into the valuation including judgemental areas around future growth. The Committee concurred with the valuation and the treatment of the movement as underlying income.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Revaluation of the Market Access Fee</b><br>A gain of £7.1m was recorded over the Market Access Fee asset in relation to the Germany associate.                                                                                                                                                                                              | The Committee have reviewed the forecasts and assumptions used in determining the fair valuation based on the forecast earnings of the associate investment. The significant increase is due to the strong trading of the associate over the period and increases in forecast expectations. The Committee challenged the assumptions and forecasts, and questioned the movement in fair value in light of previous downward valuations. Overall, the Committee are satisfied with the valuation in relation to the range of outcomes determined by management.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Implementation of IFRS 16</b><br>The Group adopted IFRS 16 for FY20 and recorded an overall opening balance sheet adjustment of a debit to reserves £2.5m. The implementation has changed key reported metrics during the period, leading to an increase in reported underlying EBIT of £2.2m and an increase to profit before tax of £0.7m. | The Committee considered the adoption of IFRS 16 in the current year, and in light of the impact assessment performed in 2019. The Committee reviewed reports from management during the preparation of the Half Year announcement around the impact of IFRS 16 on the reported results, and reviewed the key judgements taken by management. This included the treatment of lease terms in the sub leasing arrangement across the UK property portfolio and the application of discount rates, together with management's processes for accounting using the implementation of new lease accounting software. Overall the Committee are satisfied with the judgements taken and the adoption of the standard in 2020.                                                                                                                                                                                                                                                                                                                                                            |
| <b>The appropriateness, amount and disclosure of significant non-underlying items</b><br>A total cost of £2.1m has been included in profit after tax and classified as non-underlying items.                                                                                                                                                    | The Committee have reviewed the appropriateness of the classification and disclosure of the costs and income classified as non-underlying by management and concur with management's assessment that these represent non-underlying costs in accordance with the Group accounting policy as set out in note 2 to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Other accounting matters considered                          | Work undertaken by and conclusion of the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Potential tax liability in respect of employee share schemes | As further explained in note 2 to the Financial Statements, a provision of £11m was recorded in 2018 around historical employee share schemes. There has been no change to the approach taken by HMRC nor the advice received from the Group's external legal advisors during the year. There has been no significant change to the matters disclosed in last year's accounts and repeated in note 2 and it is likely that it will be some years before the matter is finally concluded.                  |
| Distributable reserves                                       | The Committee considered the level of distributable reserves at the Domino's Pizza Group plc level throughout the year in order to confirm management's assessment that appropriate reserves were in place for dividend payments. The Committee reviewed management's dividend payments throughout the Group and capital restructuring in subsidiary companies, including assessment of the amounts considered qualifying consideration in order to support the year end distributable reserves position. |

### Risk management and internal control

The Board is ultimately responsible for risk management and internal controls and, on behalf of the Board, the Audit Committee is responsible for reviewing the Group's risk management and internal control systems. The Committee reviewed management's assessment of risk and internal control, results of work performed by internal audit, and the results and controls observations arising from the annual audit and interim review procedures performed by the external auditor. The Committee also ensured that all topics are appropriately covered, as defined by its Terms of Reference. In doing so, the Committee considered:

- the Group's principal risks and related assurance over risk areas;
- internal audit reports on key audit areas and any significant deficiencies in the control environment;
- management reports on the systems of internal controls and the progress made on control related projects;
- external audit reports from PwC during the year which included details of their audit risk assessment processes;
- actual and potential legal claims against the Group, including commercial disputes with key customers; and
- the Group's approach to IT, information security and GDPR.

As reported in previous years, the Group's internal control environment has historically been informal and often undocumented. Continued progress has been made in this area in 2020, including the introduction of a new Head of Internal Audit, Risk and Control to work alongside the outsourced providers, KPMG. An Enterprise Risk Committee ('ERC') has also been established in the year. Meeting quarterly, the ERC is composed of a broad representation of Senior Management and key risk owners and is tasked with ensuring business risks are regularly evaluated, monitored, responded to, and reported to the Board. The ERC is also responsible for facilitating six-monthly Management Assurance statements. These statements both reinforce risk accountability and periodically formalise the assessment of risk and control to report to the Audit Committee. Developments have been made by the finance team and wider management on addressing control issues identified, however further significant work is required, especially in light of potential future corporate governance developments in the UK.

This remains a key priority for the Committee into 2021 and will remain a regular agenda item.

## AUDIT COMMITTEE REPORT CONTINUED

Specific matters around risk assessment and the internal control environment considered by the Committee, and the work undertaken by the Committee, are as follows:

| Risk management and internal control      | Work undertaken by and conclusion of the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IT and cyber security</b>              | <p>The Group's system sales and operations are highly dependent on its eCommerce IT systems. There can be no guarantee as to the resilience of the Group's systems to outside attack and the Committee commissioned a report on cyber security from Deloitte in the previous years which identified a number of areas requiring significant attention.</p> <p>The Committee noted the additional specialist resource now taken on by management and received presentations from the Head of IT security around emerging cyber security risks and the progress of control implementation across the eCommerce and other IT platforms, and challenged management's action plans around implementation of controls. This included an assessment of any security issues identified throughout the year. The Committee also reviewed reports from management around the resilience of the eCommerce platforms over the Covid-19 period.</p> |
| <b>Risk assessment</b>                    | <p>The Committee reviewed the risk profile of the Group as agreed by the Board and challenged the nature and impact of the Group's principal risks. During the year, there have been further developments in the risk profile of the Group and the Committee have reviewed the changes to principal risks, together with the underlying process of business risk assessment on which these are derived. The implementation of a Risk Committee during the year has led to an overall reassessment of the business risks with input from each risk owner across the business, and has been reflected in management's assessment.</p>                                                                                                                                                                                                                                                                                                    |
| <b>Whistleblowing</b>                     | <p>The Committee received updates from management of any whistleblowing cases identified and reviewed the operation and appropriateness of reporting procedures. No significant items were reported.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Fraud, Anti-Bribery and corruption</b> | <p>The Committee reviewed the policy and training programme in place around anti-bribery and corruption. In addition, working with KPMG, a fraud risk assessment was developed and reviewed, which highlighted no significant concerns.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Taxation</b>                           | <p>The Committee received reports from management around the tax position of the Group and update on emerging direct and indirect tax risks.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Brexit</b>                             | <p>The Committee continued to monitor the impact of Brexit on the business. The Committee discussed the controls and processes put in place for duties and customs, and management's assessment of the overall impact. Measures continue to be taken to protect the business from shortages of raw materials.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

## External auditors

PwC were appointed external auditors in 2019, and are now established and have given fresh insight and perspective on the business. The Committee have engaged with PwC in reviewing the audit plan for 2020, scope of the audit and risks identified, and have regularly met with the lead engagement partner, Owen Mackney. The Audit Committee also held meetings with the external auditor but without management at the time of each Audit Committee meeting and the Audit Committee Chair has a regular and frequent dialogue with the lead engagement partner.

The Audit Committee has reviewed the independence, objectivity and effectiveness of the external auditor, PwC, and has concluded that PwC continues to possess the skills and experience to fulfil its duties effectively and efficiently.

PwC has confirmed that in its professional opinion it is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff are not impaired.

This is now the second year of PwC's engagement. Our review of the effectiveness of the external audit function was based on a review of the 2019 year end, the interaction of the Audit Committee with PwC, discussions with the senior finance team, the robustness of the audit, the quality of reporting to the Audit Committee and the audit quality reports published by the FRC. An external effectiveness review is scheduled in 2021. The Committee remain satisfied as a result of the discussions and interaction with PwC, together with reviews of audit quality reports, that no significant issues were raised.

The Audit Committee agreed the fees for the external auditor and has strict policies regarding the provision of non-audit services by the external auditor which can be found on the Company's website. These include specific pre-approvals for proposed work and fees, a prohibition on certain services and a restriction on total non-audit fees as a percentage of the total audit and audit related services, except in exceptional circumstances. PwC also have clear policy on non-audit services.

The only significant non-audit fees charged in the period were in relation to the disposal of Norway. PwC were initially engaged to perform reporting accountant services for the transaction as this was originally expected to be a Class 1 transaction. Following clarification, this was no longer required. PwC did assist in performing procedures to assist in the financial position and prospects work required by the sponsors. The total level of these fees was £106,000. We are satisfied that both services are allowable under both our internal and PwC's policies and the ethical guidance. The only significant audit-related fee was the interim review performed at half-year of £55,000. The level of non-audit fees to audit fees is 20%, of which 7% relates to the interim fee and 13% relates to the Norway disposal services.

The level of fees payable to PwC for 2020 are as set out below:

|                                    | £m  |
|------------------------------------|-----|
| Total audit and audit-related fees | 0.8 |
| Non-audit fees                     | 0.2 |
| Total audit and non-audit services | 1.0 |

The Company has complied throughout the year with the Statutory Order 2014 issued by the Competition and Markets Authority.

After assessing the level of non-audit fees, the review of effectiveness, and relevant audit quality reports, the Committee has no concerns over the objectivity, independence or effectiveness of the external auditors.

# AUDIT COMMITTEE REPORT CONTINUED

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## Internal audit

In 2019, KPMG were formally appointed as internal auditors of the Group. During the year, KPMG have continued their internal audit plan in order to set the framework for a cyclical audit of each key business area during the year. The key objective is to provide independent and objective assurance that each business area implements and maintains effective controls.

The plan focuses on benchmarking across the business on a risk-based approach, informed by the business and the Committee. The plan covers the nature and timing of the audits in order to assist in improving the effectiveness of governance and key risk management and internal control processes. The internal auditors are also engaged in ad-hoc work based on identified risk areas. During the year, Internal Audit have performed work and issued reports covering cyber security, Covid-19 impact assessments, and treasury activities, as well as working with management to assist in documentation of key controls relating to month-end processes and the purchase-to-pay cycle. Recommendations arising from audits are followed up routinely to ensure management commitments are enacted on a timely basis and control improvements delivered. The Committee are satisfied that there is a clear improvement plan in place for internal controls.

The internal audit team have input into ensuring that adequate resources are made available and that the necessary support is provided by the business to accomplish the agreed work programme. The Committee Chair meets with the lead KPMG partner regularly to discuss activities and the nature of any significant issues which may have arisen.

A review of the effectiveness of the Internal Audit function took place during the year, including input from the Committee members and management involved in the internal audit process. No significant areas of concern were raised, with the key area raised focusing on aligning the development of the internal audit scope into a cyclical and risk focused approach following the implementation of the function in recent years.

Internal audit has now been established as a regular agenda item at Committee meetings. Reports from KPMG usually include updates on audit and assurance activities, progress on the Group's internal audit plan and comment and tracking of the implementation of recommendations by management.

The Committee intends that no significant new areas of work will be allocated to KPMG to safeguard their independence and objectivity, with Committee approvals as necessary, should a conflict arise. There were none reported in the year. The Committee reviewed other engagements undertaken by KPMG for third parties over the Group and ensured that adequate safeguards to independence were in place.

## Going concern and viability

On behalf of the Board, the Audit Committee reviewed the Group's projected cash flows, facilities and covenants as well as reviewing the assumptions underlying the viability statement (see page 67).

Net debt has decreased significantly since last year to £171.8m at the end of December, as a result of strong free cash flow generation and the delay of the FY19 dividend. Throughout the year, the Group has maintained comfortable headroom within its facility and comfortably met banking covenant compliance.

Having reviewed these projections, and the potential scenarios consisting of the Base Case, a sensitised scenario and a further stress test, which have been set out in more detail on page 67, and the ability of the Group to stop discretionary payments such as dividends, the Audit Committee has concluded that it would recommend to the Board that it should be able to make the relevant statements. The principal sensitivity would be a significant fall in underlying profitability or a severe impact in the supply chain as a result of Brexit or Covid-19, which could impact on the debt covenants. Mitigations remain in the form of delaying or suspending capital distributions through dividends and share buybacks.

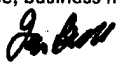
**Fair, balanced and understandable**

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

Each Director was also asked to provide this confirmation. When doing so, both the Audit Committee and the individual Directors were provided by management with a formal assessment of the key messages included in the Annual Report and Accounts. This assessment was designed to test the quality of reporting and to enable the Directors to satisfy themselves that the levels of disclosure were appropriate.

The Committee gave due consideration to the integrity of information provided in the Annual Report to ensure that this explains the Group's position and performance effectively. The Committee reviewed the use of Alternative Performance measures, including the use of non-underlying measures, in light of the guidelines issued by the European Securities and Markets Authority ('ESMA').

The Committee recommended to the Board that the disclosures in the Annual Report, taken as a whole, are fair, balanced and understandable, and provided the information necessary for our shareholders to assess the Company's position, performance, business model and strategy.

  
Ian Bull

Chair of the Audit Committee

8 March 2021

# DIRECTORS' REMUNERATION REPORT

5

Meetings in 2020

100%

Meeting  
attendance

Committee Members

Natalia  
Barsegilyan

Ian  
Bull

Lynn  
Fordham

Elias  
Diaz Sese

Matt  
Shattock

Stella  
David



**2020 has been an extraordinary year and the Group's Executive Directors, and wider Executive Leadership team, have shown exceptional leadership."**

Kevin Higgins  
Committee Chair

## Chair's summary statement

### Dear shareholder

I am pleased to present the Directors' remuneration report for the year ended 27 December 2020. In this report, we review the Group's performance in the year and explain the remuneration which resulted for the Directors. I also explain how our remuneration policy will be implemented in 2021.

### Board changes

In last year's Annual Report, we highlighted that 2020 would be a substantial year of transition for the Board. Entering 2020, we faced the challenge of recruiting:

- a new Chair, following Stephen Hemsley stepping-down from the Board in December 2019;
- a new CEO, to take over from David Wild who had announced his intention to retire in 2020; and
- a new CFO, following the tragic death of David Bauernfeind in December 2019.

To put together a world class Board and management team to succeed for our shareholders and other stakeholders, we set a high bar. Feedback received from our major shareholders was that the Company's Board and management team required higher calibre talent for the next phase of the Group's development. We sought candidates who had a track record of building retail businesses based on a franchise/licensee/distributor model and who had experience of managing franchisee-franchisor tensions. In our search for the best talent, we cast our net wide to include candidates in the UK and overseas. For the role of Chair of the Board, we sought to attract someone with an outstanding record of consistent delivery and long-term value creation, who could reshape the Board and attract top talent to the Executive team. For our Executive Directors, we sought to secure candidates that have the capability to operate beyond the FTSE 250.

Competition for high calibre talent with the specific skillset relevant to our business was fierce. We found that to attract the candidates that would meet the role profiles and success criteria, we needed to offer compensation that was higher than for the previous incumbents. As noted above, our recruitment searches were not limited to the UK. To secure the calibre of candidate for the role of Chair, our fee structure had to be appropriate to attract the talent we required. Total fixed pay and the total target compensation for the CEO was set around the upper quartile of the FTSE 250 and for the CFO set around median.

In early March 2020, we announced the appointment of Matt Shattock who joined the Board as Chair on 16 March 2020. Also in March 2020, we announced the appointment of Dominic Paul as the CEO, who joined the Board on 1 May 2020. On 15 April 2020, Neil Smith joined the Company as the Interim CFO. Neil became permanent CFO on 1 September, and subsequently joined the Board on 16 September together with Natalia Barseguyan and Lynn Fordham who joined as independent non-executive Directors, both of whom joined the Committee. Full Details of Board changes occurring during the year are provided on pages 88 to 89. Stella David, who joined the Board on 23 February 2021, is also now a member of the Committee.

This report includes details of the joining arrangements for the new CEO and CFO and the leaving arrangements for the Former CEO. David Wild, the Former CEO, retired from the Board on 1 May 2020, and was treated by the Committee as a 'Good Leaver'.

### Performance and remuneration for 2020

Despite the challenges we faced in 2020, the Group's trading performance improved year-on-year with the Group's underlying Profit Before Tax rising to £101.2m, after absorbing Covid-19 related net costs of £5.4m. Our trading results are a testament to the hard work and dedication of our colleagues and franchisees. Consistent with our values, we have focused on acting in the interests of all our stakeholders in doing the right thing, keeping our colleagues, franchisees and customers safe and supporting our communities. My fellow Board members and I were delighted to support the launch of our Partners Foundation by donating 20% of our net salaries and fees for three months, with Usman Nabi pledging a donation of £100,000 on behalf of Browning West LP.

The Committee has considered guidance issued on shareholder expectations for remuneration during the Covid-19 pandemic and can confirm that no adjustments have been made to the performance conditions of annual bonus awards or in-flight LTIP awards to adjust for the impact of Covid-19.

### Annual bonus

Annual bonus awards to the Executive Directors are shown on pages 117 to 119. In agreeing individual bonuses, the Committee noted that the Group continued in operation throughout the year, serving its customers, supporting the wider community, continuing to pay our suppliers promptly and looking after the safety and wellbeing of colleagues including paying additional operational bonuses to recognise and reward the effort made to keep the business operating in challenging circumstances. None of the Group's employees were furloughed and the Company did not receive any financial support from the government. As laid out in the Directors' Report on page 127, the Company paid a deferred full year dividend for 2019 in September 2020 and has declared a dividend of 9.1p for 2020.

### LTIP

In 2016, David Wild received LTIP awards under the 2016 LTIP, which covered three annual grants from 2016 to 2018. Tranche 1 of the awards granted to David Wild under the 2016 LTIP became provisionally eligible to vest based on earnings per share growth and relative total shareholder performance to 30 December 2018. An absolute TSR underpin applies to provisionally vested shares. Under the rules of the 2016 LTIP, the TSR underpin is re-tested every six months. A re-test of the underpin at 30 June 2020 showed that absolute TSR for Tranche 1 had increased by 11.43% resulting in an additional 4,070 shares vesting.

Tranche 2 of the 2016 LTIP awards did not meet the performance conditions and lapsed on 30 December 2019.

The performance conditions for Tranche 3 were tested as at 27 December 2020 resulting in the provisional vesting of 58,773 shares. The absolute TSR as at 27 December 2020 for Tranche 3 had increased by 10.73% resulting in 6,306 shares vesting. Any shares received pursuant to the 2016 LTIP are subject to a holding period expiring in April 2021.

The TSR underpin for shares potentially vesting under both Tranche 1 and Tranche 3 will continue to be retested every six months until 31 December 2022 and hence the final number of shares that might vest could still increase.

2020 has been an extraordinary year and the Group's Executive Directors, and wider Executive Leadership team, have shown exceptional leadership. The Committee is satisfied that the remuneration outcomes and payments for the 2020 financial year are fair and reasonable, in light of the business performance during the year, and are in the best interests of the Company and shareholders.

## DIRECTORS' REMUNERATION REPORT CONTINUED

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### LTIP granted during the year

As agreed at the time of appointment, the CEO and the CFO received awards under 2012 LTIP of 200% and 150% of base salary, respectively, during the year. The grant to the CEO at 200% was both in line with the agreement entered into with him on joining and with the median award for CEOs in the FTSE 250 and, as this was above the normal maximum specified in our Policy, the Committee made use of the exceptional limit allowed for by our Policy to make this award. 70% of the awards are based on EPS targets and 30% are based on relative TSR, over the three-year performance period ending December 2022. A two-year post-vesting holding period applies. Detailed targets of the 2020 LTIP awards are provided on pages 121 and 122.

Neither Executive Director received a buy-out award when joining the Company.

### Leaving arrangements for David Wild

It was announced on 31 March 2020 that David Wild would step down from his role of CEO and from the Board on 1 May 2020. He was subsequently on garden leave from 1 May to 2 October 2020, when he retired after the expiry of his six month notice period. During the period of his garden leave, David continued to assist the Group with an orderly transition, including in relation to his handover to his successor, Dominic Paul. Details of Mr Wild's remuneration as a Director during the year are shown on page 115 and details of his termination arrangements are shown on page 117.

### Base salaries for 2021

On appointment, the CEO and CFO received annual base salaries of £750,000 and £430,000, respectively. For 2021, the CEO and CFO's salaries will remain unchanged although the average salary increase for colleagues will be 2%.

### Pension arrangements

Under our current Policy, which was approved by shareholders at the 2019 AGM, Executive Directors can receive pension contribution or cash allowance of up to 10% of salary, reduced from 15% previously. Following the 2019 AGM, and in line with shareholder expectations and market practice, the Committee determined that pension contributions for new Executive Directors will be capped at 5% of salary. Pension contribution matching arrangements will be introduced in 2021 which will enable all colleagues to receive a company pension contribution of 5% of salary.

### Shareholders' views

The Committee continues to take an active interest in shareholders' views and looks forward to maintaining an open and transparent dialogue in the future. We would like to thank you for your support in previous years, and we look forward to your support at the 2021 AGM.

**Kevin Higgins**

**Chair of the Remuneration Committee**

8 March 2021

## Introduction

This report sets out information on remuneration paid to Directors in the financial year ended 27 December 2020 and a summary of the Company's Directors' remuneration policy. The report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations') and has been prepared in line with the recommendations of the Code and the UK Listing Authority Listing Rules ('the Listing Rules').

The report has been divided into two sections:

- **Directors' remuneration policy**, which was approved by shareholders at the 2019 AGM; and
- **Annual report on remuneration** – this, together with the Chair's annual statement, will be subject to a single advisory vote at the 2021 AGM. The report sets out the remuneration paid or payable in relation to the year ended 27 December 2020 and how we intend to implement the policy for the year ahead.

Those parts of the report which have been audited by PricewaterhouseCoopers LLP are clearly identified.

## REMUNERATION POLICY REPORT

This part of our Directors' remuneration report sets out for information the remuneration policy for the Company which was approved by shareholders at the AGM on 18 April 2019 and has been updated where appropriate to reflect the passage of time.

### Executive Directors' remuneration policy table

|             | Purpose and link to strategy                                                                                                                                                                                                                                                                              | Operation                                                                                                                                                                                                                                                                                                                                                                                                                | Maximum                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Performance targets |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Base salary | <ul style="list-style-type: none"> <li>• Reflects the responsibility level and complexity of the role</li> <li>• Reflects skills and experience over time</li> <li>• Provides an appropriate level of basic fixed income avoiding excessive risk arising from over-reliance on variable income</li> </ul> | <ul style="list-style-type: none"> <li>• Salaries will typically be reviewed annually</li> <li>• Set in the context of pay and employment conditions in the Group and internal relativities</li> <li>• Salary levels take periodic account of pay levels in companies with similar characteristics and sector comparators</li> <li>• Salaries will typically be targeted at or below the relevant market rate</li> </ul> | <ul style="list-style-type: none"> <li>• Salaries will typically be eligible for increases on an annual basis with the rate of increase (in percentage terms) typically linked to those of the wider workforce</li> <li>• If there are significant changes in responsibility, a change of scope in a role, a material sustained change in the size and/or complexity of the Company or very strong performance may merit base salary increases beyond those of the wider workforce</li> <li>• If pay is set at a discount to the Company's normal policy on appointment, it may be appropriate to phase an individual towards an appropriate rate using increases above those of the wider workforce based on performance and experience</li> </ul> | n/a                 |
| Pension     | <ul style="list-style-type: none"> <li>• Provides market-competitive, yet cost-effective retirement benefits</li> <li>• Opportunity for Executives to contribute to their own retirement plan</li> </ul>                                                                                                  | <ul style="list-style-type: none"> <li>• Defined contribution or cash supplement</li> <li>• HMRC-approved salary sacrifice arrangement (salary sacrifice for employee contribution)</li> </ul>                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>• Employer contribution to a pension arrangement or payment of a cash allowance in lieu of a pension up to 10% of basic salary<sup>1</sup></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | n/a                 |

1. As noted on page 102, since the remuneration policy was approved by shareholders on 18 April 2019, the Committee has reviewed its approach to pension provision for new Executive Directors and reduced the contribution rate to 5% of base salary will be in line with the maximum contribution rate available to the majority of the workforce following the introduction of a contribution matching rate of up to 2%.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY REPORT CONTINUED

|                                             | Purpose and link to strategy                                                                                                                                                                                                                                                                               | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Maximum                                                                                                                                                                                                                                                                       | Performance targets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other benefits                              | <ul style="list-style-type: none"> <li>Provides cost-effective insured benefits to support the individual and their family</li> <li>Access to company car to facilitate effective travel</li> </ul>                                                                                                        | <ul style="list-style-type: none"> <li>Benefits are provided through third-party providers and include family level private medical and up to four times salary life insurance cover</li> <li>Company cars or cash equivalents provided</li> <li>Participation in an HMRC-registered savings-related share option scheme on the same terms as other UK based employees</li> <li>The Committee may offer Executive Directors other benefits from time to time on broadly the same terms as provided to the wider workforce or, as appropriate, to enable them to effectively fulfil their duties. Relocation benefits may be offered if considered appropriate and reasonable</li> <li>Any business-related expenses (including tax thereon) may be reimbursed</li> </ul> | <ul style="list-style-type: none"> <li>There is no maximum limit specified but the Committee reviews the overall cost of the benefits on a periodic basis. The value of insured benefits will vary from year to year, based on the cost from third-party providers</li> </ul> | n/a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Annual performance bonus                    | <ul style="list-style-type: none"> <li>Incentivise annual delivery of financial and operational goals linked to the Company's strategy</li> </ul>                                                                                                                                                          | <ul style="list-style-type: none"> <li>Up to two-thirds of the annual bonus is paid in cash and one-third deferred into shares that will vest after two years and are subject to forfeiture</li> <li>Dividend equivalents which accrue on vested shares may be payable</li> <li>Not pensionable</li> <li>Clawback and malus provisions apply</li> <li>Stretching targets drive operational efficiency and influence the level of returns that should ultimately be delivered to shareholders through share price and dividends</li> </ul>                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>The maximum bonus opportunity is 150% of salary with the exception of the CFO who has a maximum bonus opportunity of 125% of salary</li> </ul>                                                                                         | <ul style="list-style-type: none"> <li>Bonuses will be subject to a combination of financial and strategic targets that are set by the Committee on an annual basis</li> <li>The majority of the bonus will be measured against financial metrics (e.g. underlying PBT) with a graduated scale set around the target</li> <li>A minority of the bonus may be set based on strategic targets which are aligned to the key objectives from year to year</li> <li>A minority of each element will be payable for achieving the threshold performance level. In relation to financial targets, 20% of this part of the bonus becomes payable for achieving the threshold performance target. In relation to any strategic or individual measures used, it is not always practicable to set a sliding scale for each objective. Where it is, a similar proportion of the bonus becomes payable for achieving the threshold performance level as for financial targets</li> <li>Details of the bonus measures and targets operated each year will be included in the relevant Directors' remuneration report</li> </ul> |
| 2012 Long Term Incentive Plan ('2012 LTIP') | <ul style="list-style-type: none"> <li>Aligned to main strategic objectives of delivering sustained profitable growth</li> <li>Aids retention of senior management</li> <li>Creates alignment with shareholders and provides focus on increasing the Company's share price over the medium term</li> </ul> | <ul style="list-style-type: none"> <li>Annual grant of performance shares which may be structured as conditional awards or nil cost options</li> <li>Subject to performance conditions measured over three years. An additional two-year post-vesting holding period applies to awards granted to the Executive Directors</li> <li>Clawback and malus provisions apply</li> <li>Dividend equivalents which accrue during the vesting period and, where applicable, post-vesting holding period may be paid</li> </ul>                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Maximum annual opportunity of 200% of salary in performance shares</li> <li>The normal policy is to grant annual awards of performance shares at up to 175% of salary to each Executive Director</li> </ul>                            | <ul style="list-style-type: none"> <li>Long-term incentive awards vest based on three-year performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee at its discretion</li> <li>Different measures may be set for future awards but financial targets will determine vesting in relation to at least 50% of an award</li> <li>A maximum of 15% of any award vests for achieving the threshold performance level with 100% of the awards being earned for maximum performance (there is graduated vesting between these points)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                                   | Purpose and link to strategy                                                                                                                                                  | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Maximum                                                                                                                        | Performance targets |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Share ownership guidelines</b> | <ul style="list-style-type: none"> <li>To provide alignment between Executives and shareholders</li> <li>To encourage a focus on sustainable long-term performance</li> </ul> | <ul style="list-style-type: none"> <li>Executives are expected to retain shares from the vesting of options and awards (on an after-tax basis) to build and maintain a shareholding equivalent to the guideline multiple of salary within five years of joining</li> <li>Share awards under the Company's LTIPs and Deferred Share Bonus Plan, granted in respect of performance periods starting in 2019 onwards, will on vesting be placed into a nominee account until the required share ownership guideline has been met. Shares will be released from the nominee account two years post-cessation</li> </ul> | <ul style="list-style-type: none"> <li>At least 200% of salary holding for Executive Directors whilst in employment</li> </ul> | n/a                 |

### Non-executive Directors' remuneration policy table

|                                    | Purpose and link to strategy                                                                                                                                                      | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Maximum                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Performance targets |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Non-executive Director fees</b> | <ul style="list-style-type: none"> <li>Reflects the value of the individual's skills and experience</li> <li>Recognises expected time commitments and responsibilities</li> </ul> | <ul style="list-style-type: none"> <li>Chair's fees are set by the Remuneration Committee. Non-executive Directors' fees are set by the Board</li> <li>Fees are reviewed periodically</li> <li>Takes into account periodic external reviews against companies with similar characteristics and sector comparators</li> <li>Set in the context of time commitments and responsibilities</li> <li>A base fee is provided to all non-executive Directors with supplemental fees payable for chairing the sub-Committees, for holding the Senior Independent Director position or to reflect any additional responsibilities or duties they are required by the Board to undertake</li> <li>Non-executive Directors do not participate in any annual bonus, share incentive plans or pension arrangements</li> <li>Non-executive Directors shall be reimbursed for any expenses (on a gross of tax basis) incurred in the course of carrying out their role which are deemed to be taxable by HMRC (or equivalent body)</li> </ul> | <ul style="list-style-type: none"> <li>The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity</li> <li>The fee levels will be eligible for increases during the three-year period that the remuneration policy operates from the effective date to ensure they appropriately recognise the time commitment of the role, increases to fee levels for non-executive Directors in general and fee levels in companies of a similar size and complexity</li> <li>Flexibility is retained to go over the above fee levels, if necessary to do so, to appoint a new Chair or non-executive Director of an appropriate calibre</li> </ul> | n/a                 |

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY REPORT CONTINUED

### Operation of the annual bonus plan and LTIP policy

The Committee will operate the annual bonus plan, the 2012 LTIP and the 2016 LTIP scheme in accordance with their respective rules and in accordance with the Listing Rules and HMRC requirements where relevant.

Within these rules, the Remuneration Committee is required to retain a number of discretions to ensure an effective operation and administration of these plans. These discretions are consistent with standard market practice and include (but are not limited to):

- who participates in the plans;
- when awards are granted and/or paid;
- the size of an award and/or a payment (subject to the limits stated in the policy table above);
- how to determine the level of vesting;
- how to deal with a change of control or restructuring of the Group;
- how to determine a good/bad leaver for incentive plan purposes;
- how to determine any adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- reviewing the performance conditions (range of targets, measures and weightings) for the annual bonus plan and LTIP from year to year.

If certain events occur, such as a material acquisition or the divestment of a Group business, the original performance conditions may no longer be appropriate. Therefore, the Remuneration Committee retains the discretion to make adjustments to the targets and/or set different measures and alter weightings as they deem necessary to ensure the conditions achieve their original purpose, are appropriate in the revised circumstances and, in any event, are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Directors' remuneration report and may, where appropriate, be the subject of prior consultation with the Company's major shareholders.

To comply with the UK Corporate Governance Code published in 2018, for awards granted in 2019 and beyond, irrespective of whether any performance condition has been achieved the Committee will have discretion under the annual bonus plan and 2012 LTIP to scale back the level of pay-out or vesting that would otherwise result by reference to the formulaic outcome alone. Such discretion would only be used in exceptional circumstances and may be applied to take into account corporate and/or personal performance.

Share-settled incentive awards and any arrangements agreed prior to the effective date of this policy will remain eligible to vest or pay out based on their original award terms. This includes any awards granted under the Deferred Share Bonus Plan ('DSBP') or the 2012 LTIP scheme or the 2016 LTIP scheme. In addition, all arrangements previously disclosed in prior years' Directors' remuneration reports will remain eligible to vest or become payable on their original terms.

### Clawback and malus provisions

The Company has the right to reduce the number of shares over which an award was granted under the DSBP or LTIP where it is discovered that the award was granted over too many shares as a result of a material misstatement in the Company's accounts, when there has been an error or reliance on misleading information when assessing the size of the award that was granted, and/or it is discovered that the participant could reasonably have been dismissed as a result of his/her misconduct. In addition, for performance periods beginning on or after 31 December 2018, the Company may also scale back an award where the Company suffers a material downturn in its operational or financial performance

which is at least partly attributable to management failure; where the Company has suffered an instance of corporate failure; and/or where this is a material failure of risk management and/or regulatory non-compliance.

The Company may also clawback cash bonus awards or previously vested DSBP and LTIP awards in accordance with the principles set out above to ensure that the full value of any overpayment is recouped. In these circumstances the Committee may apply clawback within two years of the payment of the cash bonus or date of grant of a DSBP award or within three years of the vesting of an LTIP award.

### Balance between fixed and variable pay

The performance-related elements of remuneration are dependent upon the achievement of outcomes that are important drivers of sustainable growth for the business and therefore the creation of value for shareholders.

### Choice of performance metrics

The Company is a growth business, and our investments in supply chain, digital innovation and the customer experience are all designed to improve the profitability of the overall system, reach new customers and drive repeat business from existing customers. However, neither system sales nor statutory revenue are appropriate performance measures, because the former is significantly influenced by franchisees, and the latter is affected by the volatility of food costs. As a result, underlying profit before tax is used as the main performance metric in the annual bonus plan, as this captures both the growth and the efficiency of the business. A combination of relative TSR and growth in underlying EPS are used for the 2012 LTIP, as we believe these are the longer term performance metrics that are most relevant to shareholders.

Underlying EPS measures the Company's success in delivering long-term profit growth, a key contributor to the Company's valuation, and is considered by the Committee to be

the most appropriate measure of long-term financial performance. It is also used by the Board to determine success in executing our strategy and our dividend policy.

Relative TSR helps align management's and shareholders' interests, since the Executives will only be rewarded to the extent that the Company delivers a return to shareholders above the median company of comparable size, with full vesting on this measure requiring top quartile performance.

All incentives are capped, other than for the impact of share price, in order that inappropriate risk taking is neither encouraged nor rewarded. For financial targets, a sliding scale is applied, with a very modest amount being payable for threshold levels of performance.

A number of the Company's non-financial strategic objectives have been incorporated into the annual bonus for Executive Directors and will be applied on an individual basis for a minority of the overall bonus opportunity.

These objectives will also be measured on a sliding scale of performance where possible.

The Committee will review the continued appropriateness of the annual bonus (and, if applicable, 2012 LTIP) performance conditions on an annual basis to ensure that they remain aligned to the Company's strategy. The Committee will make necessary changes to the weightings of measures and/or introduce new measures which they believe would provide a closer link to the business strategy within the confines of the policy detailed above. Shareholder dialogue would take place, as appropriate, should there be any material change of emphasis in relation to current practices.

### How employees' pay is taken into account

Pay and conditions elsewhere in the Group were considered when finalising the current policy for the Executive Directors. In particular,

the Committee is updated on salary increases for the general employee population, Company-wide benefit provisions, level of annual bonuses and staff participation in long-term incentive schemes, so it is aware of how the total remuneration of the Executive Directors compares with the average total remuneration of employees generally.

The Committee does not formally or directly consult with employees on Executive pay but does receive periodic updates from the Group People Director. The Committee is also informed of the results of colleague engagement surveys which do not contain any specific questions related to Executive Director remuneration. The most recent survey continues to show high levels of engagement with reward continuing to be an important attribute of their job. As previously reported, the Board decided that engagement with the workforce for the purposes of Principle 5 of the UK Corporate Governance Code, is best achieved through a designated non-executive Director. Details of colleague engagement can be found on pages 46 and 86.

### How the Executive Directors' remuneration policy relates to the Group

The remuneration policy described above provides an overview of the structure that operates for the most senior Executives in the Group, with a significant element of remuneration dependent on Company and individual performance.

A lower aggregate level of incentive payment applies below Executive Director level, driven by market comparatives, internal relativities and the potential impact of the role. The vast majority of the Group's employees participate in an annual bonus plan, with the limits and performance conditions varying according to job grade.

The Committee believes that broad-based employee share ownership provides a key element in retention

and motivation in the wider workforce. Long-term incentives are provided through the Group's discretionary share schemes to selected Executives and managers. The Company also offers an HMRC-registered savings-related share option scheme for all UK-based employees with more than three months' service, including Executive Directors.

In the UK & Ireland, all newly appointed employees, including Executive Directors, are eligible to join a defined contribution pension plan. In other territories, pension provision varies and can be contributions to state schemes, occupational plans or personal pension arrangements in which the employing company makes contributions.

### How is risk managed in relation to short and long-term incentives?

The Committee believes that the consideration and management of risk is important when formulating and then operating appropriate remuneration structures (notably the performance criteria) for senior management. The majority of the members of the Committee are also members of the Audit Committee, whose Chair is also a member of the Remuneration Committee. The Remuneration Committee has a good understanding of the key risks facing the business and the relevance of these to the remuneration strategy, most particularly when setting targets for performance-related pay.

In line with the Investment Association's Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour and remuneration design can be flexed to address ESG issues when appropriate. The Committee has due regard to issues of general operational risk when structuring incentives.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY REPORT CONTINUED

The clawback provisions (see page 106) in respect of annual bonuses and long-term share plans also provide the Committee with a mechanism to recover monies in certain circumstances, for example, if a misstatement of results is identified. Share ownership guidelines and the design of the 2012 LTIP and 2016 LTIP help to ensure that the Executive Directors have a strong personal focus on long-term sustainable performance, heavily driven by the relative and absolute returns delivered to shareholders.

### How shareholders' views are taken into account

The Committee considers shareholder feedback received around the AGM and analyses the votes cast on the relevant items of business. This feedback, plus views received during meetings with institutional shareholders and their representative bodies, is considered as part of the Company's annual review of remuneration policy. The Remuneration Committee also consults with its key shareholders whenever appropriate. A consultation exercise was undertaken during 2019 with shareholders' views being reflected in the current policy, which has been in effect since the 2019 AGM. The Committee values feedback from its shareholders and seeks to maintain a continued open dialogue. Investors who wish to discuss remuneration issues should contact the Company Secretary.

### Service contracts and policy on exit

The Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts are normally entered into on a rolling basis, with notice periods given by the employing company limited to 12 months or less. Should notice be served by either party, the Executive can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time the relevant group company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. An Executive Directors' service contract may be terminated without notice and without any further payment or compensation, save for sums accrued up to the date of termination, on the occurrence of certain events of gross misconduct. If the Company terminates the employment of an Executive Director in breach of contract, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the unexpired notice period.

David Wild, the former Chief Executive Officer, had a rolling contract dated 30 April 2014. His contract was terminable on six months' notice from either party and included payment in lieu of notice provisions as per the policy detailed on page 109. Dominic Paul, the Chief Executive Officer, has 12 months' notice from the Company if given in the first 12 months of employment, reducing to six months from either party afterwards. Neil Smith's contract is terminable on six months' notice from either party. Both Executives' contracts include payment in lieu of notice provisions as per the policy detailed on page 109.

Payments in lieu of notice are not pensionable. In the event of a change of control of the Group, there is no enhancement to contractual terms.

In summary, the contractual provisions for any new Executive Directors are as follows:

| Provision                   | Detailed terms                                                                                                                                                      |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Notice period               | 12 months or less                                                                                                                                                   |
| Maximum termination payment | Base salary plus benefits and pension, subject to mitigation for new Directors                                                                                      |
| Remuneration entitlements   | A pro rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see page 109) |
|                             | In all cases performance targets would apply                                                                                                                        |
| Change of control           | As on termination                                                                                                                                                   |

Any share-based entitlements granted to an Executive Director under the Company's LTIP schemes or bonus entitlement under the annual performance bonus will be determined based on the relevant plan rules.

With regard to the circumstances under which the Executive Directors might leave service, these are described below with a description of the anticipated payments:

| Remuneration element                                | 'Bad' leaver (e.g. resignation)                                                                                                                                                                       | Departure on agreed terms (e.g. asked to leave due to revised skill sets required for role)                                                                                                                                                                                           | 'Good' leaver (e.g. ill health, retirement)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Salary in lieu of notice period</b>              | Salary for proportion of notice period served                                                                                                                                                         | Treatment will normally fall between good leaver and bad leaver treatment, subject to the discretion of the Remuneration Committee and the terms of any termination agreement                                                                                                         | Up to a maximum of 100% of salary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Pension and benefits</b>                         | Provided for proportion of notice period served                                                                                                                                                       |                                                                                                                                                                                                                                                                                       | Up to one year's worth of pension and benefits (e.g. redundancy)<br><br>Possible payment of pension and insured benefits triggered by the leaver event (this would be governed by the terms of the benefits provided)<br><br>Where appropriate, medical coverage may continue for a period post cessation                                                                                                                                                                                                                   |
| <b>Bonus (in year)</b>                              | If resigns, reduced pro rata to reflect proportion of bonus year employed (provided performance conditions met) at the discretion of the Remuneration Committee. If dismissed for cause, none payable |                                                                                                                                                                                                                                                                                       | Reduced pro rata to reflect proportion of bonus year elapsed (provided performance conditions met)                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Bonus (deferred shares)</b>                      | Lapse                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                       | Will ordinarily vest on the normal vesting date (or date of cessation in respect of awards granted prior to April 2019)                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Long-term incentive entitlements (2012 LTIP)</b> | Lapse                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                       | Up to full vesting, based on performance tested over the full performance period (or to the date of cessation at the discretion of the Committee)<br><br>Where awards are granted as market value options, the award may also be reduced pro rata (at the discretion of the Committee) to reflect the proportion of the performance period elapsed to the date of cessation<br><br>Where awards are granted as performance shares, awards will be subject to a pro rata reduction unless the Committee determines otherwise |
| <b>Long-term incentive entitlements (2016 LTIP)</b> | Lapse                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                       | Awards will normally continue to be capable of vesting subject to performance measured at the normal calculation date (or until the absolute TSR condition has been satisfied prior to the award's expiry) and a pro rata reduction by reference to the proportion of the relevant three, four and five-year performance periods that have expired, unless the Remuneration Committee determines otherwise, on an exceptional basis                                                                                         |
| <b>Other payments</b>                               | None                                                                                                                                                                                                  | The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may also pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY REPORT CONTINUED

### Non-executive Director remuneration

The non-executive Directors are not employed under service contracts and have contracts for services with notice periods ranging from one to three months. Non-executive Directors do not receive compensation for loss of office. With the exception of Colin Halpern, who is nominated to the Board pursuant to a contractual agreement, each of the non-executive Directors is appointed for a fixed term of three years, renewable for a further three-year term if agreed and subject to annual re-election by shareholders.

The following table shows details of the terms of appointment for the non-executive Directors:

|                            | Appointment date  | Date most recent term commenced | Expected date of expiry of current term |
|----------------------------|-------------------|---------------------------------|-----------------------------------------|
| Colin Halpern              | 15 November 1999  | Rolling annual                  | Not applicable                          |
| Helen Keays <sup>1</sup>   | 20 September 2011 | 20 September 2017               | Not applicable                          |
| Ebbe Jacobsen <sup>2</sup> | 28 January 2014   | 28 January 2017                 | Not applicable                          |
| Kevin Higgins              | 8 September 2014  | 8 September 2020                | 8 September 2021                        |
| Elias Díaz Sese            | 17 October 2019   | 17 October 2019                 | 17 October 2022                         |
| Ian Bull <sup>3</sup>      | 19 April 2019     | 19 April 2019                   | 19 April 2022                           |
| Usman Nabi <sup>4</sup>    | 11 November 2019  | 11 November 2019                | See note 4                              |
| Matt Shattock              | 16 March 2020     | 16 March 2020                   | 16 March 2023                           |
| Natalia Barsegiyan         | 16 September 2020 | 16 September 2020               | 16 September 2023                       |
| Lynn Fordham               | 16 September 2020 | 16 September 2020               | 16 September 2023                       |
| Stella David               | 23 February 2021  | 23 February 2021                | 23 February 2024                        |

1. Helen Keays stood down from the Board at the AGM on 17 June 2020.

2. Ebbe Jacobsen stood down from the Board on 28 January 2020.

3. Ian Bull was Interim Board Chair until the appointment of Matt Shattock as the Board Chair on 16 March 2020 when he reverted to being Senior Independent Director.

4. Usman Nabi is an appointee of Browning West LP. His term in office is governed by a Relationship agreement between the Company and Browning West, details of which can be found on the investor relations website <https://investors.dominos.co.uk>.

## Recruitment and promotion policy

When facilitating an external recruitment or an internal promotion the Committee will apply the following principles:

### Remuneration element Policy

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Base salary</b>                          | <p>Salary levels will be set based on the experience, knowledge and skills of the individual and in the context of market rates for equivalent roles in companies of a similar size and complexity. The Committee will also consider Group relativities when setting base salary levels.</p> <p>The Committee may set initial base salaries below the perceived market rate with the aim to make multi-year staged increases to achieve the desired market position over time. Where necessary these increases may be above those of the wider workforce, but will be subject to continued development in the role.</p> |
| <b>Benefits and pension</b>                 | <p>Will be as provided to current Executive Directors.</p> <p>The Committee will consider meeting the cost of certain reasonable relocation expenses and legal fees as necessary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Annual bonus</b>                         | <p>The annual bonus would be operated in line with that set out in the policy table for current Executive Directors.</p> <p>For a new joiner, the bonus would be pro-rated for the period of service.</p> <p>Due to the timing or nature of the appointment, the Committee may determine it necessary to set different modified performance conditions for the first year of appointment.</p>                                                                                                                                                                                                                           |
| <b>Long-term incentives</b>                 | <p>Participation will be in accordance with the information set out in the policy table.</p> <p>Awards may be made shortly after an appointment, subject to prohibited periods.</p> <p>Different performance conditions may be set as appropriate.</p> <p>Any new appointment would be eligible to participate in the all-employee share option arrangements on the same terms as all other employees.</p> <p>For internal promotions, existing awards will continue over their original vesting period and remain subject to their terms as at the date of grant.</p>                                                  |
| <b>Additional incentives on appointment</b> | <p>The Committee will assess whether it is necessary to buy out remuneration which would be forfeited from a previous employer.</p> <p>The Committee will, where possible, seek to offer a direct replacement award taking into account the structure, quantum, time horizons and relevant performance conditions which would impact on the expected value of the remuneration to be forfeited.</p> <p>The Committee will use the existing remuneration plans where possible, although it may be necessary to grant outside of these schemes using exemptions permitted under the Listing Rules.</p>                    |

## External appointments

The Committee recognises that Executive Directors may be invited to become non-executive Directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to pre-agreed conditions, and with prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive Director in another listed company. The Executive Director is permitted to retain any fees paid for such service.

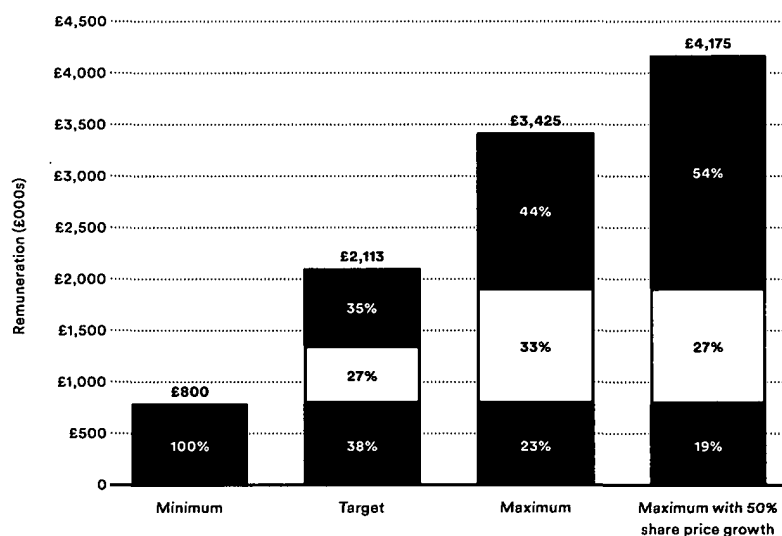
# DIRECTORS' REMUNERATION REPORT CONTINUED

## REMUNERATION POLICY REPORT CONTINUED

### Illustration of remuneration scenarios

The chart below illustrates the total remuneration for the Chief Executive Officer based on the current Policy under three different scenarios – minimum, target and maximum.

#### Chief Executive Officer



#### Assumptions:

**Minimum** – comprises fixed pay being the value of 2021 base salary, 2020 benefits and a 5% pension allowance.

**Target** – minimum plus a bonus payout and LTIP vesting – out of 50% of the maximum.

**Maximum** – minimum plus max bonus and max LTIP.

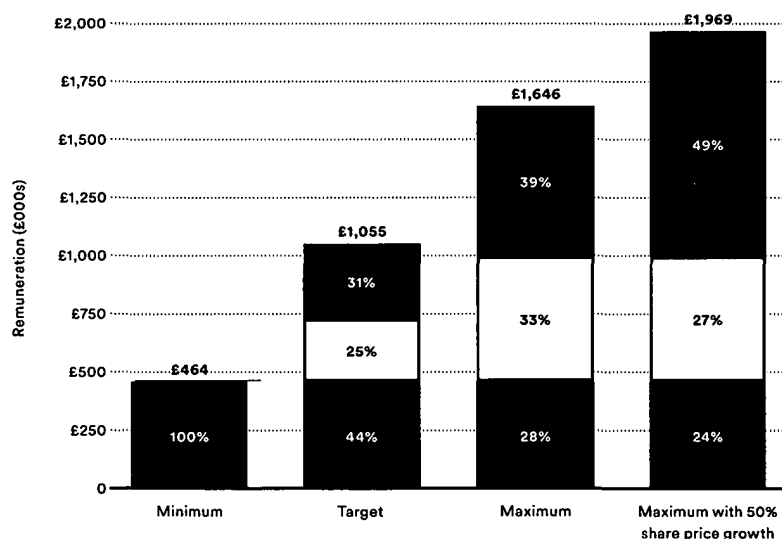
**Maximum with 50% share price growth** – maximum with LTIP element being 1.5 times max LTIP.

No account has been taken of any prospective dividend equivalents to be paid on vested share awards.

■ Fixed pay  
□ Annual bonus  
■ LTIP

The chart below illustrates the total remuneration for the Chief Financial Officer based on the current Policy under three different scenarios – minimum, target and maximum.

#### Chief Financial Officer



#### Assumptions:

**Minimum** – comprises fixed pay being the value of 2021 base salary, 2020 benefits and a 5% pension allowance.

**Target** – minimum plus a bonus payout and LTIP vesting – out of 50% of the maximum.

**Maximum** – minimum plus max bonus and max LTIP.

**Maximum with 50% share price growth** – maximum with LTIP element being 1.5 times max LTIP.

No account has been taken of any prospective dividend equivalents to be paid on vested share awards.

■ Fixed pay  
□ Annual bonus  
■ LTIP

## Role and membership

The Committee is responsible for the Chair's and the Executive Directors' remuneration and also oversees the remuneration packages of other senior executives. The remuneration and terms of appointment of the non-executive Directors are determined by the Board as a whole.

The Chair and the Chief Executive Officer are consulted on proposals relating to the remuneration of relevant senior executives and, when appropriate, are invited by the Remuneration Committee to attend meetings but are not present when their own remuneration is considered. Other non-executive Directors may also attend meetings by invitation.

The Company Secretary acts as Secretary to the Remuneration Committee.

The role of the Remuneration Committee is set out in its terms of reference, which are reviewed annually and can be found on the Group's website, <https://investors.dominos.co.uk>. The Remuneration Committee normally meets up to four times in each year and additionally as circumstances dictate.

During the year, the members of the Remuneration Committee and their attendance at the meetings were:

| Name                            | Member since      | Attendance |
|---------------------------------|-------------------|------------|
| Kevin Higgins (Chair)           | 22 September 2014 | 5 of 5     |
| Matt Shattock <sup>1</sup>      | 16 March 2020     | 3 of 3     |
| Helen Keays <sup>2</sup>        | 22 September 2014 | 3 of 3     |
| Ian Bull                        | 19 April 2019     | 5 of 5     |
| Elias Diaz Sese                 | 17 October 2019   | 5 of 5     |
| Natalia Barsegiyan <sup>1</sup> | 16 September 2020 | 1 of 1     |
| Lynn Fordham <sup>1</sup>       | 16 September 2020 | 1 of 1     |

1. Matt Shattock joined the Committee with effect from 16 March 2020. Natalia Barsegiyan and Lynn Fordham joined the Committee with effect from 16 September 2020.

2. Helen Keays stood down as a non-executive Director at the 2020 AGM on 17 June 2020.

## External advisers

Wholly independent advice on executive remuneration and share schemes is received from the Executive Compensation practice of Aon plc (for five months of the year) and Alvarez & Marsal (A&M) (for seven months of the year). Both firms are members of the Remuneration Consultants' Group and are signatories to its Code of Conduct. During the year, Aon and A&M did not provide any other services to the Company except in relation to senior management remuneration matters. Fees charged by Aon and A&M for advice provided to the Committee for the relevant periods during the year amounted to £51,517 and £46,815, respectively (excluding VAT) (2019: £130,380).

## What has the Remuneration Committee done during the year?

The Remuneration Committee met five times during the year to consider and, where appropriate, approve key remuneration items including the following:

### A) Management of individual remuneration

- reviewed and approved Executive Directors' and senior management base salaries and benefits;
- reviewed year end business performance and performance-linked rewards in order to determine annual bonus pay-outs and vesting of long-term incentives;
- approved long-term incentive awards made in 2020 under the 2012 LTIP; and
- agreed remuneration packages for the new Chair, CEO and CFO and the leaving arrangements for the Former CEO.

### B) Governance of the remuneration programme

- monitored guidance from institutional shareholder bodies on executive pay and considered the application of the revised UK Corporate Governance Code;
- reviewed and approved the Directors' remuneration report;
- received presentations from management on gender pay reporting; and
- received presentations from management on pay and benefits of the wider workforce.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## IMPLEMENTATION OF REMUNERATION POLICY FOR 2021

### Base salary

The base salary for the CEO and the CFO will remain unchanged at £750,000 and £430,000 per annum.

### Benefits and pension

Benefits in kind provided for Executive Directors are principally a Company car provision or an allowance in lieu of Company car, mobile telephone, life insurance cover and private health cover for Executive Directors and their family. Both Executive Directors will receive cash in lieu of pension allowance of 5% of base salary.

### Annual performance bonus ('APB')

The maximum bonus opportunity for the CEO and the CFO for 2021 will be 150% and 125% of salary, respectively.

The APB provides a focus on the delivery of the stretching targets that are set by the Committee following consideration of the Company's annual operating plan by the Board each year and there is a threshold level of performance below which no award is paid.

The performance conditions for the APB for the 2021 financial year will be based both on achieving and exceeding the Group's underlying PBT growth targets set by the Board (70% of bonus for the CEO and CFO) and on achieving individual business objectives (30% of bonus for the CEO and CFO) which support the business plan.

The underlying PBT measure is based on internally set targets and pays out 20% at threshold (95% of target) rising on a pro-rata basis to 50% pay-out at target with full payment only due if we achieve 110% of target.

For 2021, strategic objectives will be set by the Committee linked to the Company's strategic goals. Where appropriate, individual objectives are also set on a sliding scale based around a target.

The Committee considers that the performance targets in relation to the APB are commercially sensitive and therefore will not be disclosed on a prospective basis, but intends that the targets and outcomes are disclosed in the Directors' remuneration report once they are no longer considered sensitive, as has been its practice in recent years.

Two-thirds of any bonus payments will be made in cash, with the remaining third deferred into Company shares which will vest after two years, during which time they remain subject to forfeiture.

The Committee considers that the performance targets in relation to the APB are commercially sensitive and therefore will not be disclosed on a prospective basis, but intends that the targets and outcomes are disclosed in the Directors' remuneration report once they are no longer considered sensitive, as has been its practice in recent years.

Two-thirds of any bonus payments will be made in cash, with the remaining third deferred into Company shares, which will vest after two years during which time they remain subject to forfeiture.

### Long Term Incentive Plan ('LTIP')

The CEO and the CFO will receive LTIP awards of 200% and 150% of salary, respectively, in 2021 linked to the launch of the Group's new multi-year strategic plan to support the next phase of business growth.

### Non-executive Directors' fees

Non-executive Directors' fees are reviewed biennially and were last increased in March 2018. During 2020, the Chair's fee was reviewed at the time of the appointment of the new Board Chair and the remaining fees were reviewed in August 2020 for other non-executive Directors and back-dated to the commencement of the financial year.

The fee structure for the Chair and other non-executive Directors for 2021 is as follows:

- Chair – £480,000 (previously £230,000).
- Non-executive Director base fee – £65,000 (previously £50,000).
- Audit Committee Chair fee – £15,000 (previously £10,000).
- Remuneration Committee Chair fee – £15,000 (previously £10,000).
- Nomination Committee Chair fee – £ nil (previously £5,000).
- Senior Independent Director fee – £15,000 (previously £10,000).

The fee for the Chair was increased to a level necessary to recruit an international candidate, with a proven track record of value creation and the experience required to build and lead a world-class Board to drive business growth and performance to the long-term benefit of the Company and all its stakeholders. Non-executive Directors' fees reflect the level of experience and time commitment required for their roles.

## Statement of shareholder voting at AGM

The voting results for the last vote on the Directors' remuneration policy (at the 2019 AGM) and the Annual Report on Remuneration (at the 2020 AGM) were as follows:

|                                             | Annual report on remuneration<br>(2020 AGM) |                 | Remuneration policy<br>(2019 AGM) |                 |
|---------------------------------------------|---------------------------------------------|-----------------|-----------------------------------|-----------------|
|                                             | Total number of votes                       | % of votes cast | Total number of votes             | % of votes cast |
| For                                         | 344,819,145                                 | 92.94%          | 340,933,388                       | 92.85%          |
| Against                                     | 26,193,558                                  | 7.06%           | 26,251,715                        | 7.15%           |
| Total votes cast (for and against)          | 371,012,703                                 | 100%            | 367,185,103                       | 100%            |
| Votes withheld <sup>1</sup>                 | 585,588                                     | –               | 11,276,051                        | –               |
| Total votes cast (including withheld votes) | 371,598,291                                 | –               | 378,461,154                       | –               |

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'For' and 'Against' a resolution.

## AUDITED INFORMATION

The information presented from this section up until the unaudited information heading on page 124 represents the audited section of this report.

### Single total remuneration figure for each Director

52 weeks ended 27 December 2020

|                                  | Fixed pay |                                           |         | Performance-related pay |                 |                 |       | Total                   |                |                   |
|----------------------------------|-----------|-------------------------------------------|---------|-------------------------|-----------------|-----------------|-------|-------------------------|----------------|-------------------|
| £000                             | Salary    | Benefits <sup>16</sup> and<br>supplements | Pension | Bonus                   | LTIP<br>Vesting | DSBP<br>vesting | Other | Remuneration<br>in 2020 | Total<br>fixed | Total<br>variable |
| Executives                       |           |                                           |         |                         |                 |                 |       |                         |                |                   |
| Dominic Paul <sup>1</sup>        | 493       | 10                                        | 25      | 553                     | –               | –               | –     | 1,081                   | 528            | 553               |
| Neil Smith <sup>2</sup>          | 121       | 3                                         | 6       | 123                     | –               | –               | –     | 253                     | 130            | 123               |
| Former Executives                |           |                                           |         |                         |                 |                 |       |                         |                |                   |
| David Wild <sup>3</sup>          | 179       | 5                                         | 18      | 211                     | 37              | –               | –     | 450                     | 202            | 248               |
| David Bauernfeind <sup>4</sup>   | –         | –                                         | –       | –                       | 51              | –               | –     | 51                      | –              | 51                |
| Non-executives                   |           |                                           |         |                         |                 |                 |       |                         |                |                   |
| Matt Shattock <sup>5</sup>       | 382       | –                                         | –       | –                       | –               | –               | –     | 382                     | 382            | –                 |
| Colin Halpern <sup>6</sup>       | 140       | 31                                        | –       | –                       | –               | –               | –     | 171                     | 171            | –                 |
| Helen Keays <sup>7</sup>         | 24        | –                                         | –       | –                       | –               | –               | –     | 24                      | 24             | –                 |
| Ebbe Jacobsen <sup>8</sup>       | 4         | –                                         | –       | –                       | –               | –               | –     | 4                       | 4              | –                 |
| Kevin Higgins                    | 80        | –                                         | –       | –                       | –               | –               | –     | 80                      | 80             | –                 |
| Elias Diaz Sese <sup>9</sup>     | 65        | –                                         | –       | –                       | –               | –               | –     | 65                      | 65             | –                 |
| Ian Bull <sup>10</sup>           | 124       | –                                         | –       | –                       | –               | –               | –     | 124                     | 124            | –                 |
| Usman Nabi <sup>11</sup>         | –         | –                                         | –       | –                       | –               | –               | –     | –                       | –              | –                 |
| Natalia Barsegiyan <sup>12</sup> | 18        | –                                         | –       | –                       | –               | –               | –     | 18                      | 18             | –                 |
| Lynn Fordham <sup>12</sup>       | 18        | –                                         | –       | –                       | –               | –               | –     | 18                      | 18             | –                 |
| Total                            | 1,648     | 49                                        | 49      | 887                     | 88              | –               | –     | 2,721                   | 1,746          | 975               |

Please see notes on page 116.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## AUDITED INFORMATION CONTINUED

### Single total remuneration figure for each Director continued

52 weeks ended 29 December 2019

|                                | Fixed pay |                                        |         | Performance-related pay |              |              |       | Total remuneration in 2019 | Total fixed | Total variable |
|--------------------------------|-----------|----------------------------------------|---------|-------------------------|--------------|--------------|-------|----------------------------|-------------|----------------|
| £000                           | Salary    | Benefits <sup>16</sup> and supplements | Pension | Bonus                   | LTIP Vesting | DSBP vesting | Other |                            |             |                |
| Executives                     |           |                                        |         |                         |              |              |       |                            |             |                |
| David Wild <sup>15</sup>       | 517       | 14                                     | 52      | –                       | 111          | –            | –     | 694                        | 583         | 111            |
| David Bauernfeind <sup>4</sup> | 330       | 12                                     | 33      | –                       | –            | –            | –     | 375                        | 375         | –              |
| Non-executives                 |           |                                        |         |                         |              |              |       |                            |             |                |
| Stephen Hemsley <sup>14</sup>  | 227       | 2                                      | –       | –                       | –            | –            | 58    | 287                        | 229         | –              |
| Colin Halpern <sup>6</sup>     | 140       | 31                                     | –       | –                       | –            | –            | –     | 171                        | 171         | –              |
| Helen Keays <sup>7</sup>       | 57        | –                                      | –       | –                       | –            | –            | –     | 57                         | 57          | –              |
| Ebbe Jacobsen <sup>8</sup>     | 50        | –                                      | –       | –                       | –            | –            | –     | 50                         | 50          | –              |
| Kevin Higgins                  | 60        | –                                      | –       | –                       | –            | –            | –     | 60                         | 60          | –              |
| Elias Diaz Sese <sup>9</sup>   | 9         | –                                      | –       | –                       | –            | –            | –     | 9                          | 9           | –              |
| Ian Bull <sup>10</sup>         | 59        | –                                      | –       | –                       | –            | –            | –     | 59                         | 59          | –              |
| Usman Nabi <sup>11</sup>       | –         | –                                      | –       | –                       | –            | –            | –     | –                          | –           | –              |
| Steve Barber <sup>15</sup>     | 19        | –                                      | –       | –                       | –            | –            | –     | 19                         | 19          | –              |
| Total                          | 1,468     | 59                                     | 85      | –                       | 111          | –            | 58    | 1,781                      | 1,612       | 111            |

Notes:

- Dominic Paul joined the Company as Chief Executive (Designate) on 6 April 2020 and joined the Board on 1 May 2020 as the CEO. The numbers in the table relate to the period he worked as a Board Director during the year.
- Neil Smith joined the Company as the Interim CFO on 15 April 2020. He subsequently became permanent CFO on 1 September 2020 and joined the Board on 16 September. The numbers in the table relate to the period he worked as a Board Director during the year.
- Salary, benefits and bonus are stated for the period to 1 May 2020 when Mr Wild ceased to be a Director. An additional 4,070 shares vested on 30 June 2020 from Tranche 1 of the 2016 LTIP award granted to David Wild on 22 April 2016. The vested value of these shares was £12,625 using the mid-market share price on the vesting date of 310.2p. Of this figure £12,625 relates to the underlying award and £nil to share price growth. The additional vested shares from Tranche 1 attracted a dividend equivalent award of £1,689. 6,306 shares vested on 27 December 2020 from Tranche 3 of the 2016 LTIP award granted to David Wild on 22 April 2016. The vested value of these shares was £20,722 using the mid-market share price on the 24 December 2020 of 328.6p. Of this figure £19,675 relates to the underlying award and £1,047 to share price growth. The vested shares from Tranche 3 attracted a dividend equivalent award of £2,410.
- David Bauernfeind received an award under the 2012 LTIP on 25 October 2018. Following Mr Bauernfeind's tragic death on 26 December 2019, the Committee determined, in accordance with the rules of the long-term incentive plan, to pro-rata his outstanding share award from the date of grant to 26 December 2019. The performance conditions applying to this award were partially met (details are set out on page 120 of this Report). The value of the vested element of the award is estimated to be £51,185 using the three month average share price to 24 December 2020 of 338.1p. Of this figure £38,771 relates to the underlying award and £12,414 to share price growth.
- Matt Shattock was appointed to the Board on 16 March 2020.
- Colin Halpern is not remunerated by the Company and for the 2020 financial year a management fee of £140,000 (2019: £140,000) was paid to HS Real Company LLC in respect of his services. A further benefit of £31,000 (2019: £31,000) relating to life insurance premiums was also paid to HS Real Company LLC during the year.
- Helen Keays stood down from the Board in June 2020.
- Ebbe Jacobsen stood down from the Board in January 2020.
- Elias Diaz Sese was appointed to the Board in October 2019.
- Ian Bull was appointed to the Board in April 2019 as a non-executive Director. He was appointed as the Senior Independent Director in September 2019 and stepped into the role of Interim Board Chair on 29 December 2019. In 2019 his fees included a one-off lump sum of £15,000 in recognition of additional duties he performed during the year. In 2020, Mr Bull was paid a Directors' fee of £230,000 per annum on a pro-rata basis during the period he acted as Interim Chair.
- Usman Nabi was appointed to the Board in November 2019. Mr Nabi has waived his fees in accordance with the terms of his appointment letter.
- Natalia Barseguyan and Lynn Fordham were appointed to the Board in September 2020.
- 2,165 shares have vested from Tranche 1 of the 2016 LTIP award granted to David Wild on 22 April 2016. The vested value of these shares was £6,848 using the mid-market share price on the vesting date of 316.4p. Of this figure £6,848 relates to the underlying award and £nil to share price growth. The vested shares from Tranche 1 attracted a dividend equivalent award of £693. The 2014 LTIP award to David Wild vested in 2017 and was exercised in December 2019. Under the terms of the 2012 LTIP, dividend equivalent awards continued to accrue until the award is exercised. Accordingly, a further dividend award equal to £103,675 has been included.
- On 9 December 2019, Stephen Hemsley advised the Board that he would retire as Chair and as a Director with effect from 29 December 2019 and as a member of the Nomination Committee with effect from 9 December 2019. Mr Hemsley was paid the balance of his annual fees up until 9 December 2019 and a lump-sum payment of £57,500 in lieu of three months' notice as provided in his contract for services.
- Steve Barber stood down from the Board at the conclusion of the AGM in 2019.
- The value of benefits relates primarily to the provision of a company car allowance and, if applicable, health cover. Where relevant, they also include the fair value of share awards made under the Savings Related Share Option Plan.

### Defined contribution pensions

Executive Directors receive pension contributions to a personal pension fund or in cash. In the year ended 27 December 2020, Dominic Paul and Neil Smith received pension allowance of 5% of salary which totalled £24,663 and £6,036, respectively.

### Leaving arrangements for David Wild

It was announced on 31 March 2020 that David Wild would step down from his role of CEO and from the Board on 1 May 2020. He was subsequently on garden leave from 1 May to 2 October 2020, when he retired after the expiry of his six month notice period. For the period of Mr Wild's garden leave he received his normal remuneration payments in terms of salary, cash allowance in lieu of pension, car allowance and other contractual benefits, totalling £252,012). Mr Wild will continue to benefit from his medical cover, which was renewed in May 2020, until May 2021 when the cover expires in accordance with its terms. He was also entitled to a capped contribution of up to £3,000 (excluding VAT) towards legal fees incurred in connection with his departure.

As reported last year, Mr Wild did not receive an LTIP award in 2019 nor in 2020. He was treated as a 'good leaver' for his 2020 annual bonus and the outstanding LTIP awards. He received a total bonus of £210,845 (2019: £nil) in respect of the period he worked as a Director during 2020 (January to 30 April 2020), consistent with the other Executive Directors, and the Committee assessment of his personal performance during the period. Details of the assessment of the financial and non-financial targets are provided on pages 117 to 119. Two-thirds of his 2020 bonus will be paid in cash and the remaining one-third will be settled in the form of shares and deferred for two years. His vested shares under the Deferred Bonus Share Plan granted in 2015 and 2016 are exercisable for 12 months commencing on 2 October 2020. Details of shares vesting under Tranche 3 of the 2016 LTIP are set out on pages 120 and 121. The vested shares from Tranche 1 and Tranche 3 of his 2016 LTIP award will continue to be subject to the post-vesting holding requirement. Details of the performance assessment for Tranche 1 and Tranche 3 is provided on page 120 and 121.

### Details of variable pay earned in the year

#### Annual bonus plan

The incentive for the financial year ended 27 December 2020 was in the form of a bonus based on performance against a combination of financial targets (Group underlying PBT), and non-financial targets, incentivising a number of the Company's strategic priorities.

Dominic Paul ('CEO'), Neil Smith ('CFO') and David Wild ('Former CEO') had bonus opportunities of 150%, 125% and 150% of salary, respectively, for the 2020 financial year (time pro-rated from start date or leaving date as appropriate). Of this opportunity, 70% in respect of the CEO and Former CEO, and 80% in respect of the CFO was linked to Group underlying PBT and operated on a banded basis, commencing at 20% for threshold levels of profit performance, 50% of bonus at target, with the full 100% only payable at stretch performance levels, being materially in excess of budget.

#### Assessment of financial metrics

| Performance hurdle                                                                                                                                                    | Targets set for year<br>(underlying PBT)                 | Actual performance<br>achieved                               | Resulting bonus<br>out-turn                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------|
| Growth in underlying profit before tax of between 95% of target (20% pay-out) and 110% or more (full pay-out).<br>Graduated scale operates between performance points | Threshold: £90.35m<br>Target: £95.1m<br>Maximum: £104.6m | Actual adjusted <sup>1</sup><br>underlying PBT<br>was £99.2m | 71.56% of<br>maximum<br>financial<br>element |

1. The profit before tax of £99.2m used in the calculation is the underlying profit before tax from continuing operations of £101.2m, less the fair value gain of £1.3m relating to the Shorecal Ltd investment and the impact of IFRS 16, which were not included in the original bonus targets.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## AUDITED INFORMATION CONTINUED

### Details of variable pay earned in the year continued

#### Assessment of non-financial targets

#### Dominic Paul

| Criteria                               | Weighting  | Key metrics/targets                                                                                                                                                  | Performance commentary                                                                                                                                                                                                                                                                                                                                                                                           | Year-end assessment |
|----------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Strategy & franchisee Relations        | 20%        | <ul style="list-style-type: none"> <li>Development of a new multi-year strategic plan</li> <li>Engage and align franchisees behind the new strategic plan</li> </ul> | <ul style="list-style-type: none"> <li>The Group's new multi-year strategic plan has been developed and agreed by the Board</li> <li>Close collaboration with the franchisee community in the development of the strategic plan</li> <li>Developed proposals for a long-term agreement with the franchisees, in consultation with the Domino's franchisee Association, which remains under discussion</li> </ul> | 15%                 |
| International Trading performance 2020 | 5%         | <ul style="list-style-type: none"> <li>To meet or exceed the EBITDA targets for the remaining discontinued operations held for sale</li> </ul>                       | <ul style="list-style-type: none"> <li>EBITDA targets achieved in two of the three discontinued operations held for sale</li> </ul>                                                                                                                                                                                                                                                                              | 3.33%               |
| IT systems stability and security      | 5%         | <ul style="list-style-type: none"> <li>Online systems availability and scalability</li> <li>Increasing the resilience of system security</li> </ul>                  | <ul style="list-style-type: none"> <li>The Group's IT systems remained stable during significant increases in traffic during 2020</li> <li>Maintained 100% availability of web based and app based channels through the Covid-19 crisis</li> <li>Solid progress in introducing progressive improvements in our IT systems protocols</li> </ul>                                                                   | 5%                  |
| <b>Total</b>                           | <b>30%</b> |                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>23.33%</b>       |

#### Neil Smith

| Criteria                        | Weighting | Key metrics/targets                                                                                                                                                                                                                                                         | Performance commentary                                                                                                                                                                                                                                                                                                                                                                                                         | Year-end assessment |
|---------------------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Strategy & franchisee Relations | 4%        | <ul style="list-style-type: none"> <li>Development of a new multi-year strategic plan</li> <li>Support the CEO in engaging and aligning franchisees behind the new strategic plan</li> <li>Develop a new capital allocation philosophy for approval by the Board</li> </ul> | <ul style="list-style-type: none"> <li>The Group's new multi-year strategic plan has been developed and agreed by the Board</li> <li>In conjunction with the CEO, developed proposals for a long-term agreement with the franchisees, in consultation with the Domino's franchisee Association, which remains under discussion</li> <li>Developed new capital allocation philosophy which was approved by the Board</li> </ul> | 3%                  |
| Core Finance Function           | 4%        | <ul style="list-style-type: none"> <li>To continue and accelerate the improvements in the core competencies of the finance function</li> <li>Build solid capital market relationships</li> </ul>                                                                            | <ul style="list-style-type: none"> <li>Demonstrable improvement in core finance functions, improved forecasting accuracy and tightened control environment</li> <li>Active engagement with capital markets, building good relationships and credibility</li> </ul>                                                                                                                                                             | 3%                  |

| Criteria                              | Weighting  | Key metrics/targets                                                                                                                                                                | Performance commentary                                                                                                                                                                                            | Year-end assessment |
|---------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Finance Function Leadership</b>    | 4%         | <ul style="list-style-type: none"> <li>Improve stability in the finance function Executive Leadership team</li> </ul>                                                              | <ul style="list-style-type: none"> <li>Resilient performance by the finance function during 2020, adapting well to remote working and supporting the business during a challenging trading environment</li> </ul> | 3%                  |
| <b>Risk management &amp; Controls</b> | 4%         | <ul style="list-style-type: none"> <li>Enhancement of the Group's risk management and control environment</li> <li>Continued development of the Internal Audit function</li> </ul> | <ul style="list-style-type: none"> <li>Solid progress with embedding risk management disciplines into the business</li> <li>Dedicated Head of Internal Audit &amp; Control recruited</li> </ul>                   | 4%                  |
| <b>International markets</b>          | 4%         | <ul style="list-style-type: none"> <li>Development of strategy for the disposal of discontinued operations</li> </ul>                                                              | <ul style="list-style-type: none"> <li>The disposal process for discontinued operations was agreed by the Board and is progressing</li> </ul>                                                                     | 4%                  |
| <b>Total</b>                          | <b>20%</b> |                                                                                                                                                                                    |                                                                                                                                                                                                                   | <b>17%</b>          |

### David Wild

| Criteria                        | Weighting  | Key metrics/targets                                                                                                                                                                                            | Performance commentary                                                                                                                                                                                                                                                                                                                                               | Year-end assessment |
|---------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>CEO Transition</b>           | 20%        | <ul style="list-style-type: none"> <li>To support the Board during the search process for a new CEO</li> <li>To provide an orderly and seamless handover</li> </ul>                                            | <ul style="list-style-type: none"> <li>David Wild supported the Board during the recruitment process which led to the Dominic Paul's appointment being announced in March 2020</li> <li>There was an orderly handover of the CEO role, conducted during the first wave of the Covid-19 pandemic, with Dominic Paul joining the Board as CEO on 1 May 2020</li> </ul> | 10%                 |
| <b>CFO Transition</b>           | 10%        | <ul style="list-style-type: none"> <li>To lead the finance function in the absence of a CFO</li> <li>To assist in the recruitment of a new CFO</li> <li>To assist in the new CFO onboarding process</li> </ul> | <ul style="list-style-type: none"> <li>Following the tragic death of David Bauernfeind in December 2019, David Wild led the finance function until Neil Smith joined as interim CFO in April 2020</li> <li>David Wild was closely involved in the search process for an interim CFO, which led to Neil Smith's interim appointment in April 2020</li> </ul>          | 10%                 |
| <b>International Operations</b> | 10%        | <ul style="list-style-type: none"> <li>To conclude a sale and purchase agreement for the disposal of the Group's business in Norway</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>A sale and purchase agreement for the disposal of Domino's Norway was concluded in February 2020</li> </ul>                                                                                                                                                                                                                   | 10%                 |
| <b>Total</b>                    | <b>40%</b> |                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                      | <b>30%</b>          |

### Annual bonus plan – summary

|              | Financial target bonus | Non-financial objective bonus | Total 2020 | Percentage of maximum bonus |
|--------------|------------------------|-------------------------------|------------|-----------------------------|
| Dominic Paul | £377,115               | £175,649                      | £552,764   | 73.4%                       |
| Neil Smith   | £94,674                | £28,116                       | £122,790   | 74.3%                       |
| David Wild   | £131,866               | £78,979                       | £210,845   | 80.1%                       |

In line with the policy, two-thirds of the bonus will be payable in cash and one-third will be deferred into shares that vest after two years.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## AUDITED INFORMATION CONTINUED

### Details of variable pay earned in the year continued

#### 2012 LTIP

David Bauernfeind received an award under the 2012 LTIP on 25 October 2018. Following Mr Bauernfeind's tragic death on 26 December 2019 the Committee determined, in accordance with the LTIP rules, to pro-rata his outstanding share award from the date of grant to 26 December 2019. The award, which will vest on 25 October 2020, were based on performance over the three-year period ending on 27 December 2020 as follows:

#### 50%: EPS performance

Half of the award vests subject to growth in the Company's adjusted EPS on the following basis:

| Metric                                         | Actual performance | EPS performance condition |                          |                          |                           | Maximum | % of award vesting |
|------------------------------------------------|--------------------|---------------------------|--------------------------|--------------------------|---------------------------|---------|--------------------|
| Three-year adjusted earnings per share ('EPS') | Nil% growth        | 30% growth (10% vesting)  | 40% growth (45% vesting) | 50% growth (80% vesting) | 60% growth (100% vesting) |         | Nil                |

1. For the purposes of assessing EPS growth over the performance period, the underlying fully diluted EPS for 2020 has been adjusted to take account of trading losses from discontinued operations of £10.1m so that comparison is on a like-for-like basis.

Straight-line vesting occurs in between these points.

#### 50%: TSR performance

The remaining half of the award vests based on the following vesting schedule based on the Company's TSR performance measures against the constituents of the FTSE 250 Index (excluding investment trusts) over three financial years:

| Metric                       | Actual <sup>1</sup> performance | Threshold            | Maximum                                    | % of award vesting |
|------------------------------|---------------------------------|----------------------|--------------------------------------------|--------------------|
| Ranking of the Company's TSR | 53 of 173                       | Median (15% vesting) | Upper quartile <sup>1</sup> (100% vesting) | 81.82%             |

1. Median ranking was 87 and upper quartile ranking was 44.

Straight-line vesting occurs in between these points.

Based on the vesting criteria noted above, 15,139 shares will vest from the 2018 LTIP award granted to David Bauernfeind. The value of the vested shares is £51,189. For reporting purposes the awards were valued using the three-month average share price to 24 December 2020 of 338.1p.

#### 2016 LTIP

David Wild was granted an award under the 2016 LTIP on 22 April 2016. Tranche 1 (534,000 shares) was based on earnings per share and relative total shareholder performance to 30 December 2018, in addition an absolute TSR underpin applies. As reported previously, approximately 10.214% of Tranche 1 (54,557 shares) became provisionally eligible to vest at the end of 2018. An underpin mechanism applies which only permits the release of the vested awards if TSR has increased in absolute terms, with awards released on a proportionate basis (e.g. if TSR has increased by 20%, 20% of the vested awards will be released). Awards will only be released in full if absolute TSR has increased by 100%. As at 29 December 2019, absolute TSR was re-assessed and was 3.97%. As a result, 2,165 shares have vested prior to this year for David Wild from Tranche 1. Absolute TSR was re-assessed on 30 June 2020 and 27 December 2020 and was 11.43% and 10.94% respectively. As a result an additional 4,070 shares have vested making a total of 6,235 shares for David Wild from Tranche 1.

Tranche 2 of the 2016 LTIP was based on earnings per share and relative total shareholder performance to 29 December 2019, with an absolute TSR underpin. As reported last year, the threshold targets for both the EPS and relative TSR were not met. Therefore, Tranche 2 of David Wild's 2016 LTIP award lapsed in full.

Tranche 3 (534,000 shares) of the 2016 LTIP was based on the following performance conditions for performance period to 27 December 2020:

### One third: Stretch EPS performance

| Metric                                                                  | Actual performance | EPS performance condition |                          |                          |                           | Maximum | % of award provisionally eligible to vest |
|-------------------------------------------------------------------------|--------------------|---------------------------|--------------------------|--------------------------|---------------------------|---------|-------------------------------------------|
| Three-year cumulative growth in earnings per share ('EPS') <sup>1</sup> | 34.2% growth       | 50% growth (10% vesting)  | 60% growth (45% vesting) | 75% growth (80% vesting) | 90% growth (100% vesting) |         | Nil                                       |

1. For the purposes of assessing EPS growth over the performance period, the underlying fully diluted EPS for 2020 has been adjusted to take account of trading losses from discontinued operations of £10.1m so that comparison is on a like-for-like basis.

### One third: Super-stretch EPS performance

| Metric                                                                  | Actual performance | EPS performance condition |                           |                            | Maximum | % of award provisionally eligible to vest |
|-------------------------------------------------------------------------|--------------------|---------------------------|---------------------------|----------------------------|---------|-------------------------------------------|
| Three-year cumulative growth in earnings per share ('EPS') <sup>1</sup> | 34.2% growth       | 90% growth (0% vesting)   | 105% growth (50% vesting) | 120% growth (100% vesting) |         | Nil                                       |

1. For the purposes of assessing EPS growth over the performance period, the underlying fully diluted EPS for 2020 has been adjusted to take account of trading losses from discontinued operations of £10.1m so that comparison is on a like-for-like basis.

### One third: TSR performance

| Metric                                                                                                                               | Actual performance <sup>1</sup> | Threshold            | Maximum                       | % of award provisionally eligible to vest |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|-------------------------------|-------------------------------------------|
| Ranking of the Company's TSR against the constituents of the FTSE 250 Index (excluding investment trusts) over three financial years | 72 of 161                       | Median (15% vesting) | Upper quartile (100% vesting) | 34.65%                                    |

1. Median ranking was 81 and upper quartile ranking was 42.

As a result of the above, approximately 11.55% of Tranche 3 (58,773<sup>2</sup> shares) became provisionally eligible to vest subject to the absolute TSR underpin. As the absolute TSR had increased by 10.73% to 27 December 2020, 6,306 shares have vested to date from Tranche 3.

2. The provisionally vested shares have been reduced on a pro-rata basis to the expiry of Mr Wild's contract on 2 October 2020.

### Share awards granted during the year

#### LTIP awards

Details of the grant made under the 2012 LTIP on 9 September 2020 to Dominic Paul and Neil Smith are summarised below:

| Executive    | Date of grant    | Type of award               | Number of awards granted | Face value of award <sup>1</sup> | Face value of award (as a % of salary) | Vesting % at threshold | Performance period                      | Performance conditions               |
|--------------|------------------|-----------------------------|--------------------------|----------------------------------|----------------------------------------|------------------------|-----------------------------------------|--------------------------------------|
| Dominic Paul | 9 September 2020 | Conditional award of shares | 434,191                  | £1,500,000                       | 200%                                   | 10–15%                 | Three financial years from 2020 to 2022 | 70%: EPS Growth<br>30%: relative TSR |
| Neil Smith   | 9 September 2020 | Conditional award of shares | 186,702                  | £645,000                         | 150%                                   | 10–15%                 | Three financial years from 2020 to 2022 | 70%: EPS Growth<br>30%: relative TSR |

1. Based on the average of the mid-market price of the Company's shares on the three days ending 8 September 2020 being 345.47p.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## AUDITED INFORMATION CONTINUED

### Details of variable pay earned in the year continued

The awards are subject to the following performance conditions:

#### 70%: earnings per share growth

| Three-year underlying EPS growth (over 2019 base year) | Vesting (% of EPS part of award) <sup>1</sup> |
|--------------------------------------------------------|-----------------------------------------------|
| Below 15%                                              | 0%                                            |
| 15%                                                    | 10%                                           |
| 45%                                                    | 100%                                          |

1. Straight-line vesting in between the performance points above.

The Committee noted guidance issued by the Investment Association in April 2020 and delayed setting EPS targets for the 2020 LTIP awards until the impact of Covid-19 on the business was clearer. Despite waiting for six months, the lockdown has continued for longer than anticipated making EPS forecasting still very difficult. In setting the EPS targets for awards made in 2020, the Committee has sought to establish stretching yet achievable targets taking account of the trading conditions in the first year of the performance period. Whilst the absolute growth targets over the three-year performance period are lower than those set for awards made in 2019, the compound annual growth rate required in the remaining two years of the performance period for awards to vest, are at least as stretching as the targets set in the prior year.

#### 30%: relative TSR performance

The remaining 30% of the award will vest in accordance with the following vesting schedule based on the Company's TSR performance against the constituents of the FTSE 250 Index, excluding investment trusts, over three financial years.

| Ranking of the Company's TSR | Vesting (% of TSR part of award) <sup>1</sup> |
|------------------------------|-----------------------------------------------|
| Below median                 | 0%                                            |
| Median                       | 15%                                           |
| Upper quartile or higher     | 100%                                          |

1. Straight-line vesting in between the performance points above.

In choosing underlying EPS and TSR as the metrics, the Committee has sought to provide a balance between incentivising delivery against our key measure of success in delivering profitable growth (underlying EPS) and aligning the Executive Directors and senior management with shareholders through a TSR measure.

### Awards held in the year

Details of options and conditional awards over shares held by Directors, and their connected persons, who served during the year are as follows:

| Plan                | Outstanding shares at 29 December 2019 | Granted/ awarded in 2020 (number) | Exercised/ vested (number) | Lapsed (number) | Outstanding shares at 27 December 2020 | Exercise price (pence) | Date of grant | Date from which exercisable/ capable of vesting |
|---------------------|----------------------------------------|-----------------------------------|----------------------------|-----------------|----------------------------------------|------------------------|---------------|-------------------------------------------------|
| <b>Dominic Paul</b> |                                        |                                   |                            |                 |                                        |                        |               |                                                 |
| 2020 LTIP           | –                                      | 434,191                           | –                          | –               | 434,191                                | n/a                    | 09/09/2020    | 09/09/2023                                      |
| <b>Neil Smith</b>   |                                        |                                   |                            |                 |                                        |                        |               |                                                 |
| 2020 LTIP           | –                                      | 186,702                           | –                          | –               | 186,702                                | n/a                    | 09/09/2020    | 09/09/2023                                      |
| <b>David Wild</b>   |                                        |                                   |                            |                 |                                        |                        |               |                                                 |
| 2016 LTIP Tranche 1 | 54,557                                 | –                                 | –                          | –               | 54,557                                 | n/a                    | 22/04/2016    | 22/04/2019                                      |
| 2016 LTIP Tranche 3 | 534,000                                | –                                 | –                          | 475,227         | 58,773                                 | n/a                    | 22/04/2016    | 22/04/2021                                      |
| DSBP                | 40,098                                 | –                                 | 40,098                     | –               | –                                      | n/a                    | 21/12/2015    | 27/02/2017                                      |
| DSBP                | 67,239                                 | –                                 | 67,239                     | –               | –                                      | n/a                    | 11/03/2016    | 11/03/2018                                      |
| Sharesave           | 6,923                                  | –                                 | –                          | –               | 6,923                                  | 260                    | 26/04/2018    | 01/06/2021                                      |

Vesting of LTIP awards is subject to the achievement of performance conditions and the rules of the relevant plans. DSBP and Sharesave awards vest subject to continued employment only.

### Directors' shareholdings

To reinforce the linkage between senior Executives and shareholders, the Company has adopted a shareholding policy that applies to Executive Directors under its long-term incentive arrangements. The Executive Directors are required to retain sufficient shares from the vesting of awards to build up and retain a personal shareholding worth an equivalent of a minimum of 200% of base salary. It is expected that the required shareholding will be built up over a maximum of five years. The Committee has discretion to waive the shareholding requirement in exceptional circumstances. Once attained, a subsequent fall below the required level may be taken into account by the Committee when determining the grant of future awards.

The Committee has decided that vested but unexercised LTIP awards and awards made under the DSBP shall count (assuming the sale of sufficient shares to fund the employee's tax and NI obligations) towards this target.

|                                | Legally owned shares at 27 December 2020 (or earlier date of cessation) | Legally owned shares at 29 December 2019 (or earlier date of cessation) | Conditional shares subject to performance conditions (2012 LTIP and 2016 LTIP) | Share options not or no longer subject to performance conditions (2012 LTIP/DSBP/Sharesave) | Market value of shareholding as a % of salary <sup>1</sup> |
|--------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>Executive Directors</b>     |                                                                         |                                                                         |                                                                                |                                                                                             |                                                            |
| Dominic Paul                   | 64,000                                                                  | –                                                                       | 434,191                                                                        | –                                                                                           | 28%                                                        |
| Neil Smith                     | –                                                                       | –                                                                       | 186,702                                                                        | –                                                                                           | 0%                                                         |
| David Wild <sup>2</sup>        | 632,734                                                                 | 632,734                                                                 | 100,789                                                                        | 19,646                                                                                      | 392%                                                       |
| <b>Non-executive Directors</b> |                                                                         |                                                                         |                                                                                |                                                                                             |                                                            |
| Matt Shattock                  | 500,000                                                                 | –                                                                       | –                                                                              | –                                                                                           | n/a                                                        |
| Colin Halpern <sup>3</sup>     | 1,673,700                                                               | 1,673,700                                                               | –                                                                              | –                                                                                           | n/a                                                        |
| Ian Bull                       | 60,000                                                                  | 30,000                                                                  | –                                                                              | –                                                                                           | n/a                                                        |
| Kevin Higgins                  | –                                                                       | –                                                                       | –                                                                              | –                                                                                           | n/a                                                        |
| Usman Nabi <sup>4</sup>        | 44,737,059                                                              | 36,573,653                                                              | –                                                                              | –                                                                                           | n/a                                                        |
| Elias Diaz Sese                | 691,000                                                                 | 691,000                                                                 | –                                                                              | –                                                                                           | n/a                                                        |
| Natalia Barsegiyan             | 20,000                                                                  | –                                                                       | –                                                                              | –                                                                                           | n/a                                                        |
| Lynn Fordham                   | 60,000                                                                  | –                                                                       | –                                                                              | –                                                                                           | n/a                                                        |

#### Notes:

- Based on a share price of 328.6p prevailing at the end of the financial year and the number of shares in which the Director has a beneficial interest and calculated on the annual salary for the year.
- David Wild's holding is presented as at 1 May 2020 when he ceased to be a Director.
- 1,673,700 Ordinary shares (2019: 1,673,700) are held by HS Real LLC. HS Real LLC is owned by a discretionary trust, the beneficiaries of which are the adult children of Colin and Gail Halpern.
- Usman Nabi is deemed to be interested in shares held by the Browning West Group LP.

There were no changes in the Directors' shareholdings between 27 December 2020 and 8 March 2021.

# DIRECTORS' REMUNERATION REPORT CONTINUED

## UNAUDITED INFORMATION

### Dilution limits

The Company operates within best practice guidelines published by the Investment Association. These broadly provide that where new issue shares are used to satisfy awards made under employee share schemes, the aggregate number of shares placed under award (disregarding any awards which have lapsed) across all such schemes operated by the Company should not exceed 10% of the Company's issued share capital in any ten-year rolling period.

### External appointments

During the year, David Wild acted as Senior Independent Director at Ten Entertainment Group. David Wild retained fees from this external appointment which amounted to £16,849 (2019: £50,000).

### CEO remuneration

| Year ended                    | Chief Executive Officer | Total remuneration<br>£000 | Annual bonus<br>(% of max) | LTIP vesting<br>(% of max) |
|-------------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| 27 December 2020 <sup>1</sup> | Dominic Paul            | 1,081                      | 73.4%                      | –                          |
| 27 December 2020 <sup>1</sup> | David Wild              | 450                        | 80.1%                      | 11.55%                     |
| 29 December 2019              | David Wild              | 694                        | 0%                         | –                          |
| 30 December 2018              | David Wild              | 699                        | 0%                         | 10.21% <sup>4</sup>        |
| 31 December 2017              | David Wild              | 1,394                      | 50.91%                     | 90.95%                     |
| 25 December 2016 <sup>2</sup> | David Wild              | 4,482                      | 81%                        | 100%                       |
| 27 December 2015              | David Wild              | 1,243                      | 87.5%                      | –                          |
| 28 December 2014              | David Wild              | 864                        | 58.6%                      | –                          |
| 29 December 2013 <sup>3</sup> | Lance Batchelor         | 532                        | 0%                         | –                          |
| 30 December 2012              | Lance Batchelor         | 852                        | 50%                        | –                          |
| 25 December 2011              | Lance Batchelor         | 256                        | 60%                        | –                          |
| 25 December 2011              | Chris Moore             | 630                        | 60%                        | 100%                       |

1. David Wild was the CEO for the first four months of 2020 and was succeeded by Dominic Paul on 1 May 2020.

2. The first LTIP awards granted to David Wild that become capable of vesting based on performance ending in FY16 were in 2014 and these have been included in the above table.

3. Lance Batchelor resigned as CEO on 16 March 2014. David Wild assumed the position of Interim CEO on 31 January 2014 and his appointment as the Group's CEO was formally confirmed on 30 April 2014. For comparative purposes the total remuneration shown for the year ended 28 December 2014 includes remuneration received in both roles.

4. LTIP vesting for David Wild for the years ending 30 December 2018 and 27 December 2020 represent the percentage of provisionally vested shares. The number of shares that will actually vest is determined by achievement of an absolute TSR underpin.

### CEO Pay Ratio

In the UK & Ireland, we are the clear number one pizza delivery business; delivering pizzas to customers through our stores, which are almost entirely operated through our franchisee partners (90%). Our UK & Ireland workforce is made up of our 450 colleagues in supply chain, where we manufacture dough and act as a scale and expert wholesaler of other food and non-food supplies to our franchisees; our 290 colleagues in Head Office & Support functions and 760 customer-facing colleagues in 36 wholly owned stores.

We apply the same reward principles for all – that overall remuneration should be competitive when compared to similar roles in other companies from where we recruit. For customer facing roles we benchmark with other quick service retailers and the wider retail market, and for colleagues in Supply Chain and Head Office we benchmark against the applicable market for that role. For our CEO, we benchmark against other FTSE 250 companies, taking into account their size, business complexity, scope and relative performance.

Employee involvement in the Group's performance is encouraged, with colleagues participating in discretionary bonus schemes relevant for their role, a Save-As-You-Earn Scheme is in operation for all UK-based employees with more than three months' service and long-term incentives are provided through the Group's discretionary share schemes to selected Executives and managers.

Given our workforce profile, all three of the CEO pay ratio reference points compare our CEO's remuneration with that of colleagues in either store or supply chain roles. Additionally, we know that year-to-year movements in the pay ratio will be driven largely by our CEO's variable pay outcomes. These movements will significantly outweigh any other changes in pay within the Company. Whatever the CEO pay ratio, we will continue to invest in competitive pay for all colleagues.

We have chosen to use Option C to calculate the CEO Pay Ratio. This utilises data required for the Gender Pay Gap reporting, which has been extended to include all UK colleagues in all our wholly owned stores; with colleagues at the three quartiles identified from this work and their respective single figure values calculated. This methodology was chosen given the complexity of obtaining information from multiple payrolls and with the variation in working hours and pay and benefit rules. We have used additional pay data and calculation methodologies to minimise the differences in pay definitions between the CEO single total remuneration figure and gender pay reporting data, and agreed these with Alvarez & Marsal, who have been assisting with this work. To ensure the data accurately reflects individuals at the relevant quartiles, we have checked the colleagues immediately above and below.

The total pay and benefits of UK colleagues at the 25th, 50th and 75th percentile and the ratios between the CEO and these colleagues, using the CEO's single figure remuneration for 2020 of £1,276,428, are as follows:

|               | Method   | 25th percentile pay ratio |      | 50th percentile pay ratio |      | 75th percentile pay ratio |      |
|---------------|----------|---------------------------|------|---------------------------|------|---------------------------|------|
|               |          | 2020                      | 2019 | 2020                      | 2019 | 2020                      | 2019 |
| CEO pay ratio | Option C | 72:1                      | 43:1 | 42:1                      | 23:1 | 28:1                      | 15:1 |

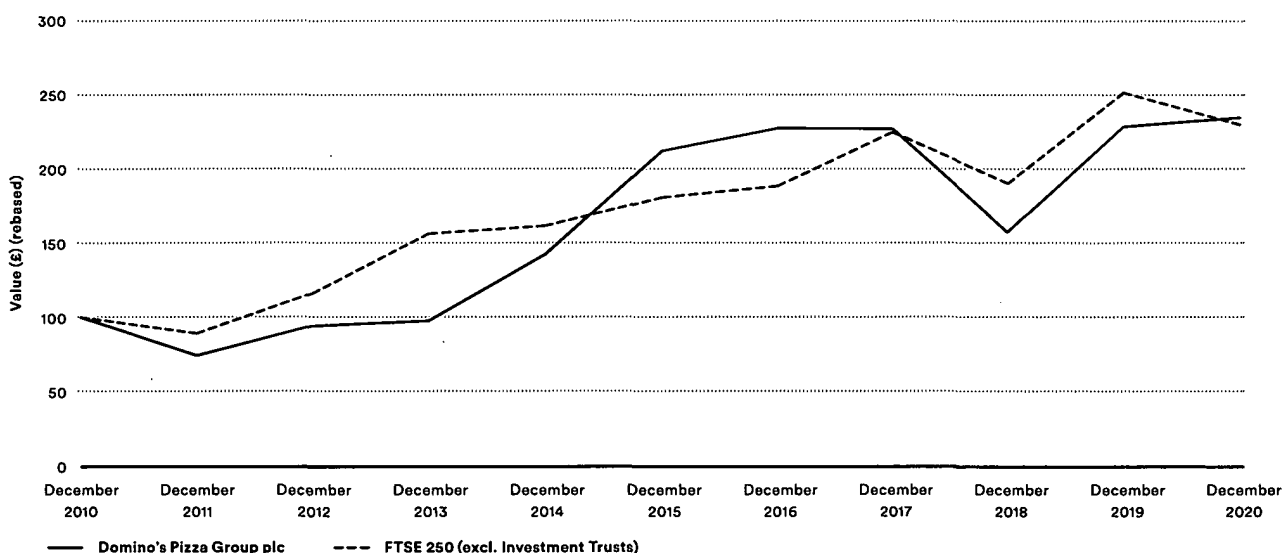
|                              | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|------------------------------|---------------------------|---------------------------|---------------------------|
| Total pay and benefits (FTE) | £17,828                   | £30,482                   | £46,620                   |
| Total salary (FTE)           | £16,835                   | £27,366                   | £41,184                   |

### Total shareholder return

The graph below illustrates the Company's TSR performance over the 10 financial years to 27 December 2020, plotted against the TSR performance of the FTSE 250 Index (excluding investment trusts) over the same period.

TSR reflects movements in the share price, adjusted for capital events and assuming all dividends are reinvested on the ex-dividend date. The FTSE 250 Index (excluding investment trusts) has been selected for this comparison because (i) this is the index in which the Company's shares have been quoted since admission to the Official List and (ii) it forms the comparator group for the TSR performance condition used in the Group's 2012 LTIP and 2016 LTIP.

This graph shows the value, by 27 December 2020, of £100 invested in Domino's Pizza Group plc on 2 January 2011, compared with the value of £100 invested in the FTSE 250 (excl. Investment Trusts) Index on. The other points plotted are the values at intervening financial year ends.



# DIRECTORS' REMUNERATION REPORT CONTINUED

## UNAUDITED INFORMATION CONTINUED

### Percentage change in the remuneration of the Board Directors

| 2019/2020                                  | Salary      | Taxable benefits | Annual bonus  |
|--------------------------------------------|-------------|------------------|---------------|
| <b>Former CEO</b>                          |             |                  |               |
| David Wild <sup>1</sup>                    | 2%          | 0%               | n/a           |
| <b>Non-executive Directors</b>             |             |                  |               |
| Colin Halpern                              | 0%          | 0%               | n/a           |
| Ian Bull <sup>2</sup>                      | 45.8%       | n/a              | n/a           |
| Kevin Higgins                              | 33.3%       | n/a              | n/a           |
| Elias Diaz Sese <sup>3</sup>               | 30.0%       | n/a              | n/a           |
| Usman Nabi <sup>4</sup>                    | n/a         | n/a              | n/a           |
| Ebbe Jacobsen <sup>5</sup>                 | 0%          | n/a              | n/a           |
| Helen Keays <sup>6</sup>                   | 0%          | n/a              | n/a           |
| <b>Group employees average<sup>7</sup></b> | <b>6.1%</b> | <b>4.1%</b>      | <b>119.7%</b> |

- David Wild stepped down from the Board on 1 May 2020. His 2020 salary and benefits for the period worked as a Director have been annualised for the purpose of the comparison. Mr Wild received a bonus in respect of 2020 of £210,845 (2019: £nil).
- Ian Bull was appointed to the Board in April 2019. His 2019 fees have been annualised for the purpose of the comparison. During 2020, Mr Bull received additional fees for acting as Interim Chair until 16 March 2020.
- Elias Diaz Sese was appointed to the Board in October 2019. His 2019 fees have been annualised for the purpose of the comparison.
- Usman Nabi was appointed to the Board in November 2019. Mr Nabi does not receive a Directors' fee.
- Ebbe Jacobsen stepped down from the Board in January 2020. His 2020 fees have been annualised for the purpose of the comparison.
- Helen Keays stepped down from the Board in June 2020. Her 2020 fees have been annualised for the purpose of the comparison.
- Group employees excludes employees of the International businesses classified as discontinued.

The table above shows the percentage change in salary, benefits and annual bonus for each of the Board Directors who worked part or all of both 2019 and 2020. These are compared with the equivalent year-on-year changes averaged across Group employees and expressed on a per capita basis. Group employees consists of the continuing UK & Ireland business, and excludes the discontinued international operations in order to assist comparability.

### Relative importance of spend on pay

|                                   | 2020  | 2019 <sup>1</sup> | %change |
|-----------------------------------|-------|-------------------|---------|
| Staff costs (£m)                  | 60.6  | 57.2              | 6%      |
| of which Directors' pay (£m)      | 2.7   | 1.7               | 59%     |
| Dividends and share buybacks (£m) | 25.6  | 61.7              | (59)%   |
| Underlying PBT (£m)               | 101.2 | 98.8              | 2%      |

- 2019 figures have been restated to reported numbers excluding discontinued operations for comparability.

Underlying PBT was chosen as a comparator as it reflects the profit generated by the Group's continuing operations, virtually the whole of which leads to cash generation. This therefore creates the opportunity for the Board to reinvest in the Group's business, or make distributions to shareholders, or both. It is the same comparator as used in prior years' remuneration reports.

On behalf of the Board

Kevin Higgins

Chair of the Remuneration Committee

8 March 2021

# DIRECTORS' REPORT

## The Directors' have pleasure in presenting the statutory financial statements for the Group for the 52 weeks ended 27 December 2020.

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosure of likely future developments in the strategic report (on pages 11 to 67), which includes the following:

- Q&A pages 12 and 13.
- Chief Executive Officer's review pages 14 to 23.
- Strategy pages 24 to 25.
- Market context pages 26 to 27.
- Key performance indicators pages 28 and 29.
- Business model pages 30 to 31.
- Sustainability report pages 32 to 44.
- Section 172 statement on page 45.
- Description of how we engage with our stakeholders and workforce pages 46 to 47.
- Chief Financial Officer's review pages 48 to 55.
- Risk management, Principal risks and uncertainties and Viability statement pages 56 to 67.

Together, this information is intended to provide a fair, balanced and understandable analysis of the development and performance of the Group's business during the year, and its position at the end of the year, its strategy, likely developments and any principal risks and uncertainties associated with the Group's business.

The sections of the Annual Report dealing with corporate governance, the reports of the Nomination Committee and Audit Committee and the Directors' remuneration report set out on pages 70 to 126 inclusive are hereby incorporated by reference into this Directors' report.

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'management report' can be found in the strategic report and Directors' report including the sections of the Annual Report and Accounts incorporated by reference.

### Group results

The Group profit for the period after taxation was £39.7m (2019: £2.8m). This is after a taxation charge of £16.7m (2019: £15.8m) and loss from discontinued operations of £42.5m (2019: £56.5m). The financial statements setting out the results of the Group for the 52 weeks ended 27 December 2020 are shown on pages 134 to 225.

### Dividends

The Directors recommend the payment of a final dividend of 9.10p per Ordinary share, to be paid on 4 May 2021 to members on the register at the close of business on 9 April 2021 (ex-dividend date 8 April 2021), subject to shareholder approval. The total dividend in respect of the period will be 9.10p compared with 9.76p for the previous year, a decrease of 6.8%.

The lower dividend amount reflects the cautious and prudent decision to suspend the 2019 final dividend in light of the uncertainty caused by Covid-19. The 2019 final dividend was deferred and paid as an interim dividend in September 2020, when an interim dividend in respect of the 2020 financial year would usually have been paid. Dividends are recognised in the accounts in the year in which they are paid or, in the case of the final dividend, when approved by shareholders. Therefore, the amount recognised in the 2020 accounts, as described in note 13 on page 186, represents the deferred dividend for the 52 weeks to 29 December 2019, paid in September 2020 only.

### Share capital

As at 27 December 2020, there were 468,980,073 Ordinary shares in issue. All issued Ordinary shares are fully paid up. The Ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

Holders of Ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives who are entitled to attend general meetings and to exercise voting rights.

On a show of hands at a general meeting of the Company every holder of Ordinary shares present in person or by proxy and entitled to vote shall have one vote, unless the proxy is appointed by more than one shareholder and has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution, in which case the proxy has one vote for and one vote against. This reflects the position in the Shareholders' Rights Regulations 2009 which amended the Companies Act 2006. On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every Ordinary share held. None of the Ordinary shares carry any special voting rights with regard to control of the Company. The Articles specify deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The relevant proxy votes are counted and the number for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting.

## DIRECTORS' REPORT CONTINUED

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions that may be imposed from time to time by the Articles, law or regulation and pursuant to the Listing Rules whereby certain Directors, officers and employees require approval to deal in Ordinary shares of the Company. The Group is not aware of any agreements between holders of securities that may result in restrictions on the transfer of Ordinary shares.

### Shares held by employee share trusts

The Group has had an Employee Benefit Trust ('EBT') for a number of years, the trustee of which is Intertrust Fiduciary Services (Jersey) Limited. As at 27 December 2020, the EBT held 1,285,549 shares, which are used to satisfy awards under employee share schemes. The voting rights in relation to these shares are exercisable by the trustee; however, in accordance with best practice guidance, the trustee abstains from voting.

### Dividend waivers

A dividend waiver is in force in relation to shares in the Company held by the EBT (see previous paragraph), which relates to a total of 1,285,549 shares.

### Purchase of own shares

At the 2020 AGM, a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its Ordinary shares for the year under review. The Company may engage in share buybacks to create value for shareholders when cash flows permit and there is no immediate alternative investment use for the funds.

Shareholders will be requested to renew this authority at the forthcoming AGM, to be held on 22 April 2021.

During the year the Company made no purchases of its Ordinary shares.

### Directors and their interests

The Directors in service at 27 December 2020 were Matt Shattock, Colin Halpern, Ian Bull, Dominic Paul, Neil Smith, Kevin Higgins, Elias Diaz Sese, Usman Nabi, Natalia Barsegiyan and Lynn Fordham.

The biographical details of the present Directors are set out on pages 70 to 73 of this Annual Report.

The appointment and replacement of Directors is governed by the Articles of the Company, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Subject to the Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company.

The interests of Directors and their immediate families in the shares of the Company, along with details of

options and awards held by Executive Directors, are contained in the Directors' remuneration report set out on pages 100 to 126. Should any Ordinary shares be required to satisfy awards over shares, these may be provided by the EBT.

There have not been any changes in the interests of the Directors, including share options and awards, in the share capital of the Company between the year end and 8 March 2021. None of the Directors have a beneficial interest in the shares of any subsidiary.

In line with the Companies Act 2006, the Board has clear procedures for Directors to formally disclose any actual or potential conflicts to the whole Board for authorisation as necessary. All new conflicts are required to be disclosed as and when they arise. There is an annual review of conflicts disclosed and authorisations given. The register of Directors' conflicts is maintained by the Company Secretary.

### Substantial Shareholdings

As at 8 March 2021, the Company had been notified, in accordance with the FCA's Disclosure, Guidance and Transparency Rules (DTR 5.3.1R<sup>1</sup>), of the following holdings of voting rights attaching to the Company's shares<sup>1</sup>:

|                                   | Number of shares | % of total voting rights as at 27 December 2020 | % of total voting rights as at 8 March 2021 |
|-----------------------------------|------------------|-------------------------------------------------|---------------------------------------------|
| The Capital Group Companies, Inc  | 60,343,538       | 12.87                                           | 12.87                                       |
| Browning West LP                  | 44,737,059       | 9.54                                            | 9.54                                        |
| Fundsmith LLP                     | 24,229,119       | 5.24                                            | 5.24                                        |
| Liontrust Investment Partners LLP | 24,077,090       | 5.13                                            | 5.13                                        |
| Majedie Asset Management          | 23,510,250       | n/a                                             | 5.01                                        |
| Southeastern Asset Management     | 23,468,074       | 5.00                                            | 5.00                                        |
| Troy Asset Management Limited     | 23,275,000       | 4.96                                            | 4.96                                        |

1. % of total voting rights have been calculated using the current issued share capital, 468,980,073, and therefore percentages may be different to those disclosed to the Company at the time of the holdings.

No other notifications under DTR 5.3.1R(1) have been received since 27 December 2020.

The interest stated above for Browning West LP ('Browning West') are as disclosed by Browning West under the Market Abuse Regulations as a Person Closely Associated with Usman Nabi. Browning West's notified interest as at 27 December 2020 under DTR 5.3.1R(1) was 24,624,093 shares (5.33% of the Company's issued share capital).

### Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the Articles of Association. The provision, which is a qualifying third-party indemnity provision (as defined by section 234 of the Companies Act 2006), was in force during the year ended 27 December 2020 and remains in force and relates to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company.

The Group maintained a Directors' and Officers' liability insurance policy throughout the financial year, although no cover exists in the event that Directors or officers are found to have acted fraudulently or dishonestly. No indemnity is provided for the Group's auditor.

### Employees

The Group employed 3,156 people as at 27 December 2020 (2019: 3,997).

### Employment policies

The Group is committed to the principle of equal opportunity in employment. The Group 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 Group's policy to recruit the most capable person available for each position. The Group recognises the need to treat all employees honestly and fairly.

The Group 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 Group 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.

For more information on the Company's employment practices please see page 34.

### General information

#### Annual General Meeting

The notice convening the AGM is contained in a separate shareholder circular. At the time of writing, due to the government-issued Covid-19 restrictions prohibiting a wider physical meeting, we are proposing to hold the AGM at 10:00 am on 22 April 2021 at 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, with the minimum attendance required to form a quorum. Given the constantly evolving nature of the situation, should circumstances change before the time of the AGM and we consider that it has become possible to hold a wider physical meeting, we will notify shareholders of the change in arrangements as early as is possible before the date of the meeting. Any updates to the position will be communicated via a regulatory news service and published on the Company's website.

Full details of all resolutions to be proposed are provided in that document. The Directors consider that all of the resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them and unanimously recommend that shareholders vote in favour of each of them.

#### Significant agreements and change of control provisions

The Group judges that the only significant agreements in relation to its business are the UK & Ireland Master Franchise Agreement, the Know How Licence Agreement and the Master Franchise Agreements for Switzerland, Iceland, and Sweden pursuant to which certain of the Group's companies are granted the right to franchise stores and operate commissaries in the territories by Domino's Pizza International Franchising Inc ('DPI').

Of the Group's significant agreements listed above, the Master Franchise Agreements for Switzerland, and Sweden are, on a change of control, capable of termination by DPI unless the change of control had been approved by DPI. In the case of the Master Franchise Agreement for Switzerland, DPI's consent cannot be unreasonably withheld.

The Group does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Group's employee share schemes may cause options and awards granted to employees, including Directors, to vest on a change of control. The Group's banking arrangements do contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

As discussed more fully on page 153 in note 2: Accounting policies, in the section on judgements, certain former Directors entered into indemnity contracts with the Group in connection with their participation in some historic share-based remuneration schemes. A provision for employment taxes amounting to £11.0m was recorded in the 2017 financial statements, of which the Company has estimated that £9m could be recoverable under the indemnities.

#### Articles of Association

No changes to the Company's Articles of Association have been made since 1 July 2019 where a special resolution was passed to amend the Company's borrowing powers. The Company's articles of association may only be amended by a special resolution of the shareholders in a general meeting. A special resolution to amend the Company's Articles of Association to allow for online voting at general meetings will be put to shareholders for approved at the 2021 AGM.

## DIRECTORS' REPORT CONTINUED

### Political donations

The Company made no political donations in the year (2019: £nil).

### Key performance indicators ('KPIs')

Details of the Group's KPIs can be found on pages 28 and 29.

### Auditor

PwC has signified its willingness to continue in office as auditor to the Company. The Group is satisfied that PwC is independent and there are adequate safeguards in place to protect its objectivity. A resolution to reappoint PwC as the Company's auditor will be proposed at the 2021 AGM.

### Directors' statement of disclosure of information to auditor

Having made the requisite enquiries, the Directors in office at the date of this Annual Report and Accounts have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's auditor is 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 Group's auditor is aware of that information.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report on pages 11 to 67. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 48 to 55.

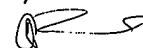
In addition, notes 25 and 26 to the Group financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

### Cautionary statement

This Annual Report and Accounts contains forward-looking statements. These forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions as at the date of this Annual Report and Accounts and are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group undertakes no obligation to update these forward-looking statements.

By order of the Board



**Adrian Bushnell**  
Company Secretary  
8 March 2021

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts, the Directors' remuneration report and the financial statements (Group and Company) in accordance with applicable UK laws and regulations. UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they are a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, 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 Group and Company will continue in business.

They are also responsible for the system of internal control for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

A copy of the financial statements of the Company is posted on the Company's website. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### DTR 4.1 statement

Each of the Directors, the names and functions of whom are set out on pages 70 to 73, confirms that, to the best of their knowledge,

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the information in the Strategic Report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for the shareholders to assess the Company's and Group's performance, business model and strategy.

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

- so far as the Director is aware, there is no relevant audit information of which the Group's and 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 Group's and Company's auditors are aware of that information.

Signed on behalf of the Board

*Dominic Paul*

Dominic Paul

Chief Executive Officer

8 March 2021



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## FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DOMINO'S PIZZA GROUP PLC

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Domino's Pizza Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 27 December 2020 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the group and company balance sheets as at 27 December 2020; the group income statement and the group statement of comprehensive income, the group cash flow statement, and the group and company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### 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 group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the group in the period under audit.

## Our audit approach

### Overview

#### Audit scope

- Audit of the complete financial information of three components, and specified procedures over seven components.
- Central audit procedures performed by the group audit team included auditing non-underlying items, the valuation and impairment of assets held for sale, the treatment and disclosure of discontinued operations, goodwill and intangible asset impairment, adoption of IFRS 16, taxation and the group consolidation.
- Audit coverage from full scope audits over 80% of group revenue
- Audit coverage from full scope audits over 91% of group underlying profit before tax

#### Key audit matters

- Valuation of assets held for sale and their presentation/disclosure including discontinued operations (group)
- Risk of impairment of goodwill and intangible assets of the UK corporate stores CGU (group)
- Classification of non-underlying items (group)
- Adoption of IFRS 16 (group)
- Impact of Covid-19 (group and parent)
- Valuation of the Market Access Fee ("MAF") receivable (parent)
- Risk of impairment of investment in subsidiaries and receivables balances related to the International businesses (parent)

#### Materiality

- Overall group materiality: £5.1m (2019: £5.0m) based on 5% of underlying profit before tax.
- Overall company materiality: £1.7m (2019: £1.5m) based on 1% of net assets.
- Performance materiality: £3.8m (group) and £1.3m (company).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, tax legislation, employment regulation and breaches of health and safety including food safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, and management bias in determining accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- discussions with management, the group's legal team and review of KPMG's reports in their role as internal auditor, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters;
- challenging assumptions made by management in their significant accounting estimates, in particular in relation to impairment of intangible fixed assets, valuation and presentation of the international businesses and judgements formed in presentation of non-underlying items (see related key audit matter below);
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journal entries crediting revenue, journal entries crediting cash and journal entries with specific defined descriptions;
- consideration of any changes to the control environment as a result of Covid-19; and
- enquiries with component auditors.

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF DOMINO'S PIZZA GROUP PLC

## Our audit approach continued

### Capability of the audit in detecting irregularities, including fraud continued

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

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Adoption of IFRS 16 (group only), Impact of Covid-19 (group and company) and Valuation of the Market Access Fee ("MAF") receivable (company only) are new key audit matters this year. Presentation of the National Advertising Fund and eCommerce fee expenditure in the group income statement, and recoverability of net and gross fund deficits (group only) and availability of distributable reserves (company only), which were key audit matters last year, are no longer included because of the restatement in the prior year for the accounting for the National Advertising Fund and the eCommerce fee has now been appropriately treated and accordingly the risk is no longer assessed as significant. In addition, the assessment of the availability of distributable reserves, created in 2019, was an issue in the prior year only. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                           | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Valuation of assets held for sale and their presentation/disclosure including discontinued operations (group)</b><br>Refer to the Accounting policies set out in note 2 and note 4 of the Consolidated Financial Statements.                                                                                                                                                                                            | <b>Presentation and disclosure</b><br>In order to assess management's classification of the assets and liabilities of the International business as held for sale and the results of these businesses as discontinued operations we: <ul style="list-style-type: none"><li>• examined Board minutes and the group's external announcements, including the announced sale of Sweden on 8 March 2021 together with the ongoing discussions of the Board in 2020, to ensure that the board remains committed to exit;</li><li>• understood if there were any restrictions that meant the businesses were no longer available for immediate sale in their current condition. This included assessing the need for approval from the master franchisor Domino's Pizza Inc ("DPI") and assessing the need for an AGM to approve the transactions. We have understood the criteria that DPI may consider in determining their approval with reference to the profile of the bidders and the historical evidence around sale of businesses including Daytona and Norway. In both cases we concluded that these processes were not substantive issues;</li><li>• we considered the Directors' assertion that it is highly probable that the businesses would be sold within 12 months, particularly in the light of these businesses not being sold in the previous 12 months. Based on the progress made in the sales process and the current offers received for the businesses, we concurred with this assessment; and</li><li>• we tested the presentation of discontinued operations to ensure this was accurate and the disclosures in the accounts contained all the required elements of IFRS 5.</li></ul> |
| <b>Presentation and disclosure</b><br>The group's International businesses of Sweden, Switzerland and Iceland have been presented as discontinued operations and assets held for sale. We focused on this area as management judgement is required to assess if the businesses met the criteria set out in IFRS 5 for this presentation.                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Valuation</b><br>Management estimation was required to determine the fair value of the assets of the International businesses held for sale. The fair values were determined with reference to offers received for the businesses following an orderly sales process and estimated expected proceeds.<br><br>We focused on this area as valuations are highly subjective and inherently susceptible to management bias. | <b>Valuation</b><br>In order to assess the valuation of each business, we obtained written evidence of the offers received, and for Sweden the agreed sales price, and understood the Board's assessment of those offers through a review of Board meeting minutes and discussions with the CFO and the Audit Committee. We also spoke directly to the third party managing the sales process on behalf of the Company.<br><br>Where the value of offers received was less than the value of assets, we recomputed the impairments to arrive at fair values and assessed the allocation of the write down to asset categories.<br><br>We concluded that there was sufficient evidence from offers received and the advanced stage of negotiations to materially support the estimated fair values ascribed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

**Key audit matter****Risk of impairment of goodwill and intangible assets of the UK corporate stores CGU (group)**

Refer to the Accounting policies set out in note 2 and note 14 of the Consolidated Financial Statements.

In 2019, goodwill relating to the UK corporate stores was impaired by £18.7m. In the current year management has prepared a value in use discounted cash flow model to assess impairment and concluded that no further impairment is required.

We focused on this area, as the estimation of future discounted cash flows is inherently subjective and involves judgement. Accordingly this estimate is susceptible to management bias.

**How our audit addressed the key audit matter**

As part of our audit of management's impairment assessment and underlying discounted cash flow model:

- we assessed the control procedures that relate to the preparation, review and approval of the estimate;
- we challenged management on their grouping of cash generating units (CGUs) and concurred that this is the level at which goodwill is monitored;
- we obtained the impairment analyses prepared by management and tested the technical and arithmetic accuracy to ensure that they had been prepared in line with the guidance provided in IAS 36;
- we used internal valuation experts to determine whether management's discount rate was appropriate and we concluded it was within an acceptable range;
- we used internal valuation experts to determine if the long-term growth rate used in the impairment model of 2% were appropriate based on available information and concluded this was reasonable;
- we challenged the basis for the short-term forecasts used in the model. This included, but was not limited to:
  - agreeing forecasts to Board approved plans;
  - challenging the revenue growth rates in terms of ticket and order count growth with reference to the wider franchisee network historical growth rates and actual performance of the UK corporate stores in 2020;
  - challenging management on the wage growth and labour cost per order, which we considered to be too low although with no significant impact on the model;
  - assessing food inflation and the assumption that this would be passed through on menu pricing by assessing historical practice;
  - agreeing central cost allocations to prior year actuals and understood the rationale for any changes;
  - challenging management on capital expenditure assumptions into perpetuity which we considered were too low when considering the requirement for store refits and the level of historical spend. This was subsequently adjusted by management in the model;
  - reviewing management's historical accuracy of forecasting; and
  - assessing the achievability of forecast profitability assumptions by comparing them to existing franchisee profitability in the same markets.
- we performed sensitivity analysis, including reducing cash inflows, to understand the impact that reasonably possible changes could have;
- we compared the recoverable amount to other recent transactions to provide independent evidence of the final valuation;
- we considered the implications of management's strategy on the cash flows;
- we also assessed the adequacy of the disclosures made in the financial statements given our conclusion that a reasonably possible change in assumptions could lead to a further impairment.

After our challenge, management updated their impairment model and we concurred with management's revised model that no impairment was required in the current year. However, given a reasonably possible change in assumptions could lead to an impairment under the revised model, we have ensured that appropriate disclosures on the sensitivities have been provided as is required under IAS 36.

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF DOMINO'S PIZZA GROUP PLC

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| <p><b>Classification of non-underlying items (group)</b></p> <p>Refer to the Accounting policies in note 2, and note 7 of the Consolidated Financial Statements.</p> <p>During the period, £9.7m (2019: £33.9m) of non-underlying costs and £7.4m (2019: £10.2m) of non-underlying income before tax from continuing operations have been recorded. The Group's accounting policy is to present separately, as non-underlying items, income and expenses where such disclosure is considered useful to the users of the financial statements in helping them understand the underlying business performance.</p> <p>The business also recorded £42.5m (2019: £56.5m) within non underlying relating to discontinued operations.</p> <p>Non-underlying items are not defined by IFRS and therefore judgement is required in determining the appropriateness of such classification. Such judgement may be susceptible to management bias.</p>                                                                                                                                     | <p>In order to address the identified risk we;</p> <ul style="list-style-type: none"> <li>assessed the control procedures that relate to the preparation, review and approval of the amounts included in non-underlying;</li> <li>examined the items classified as non-underlying to understand management's rationale for their separate presentation and assessed the appropriateness of their presentation by reference to the Group's accounting policies and the FRC guidance in this area;</li> <li>traced a sample of the individual amounts presented as non-underlying items to supporting evidence to ensure that they were consistent with their description; <ul style="list-style-type: none"> <li>we agreed professional fees relating to the strategic review to invoices;</li> <li>we assessed the appropriateness of the impairment on the e-commerce platform and whether the impairment recognised was consistent with the Board decision around the strategic direction of the platform;</li> <li>we assessed and challenged the amounts that related to the MAF revaluation (see related key audit matter below);</li> <li>we assessed the values within the discontinued operations non underlying costs which consisted of the loss on the disposal of Norway, international losses and further impairments, see related key audit matter;</li> </ul> </li> <li>assessed whether items classified within non-underlying operations, met the definition of 'non-underlying' set out in the Group's accounting policies;</li> <li>instructed component auditors to test a sample of non-underlying costs in the German associate to supporting evidence to assess the occurrence of the cost, and that the nature of the cost was consistent with the accounting policy for non-underlying items;</li> <li>challenged the disclosures for items classified as non-underlying, with a focus on ensuring there was a clear explanation setting out why they are excluded from underlying performance and whether this underlying profit measure can be easily reconciled back to the equivalent statutory profit measure.</li> </ul> <p>We concluded that the treatment of non underlying items was consistent with the definitions set out in Note 2 and have been applied consistently between periods. As part of our review of the annual report we have also considered the requirement to give equal prominence to statutory and non-GAAP measures and concluded that appropriate balance has been applied.</p> |
| <p><b>Adoption of IFRS 16 (group)</b></p> <p>Refer to the Accounting policies in note 2, and note 16 of the Consolidated Financial Statements.</p> <p>The Group has adopted IFRS 16 in the current year using the modified retrospective approach on transition. Accordingly, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment at 30 December 2019. The group has elected the option to measure the right-of-use ("ROU") asset equal to lease liability on the date of transition.</p> <p>Leased assets of the group primarily comprise property leases including head leases on premises for Domino's franchise stores, IT equipment, fleet and equipment used in the Supply Chain Centre ("SCC") and vehicles used for deliveries.</p> <p>The impact of IFRS 16 on the group is material and involves judgement in some of the key assumptions around the likelihood of the leases on subleased stores being extended to match head leases and assessing the incremental borrowing rate.</p> | <p>In order to address the identified risks we;</p> <ul style="list-style-type: none"> <li>tested the design and implementation of management controls relating to the adoption of IFRS 16;</li> <li>obtained management's database of extracted lease data and tested on a sample basis back to lease agreements to ensure the accuracy and completeness of the data for both UK and International leases;</li> <li>obtained management's computations and tested, on a sample basis, the accuracy of the calculated lease asset and liability;</li> <li>For back-to-back head and subleases, obtained evidence to support management's judgement that the extension of subleases, is reasonably certain. This judgement applies where subleases are not coterminous with head leases and is based on the linkage between the SFA (which includes extension terms) and the sublease agreement and the highly profitable nature of franchised stores.</li> <li>for the incremental borrowing rate (IBR), we involved our valuation experts who independently determined the range of acceptable IBR percentages and assessed whether the IBR used by management falls within the acceptable range.</li> <li>substantively tested the judgements and estimates associated with the models which primarily include the following: <ul style="list-style-type: none"> <li>tested the completeness of provisions associated with dilapidations and onerous leases on transition;</li> <li>tested completeness of lease clauses identified by management such as extensions, renewals, break clauses and rent concessions by agreeing them to a sample of lease contracts.</li> </ul> </li> <li>reviewed the adequacy of disclosures in the financial statements in relation to the impact of the adoption of IFRS 16 and the related transition disclosures.</li> </ul> <p>Our audit procedures identified a number of adjustments which have been appropriately updated and we are satisfied that the adoption of IFRS 16 and the related disclosures have been appropriately implemented.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <p><b>Impact of Covid-19 (group and parent)</b></p> <p>Refer to the going concern assumption in note 1 and 2 to the financial statements and the Board discussion in the strategic report and directors' report.</p> <p>The Covid-19 pandemic has affected most businesses in the UK and worldwide but the Group has shown resilient performance during FY20.</p> <p>The extent of the impact of the pandemic on future business performance is unknown but the key areas considered in the context of the financial statements are set out below:</p> <ul style="list-style-type: none"> <li>- assessment of the appropriateness of the going concern basis of preparation in the Group's financial statements in light of the pandemic.</li> <li>- consideration of any potential Covid-19 driven impairment triggers.</li> <li>- expected credit losses from third parties who may have been adversely affected by the pandemic.</li> </ul> <p>Budgets and models supporting the going concern and impairment assessments were updated to reflect management's best estimates of future cash flows.</p> | <p>In assessing management's consideration of the potential impact of Covid-19, we have undertaken the following procedures:</p> <ul style="list-style-type: none"> <li>• we considered any potential impairment triggers to the carrying values of assets within the Group and concluded that no further impairments were required beyond those already recorded for the international markets;</li> <li>• we reviewed and evaluated management's cash flow forecasts used for impairment assessments and the process by which they were determined and approved, agreeing forecasts with latest approved budgets and confirming the mathematical accuracy of the underlying calculations;</li> <li>• we challenged the assumptions used in impairment assessments to understand if COVID impacts were reflected appropriately;</li> <li>• we evaluated the severe but plausible cash flow forecasts used in management's application of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the forecast throughout the going concern period. We concluded the severe but plausible scenarios were a reasonable basis for the assessment.</li> </ul> <p>Based on the work performed we are satisfied with the approach adopted.</p>                                                                           |
| <p><b>Valuation of the Market Access Fee ("MAF") receivable (parent)</b></p> <p>The company holds a receivable for contingent consideration, referred to as the MAF, payable by Domino's Pizza Enterprises Ltd ("DPE"). This contingent consideration is based on the earnings of Daytona JV Limited up to December 2021.</p> <p>This receivable was created as part of the sale of the majority stake previously held in the German business. The contingent consideration is designated as a financial asset and measured at "fair value through profit or loss".</p> <p>We focused on this area due to the judgement involved in estimating the likely future performance of Daytona and the inherent management bias that could be involved in making this assessment.</p> <p>We considered this area to be a key audit matter for the parent company only due to the lower materiality applied compared to Group.</p>                                                                                                                                                                                 | <p>In order to address the identified risk we:</p> <ul style="list-style-type: none"> <li>• assessed the control procedures that relate to the preparation, review and approval of the estimate;</li> <li>• obtained the calculation that supports the estimated receivable balance and recomputed to test the mathematical accuracy of the calculation;</li> <li>• obtained the three year plan, approved by the Board of DPE, that underpins the forecast EBITDA;</li> <li>• assessed the forecasts for FY21 against historical EBITDA trends to form a view on the accuracy of forecast results;</li> <li>• performed a sensitivity analysis to provide context to the impact of a variation in key assumptions;</li> <li>• ensured that the methodology of calculation is in accordance with the contractual agreement with DPE;</li> <li>• engaged Deloitte Australia to independently review the forecast financial information on which the valuation is based.</li> </ul> <p>We challenged management on the reliability of the Daytona forecasts with reference to historical forecasting accuracy and their continued out-performance against forecasts. In turn, management discussed this with Daytona, and obtained an updated forecast on which the estimate is now based.</p> <p>We concur that the final MAF valuation is materially reasonable.</p> |
| <p><b>Risk of impairment of investment in subsidiaries and receivables balances related to the International businesses (parent)</b></p> <p>Refer to the Accounting policies in note 1, note 4 and note 5 of the Company Financial Statements.</p> <p>Domino's Pizza Group plc has investments in subsidiaries in the international markets of Iceland, Sweden and Switzerland. On the basis these investments are actively being disposed of, there is a need to assess the carrying value of investments for impairment and expected credit losses relating to intercompany receivables. Following this assessment, investments have been impaired by £19.9m (2019: £28.8m) to £13.9m and intercompany receivables have been impaired by £8.7m.</p> <p>Impairments have been assessed with reference to offers received for the businesses. We focused on this area as valuations are highly subjective and inherently susceptible to management bias.</p>                                                                                                                                               | <p>In order to address the identified risk;</p> <ul style="list-style-type: none"> <li>• we obtained the impairment and expected credit loss analysis prepared by management for each entity and tested the mathematical accuracy to ensure that they had been prepared in line with IFRS;</li> <li>• we ensured the valuations used to determine the impairment and expected credit loss were consistent with those used and tested in the key audit matter relating to valuation of assets held for sale;</li> <li>• we assessed the adequacy of the disclosures made in the financial statements.</li> </ul> <p>We found no exceptions as a result of our testing and the impairments recognised are considered materially appropriate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF DOMINO'S PIZZA GROUP PLC

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is structured according to geographical markets and the legal entity structure which is broadly reflective of the nature of business activity, for example franchisor activities, corporate stores, property and centralised functions, each of which is a reporting unit, or component. The group financial statements are a consolidation of reporting components.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed for each reporting component. We determined that there was one financially significant component: Domino's Pizza UK & Ireland Limited. Accordingly, we determined that this component, as well as Domino's Pizza Group plc parent company, required a full audit of their complete financial information in order to ensure that sufficient appropriate audit evidence was obtained. We identified another component of Iceland that was considered to be a full scope component due to the significance of the business to the discontinued operations disclosures. We also identified certain large or material balances in other components where specified audit procedures were performed. These included: revenues recorded in Sheermans Limited, Have More Fun (London) Limited and DP Pizza Limited, revenues and expenses in the National Advertising Fund, other balance sheet line items in DPG Holdings Limited and DP Pizza Limited, international balances in Switzerland and share of post tax profits from Daytona JV Limited.

All audit work was performed by the group audit team, with the exception of audit work performed on Daytona JV Limited which was performed by non-PwC component auditors, and Iceland which was performed by a PwC Network firm. These component auditors worked under our instruction. The group audit team was in contact, at each stage of the audit, with the component audit team through regular written communication including detailed instructions issued by the group audit team and video conferencing at the planning, execution and completion phases.

The group consolidation, financial statement disclosures and a number of centralised functions were audited by the group audit team. These included, but were not limited to, central procedures over non-underlying items, taxation, assets held for sale and discontinued operations and goodwill and intangible asset impairment assessments. We also performed group level analytical procedures on all of the remaining out of scope reporting units to identify whether any further audit evidence was needed, which resulted in no extra testing. Our substantive audit work resulted in coverage over 80% of group revenues. The company was also subject to a full scope audit by the group audit team.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|                                        | Financial statements – group                                                                                                                                                                                         | Financial statements – company                                                    |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <b>Overall materiality</b>             | £5.1m (2019: £5.0m).                                                                                                                                                                                                 | £1.7m (2019: £1.5m).                                                              |
| <b>How we determined it</b>            | 5% of underlying profit before tax                                                                                                                                                                                   | 1% of net assets                                                                  |
| <b>Rationale for benchmark applied</b> | Based on the benchmarks used in the annual report, underlying profit before tax is a key measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. | We believe that net assets is an appropriate benchmark for a non-trading company. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.2m and £4.4m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3.8m for the group financial statements and £1.3m for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £240,000 (group audit) (2019: £250,000) and £85,000 (company audit) (2019: £75,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern and viability;
- We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business;
- We reviewed monthly trading results to February 2021, and compared to management's previous budget, and considered the impact of these actual results on the future forecast period;
- We reviewed management's sensitivity scenarios including their severe but plausible downside. This includes potential mitigating actions available to the Group that are achievable and within management's control. We then assessed the availability of liquid resources under the different scenarios and the associated covenant tests applicable; and
- We have also assessed additional downside sensitivities and considered the impact on covenants and liquidity headroom.

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

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

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

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

### Reporting on other information

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

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

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

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

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF DOMINO'S PIZZA GROUP PLC

## 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 27 December 2020 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report and Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## 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, 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 group's and 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 group or 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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

### Other required reporting

#### Companies Act 2006 exception reporting

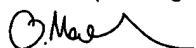
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 18 April 2019 to audit the financial statements for the year ended 29 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the periods ended 29 December 2019 and 27 December 2020.



**Owen Mackney (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford

8 March 2021

# GROUP INCOME STATEMENT

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                  | Notes | 52 weeks ended 27 December 2020<br>£m |                |         | 52 weeks ended 29 December 2019<br>£m |                |         |
|------------------------------------------------------------------|-------|---------------------------------------|----------------|---------|---------------------------------------|----------------|---------|
|                                                                  |       | Underlying                            | Non-underlying | Total   | Underlying                            | Non-underlying | Total   |
| Revenue                                                          | 3     | 505.1                                 | –              | 505.1   | 508.3                                 | –              | 508.3   |
| Cost of sales                                                    |       | (268.6)                               | –              | (268.6) | (273.5)                               | –              | (273.5) |
| Gross profit                                                     |       | 236.5                                 | –              | 236.5   | 234.8                                 | –              | 234.8   |
| Distribution costs                                               |       | (30.8)                                | –              | (30.8)  | (30.9)                                | –              | (30.9)  |
| Administrative costs                                             |       | (107.5)                               | (4.6)          | (112.1) | (103.5)                               | (9.5)          | (113.0) |
| Other expenses                                                   |       | –                                     | (4.6)          | (4.6)   | –                                     | (20.8)         | (20.8)  |
| Share of post-tax profit/(loss) of associates and joint ventures | 18    | 9.5                                   | (0.5)          | 9.0     | 4.9                                   | (2.8)          | 2.1     |
| Other income                                                     |       | 1.3                                   | 7.1            | 8.4     | –                                     | 9.2            | 9.2     |
| Profit/(loss) before interest and taxation                       | 5     | 109.0                                 | (2.6)          | 106.4   | 105.3                                 | (23.9)         | 81.4    |
| Finance income                                                   | 9     | 13.7                                  | 0.7            | 14.4    | 0.8                                   | 0.8            | 1.6     |
| Finance costs                                                    | 10    | (21.5)                                | (0.4)          | (21.9)  | (7.3)                                 | (0.6)          | (7.9)   |
| Profit/(loss) before taxation                                    |       | 101.2                                 | (2.3)          | 98.9    | 98.8                                  | (23.7)         | 75.1    |
| Taxation                                                         | 11    | (16.9)                                | 0.2            | (16.7)  | (17.7)                                | 1.9            | (15.8)  |
| Profit/(loss) for the period from continuing operations          |       | 84.3                                  | (2.1)          | 82.2    | 81.1                                  | (21.8)         | 59.3    |
| Loss from discontinued operations                                | 4     | –                                     | (42.5)         | (42.5)  | –                                     | (56.5)         | (56.5)  |
| Profit/(loss) for the period                                     |       | 84.3                                  | (44.6)         | 39.7    | 81.1                                  | (78.3)         | 2.8     |
| Profit/(loss) attributable to:                                   |       |                                       |                |         |                                       |                |         |
| – Equity holders of the parent                                   |       | 84.3                                  | (43.2)         | 41.1    | 81.1                                  | (68.0)         | 13.1    |
| – Non-controlling interests                                      |       | –                                     | (1.4)          | (1.4)   | –                                     | (10.3)         | (10.3)  |
| Profit/(loss) for the period                                     |       | 84.3                                  | (44.6)         | 39.7    | 81.1                                  | (78.3)         | 2.8     |
| Earnings per share                                               |       |                                       |                |         |                                       |                |         |
| From continuing operations                                       |       |                                       |                |         |                                       |                |         |
| – Basic (pence)                                                  | 12    | 18.2                                  |                | 17.8    | 17.6                                  |                | 12.9    |
| – Diluted (pence)                                                | 12    | 18.1                                  |                | 17.7    | 17.5                                  |                | 12.8    |
| From continuing and discontinued operations (statutory)          |       |                                       |                |         |                                       |                |         |
| – Basic (pence)                                                  | 12    |                                       |                | 8.9     |                                       |                | 2.8     |
| – Diluted (pence)                                                | 12    |                                       |                | 8.8     |                                       |                | 2.8     |

The notes on pages 151 to 216 are an integral part of these consolidated financial statements.

## GROUP STATEMENT OF COMPREHENSIVE INCOME

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                          | Notes | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|--------------------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|
| <b>Profit for the period</b>                                             |       | <b>39.7</b>                              | <b>2.8</b>                               |
| <b>Other comprehensive expense:</b>                                      |       |                                          |                                          |
| Items that may be subsequently reclassified to profit or loss:           |       |                                          |                                          |
| – Exchange loss on retranslation of foreign operations                   |       | (3.3)                                    | (1.5)                                    |
| – Transferred to income statement on disposal                            | 28    | (1.9)                                    | –                                        |
| Items that will not be subsequently reclassified to profit or loss:      |       |                                          |                                          |
| – Exchange differences recycled on deemed disposal of foreign operations |       | –                                        | –                                        |
| Other comprehensive expense for the period, net of tax                   |       | (5.2)                                    | (1.5)                                    |
| <b>Total comprehensive income for the period</b>                         |       | <b>34.5</b>                              | <b>1.3</b>                               |
| – attributable to equity holders of the parent                           |       | 35.5                                     | 11.7                                     |
| – attributable to the non-controlling interests                          |       | (1.0)                                    | (10.4)                                   |

The notes on pages 151 to 216 are an integral part of these consolidated financial statements.

# GROUP BALANCE SHEET

AT 27 DECEMBER 2020

|                                              | Notes | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|----------------------------------------------|-------|---------------------------|---------------------------|
| <b>Non-current assets</b>                    |       |                           |                           |
| Intangible assets                            | 14    | 30.5                      | 34.5                      |
| Property, plant and equipment                | 15    | 91.1                      | 84.8                      |
| Right-of-use assets                          | 16    | 20.1                      | –                         |
| Lease receivables                            | 16    | 191.5                     | –                         |
| Trade and other receivables                  | 17    | 21.2                      | 37.1                      |
| Other financial asset                        | 26    | 13.3                      | 7.1                       |
| Investments                                  | 26    | 12.3                      | 10.5                      |
| Investments in associates and joint ventures | 18    | 39.4                      | 32.4                      |
| Deferred consideration                       | 23    | 5.7                       | 5.7                       |
|                                              |       | 425.1                     | 212.1                     |
| <b>Current assets</b>                        |       |                           |                           |
| Lease receivables                            | 16    | 13.2                      | –                         |
| Inventories                                  | 19    | 11.0                      | 13.0                      |
| Assets held for sale                         | 4     | 38.1                      | 55.7                      |
| Trade and other receivables                  | 17    | 36.2                      | 62.0                      |
| Other financial asset                        | 26    | 2.0                       | –                         |
| Current tax assets                           |       | 3.2                       | –                         |
| Cash and cash equivalents                    | 20    | 63.4                      | 11.1                      |
|                                              |       | 167.1                     | 141.8                     |
| <b>Total assets</b>                          |       | <b>592.2</b>              | <b>353.9</b>              |
| <b>Current liabilities</b>                   |       |                           |                           |
| Lease liabilities                            | 16    | (17.8)                    | –                         |
| Trade and other payables                     | 21    | (90.0)                    | (85.4)                    |
| Liabilities held for sale                    | 4     | (23.5)                    | (27.9)                    |
| Financial liabilities                        | 22    | –                         | (0.9)                     |
| Deferred and contingent consideration        | 23    | –                         | (0.2)                     |
| Current tax liabilities                      |       | –                         | (5.8)                     |
| Provisions                                   | 24    | (0.4)                     | (2.7)                     |
|                                              |       | (131.7)                   | (122.9)                   |
| <b>Non-current liabilities</b>               |       |                           |                           |
| Lease liabilities                            | 16    | (208.7)                   | –                         |
| Trade and other payables                     | 21    | (0.3)                     | (10.1)                    |
| Financial liabilities                        | 22    | (243.6)                   | (248.3)                   |
| Deferred tax liabilities                     | 11    | (3.6)                     | (1.1)                     |
| Provisions                                   | 24    | (13.1)                    | (12.8)                    |
|                                              |       | (469.3)                   | (272.3)                   |
| <b>Total liabilities</b>                     |       | <b>(601.0)</b>            | <b>(395.2)</b>            |
| <b>Net liabilities</b>                       |       | <b>(8.8)</b>              | <b>(41.3)</b>             |

|                                   | Notes | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-----------------------------------|-------|---------------------------|---------------------------|
| <b>Shareholders' equity</b>       |       |                           |                           |
| Called up share capital           | 27    | 2.4                       | 2.4                       |
| Share premium account             |       | 49.6                      | 36.7                      |
| Capital redemption reserve        |       | 0.5                       | 0.5                       |
| Capital reserve – own shares      |       | (3.4)                     | (4.5)                     |
| Currency translation reserve      |       | (9.7)                     | (4.1)                     |
| Other reserves                    |       | –                         | (5.5)                     |
| Accumulated losses                |       | (48.2)                    | (55.1)                    |
| <b>Total shareholders' equity</b> |       | <b>(8.8)</b>              | <b>(29.6)</b>             |
| <b>Non-controlling interests</b>  |       | <b>–</b>                  | <b>(11.7)</b>             |
| <b>Total equity</b>               |       | <b>(8.8)</b>              | <b>(41.3)</b>             |

The notes on pages 151 to 216 are an integral part of these consolidated financial statements. The financial statements were approved by the Directors on 8 March 2021 and signed on their behalf by:

*Dominic Paul*

Dominic Paul

Director

8 March 2021

Registered number: 03853545

# GROUP STATEMENT OF CHANGES IN EQUITY

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                     | Share capital<br>£m | Share premium account<br>£m | Capital redemption reserve<br>£m | Capital reserve – own shares<br>£m | Currency translation reserve<br>£m | Other reserves<br>£m | Accumulated losses<br>£m | Total equity shareholders' funds<br>£m | Non-controlling interests<br>£m | Total<br>£m |
|---------------------------------------------------------------------|---------------------|-----------------------------|----------------------------------|------------------------------------|------------------------------------|----------------------|--------------------------|----------------------------------------|---------------------------------|-------------|
| <b>At 30 December 2018</b>                                          | 2.4                 | 36.7                        | 0.5                              | (6.4)                              | (2.7)                              | (25.1)               | (2.6)                    | 2.8                                    | (0.3)                           | 2.5         |
| Profit/(loss) for the period                                        | –                   | –                           | –                                | –                                  | –                                  | –                    | 13.1                     | 13.1                                   | (10.3)                          | 2.8         |
| Other comprehensive expense – exchange differences                  | –                   | –                           | –                                | –                                  | (1.4)                              | –                    | –                        | (1.4)                                  | (0.1)                           | (1.5)       |
| <b>Total comprehensive income/ (expense) for the period</b>         | –                   | –                           | –                                | –                                  | (1.4)                              | –                    | 13.1                     | 11.7                                   | (10.4)                          | 1.3         |
| Impairment of share issues <sup>1</sup>                             | –                   | –                           | –                                | 3.3                                | –                                  | –                    | (3.3)                    | –                                      | –                               | –           |
| Share buybacks                                                      | –                   | –                           | –                                | (1.4)                              | –                                  | –                    | (16.0)                   | (17.4)                                 | –                               | (17.4)      |
| Share buybacks obligation satisfied                                 | –                   | –                           | –                                | –                                  | –                                  | –                    | 15.8                     | 15.8                                   | –                               | 15.8        |
| Share options and LTIP charge                                       | –                   | –                           | –                                | –                                  | –                                  | –                    | 0.6                      | 0.6                                    | –                               | 0.6         |
| Tax on employee share options                                       | –                   | –                           | –                                | –                                  | –                                  | –                    | 0.7                      | 0.7                                    | –                               | 0.7         |
| Repurchase of equity from dividend equivalent employee share awards | –                   | –                           | –                                | –                                  | –                                  | –                    | (0.5)                    | (0.5)                                  | –                               | (0.5)       |
| Increase in ownership interest in subsidiary (note 28)              | –                   | –                           | –                                | –                                  | –                                  | 19.6                 | (18.6)                   | 1.0                                    | (1.0)                           | –           |
| Equity dividends paid                                               | –                   | –                           | –                                | –                                  | –                                  | –                    | (44.3)                   | (44.3)                                 | –                               | (44.3)      |
| <b>At 29 December 2019</b>                                          | 2.4                 | 36.7                        | 0.5                              | (4.5)                              | (4.1)                              | (5.5)                | (55.1)                   | (29.6)                                 | (11.7)                          | (41.3)      |
| Change in accounting policy                                         | –                   | –                           | –                                | –                                  | –                                  | –                    | (2.5)                    | (2.5)                                  | –                               | (2.5)       |
| <b>Restated at 30 December 2019</b>                                 | 2.4                 | 36.7                        | 0.5                              | (4.5)                              | (4.1)                              | (5.5)                | (57.6)                   | (32.1)                                 | (11.7)                          | (43.8)      |
| Profit/(loss) for the period                                        | –                   | –                           | –                                | –                                  | –                                  | –                    | 41.1                     | 41.1                                   | (1.4)                           | 39.7        |
| Other comprehensive income/(expense) – exchange differences         | –                   | –                           | –                                | –                                  | (5.6)                              | –                    | –                        | (5.6)                                  | 0.4                             | (5.2)       |
| <b>Total comprehensive income/ (expense) for the period</b>         | –                   | –                           | –                                | –                                  | (5.6)                              | –                    | 41.1                     | 35.5                                   | (1.0)                           | 34.5        |
| Proceeds from share issues                                          | –                   | 12.9                        | –                                | 0.6                                | –                                  | –                    | –                        | 13.5                                   | –                               | 13.5        |
| Impairment of share issues <sup>1</sup>                             | –                   | –                           | –                                | 0.5                                | –                                  | –                    | (0.5)                    | –                                      | –                               | –           |
| Share options and LTIP charge                                       | –                   | –                           | –                                | –                                  | –                                  | –                    | 1.4                      | 1.4                                    | –                               | 1.4         |
| Tax on employee share options                                       | –                   | –                           | –                                | –                                  | –                                  | –                    | (0.1)                    | (0.1)                                  | –                               | (0.1)       |
| Increase in ownership interest in subsidiary (note 28)              | –                   | –                           | –                                | –                                  | –                                  | 2.4                  | (4.6)                    | (2.2)                                  | 2.2                             | –           |
| Disposal of interest in a subsidiary (note 28)                      | –                   | –                           | –                                | –                                  | –                                  | 3.1                  | (2.3)                    | 0.8                                    | 10.5                            | 11.3        |
| Equity dividends paid                                               | –                   | –                           | –                                | –                                  | –                                  | –                    | (25.6)                   | (25.6)                                 | –                               | (25.6)      |
| <b>At 27 December 2020</b>                                          | 2.4                 | 49.6                        | 0.5                              | (3.4)                              | (9.7)                              | –                    | (48.2)                   | (8.8)                                  | –                               | (8.8)       |

1. Impairment of share issues represents the difference between share allotments made pursuant to the Sharesave schemes and the Long Term Incentive Plan (note 29), and the original cost at which the shares were acquired as treasury shares into Capital reserve – own shares.

The notes on pages 151 to 216 are an integral part of these consolidated financial statements.

## GROUP CASH FLOW STATEMENT

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                               | Notes | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-------------------------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|
| <b>Cash flows from operating activities</b>                                   |       |                                          |                                          |
| <b>Profit/(loss) before interest and taxation</b>                             |       |                                          |                                          |
| – from continuing operations                                                  | 3     | 106.4                                    | 81.4                                     |
| – from discontinued operations                                                | 3     | (43.5)                                   | (56.2)                                   |
| Amortisation and depreciation                                                 | 5     | 20.0                                     | 18.8                                     |
| Impairment                                                                    | 5     | 30.7                                     | 54.6                                     |
| Profit on disposal of non-current assets                                      |       | –                                        | (0.5)                                    |
| Share of post-tax profits of associates and joint ventures                    | 18    | (9.0)                                    | (2.1)                                    |
| Loss on disposal of subsidiary                                                | 28    | 9.2                                      | –                                        |
| Net (gain)/loss on financial instruments at fair value through profit or loss |       | (8.4)                                    | 2.1                                      |
| (Decrease)/increase in provisions                                             |       | (1.6)                                    | 3.9                                      |
| Share option and LTIP charge                                                  |       | 1.4                                      | 0.6                                      |
| Revaluation of put option liability                                           | 7     | –                                        | (9.0)                                    |
| Decrease/(increase) in inventories                                            |       | 1.9                                      | (7.3)                                    |
| Decrease/(increase) in receivables                                            |       | 20.9                                     | (14.3)                                   |
| Increase in payables                                                          |       | 7.3                                      | 2.3                                      |
| <b>Cash generated from operations</b>                                         |       | <b>135.3</b>                             | <b>74.3</b>                              |
| UK corporation tax paid                                                       |       | (22.7)                                   | (13.1)                                   |
| Overseas corporation tax paid                                                 |       | (0.4)                                    | (1.0)                                    |
| <b>Net cash generated by operating activities</b>                             |       | <b>112.2</b>                             | <b>60.2</b>                              |
| <b>Cash flows from investing activities</b>                                   |       |                                          |                                          |
| Purchase of property, plant and equipment                                     |       | (11.6)                                   | (14.1)                                   |
| Purchase of intangible assets                                                 |       | (7.8)                                    | (9.3)                                    |
| Proceeds from sale of property, plant and equipment                           |       | –                                        | 1.6                                      |
| Consideration paid on disposal of subsidiary                                  | 28    | (6.4)                                    | –                                        |
| Investment in joint ventures and associates                                   | 18    | 0.8                                      | (1.5)                                    |
| Interest received                                                             |       | 1.0                                      | 0.6                                      |
| Other                                                                         | 30    | 6.2                                      | 0.2                                      |
| <b>Net cash used by investing activities</b>                                  |       | <b>(17.8)</b>                            | <b>(22.5)</b>                            |
| <b>Cash inflow before financing</b>                                           |       | <b>94.4</b>                              | <b>37.7</b>                              |

## GROUP CASH FLOW STATEMENT CONTINUED

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                     | Notes | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|---------------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|
| <b>Cash flows from financing activities</b>                         |       |                                          |                                          |
| Interest paid                                                       |       | (5.3)                                    | (6.3)                                    |
| Issue of Ordinary share capital                                     |       | 12.9                                     | –                                        |
| Share transactions                                                  | 30    | 0.5                                      | (17.4)                                   |
| Repurchase of equity from dividend equivalent employee share awards |       | –                                        | (0.5)                                    |
| New bank loans and facilities draw down                             |       | 205.0                                    | 186.0                                    |
| Repayment of borrowings                                             |       | (215.1)                                  | (160.9)                                  |
| Receipts on lease receivables                                       |       | 25.6                                     | –                                        |
| Repayment of lease liabilities                                      |       | (36.6)                                   | –                                        |
| Increase in ownership interest in a subsidiary                      |       | –                                        | (2.7)                                    |
| Equity dividends paid                                               | 13    | (25.6)                                   | (44.3)                                   |
| <b>Net cash used by financing activities</b>                        |       | <b>(38.6)</b>                            | <b>(46.1)</b>                            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         |       | <b>55.8</b>                              | <b>(8.4)</b>                             |
| Cash and cash equivalents at beginning of period                    |       | 16.0                                     | 24.8                                     |
| Foreign exchange loss on cash and cash equivalents                  |       | –                                        | (0.4)                                    |
| <b>Cash and cash equivalents at end of period</b>                   |       | <b>71.8</b>                              | <b>16.0</b>                              |

The cash flow statement has been prepared on a consolidated basis including continuing and discontinued operations. The cash split between continuing and discontinued operations is shown in note 20. The notes on pages 151 to 216 are an integral part of these consolidated financial statements.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

52 WEEKS ENDED 27 DECEMBER 2020

## 1. Authorisation of financial statements and statement of compliance with IFRS

The financial statements of the Group for the 52 weeks ended 27 December 2020 were authorised for issue by the Board of Directors on 8 March 2021 and the balance sheet was signed on the Board's behalf by Dominic Paul. The Company is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 03853545). The Company is domiciled in the United Kingdom and its registered address is 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB. The Company's Ordinary shares are listed on the Official List of the FCA and traded on the Main Market of the LSE.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, as they apply to the financial statements of the Group for the 52 week period ended 27 December 2020 and applied in accordance with the Companies Act 2006.

As permitted by section 408 of the Companies Act 2006, the income statement and the statement of comprehensive income of the parent company have not been separately presented in these financial statements.

The principal accounting policies adopted by the Group are set out in note 2.

## 2. Accounting policies

### a) Basis of preparation

The material accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 27 December 2020. These accounting policies have been applied consistently, other than where new policies have been adopted.

The Group financial statements are presented in sterling and are prepared using the historical cost basis with the exception of the other financial assets, investments held at fair value through profit or loss and contingent consideration which are measured at fair value in accordance with IFRS 13 Fair Value Measurement.

The Group has net liabilities of £8.8m (2019: £41.3m). The Group financial statements have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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 Ireland, and international markets, throughout the Covid-19 period. In the UK and Ireland sales growth has been strong throughout the year, especially over the initial lockdown period. This increase in sales growth has been offset with additional costs incurred in ensuring the Group continued to trade safely. Performance of the International operations has been mixed, however given the relative size does not cause a significant risk to the ongoing position of the Group from a going concern and cash flow perspective.

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, further Brexit related risks, general economic uncertainty and other risks, in line with the analysis performed for the viability statement as outlined in the Directors' report. 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. The Group has a £350.0m multicurrency syndicated revolving credit facility which matures in December 2023, and a net debt position of £171.8m.

The scenarios modelled are based on our current forecast projections out to the end of 2023. The first scenario considers the following risks:

- A downside impact of economic uncertainty and other sales related risks over the forecast period, reflected in sales performance, with a c.5% reduction in LFL sales compared to budget and the impact of no new store openings over the forecast period.
- A further reduction in sales of c.3% from 2022 to account for the potential impact of the public health debate.
- Future potential Covid-19 related risks, including a potential local outbreak within our SCCs impacting our ability to supply stores for a period of two weeks, further restrictions in the UK and Ireland leading to the temporary closure of 10% of our stores for four weeks and disruption to one of our key suppliers impacting our supply chain over a period of four weeks whilst alternate sourcing is secured.
- Future potential impacts of Brexit related tariffs without any pass through in pricing.
- The impact of retention of our International operations.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

The second scenario, considered severe but plausible, includes the economic impacts from scenario one and also includes the impact of fines from a potential wider data breach in 2021 as well as impacts of temporary failure of our online sales platform over two 24 hour periods during peak trading.

Reverse stress testing has also been performed, which is a materially worse scenario than the combinations described in the scenarios above, which concluded that the Group's currently agreed financing could only be breached if a highly unlikely combination of scenarios resulted in a material annual reduction in system sales greater than 26%.

In each of the 'severe but plausible' scenarios modelled, there remains significant cash headroom on the revolving credit facility. Under scenario one there remains sufficient headroom under the covenant requirements of the facility. If all the risks under scenario one and scenario two were to occur simultaneously, the Group would breach its leverage covenants. The Board has mitigation actions available in the form of an early exit from the investment in Daytona and delays of dividends and share buybacks which would prevent a breach. Based on this assessment, the Directors 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.

### b) Judgements

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

#### Treatment of National Advertising Fund

- 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 Group balance sheet (for details please see note 21);
- 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 Group to control the Funds. The Group 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 Group. This results in an increase to statutory revenue and administrative expenses of the Group. Revenue and cost of sales related to intercompany transactions from our corporate stores in the UK are eliminated in the Group result; and
- 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 and the cash flows relating to the Funds are included within 'Cash generated from operations' in the Group statement of cash flows due to the close interrelationship between the Funds and the trading operations of the Group.

#### Non-underlying items

- Judgement is required to determine that items are suitably classified as non-underlying and the values assigned are appropriate (as included in our non-GAAP performance measures policy). Non-underlying items relate to significant, in nature or amount, one-off costs, significant impairments of assets, together with fair value movements and other costs associated with acquisitions or disposals. These items have been considered by management to meet the definition of non-underlying items as defined by our accounting policy and are therefore shown separately within the financial statements. For details see note 7.

#### Treatment of master franchise agreements

- Master Franchise Agreements are held by the Group for the UK, Ireland, Switzerland, Iceland and Sweden. Management have treated these intangible assets as having indefinite lives due to the likelihood of renewal with Domino's Pizza Inc. ('DPI') beyond the current terms without significant cost which represents a significant judgement.

### Treatment of head leases and sub leases

- As set out in note 2 y), the Group holds both a head lease with the landlord, and a sub lease with a franchisee, for the majority of Domino's sites in the UK and Ireland. In the majority of cases terms agreed with landlords are mirrored in terms agreed with franchisees in a "back to back" sub-lease arrangement, but in certain cases the terms of sub-leases with franchisees do not mirror the head-lease with landlords. This results in a lease receivable for the Group as lessor and a lease liability for the Group as lessee, with interest income and expense recognised separately. This same treatment is applied where the current sub-lease does not cover substantially all of the right-of-use head-lease, if management judges that it is reasonably certain the sub-lease will be renewed to cover substantially all of the right-of-use head-lease. The contractual extension periods are within the SFA which each of the stores enter into, which relates solely to the property address. As the sub-lease and the SFA are entered into at the same time, the contracts have been linked for the purposes of assessing extension periods. This is considered a significant judgement as if the lease terms were not considered extended on the sub lease, the classification of the sub lease would be treated as an operating lease under IFRS 16 and therefore would alter the classification of amounts recognised under the lease.

### Historical share-based compensation arrangements

- Certain of the Group's historical share-based compensation arrangements dating from 2003-2010 involve a degree of estimation and judgement in respect of their employment tax treatment. HMRC issued protective assessments in respect of potential employment tax relating to these historical schemes but the Group received advice from its tax advisors reconfirming the support for the non-taxable accounting treatment. During 2017 the Group updated its legal advice following recent decisions by the Supreme Court concerning the taxation of historical remuneration structures. This was received in January 2018. As a result of this advice, which includes estimates of the Group's potential employment tax liabilities, a provision was recorded in the financial statements for the 53 weeks ended 31 December 2017 amounting to £11.0m, comprising £2.6m employers' national insurance contributions ('NIC'), and £8.4m employees' NIC and PAYE, including interest. These amounts are unchanged at 27 December 2020.
- There are numerous uncertainties involved in the calculation of the provision and until the matter has been agreed with HMRC and the beneficiaries, the net impact to the Group may differ materially from the current estimate. In calculating the quantum of the provision a number of significant judgements were made as follows:
  - (a) while the Company has not been approached by HMRC with a demand to pay any potential tax liabilities in respect of these historical schemes, HMRC have served protective assessments for £36.5m covering employer's NIC, employees' NIC and PAYE. Our latest legal advice suggests that the full amount covered by the protective assessments is unlikely to be payable as the amounts protected appear to have been determined by calculating tax both on the grant and vesting of the awards received by beneficiaries of the schemes;
  - (a) no further employment tax is due in respect of awards granted to beneficiaries in periods that have not been protected by HMRC and for which the period in which HMRC is entitled to raise an enquiry has expired; and
  - (a) the beneficiaries of the arrangements, which among others include the former Chair and certain former Directors and employees, have provided the Group with indemnities to repay to the Group an amount equivalent to their share of future tax liabilities should they crystallise and become payable by the Group to HMRC together with related interest. Based on the amount of employment tax currently provided, the amount estimated to be demanded from the beneficiaries under the terms of their indemnities equates to the £8.4m employees NIC and PAYE, calculated at the prevailing tax rates at the time, and related interest. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities. In view of the probable time scale and potential uncertainty of recovery of the amounts under indemnities from the beneficiaries, no contingent asset has been disclosed in the financial statements.
- We are working with advisors to determine an agreed course of action. When appropriate, the Company will engage with the beneficiaries with a view to recovering monies under the indemnities.

### Treatment of put and call option over German associate

- The Group has a 33.3% investment in Daytona JV Limited ('Daytona'), a UK incorporated company which owns the MFA for Domino's Germany. The book value of the investment in associate is £25.5m and the group report a loan receivable of £16.8m. The Group's interest is subject to a put and call option. The put option is exercisable from 1 January 2021, and the call option is exercisable from 1 January 2023. No value is recognised on the balance sheet of the Group or Company in relation to the options, as the exercise price, based on a price/earnings multiple, is considered to be at fair value, which has been assessed based on comparison to recent comparable transactions. Based on current available forecasts of EBITDA, we expect the exercise price of the option to be between £50m to £90m dependent on the timing of exercise. If the option exercise price was considered to be different to fair value, an asset or liability would be recognised.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

#### c) Key sources of estimation and assumption uncertainty

It is necessary for management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The following estimates are dependent upon assumptions which could change in the next financial year and have a significant risk of a material effect on the current carrying amounts of assets and liabilities recognised over the next financial year:

- management tests annually whether goodwill and indefinite life intangible assets have suffered any impairment through estimating the value in use or recoverable amount of the cash generating units to which they have been allocated. Key estimates and sensitivities for impairment of goodwill and indefinite life intangible assets are disclosed in note 14;
- the treatment of disposal groups held for sale requires valuation at the lower of carrying amount and fair value less costs to sell. Impairment reviews are therefore performed to assess the fair value less costs to sell of the disposal groups, which includes an estimation of potential sale proceeds. Key estimates associated with these valuations are disclosed in note 14;
- the Market Access Fee asset due from Domino's Pizza Enterprises Limited and the investment in Shorecal Limited has been categorised in Level 3 of the fair value hierarchy because their fair values are dependent on management assumptions. Further detail on the sources of estimation and assumption uncertainty regarding these instruments is provided in note 26; and
- 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, as detailed in note 29.

#### d) Basis of consolidation

The consolidated financial statements incorporate the results and net assets of the Company and its subsidiary undertakings drawn up on a 52 or 53 week basis to the Sunday on or before 31 December. The financial years presented ending 29 December 2019 and 27 December 2020 are both 52 week periods.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Profit or loss and each component of Other Comprehensive Income ('OCI') are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if this results in the non-controlling interests having a deficit balance, an assessment of recoverability is made. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### e) Interests in associates and joint ventures

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group has also entered into a number of contractual arrangements with other parties which represent joint ventures. These take the form of agreements to share control over other entities and share of rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence on joint control are similar to those necessary to determine control over subsidiaries. Where the joint venture is established through an interest in a company, the Group recognises its interest in the entities' assets and liabilities using the equity method of accounting.

## f) Foreign currencies

The functional currency of each company in the Group is that of the primary economic environment in which the entity operates. Transactions in other currencies are initially recorded in the functional currency by applying spot exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing on the same date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on translation are taken to the income statement, except for exchange differences arising on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and are taken directly to a translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## g) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses. The measurement of non-controlling interest is at the proportionate share of the acquiree's net identifiable assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

## h) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

### 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 Group operates. These are carried at cost less impairment and are treated as having indefinite useful lives.

### Standard franchise fees

Standard franchise fees are recognised at fair value on acquisition of the standard franchise for the area in which corporate stores operate. As reacquired rights the fees are amortised over the remaining contractual term over a period of five to ten years and are carried at amortised cost. Such franchise fees are recognised only on acquisition of businesses.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

#### h) Other intangible assets continued

##### 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 programs are capitalised to the extent that costs can be separately identified and attributed to particular software programs, 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 10 years.

##### Capitalised loan discounts

The Group 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 which is 10 years.

The carrying value of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

#### i) Property, plant and equipment

Assets under construction are 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 Group 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 the income statement 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                                                  |
| • Leasehold improvements        | Over the lower of the life of the lease or the life of the asset |
| • Fixtures and fittings         | Over 3 to 10 years                                               |
| • Supply chain centre equipment | Over 3 to 30 years                                               |
| • Store equipment               | Over 5 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 10 years or more and fixtures and fittings between five to 10 years.

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.

#### j) Leases

##### Leasing operations of the Group

The Group is a lessee for a majority of Domino's Pizza stores in the UK and Ireland occupied by franchisees, our corporate stores together with certain warehouses and head office properties, and various equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### The Group as a Lessee

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

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

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

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

The methodology for calculating the discount rate incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Group) and an asset class adjustment (reflecting the variation risk between asset categories). The discount rates determined for property leases are between 4.9% and 7.9%, and for equipment leases are between 3.0% and 6.0%, dependent on the asset location and nature.

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

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

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

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

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

### The Group as Lessor

The Group holds both a head lease with the landlord, and a sub-lease with a franchisee, for the majority of Domino's sites in the UK and Ireland. The Group accounts for the head-lease and the sub-leases separately as two separate contracts. The sublease is classified either as a long term lease or short term lease by reference to the right of use asset arising from the head-lease. For leases to franchisees over freehold property held by the Group, these are recorded as short term leases.

In the majority of cases terms agreed with landlords are mirrored in terms agreed with franchisees in a "back to back" sub-lease arrangement, but in certain cases the terms of sub-leases with franchisees do not mirror the head-lease with landlords. Where the sub-lease covers substantially all of the right-of-use head-lease, the right of use asset the Group would recognise as lessee is derecognised and replaced by a lease receivable from the franchisee sub-lease, with interest income recognised in the income statement and depreciation of a right-of-use asset as lessee no longer recorded. This results in a lease receivable for the Group as lessor and a lease liability for the Group as lessee, with interest income and expense recognised separately. This same treatment is applied where the current sub-lease does not cover substantially all of the right-of-use head-lease, if management judges that it is reasonably certain the sub-lease will be renewed to cover substantially all of the right-of-use head-lease. The contractual extension periods are within the SFA which each of the stores enter, which relates solely to the property address. As the sub-lease and the SFA are entered into at the same time, the contracts have been linked for the purposes of assessing extension periods.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

#### j) Leases continued

##### Modifications to leases

The Group remeasures the lease liability and lease receivable whenever:

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

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

#### k) Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as unquoted financial assets, and significant liabilities, such as contingent consideration dependent on the complexity of the calculation. Involvement of external valuers is determined annually by management after discussion with and approval by the Group's Audit Committee.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts, other relevant documents or estimates determined by management.

Management, in conjunction with the Group's external valuers as necessary, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

## I) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### I (i) Financial assets

#### Initial recognition and measurement

At initial recognition financial assets are measured at amortised cost, fair value through OCI, and fair value through the income statement.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ('SPPI')' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, deferred consideration and loans to franchisees.

Trade receivables, which generally have seven to 28-day terms, are recognised and carried at their original invoiced value net of an impairment provision of expected credit losses calculated on historic default rates. Balances are written off when the probability of recovery is considered remote.

The Group provides interest-free loans to assist franchisees in the opening of new stores. These are initially recorded at fair value, with the difference to the cash advanced capitalised as an intangible asset.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

#### I) Financial instruments – initial recognition and subsequent measurement continued

##### I (i) Financial assets continued

###### Financial assets at fair value through profit or loss

The Market Access Fee is classified as an other financial asset, initially recognised and subsequently measured at fair value, with changes in fair value recognised in the income statement as other income. Associated foreign exchange gains and losses and the interest income are recognised in the income statement as finance income or expense.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### Impairment of financial assets

The Group recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, contract assets and lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### I (ii) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and other financial instruments.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

#### Gains or losses on liabilities held for trading are recognised in the income statement

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through the income statement.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 22.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

#### 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 Group incurs.

#### m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

## **NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

### **2. Accounting policies continued**

#### **n) 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.

#### **o) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

#### **p) 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- 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.

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, with the following exceptions:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 Group 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.

#### q) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the obligation and where the amount of the obligation can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows if the impact of discounting at a pre-tax rate is material.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

#### r) Pensions

The Group 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 Group has no further payment obligations once the contributions have been paid.

#### s) Capital reserve – own shares

DPG shares held by the Company and its Employee Benefit Trust ('EBT') are classified in shareholders' equity as 'Capital reserve – own shares' and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares.

#### t) Revenue

The Group's revenue arises from the sale of products and services to franchisees, the charging of royalties, fees and rent to franchisees, and from the sale of goods to consumers from corporate stores.

##### 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 Group 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 counts or a 'Change of Hands' fee when the Group grants consent to a franchisee to sell stores to a third party. 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 or on completion of sale of one or more stores to a third party, as this is the point at which all performance obligations have been satisfied.

In addition to royalties and franchise fees, franchisees contribute a percentage of their system sales to the NAF and eCommerce Fund managed by the Group. The purpose of these Funds is to build both system and store sales through increased public recognition of the Domino's Pizza brand and the development of eCommerce platforms. In assessing the nature of these contributions received by the Groups, the performance obligations stated under franchise agreements with franchisees have been considered. For the NAF contributions received, the Group is obliged to provide national advertising and marketing services. For eCommerce contributions received, the Group is obliged to develop and maintain eCommerce platforms, and provide other ancillary services to franchisees, such as merchant credit card services. These performance obligations are considered to constitute a revenue stream, and the contributions received by the Group are therefore recognised as revenue. Revenue recognition is measured on an input basis as the costs of providing the obliged services are incurred. The Group is obliged to provide the services on a break-even basis, such that the Funds do not retain a long-term surplus or deficit. As such, the level of revenue and costs recognised in respect of fulfilling NAF and eCommerce performance obligations are equal. Any timing differences between contributions received and costs incurred are held as a contract asset or liability on the balance sheet. As both the NAF and eCommerce arrangements fall under the same franchise agreement with franchisees, the Funds are not separated and are held on a net basis, either within trade and other receivables or trade and other payables.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

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### 2. Accounting policies continued

#### t) Revenue continued

##### Corporate store sales

Contracts with customers for the sale of products to end consumers include one performance obligation. The Group 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 consumer, which is the point of delivery or collection. Revenue is measured at the menu price less any discounts offered.

##### Rental income on short term leasehold and freehold property

Rental income arising from leases treated as short term and freehold properties are recognised on a straight-line basis in accordance with the lease terms. Deferred income comprises lease premiums and rental payments. Rental payments are deferred and recognised on a straight-line basis over the period which it relates.

#### u) Share-based payments

The Group 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 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 the corresponding increase in equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

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 where 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.

#### v) Discontinued operations and assets held for sale

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly separated from the rest of the Group and which represents a separate major line of business or geographic operation, is part of a single co-ordinated plan to dispose of a separate major line of business or operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs at the earlier of the date of disposal or when the operation meets the criteria to be classified as held for sale. Comparatives are re-presented accordingly.

Non-current assets or disposal groups are classified as held for sale if it is highly probable that they will be recovered through sale as opposed to continuing use. These are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses are recognised in the income statement.

#### w) Non-GAAP performance measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. The Group believes that these additional measures, which are used internally, are useful to the users of the financial statements in helping them understand the underlying business performance, as defined in the key performance indicators section of the Strategic Report.

The principal non-GAAP measures the Group uses are underlying profit before interest and tax, underlying profit before tax, underlying profit, underlying earnings per share and system sales. Underlying measures remove the impact of non-underlying items from earnings and are reconciled to statutory measures; system sales measure the performance of the overall business, as defined in the key performance indicators section of the strategic report.

These measures are used internally in setting performance-related remuneration and used by the Board in assessing performance and strategic direction using a comparable basis. In the current year no costs associated with Covid-19 or Brexit have been included in non-underlying measures.

While the disclosure of non-underlying items and system sales is not required by IFRS, these items are separately disclosed either as memorandum information on the face of the income statement and in the segmental analysis, or in the notes to the financial statements as appropriate. Non-underlying items include significant non-recurring items, disposal activity or items directly related to merger and acquisition activity and related instruments. These items are not considered to be underlying by management due to quantum and nature. Factors considered include items that are non-recurring, not part of the ordinary course of business or reduce understandability of business performance. For a detailed description of items see note 7.

#### x) New standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

|                                                                  | Effective for periods<br>beginning on or after: |
|------------------------------------------------------------------|-------------------------------------------------|
| <b>International Financial Reporting Standards ('IFRSs')</b>     |                                                 |
| Definition of a Business – Amendments to IFRS 3                  | 1 January 2020                                  |
| Interest Rate Benchmark Reform – Amendments to IFRS 7 and IFRS 9 | 1 January 2020                                  |
| <b>International Accounting Standards ('IAS')</b>                |                                                 |
| Definition of Material – Amendments to IAS 1 and IAS 8           | 1 January 2020                                  |
| Interest Rate Benchmark Reform – Amendments to IAS 39            | 1 January 2020                                  |
| Revised Conceptual Framework for Financial Reporting             | 1 January 2020                                  |

Other than IFRS 16 Leases, for which further information is provided below, none of the above standards are expected to have a material impact on the Group financial statements on application.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2. Accounting policies continued

#### y) New standards IFRS 16 Leases transition

The Group has adopted IFRS 16 Leases from 30 December 2019, the first day of the 52 week financial period ending 27 December 2020.

IFRS 16 replaces IAS 17, and provides a single lease accounting model. For leases where the Group is a lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases. Right-of-use assets and lease liabilities are recognised, with the depreciation of right-of-use assets presented separately from the unwinding of discount on lease liabilities. For leases where the Group is lessor and the freehold is also held within the Group, rental income continues to be recognised as before.

The Group holds both a head lease with the landlord, and a sub-lease with a franchisee, for the majority of Domino's sites in the UK and Ireland. In the majority of cases terms agreed with landlords are mirrored in terms agreed with franchisees in a "back-to-back" sub-lease arrangement, but in certain cases the terms of sub-leases with franchisees do not mirror the head-lease with landlords. Where the sub-lease covers substantially all of the right-of-use head-lease, the right of use asset the Group would usually recognise as lessee is derecognised and replaced by a lease receivable from the franchisee sub-lease, with interest income recognised in the income statement and depreciation of a right-of-use asset as lessee no longer recorded. This results in a lease receivable for the Group as lessor and a lease liability for the Group as lessee, with interest income and expense recognised separately. This same treatment is applied where the current sub-lease does not cover substantially all of the right-of-use head-lease, if management judges that it is reasonably certain the sub-lease will be renewed to cover substantially all of the right-of-use head-lease. The contractual extension periods are within the SFA which each of the stores enter into, which relates solely to the property address. As the sub-lease and the SFA are entered into at the same time, the contracts have been linked for the purposes of assessing extension periods.

The Group performed an impact assessment of adopting IFRS 16, which involved collating information on lease obligations and contractual arrangements across the Group. This data was then used to compare the impact of the new standard under its different transitional options.

The Group decided to select the modified retrospective approach to transition. The Group has elected to apply the transition exemptions proposed by IFRS 16 for leases of low value assets. For certain right-of-use asset categories, primarily our equipment leases, the Group has also elected to apply the transition exemptions for leases with terms ending within 12 months of the date of initial application.

Under the modified retrospective approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 30 December 2019. There are two options for measuring right-of-use assets under the modified retrospective approach: by measuring the asset as if IFRS 16 had been applied since lease commencement; or by measuring the asset at an amount equal to the lease liability on the date of transition, adjusted by the amount of any prepaid or accrued lease payments. The Group has elected to measure the asset at an amount equal to the lease liability on the date of transition.

A methodology for determining incremental borrowing rates has been developed in order to calculate lease liabilities under IFRS 16. This methodology incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Group) and an asset class adjustment (reflecting the variation risk between asset categories). The discount rates determined for property leases are between 4.9% and 7.9%, and for equipment leases are between 3.0% and 6.0%, dependent on the asset location and nature.

The transitional impact on the balance sheet as at 30 December 2019 is as follows:

|                                 | £m      |
|---------------------------------|---------|
| <b>Assets</b>                   |         |
| Lease receivables               | 207.4   |
| Lease right-of-use assets       | 19.6    |
| Prepayments and deferred income | (20.0)  |
| <b>Liabilities</b>              |         |
| Lease liabilities               | (228.7) |
| Provisions                      | 1.6     |
| Accruals and deferred income    | 17.1    |
| Net deferred tax liabilities    | 0.5     |
| Net impact on equity            | (2.5)   |

The impact on the income statement from continuing operations is as follows:

|                                                                   | 52 weeks ended<br>27 December<br>2020<br>£m |
|-------------------------------------------------------------------|---------------------------------------------|
| Depreciation expense as reported under IFRS 16                    | (6.2)                                       |
| Amortisation no longer recognised under IFRS 16                   | 0.5                                         |
| Net operating lease expense derecognised as reported under IAS 17 | 7.9                                         |
| <b>Net impact on profit before interest and tax</b>               | <b>2.2</b>                                  |
| Finance income                                                    | 12.8                                        |
| Finance costs                                                     | (14.3)                                      |
| Net finance costs impact                                          | (1.5)                                       |
| <b>Impact on profit before tax</b>                                | <b>0.7</b>                                  |
| Income tax expense                                                | –                                           |
| <b>Impact on profit after tax</b>                                 | <b>0.7</b>                                  |

Under IFRS 16, the Group's profit before interest and tax has increased, while its net finance costs have also increased, leading to an overall net increase in profit before tax.

Under the transition approach selected, comparative information in the income statement has not been restated. We estimate the impact on the 2019 results to be broadly consistent with the impact in 2020.

Earnings per share includes the impact of IFRS 16 in the current period. This has increased underlying basic EPS measures for continuing operations, by 0.1p and underlying diluted EPS for continuing operations by 0.1p. On a statutory basis from continuing operations, basic EPS has increased by 0.2p, and diluted EPS by 0.2p. Including both continuing and discontinued operations, basic EPS has been increased by 0.2p and the diluted EPS has increased by 0.1p.

## **NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

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### **2. Accounting policies continued**

#### **y) New standards IFRS 16 Leases transition continued**

Under IFRS 16, the Group's net debt and cash flow statement are impacted as follows:

- Depreciation of right-of-use assets is added back to operating profit to arrive at operating cash flows, which increases the Group's EBITDA.
- Lease liabilities are treated as financial liabilities however are not included in net debt.
- Payment of the principal amount of leases and receipts on lease receivables are treated as financing cash flows within the cash flow statement.
- In the free cash flow, EBITDA is presented including the impact of IFRS 16, and the lease payments and receipts on lease receivables are included in the free cash flow.

In applying IFRS 16 for the first time, the group has used the following practical expedients:

- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of right-of-use assets on initial application.
- The use of a single discount rate to a portfolio of leases with characteristics which are reasonably similar.
- The accounting for leases with a remaining lease term of less than 12 months at the date of transition as short-term leases where these leases are unlikely to be renewed on a case-by-case basis.

In the year ended 29 December 2019, the Group disclosed minimum lease commitments under IAS 17 of £360.9m. Of this amount, £332.8m related to our continuing businesses. The difference between the lease liability recognised on transition of £228.7m is primarily relating to discounting of the lease obligations.

In order to provide comparability, the Net Debt to EBITDA multiples used in the free cash flow do not include the EBITDA benefit of IFRS 16. The Net Debt to EBITDA ratio for covenant testing purposes for the Group's revolving credit facility remains on a frozen GAAP basis.

### 3. Segmental information

For management purposes, the Group is organised into two geographical business units based on the operating models of the regions: the UK & Ireland operating more mature markets with a franchise model, limited corporate stores and investments held in our franchisees, compared to International whose markets are at an earlier stage of development and which operate predominantly as corporate stores. The International segment includes Switzerland, Germany, Iceland, Norway and Sweden. These are considered to be the Group's operating segments as the information provided to the Executive Directors of the Board, who are considered to be the chief operating decision makers, is based on these territories. Revenue included in each includes all sales made to franchise stores (royalties, sales to franchisees and rental income) and by corporate stores located in that segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before interest and tax.

The International operations in Sweden, Switzerland, Iceland and Norway (up to disposal date) which are held as discontinued under IFRS 5: Non-current assets held for sale and discontinued operations, are presented as a separate segment. During the year, the Board continued to monitor the trading performance of the businesses and therefore are still considered an operating segment. The results of the German associate remain in continuing results and therefore are presented separated.

Unallocated assets include cash and cash equivalents and taxation assets. Unallocated liabilities include the bank revolving facility and taxation liabilities.

|                                | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|--------------------------------|---------------------------|---------------------------|
| Current tax assets             | 3.2                       | –                         |
| Cash and cash equivalents      | 71.8                      | 11.1                      |
| <b>Unallocated assets</b>      | <b>75.0</b>               | <b>11.1</b>               |
| Current tax liabilities        | 0.8                       | 5.8                       |
| Deferred tax liabilities       | 6.0                       | 1.1                       |
| Bank revolving facility        | 243.6                     | 248.1                     |
| <b>Unallocated liabilities</b> | <b>250.4</b>              | <b>255.0</b>              |

#### Segment assets and liabilities

|                                             | 52 weeks ended 27 December 2020 |                                     |                                       |              | 52 weeks ended 29 December 2019 |                                     |                                       |              |
|---------------------------------------------|---------------------------------|-------------------------------------|---------------------------------------|--------------|---------------------------------|-------------------------------------|---------------------------------------|--------------|
|                                             | UK & Ireland<br>£m              | International<br>– continuing<br>£m | International<br>– discontinued<br>£m | Total<br>£m  | UK & Ireland<br>£m              | International<br>– continuing<br>£m | International<br>– discontinued<br>£m | Total<br>£m  |
| <b>Segment assets</b>                       |                                 |                                     |                                       |              |                                 |                                     |                                       |              |
| Segment current assets                      | 62.5                            | –                                   | 29.6                                  | 92.1         | 75.0                            | –                                   | 55.7                                  | 130.7        |
| Segment non-current assets                  | 373.4                           | –                                   | –                                     | 373.4        | 169.2                           | –                                   | –                                     | 169.2        |
| Investment in associates and joint ventures | 13.9                            | 25.5                                | –                                     | 39.4         | 11.5                            | 20.9                                | –                                     | 32.4         |
| Investments                                 | 12.3                            | –                                   | –                                     | 12.3         | 10.5                            | –                                   | –                                     | 10.5         |
| <b>Unallocated assets</b>                   |                                 |                                     |                                       | <b>75.0</b>  |                                 |                                     |                                       | <b>11.1</b>  |
| <b>Total assets</b>                         |                                 |                                     |                                       | <b>592.2</b> |                                 |                                     |                                       | <b>353.9</b> |
| <b>Segment liabilities</b>                  |                                 |                                     |                                       |              |                                 |                                     |                                       |              |
| Liabilities                                 | 329.5                           | –                                   | 21.1                                  | 350.6        | 112.3                           | –                                   | 27.9                                  | 140.2        |
| <b>Unallocated liabilities</b>              |                                 |                                     |                                       | <b>250.4</b> |                                 |                                     |                                       | <b>255.0</b> |
| <b>Total liabilities</b>                    |                                 |                                     |                                       | <b>601.0</b> |                                 |                                     |                                       | <b>395.2</b> |

Current assets and liabilities in the International segment include the assets and liabilities of the disposal groups held for sale.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 3. Segmental information continued

#### Segmental performance 2020

|                                                                | UK & Ireland<br>£m | International<br>– continuing<br>£m | Total<br>underlying<br>£m | Non-<br>underlying<br>£m | Total<br>reported<br>£m | International –<br>discontinued<br>£m | Total<br>including<br>discontinued<br>operations<br>£m |
|----------------------------------------------------------------|--------------------|-------------------------------------|---------------------------|--------------------------|-------------------------|---------------------------------------|--------------------------------------------------------|
| <b>Revenue</b>                                                 |                    |                                     |                           |                          |                         |                                       |                                                        |
| Sales to external customers                                    | 505.1              | –                                   | 505.1                     | –                        | 505.1                   | 69.9                                  | 575.0                                                  |
| <b>Segment revenue</b>                                         | <b>505.1</b>       | <b>–</b>                            | <b>505.1</b>              | <b>–</b>                 | <b>505.1</b>            | <b>69.9</b>                           | <b>575.0</b>                                           |
| <b>Results</b>                                                 |                    |                                     |                           |                          |                         |                                       |                                                        |
| Underlying segment result before associates and joint ventures | 98.2               | –                                   | 98.2                      | –                        | 98.2                    | (10.1)                                | 88.1                                                   |
| Share of profit of associates and joint ventures               | 4.8                | 4.7                                 | 9.5                       | –                        | 9.5                     | –                                     | 9.5                                                    |
| <b>Segment result</b>                                          | <b>103.0</b>       | <b>4.7</b>                          | <b>107.7</b>              | <b>–</b>                 | <b>107.7</b>            | <b>(10.1)</b>                         | <b>97.6</b>                                            |
| Other non-underlying items                                     | –                  | –                                   | –                         | (9.7)                    | (9.7)                   | (33.4)                                | (43.1)                                                 |
| Other income                                                   | 1.3                | –                                   | 1.3                       | 7.1                      | 8.4                     | –                                     | 8.4                                                    |
| <b>Profit/(loss) before interest and taxation</b>              | <b>104.3</b>       | <b>4.7</b>                          | <b>109.0</b>              | <b>(2.6)</b>             | <b>106.4</b>            | <b>(43.5)</b>                         | <b>62.9</b>                                            |
| Net finance costs                                              | (7.8)              | –                                   | (7.8)                     | 0.3                      | (7.5)                   | (0.7)                                 | (8.2)                                                  |
| <b>Profit/(loss) before taxation</b>                           | <b>96.5</b>        | <b>4.7</b>                          | <b>101.2</b>              | <b>(2.3)</b>             | <b>98.9</b>             | <b>(44.2)</b>                         | <b>54.7</b>                                            |
| Taxation                                                       | (16.9)             | –                                   | (16.9)                    | 0.2                      | (16.7)                  | 1.7                                   | (15.0)                                                 |
| <b>Profit/(loss) for the year</b>                              | <b>79.6</b>        | <b>4.7</b>                          | <b>84.3</b>               | <b>(2.1)</b>             | <b>82.2</b>             | <b>(42.5)</b>                         | <b>39.7</b>                                            |
| Effective tax rate                                             | 17.5%              | –                                   | 16.7%                     | 8.7%                     | 16.9%                   | 3.8%                                  | 27.4%                                                  |
| <b>Other segment information</b>                               |                    |                                     |                           |                          |                         |                                       |                                                        |
| – Depreciation                                                 | 11.5               | –                                   | 11.5                      | –                        | 11.5                    | 2.9                                   | 14.4                                                   |
| – Amortisation                                                 | 4.5                | –                                   | 4.5                       | 1.1                      | 5.6                     | –                                     | 5.6                                                    |
| – Impairment                                                   | 0.5                | –                                   | 0.5                       | 4.6                      | 5.1                     | 25.6                                  | 30.7                                                   |
| <b>Total depreciation, amortisation and impairment</b>         | <b>16.5</b>        | <b>–</b>                            | <b>16.5</b>               | <b>5.7</b>               | <b>22.2</b>             | <b>28.5</b>                           | <b>50.7</b>                                            |
| EBITDA                                                         | 120.8              | 4.7                                 | 125.5                     | 3.1                      | 128.6                   | (15.0)                                | 113.6                                                  |
| Underlying EBITDA                                              | 120.8              | 4.7                                 | 125.5                     | –                        | 125.5                   | (4.2)                                 | 121.3                                                  |
| Capital expenditure                                            | 16.9               | –                                   | 16.9                      | –                        | 16.9                    | 2.5                                   | 19.4                                                   |
| Share-based payment charge                                     | 1.4                | –                                   | 1.4                       | –                        | 1.4                     | –                                     | 1.4                                                    |
| <b>Revenue disclosures</b>                                     |                    |                                     |                           |                          |                         |                                       |                                                        |
| Royalties, franchise fees and change of hands fees             | 70.2               | –                                   | 70.2                      | –                        | 70.2                    | 0.3                                   | 70.5                                                   |
| Sales to franchisees                                           | 347.9              | –                                   | 347.9                     | –                        | 347.9                   | 1.2                                   | 349.1                                                  |
| Corporate store income                                         | 32.2               | –                                   | 32.2                      | –                        | 32.2                    | 68.3                                  | 100.5                                                  |
| Rental income on leasehold and freehold property               | 0.6                | –                                   | 0.6                       | –                        | 0.6                     | –                                     | 0.6                                                    |
| National Advertising and eCommerce income                      | 54.2               | –                                   | 54.2                      | –                        | 54.2                    | 0.1                                   | 54.3                                                   |
| <b>Total segment revenue</b>                                   | <b>505.1</b>       | <b>–</b>                            | <b>505.1</b>              | <b>–</b>                 | <b>505.1</b>            | <b>69.9</b>                           | <b>575.0</b>                                           |

#### Major customers and revenue by destination

Revenue from two franchisees individually totalled £95.9m (2019: £99.5m) and £83.7m (2019: £91.2m), within sales reported in the UK & Ireland segment. Revenue in the current year has been reduced due to the treatment of lease revenue receivable under IFRS 16, which eliminates the revenue recognised for property lease income from these customers.

Analysed by origin, revenue from the UK was £478.3m (2019: £480.6m), with other significant countries being Ireland with revenue of £26.8m (2019: £27.7m), Norway with revenue of £9.4m (2019: £30.1m), Iceland with revenue of £30.5m (2019: £36.6m), Sweden with revenue of £7.8m (2019: £5.2m) and Switzerland with revenue of £22.2m (2019: £20.6m).

### Segmental performance 2019

|                                                                | UK & Ireland<br>£m | International – continuing<br>£m | Total underlying<br>£m | Non-underlying<br>£m | Total reported<br>£m | International – discontinued<br>£m | Total including discontinued operations<br>£m |
|----------------------------------------------------------------|--------------------|----------------------------------|------------------------|----------------------|----------------------|------------------------------------|-----------------------------------------------|
| <b>Revenue</b>                                                 |                    |                                  |                        |                      |                      |                                    |                                               |
| Sales to external customers                                    | 508.3              | –                                | 508.3                  | –                    | 508.3                | 92.5                               | 600.8                                         |
| <b>Segment revenue</b>                                         | 508.3              | –                                | 508.3                  | –                    | 508.3                | 92.5                               | 600.8                                         |
| <b>Results</b>                                                 |                    |                                  |                        |                      |                      |                                    |                                               |
| Underlying segment result before associates and joint ventures | 100.4              | –                                | 100.4                  | –                    | 100.4                | (20.8)                             | 79.6                                          |
| Share of profit of associates and joint ventures               | 2.0                | 2.9                              | 4.9                    | –                    | 4.9                  | –                                  | 4.9                                           |
| <b>Segment result</b>                                          | 102.4              | 2.9                              | 105.3                  | –                    | 105.3                | (20.8)                             | 84.5                                          |
| Other non-underlying items                                     | –                  | –                                | –                      | (33.1)               | (33.1)               | (35.4)                             | (68.5)                                        |
| Other income                                                   | –                  | –                                | –                      | 9.2                  | 9.2                  | –                                  | 9.2                                           |
| <b>Profit/(loss) before interest and taxation</b>              | 102.4              | 2.9                              | 105.3                  | (23.9)               | 81.4                 | (56.2)                             | 25.2                                          |
| Net finance costs                                              | (6.5)              | –                                | (6.5)                  | 0.2                  | (6.3)                | –                                  | (6.3)                                         |
| <b>Profit/(loss) before taxation</b>                           | 95.9               | 2.9                              | 98.8                   | (23.7)               | 75.1                 | (56.2)                             | 18.9                                          |
| Taxation                                                       | (17.7)             | –                                | (17.7)                 | 1.9                  | (15.8)               | (0.3)                              | (16.1)                                        |
| <b>Profit/(loss) for the year</b>                              | 78.2               | 2.9                              | 81.1                   | (21.8)               | 59.3                 | (56.5)                             | 2.8                                           |
| Effective tax rate                                             | 18.5%              | –                                | 17.9%                  | 8.0%                 | 21.0%                | (0.5)%                             | 85.2%                                         |
| <b>Other segment information</b>                               |                    |                                  |                        |                      |                      |                                    |                                               |
| – Depreciation                                                 | 5.2                | –                                | 5.2                    | –                    | 5.2                  | 5.6                                | 10.8                                          |
| – Amortisation                                                 | 5.8                | –                                | 5.8                    | 2.2                  | 8.0                  | –                                  | 8.0                                           |
| – Impairment                                                   | 0.7                | –                                | 0.7                    | 18.7                 | 19.4                 | 35.2                               | 54.6                                          |
| <b>Total depreciation, amortisation and impairment</b>         | 11.7               | –                                | 11.7                   | 20.9                 | 32.6                 | 40.8                               | 73.4                                          |
| EBITDA                                                         | 114.1              | 2.9                              | 117.0                  | (3.0)                | 114.0                | (15.4)                             | 98.6                                          |
| Underlying EBITDA                                              | 114.1              | 2.9                              | 117.0                  | –                    | 117.0                | (15.2)                             | 101.8                                         |
| Capital expenditure                                            | 15.0               | –                                | 15.0                   | –                    | 15.0                 | 8.4                                | 23.4                                          |
| Share-based payment charge                                     | 0.6                | –                                | 0.6                    | –                    | 0.6                  | –                                  | 0.6                                           |
| <b>Revenue disclosures</b>                                     |                    |                                  |                        |                      |                      |                                    |                                               |
| Royalties, franchise fees and change of hands fees             | 63.0               | –                                | 63.0                   | –                    | 63.0                 | 0.5                                | 63.5                                          |
| Sales to franchisees                                           | 333.3              | –                                | 333.3                  | –                    | 333.3                | 1.4                                | 334.7                                         |
| Corporate store income                                         | 32.1               | –                                | 32.1                   | –                    | 32.1                 | 90.4                               | 122.5                                         |
| Rental income on leasehold and freehold property               | 25.1               | –                                | 25.1                   | –                    | 25.1                 | –                                  | 25.1                                          |
| National Advertising and eCommerce income                      | 54.8               | –                                | 54.8                   | –                    | 54.8                 | 0.2                                | 55.0                                          |
| <b>Total segment revenue</b>                                   | 508.3              | –                                | 508.3                  | –                    | 508.3                | 92.5                               | 600.8                                         |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 4. Discontinued operations

Discontinued operations consist of the International business disposal groups, consisting of the operations in Sweden, Switzerland, Iceland and Norway. The operation in Norway was disposed during the period, see note 28, and is included in the result up to disposal date. The remaining operations have each been classified based on the current status of the disposals, as set out in the Strategic Report. The operations meet the criteria in IFRS 5: Non-current assets held for sale and discontinued operations to be classified as assets held-for-sale. The operations additionally meet the criteria for discontinued operations under the standard. They are classified as held-for-sale and represent a separate major line of business and part of a single co-ordinated plan to dispose.

Items related to these businesses are classified in discontinued operations, except for the movements in equity put options of Norway and Sweden which are considered to be a Group liability and intercompany finance costs which offset against UK intercompany finance income.

International central costs have been included in the discontinued operations and relate to the costs incurred by the Group in management activities and other services for the discontinued operations, which are not considered to be continuing costs for the Group.

The result of the disposal groups classified as discontinued operations are as follows:

|                                   | 52 weeks ended 27 December 2020 |                            |                                                 | 52 weeks ended 29 December 2019 |                            |                                                 |
|-----------------------------------|---------------------------------|----------------------------|-------------------------------------------------|---------------------------------|----------------------------|-------------------------------------------------|
|                                   | Total trading result<br>£m      | Non-underlying costs<br>£m | Total result from discontinued operations<br>£m | Total trading result<br>£m      | Non-underlying costs<br>£m | Total result from discontinued operations<br>£m |
| Revenue                           | 69.9                            | –                          | 69.9                                            | 92.5                            | –                          | 92.5                                            |
| Cost of sales                     | (55.5)                          | –                          | (55.5)                                          | (71.7)                          | –                          | (71.7)                                          |
| Gross profit                      | 14.4                            | –                          | 14.4                                            | 20.8                            | –                          | 20.8                                            |
| Distribution costs                | (0.8)                           | –                          | (0.8)                                           | (0.8)                           | –                          | (0.8)                                           |
| Administrative costs              | (23.7)                          | (24.2)                     | (47.9)                                          | (40.8)                          | –                          | (40.8)                                          |
| Other expenses                    | –                               | (9.2)                      | (9.2)                                           | –                               | (35.4)                     | (35.4)                                          |
| Loss before interest and taxation | (10.1)                          | (33.4)                     | (43.5)                                          | (20.8)                          | (35.4)                     | (56.2)                                          |
| Finance costs                     | (0.7)                           | –                          | (0.7)                                           | –                               | –                          | –                                               |
| Loss before taxation              | (10.8)                          | (33.4)                     | (44.2)                                          | (20.8)                          | (35.4)                     | (56.2)                                          |
| Taxation                          | (0.7)                           | 2.4                        | 1.7                                             | (0.3)                           | –                          | (0.3)                                           |
| Loss for the period               | (11.5)                          | (31.0)                     | (42.5)                                          | (21.1)                          | (35.4)                     | (56.5)                                          |

### Segmental result by country

| Segmental result                | Iceland<br>£m | Switzerland<br>£m | Norway<br>£m | Sweden<br>£m | International central costs<br>£m | Total trading result<br>£m |
|---------------------------------|---------------|-------------------|--------------|--------------|-----------------------------------|----------------------------|
| 52 weeks ended 27 December 2020 | 0.6           | (1.5)             | (3.3)        | (4.5)        | (1.4)                             | (10.1)                     |
| 52 weeks ended 29 December 2019 | 1.7           | (5.4)             | (11.3)       | (4.0)        | (1.8)                             | (20.8)                     |

### Non-underlying costs presented in discontinued operations

In the 52 weeks ended 27 December 2020, non-underlying costs presented in discontinued operations relate to the disposal of Norway as well as impairments of International operations. The cost of disposal of Norway consisted of £9.2m loss on disposal, after accounting for the net assets disposed, minority interest and foreign exchange recycled and consideration paid, as set out in Note 28. Non-underlying costs also includes £1.6m of professional fees associated with the disposal of Norway. Impairments of International operations recorded in other expenses of £22.6m in 2020 and £35.2m in 2019, are explained below. Additional non-underlying costs presented in discontinued operations in the prior year relate to £0.2m of costs associated with disposal of the legacy Germany operations in 2019.

#### Impairments – 2020: £22.6m, 2019: £35.2m

In 2020, a total impairment of £22.6m has been recorded over the Group's International operations, on a fair value less cost to dispose basis. This consists of an impairment of the Sweden operations of £8.1m and Iceland of £14.5m.

In Sweden, an impairment of £8.1m has been recorded to reduced the asset base to reflect the best estimate of the amount expected to be realised through any disposal transaction, and has been recorded against intangible assets £4.2m, tangible assets £1.2m and right of use assets of £2.7m. In Iceland, an impairment of £14.5m has been recorded to reduce the asset base to the best estimate of the likely value to be realised through any disposal transaction, and has been recorded against goodwill £7.4m and intangible assets £7.1m. These impairments have arisen as market conditions have limited the pool of potential buyers and impacted their view of longer term growth prospects of the businesses.

In 2019, a total impairment of £35.2m was recorded over the Group's International operations, on a fair value less cost to dispose basis following classification as disposal groups held for sale. This consisted of an impairment of the Norway operations of £13.4m, Iceland of £2.5m, Sweden of £8.4m and Switzerland of £10.9m. In Norway, the impairment of £13.4m reduced the asset base of the operations to £nil as a result of the announced transaction, and was recorded over intangible assets of £7.9m and tangible assets of £5.5m. In Iceland, the impairment of £2.5m was recorded over the goodwill held, and the impairment review was performed based on forecast cash flow projections from the entity, taking account of the macro-economic conditions and our expectations of fair value. In Sweden, an impairment of £8.4m was recorded to reduce the asset base to the likely value to be realised through any disposal transaction, and was recorded against goodwill £0.7m, intangible assets £5.1m and tangible assets £2.6m. In Switzerland, the impairment recorded of £10.9m reduced the asset base to £nil. The impairment was recorded against intangible assets £2.7m and tangible fixed assets £8.2m.

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchaser. The Group continues to market the remaining international operations of Iceland and Switzerland, and therefore some uncertainty continues to exist in relation to the final amounts that will be received. For further details over the impairments recorded see note 14.

### Earnings per share

The discontinued operations contributed a basic loss per share of 8.9p (2019: 10.1p) and a diluted loss per share of 8.9p (2019: 10.0p).

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 4. Discontinued operations continued

#### Cash flows generated from/(used in) discontinued operations

The cash flows from discontinued operations have been presented combined with the cash flows from continuing operations on the Group cash flow statement. The cash flows related to discontinued operations are as follows:

|                                    | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|------------------------------------|------------------------------------------|------------------------------------------|
| Net cash from operating activities | (4.1)                                    | (10.7)                                   |
| Net cash from investing activities | (5.8)                                    | (8.3)                                    |
| Net cash from financing activities | 13.4                                     | 19.4                                     |
| <b>Net cash flows for the year</b> | <b>3.5</b>                               | <b>0.4</b>                               |

#### Disposal groups held for sale

The International operations represent disposal groups held for sale at the balance sheet date and have been classified accordingly in the Group balance sheet, with a single line representing the assets of the disposal group held for sale and a single line representing the liabilities of the disposal groups held for sale. Included in these amounts are the following:

|                                  | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|----------------------------------|------------------------------------------|------------------------------------------|
| Goodwill and Intangible assets   | 10.5                                     | 31.9                                     |
| Property, plant and equipment    | 5.7                                      | 8.0                                      |
| Lease receivables                | 0.2                                      | –                                        |
| Right-of-use asset               | 7.6                                      | –                                        |
| Trade and other receivables      | 3.8                                      | 8.4                                      |
| Inventories                      | 1.9                                      | 2.5                                      |
| Cash and cash equivalents        | 8.4                                      | 4.9                                      |
| <b>Assets held for sale</b>      | <b>38.1</b>                              | <b>55.7</b>                              |
| Trade and other payables         | 9.8                                      | 16.7                                     |
| Lease liabilities                | 10.5                                     | –                                        |
| Financial liabilities            | –                                        | 0.2                                      |
| Current tax liabilities          | 0.8                                      | 0.9                                      |
| Deferred tax liabilities         | 2.4                                      | 5.1                                      |
| Provisions                       | –                                        | 5.0                                      |
| <b>Liabilities held for sale</b> | <b>23.5</b>                              | <b>27.9</b>                              |

## Tax on discontinued operations

|                                                                                      | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|--------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Tax (credited)/charged in the income statement</b>                                |                                          |                                          |
| Current income tax:                                                                  |                                          |                                          |
| Income tax on overseas operations                                                    | 0.7                                      | 1.5                                      |
| Total current income tax charge                                                      | 0.7                                      | 1.5                                      |
| Deferred tax:                                                                        |                                          |                                          |
| Origination and reversal of temporary differences                                    | (2.4)                                    | (1.7)                                    |
| Adjustment in respect of prior periods                                               | -                                        | 0.5                                      |
| Total deferred tax                                                                   | (2.4)                                    | (1.2)                                    |
| <b>Tax (credit)/charge in relation to discontinued operations</b>                    | <b>(1.7)</b>                             | <b>0.3</b>                               |
| The tax (credit)/charge in relation to discontinued operations disclosed as follows: |                                          |                                          |
| Income tax (credit)/charge                                                           | (1.7)                                    | 0.3                                      |

The tax credit in relation to discontinued operations for the 52 weeks ended 27 December 2020 is lower (2019: lower) than the statutory corporation tax rate of 19.0% (2019: 19.0%). The differences are reconciled as follows:

|                                                                                               | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-----------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Loss before taxation                                                                          | (44.2)                                   | (56.2)                                   |
| Accounting loss multiplied by the UK statutory rate of corporation tax of 19.0% (2019: 19.0%) | (8.4)                                    | (10.7)                                   |
| Expenses not deductible for tax purposes                                                      | 4.0                                      | 5.1                                      |
| Adjustments relating to prior years                                                           | 0.3                                      | 0.7                                      |
| Overseas losses carried forward not recognised                                                | 2.6                                      | 5.3                                      |
| Other                                                                                         | (0.1)                                    | (0.1)                                    |
| Tax rate differences                                                                          | (0.1)                                    | -                                        |
| <b>Total tax (credit)/charge reported in the income statement</b>                             | <b>(1.7)</b>                             | <b>0.3</b>                               |
| <b>Effective tax rate (%)</b>                                                                 | <b>3.8%</b>                              | <b>(0.5%)</b>                            |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 5. Group profit before interest and tax

This is stated after charging/(crediting) (for both continuing and discontinued operations):

|                                                             | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Depreciation of property, plant and equipment               | 8.2                                      | 10.8                                     |
| Amortisation of prepaid lease charges                       | –                                        | 0.5                                      |
| Amortisation of intangible assets                           | 5.6                                      | 7.5                                      |
| Depreciation on right-of-use assets                         | 6.2                                      | –                                        |
| Total depreciation and amortisation expense                 | 20.0                                     | 18.8                                     |
| Impairment loss recognised on property, plant and equipment | 0.2                                      | 15.1                                     |
| Impairment loss recognised on intangible assets             | 30.5                                     | 39.5                                     |
| Total impairment loss recognised                            | 30.7                                     | 54.6                                     |
| Net foreign currency gain                                   | (0.7)                                    | –                                        |
| Cost of inventories recognised as an expense                | 211.6                                    | 208.6                                    |
| Gain on changes in fair value of financial instruments      | (8.4)                                    | (4.5)                                    |
| Gain on disposal of non-current assets                      | –                                        | (0.2)                                    |

### 6. Auditors' remuneration

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

|                                                                                             | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|---------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Fees payable to the Group's auditor for the audit of the Group and Company annual accounts* | 0.5                                      | 0.5                                      |
| Fees payable to the Company's auditor and its associates for other services:                |                                          |                                          |
| Audit of the accounts of subsidiaries                                                       | 0.3                                      | 0.2                                      |
| Total audit fees                                                                            | 0.8                                      | 0.7                                      |
| Other services                                                                              | 0.2                                      | 0.1                                      |
| Total audit and non-audit fees                                                              | 1.0                                      | 0.8                                      |

Other services in the period relate to the interim review performed at half year of £55k as well as services in relation to the disposal of Norway of £106k. PwC were initially engaged to perform reporting accountant services for the Norway disposal transaction as this was originally expected to be a Class 1 transaction. Following clarification, this was no longer required. PwC did assist in performing procedures to assist in the financial position and prospects work required by the sponsors. The level of non-audit fees to audit fees is 20%, of which 7% relates to the interim fee and 13% relates to the Norway disposal services.

\* Of which £25,000 (2019: £25,000) relates to the Company.

## 7. Items excluded from non-GAAP measures

|                                                                               |     | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-------------------------------------------------------------------------------|-----|------------------------------------------|------------------------------------------|
| <b>Included in administrative costs:</b>                                      |     |                                          |                                          |
| – Legal and professional fees                                                 | (a) | (3.5)                                    | (1.4)                                    |
| – Amortisation of London corporate stores                                     | (b) | (1.1)                                    | (1.0)                                    |
| – Contribution to eCommerce fund                                              | (f) | –                                        | (7.1)                                    |
|                                                                               |     | (4.6)                                    | (9.5)                                    |
| <b>Included in other expenses:</b>                                            |     |                                          |                                          |
| – eCommerce asset impairment                                                  | (c) | (4.6)                                    | –                                        |
| – Market Access Fee                                                           | (d) | –                                        | (2.1)                                    |
| – Corporate stores impairment                                                 | (f) | –                                        | (18.7)                                   |
|                                                                               |     | (4.6)                                    | (20.8)                                   |
| <b>Included in share of post-tax profits of associates and joint ventures</b> |     |                                          |                                          |
| – German associate store conversion costs                                     | (e) | (0.5)                                    | (2.8)                                    |
|                                                                               |     | (0.5)                                    | (2.8)                                    |
| <b>Included in other income:</b>                                              |     |                                          |                                          |
| – Market Access Fee                                                           | (d) | 7.1                                      | –                                        |
| – Put option revaluations                                                     | (f) | –                                        | 9.0                                      |
| – UK supply chain transformation                                              | (f) | –                                        | 0.2                                      |
|                                                                               |     | 7.1                                      | 9.2                                      |
| Included in profit before interest and taxation                               |     | (2.6)                                    | (23.9)                                   |
| <b>Included within net finance cost:</b>                                      |     |                                          |                                          |
| – Market Access Fee                                                           | (d) | 0.3                                      | 1.0                                      |
| – Put option revaluation                                                      | (f) | –                                        | (0.8)                                    |
| Included in profit before taxation                                            |     | (2.3)                                    | (23.7)                                   |
| – Taxation                                                                    | (g) | 0.2                                      | 1.9                                      |
| Included in profit for the period from continuing operations                  |     | (2.1)                                    | (21.8)                                   |
| Loss for the year from discontinued operations                                | (h) | (42.5)                                   | (56.5)                                   |
| Included in profit/(loss) for the year                                        |     | (44.6)                                   | (78.3)                                   |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 7. Items excluded from non-GAAP measures continued

#### a) Legal and professional fees

Legal and professional fees of £3.5m have been incurred of which £2.4m relates to our long-term strategic plan, £1.3m in relation to the disposal of the International operations (excluding Norway) and an income of £0.1m in relation to the derecognition of previous provisions relating to acquisitions. The long-term strategic plan to reignite UK and Ireland growth is further described in the Strategic Report. The costs in relation to the disposal of the International operations (excluding Norway), consists mainly of professional fees paid to advisors in ongoing marketing of the operations. Legal costs of £1.4m recorded in 2019 represent £0.5m of legal fees related to the disposal of International operations and £0.9m of one-off advisory fees in relation to corporate structuring. Legal and professional fees are treated as non-underlying where they are not considered to be part of our ordinary course of business and are considered significant by nature or amount.

#### b) Amortisation of London corporate stores

During the period amortisation of acquired intangibles of £1.1m (2019: £1.0m) was incurred in relation to the SFA recognised on the acquisition of the London corporate stores and Have More Fun (London) Limited. This is considered to be non-underlying as the Group has a policy of franchise agreements having an indefinite life, however the SFA is deemed to be a re-acquired right under IFRS 3 which requires such rights to be amortised.

#### c) eCommerce asset impairment

An impairment of £4.6m has been recorded in relation to assets capitalised during the development of the new eCommerce platform, following an impairment review performed. Commencing in 2018 and through early 2020, the Group began development of a replacement to the current eCommerce platform and capitalised a total of £4.6m of development costs, both in internal staff costs and external development costs. Following a review in 2020, a decision was made to change the strategic direction of the platform development, and due to the nature of the new direction, the development work performed up until 2020 was no longer considered viable and has therefore been impaired. We consider this to be a non-underlying charge given the significance of the cost, and the impairment being one-off in nature.

#### d) Market Access Fee

A gain of £7.1m has been recorded following changes in fair valuation of the Market Access Fee relating to the German associate (2019: loss of £2.1m). The increase in valuation is following the strong performance of the associate during 2020, and the increased expectations of trading performance into 2021, the performance of which determines the level of income received under the instrument. The amount recorded in net finance costs of £0.3m (2019: £1.0m) represents the unwind of the discount of the fair value and foreign exchange movements. The impact of revaluation of the Market Access Fee is not considered to be ordinary trading for the Group. In the event that we receive any material capital sum for deferred consideration on any business, it would equally be treated as non-underlying.

#### e) German associate store conversion costs

Included in the share of post-tax profits/losses of associates and joint ventures are acquisition and store network conversion costs of £0.5m (2019: £2.8m) which relate to the conversion of the Hallo Pizza stores acquired in Germany which were acquired by the German associate in January 2018. No further costs are expected to be incurred in relation to the conversion, which was completed during 2020. These conversion costs have been reported to us as non-underlying and we consider the treatment to be consistent with the approach we previously adopted for Dolly Dimple's stores in Norway.

#### f) Costs and income recorded in 2019

No further costs or income have been recorded in 2020 in relation to the following areas recorded in 2019:

**Contribution to eCommerce fund** - In April 2019, the Group announced to franchisees that the Group would be making a further immediate contribution of £7.1m into the eCommerce fund. This contribution represents further accelerated amortisation on the legacy platform of £1.1m and an additional one-off contribution of £6.0m to forgive part of the Fund deficit, in recognition of the increased cost of the new platform.

**Corporate stores impairment** - In 2019 an impairment of £18.7m was recorded over the goodwill acquired from the acquisition of Sell More Pizza Limited in 2017 and Have More Fun (London) Limited in 2018. The operations were been valued based on a Value in Use model, using forecast cash flow projections. The impairment of £18.7m in 2019 was the result of weaker performance of corporate stores in the second half of 2019, an updated view of the operating cost base, together with our forecasts for future cash flows and an increase in the discount rate. This was against the backdrop of very limited headroom in the 2018 year end calculation. An impairment review has been performed in 2020 based on a value in use model using updated forecast cash flow projections, and given the level of headroom, no further impairment is required.

**Put option revaluations** - In 2019, net income of £8.2m was recorded in relation to put options granted to minority interests over their remaining shareholdings in Norway and Sweden. This represented £9.0m income of valuation movement recorded in other income and £0.8m cost presented in net finance costs representing the unwind of the discounting of the options and foreign exchange movements. Following the disposal of the Norway operations, the Norway and Sweden put options have been extinguished, therefore no further movements have been recorded in 2020.

**UK supply chain transformation** - In 2019, an income of £0.2m was recorded in other income, being the net of additional expenses incurred in disposal of the Penrith facility of £0.3m offset by income of £0.5m following sale of the facility.

#### g) Taxation

The tax credit of £0.2m (2019: £1.9m) relates to the non-underlying net loss before taxation of £2.3m (2019: £23.7m) and the effective tax rate of 8.7% (2019: 8.0%) is lower than the statutory rate of 19.0% (2019: 19.0%). The effective tax rate may differ from the statutory tax rate due to the tax treatment of certain fair value gains and the treatment of disallowed items. Taxation on the items considered to be non-underlying is also treated as non-underlying where it can be identified in order to ensure consistency of treatment with the item to which it relates. The creation and revaluation of deferred tax assets are treated consistently with the treatment adopted when the asset was created.

#### h) Loss for the year from discontinued operations

The loss of £42.5m (2019: £56.5m) represents the post-tax result of the International operations of Norway, Switzerland, Sweden and Iceland, consisting of a trading loss of £10.1m (2019: £20.8m), interest costs of £0.7m (2019: £nil), impairments and other restructuring costs of £33.4m (2019: £35.4m) and a tax credit of £1.7m (2019: charge of £0.3m). The result and rationale for classification are set out in note 4, with further detail on the impairments included in note 14.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 8. Employee benefits and Directors' remuneration

#### (a) Employee benefits expense

|                            | Continuing operations<br>£m | Discontinued operations<br>£m | 52 weeks ended<br>27 December 2020<br>£m |
|----------------------------|-----------------------------|-------------------------------|------------------------------------------|
| Wages and salaries         | 54.4                        | 31.2                          | 85.6                                     |
| Social security costs      | 4.7                         | 2.4                           | 7.1                                      |
| Other pension costs        | 1.5                         | 2.1                           | 3.6                                      |
| Share-based payment charge | 1.4                         | –                             | 1.4                                      |
| <b>Total</b>               | <b>62.0</b>                 | <b>35.7</b>                   | <b>97.7</b>                              |

|                            | Continuing operations<br>£m | Discontinued operations<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|----------------------------|-----------------------------|-------------------------------|------------------------------------------|
| Wages and salaries         | 50.4                        | 42.7                          | 93.1                                     |
| Social security costs      | 4.9                         | 2.8                           | 7.7                                      |
| Other pension costs        | 1.9                         | 2.3                           | 4.2                                      |
| Share-based payment charge | 0.6                         | –                             | 0.6                                      |
| <b>Total</b>               | <b>57.8</b>                 | <b>47.8</b>                   | <b>105.6</b>                             |

For details of amounts relating to current and former Directors', refer to the Directors' remuneration report on pages 100 to 126.

The average monthly number of employees during the year of the Group including subsidiaries and excluding associates and joint ventures was made up as follows:

|                                                  | 52 weeks ended<br>27 December 2020<br>Number | 52 weeks ended<br>29 December 2019<br>Number |
|--------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Administration                                   | 370                                          | 392                                          |
| Production and distribution                      | 538                                          | 564                                          |
| Corporate stores                                 | 2,403                                        | 2,939                                        |
| <b>Total (including discontinued operations)</b> | <b>3,311</b>                                 | <b>3,895</b>                                 |
| Continuing operations                            | 1,541                                        | 1,615                                        |
| Discontinued operations                          | 1,770                                        | 2,280                                        |
| <b>Total</b>                                     | <b>3,311</b>                                 | <b>3,895</b>                                 |

#### (b) Directors' remuneration

|                                                                 | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-----------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Directors' remuneration                                         | 2.7                                      | 1.7                                      |
| Aggregate contributions to defined contribution pension schemes | –                                        | –                                        |
| Number of Directors accruing benefits under:                    |                                          |                                          |
| – defined contribution schemes                                  | 1                                        | –                                        |

Additional information regarding Directors' remuneration is included in the Directors' remuneration report on pages 100 to 126.

## 9. Finance income

|                                                    | Underlying<br>£m | Non-underlying<br>£m | 52 weeks ended<br>27 December 2020<br>£m |
|----------------------------------------------------|------------------|----------------------|------------------------------------------|
| Other interest receivable                          | 0.4              | –                    | 0.4                                      |
| Interest on loans to associates and joint ventures | 0.5              | –                    | 0.5                                      |
| Discount unwind                                    | –                | 0.7                  | 0.7                                      |
| Interest receivable on leases                      | 12.8             | –                    | 12.8                                     |
| <b>Total finance income</b>                        | <b>13.7</b>      | <b>0.7</b>           | <b>14.4</b>                              |

|                                                    | Underlying<br>£m | Non-underlying<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|----------------------------------------------------|------------------|----------------------|------------------------------------------|
| Other interest receivable                          | 0.3              | –                    | 0.3                                      |
| Interest on loans to associates and joint ventures | 0.5              | –                    | 0.5                                      |
| Discount unwind                                    | –                | 0.8                  | 0.8                                      |
| <b>Total finance income</b>                        | <b>0.8</b>       | <b>0.8</b>           | <b>1.6</b>                               |

The discount unwind relates to the unwind of the fair value of the Market Access Fee as described in note 26.

## 10. Finance costs

|                                                 | Underlying<br>£m | Non-underlying<br>£m | 52 weeks ended<br>27 December 2020<br>£m |
|-------------------------------------------------|------------------|----------------------|------------------------------------------|
| Bank revolving credit facility interest payable | 6.7              | –                    | 6.7                                      |
| Other interest payable                          | 0.1              | –                    | 0.1                                      |
| Discount unwind                                 | –                | 0.1                  | 0.1                                      |
| Interest payable on leases                      | 14.3             | –                    | 14.3                                     |
| Foreign exchange                                | 0.4              | 0.3                  | 0.7                                      |
| <b>Total finance costs</b>                      | <b>21.5</b>      | <b>0.4</b>           | <b>21.9</b>                              |

|                                                 | Underlying<br>£m | Non-underlying<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-------------------------------------------------|------------------|----------------------|------------------------------------------|
| Bank revolving credit facility interest payable | 6.4              | –                    | 6.4                                      |
| Other interest payable                          | 0.3              | –                    | 0.3                                      |
| Discount unwind                                 | –                | 1.2                  | 1.2                                      |
| Foreign exchange                                | 0.6              | (0.6)                | –                                        |
| <b>Total finance costs</b>                      | <b>7.3</b>       | <b>0.6</b>           | <b>7.9</b>                               |

Finance costs relate to financial liabilities at amortised cost.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 11. Taxation

#### (a) Tax on profit from continuing operations

|                                                                                            | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|--------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Tax charged in the income statement</b>                                                 |                                          |                                          |
| Current income tax:                                                                        |                                          |                                          |
| UK corporation tax:                                                                        |                                          |                                          |
| – current period                                                                           | 14.4                                     | 15.1                                     |
| – adjustment in respect of prior periods                                                   | (1.3)                                    | (2.0)                                    |
|                                                                                            | 13.1                                     | 13.1                                     |
| Income tax on overseas operations                                                          | 0.7                                      | 0.8                                      |
| <b>Total current income tax charge</b>                                                     | <b>13.8</b>                              | <b>13.9</b>                              |
| Deferred tax:                                                                              |                                          |                                          |
| Origination and reversal of temporary differences                                          | 2.5                                      | 0.3                                      |
| Effect of change in tax rate                                                               | 0.2                                      | (0.6)                                    |
| Adjustment in respect of prior periods                                                     | 0.2                                      | 2.2                                      |
| <b>Total deferred tax</b>                                                                  | <b>2.9</b>                               | <b>1.9</b>                               |
| <b>Tax charge in the income statement</b>                                                  | <b>16.7</b>                              | <b>15.8</b>                              |
| The tax charge in the income statement is disclosed as follows:                            |                                          |                                          |
| Income tax charge                                                                          | 16.7                                     | 15.8                                     |
| <b>Tax relating to items credited/(charged) to equity</b>                                  |                                          |                                          |
| (Increase)/reduction in current tax liability as a result of the exercise of share options | –                                        | 0.2                                      |
| Rate change differences in relation to deferred tax on unexercised share options           | 0.1                                      | –                                        |
| Origination and reversal of temporary differences in relation to unexercised share options | (0.2)                                    | 0.5                                      |
| <b>Tax (charge)/credit in the Group statement of changes in equity</b>                     | <b>(0.1)</b>                             | <b>0.7</b>                               |

There is no tax impact in relation to the foreign exchange differences in the statement of comprehensive income.

In 2016 the Group recognised a current tax liability in respect of the deferred consideration, the Market Access Fee, it expected to receive from Domino's Pizza Enterprises Limited in relation to its former German business. As the exact timing for payment of this liability is not known, in 2019 the Group recognised a deferred tax provision of £1.7m for this liability and released its current tax liability of £1.7m. The net impact to the income statement was £nil in relation to the reallocation.

In 2019, tax charge for the UK of £15.1m is net of a £1.7m credit noted above. The deferred tax charge of £1.9m includes the £1.7m noted above together with a further charge of £0.6m arising from the write-off of deferred tax assets previously recognised for tax losses in Sweden.

**(b) Reconciliation of the total tax charged to continuing operations**

The tax charge in the income statement for the 52 weeks ended 27 December 2020 is lower (2019: higher) than the statutory corporation tax rate of 19.0% (2019: 19.0%). The differences are reconciled below:

|                                                                                                                 | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Profit before taxation                                                                                          | 98.9                                     | 75.1                                     |
| Accounting profit before taxation multiplied by the UK statutory rate of corporation tax of 19.0% (2019: 19.0%) | 18.8                                     | 14.3                                     |
| Expenses not deductible for tax purposes                                                                        | 0.5                                      | 3.0                                      |
| Share of joint venture and associates' results not taxable                                                      | (1.7)                                    | (0.4)                                    |
| Accounting depreciation not eligible for tax purposes                                                           | 0.4                                      | 0.4                                      |
| Adjustments relating to prior years                                                                             | (1.1)                                    | (0.2)                                    |
| Other                                                                                                           | –                                        | (0.4)                                    |
| Tax rate differences                                                                                            | (0.2)                                    | (0.9)                                    |
| <b>Total tax charge reported in the income statement</b>                                                        | <b>16.7</b>                              | <b>15.8</b>                              |
| Effective tax rate (%)                                                                                          | 16.9%                                    | 21.0%                                    |
| Underlying effective tax rate (%)                                                                               | 16.7%                                    | 17.9%                                    |

The Finance Act 2016, which received Royal Assent on 15 September 2016 reduced the corporation tax rate from 19% to 17% from 1 April 2020. The Finance Act 2020, which received Royal Assent on 22 July 2020 confirmed that the rate of corporation tax will remain at 19% from 1 April 2020. The deferred tax assets and liabilities have been revalued to reflect the rate to be 19% in the 52 weeks ended 27 December 2020.

**(c) Temporary differences associated with Group investments**

At 27 December 2020, there was no recognised deferred tax liability (2019: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, or its associates, as there are no corporation tax consequences of the Group's UK, Irish or overseas subsidiaries or associates paying dividends to their parent companies. There are also no income tax consequences for the Group attaching to the payment of dividends by the Group to its shareholders.

**(d) Deferred tax**

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

|                                                                   | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-------------------------------------------------------------------|---------------------------|---------------------------|
| Deferred tax arising in the UK on non-capital items               | (2.8)                     | (0.2)                     |
| Deferred tax arising on other overseas subsidiaries               | (0.3)                     | (0.3)                     |
| Deferred tax arising on business combinations and acquired assets | (2.9)                     | (5.7)                     |
| <b>Deferred tax</b>                                               | <b>(6.0)</b>              | <b>(6.2)</b>              |
| Represented as:                                                   |                           |                           |
| Deferred tax liabilities                                          | (3.6)                     | (1.1)                     |
| Deferred tax liabilities within liabilities held for sale         | (2.4)                     | (5.1)                     |
|                                                                   | <b>(6.0)</b>              | <b>(6.2)</b>              |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 11. Taxation continued

#### (d) Deferred tax continued

|                                                          | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|----------------------------------------------------------|---------------------------|---------------------------|
| <b>Gross movement in the deferred income tax account</b> |                           |                           |
| Opening balance                                          | (1.1)                     | (5.9)                     |
| Transitional impact of IFRS 16                           | 0.5                       | –                         |
| Tax credit/(charge) to equity                            | (0.1)                     | 0.5                       |
| Income statement credit/(charge)                         | (2.9)                     | (1.6)                     |
| Foreign exchange on translation                          | –                         | 0.8                       |
| Asset held for sale                                      | –                         | 5.1                       |
| <b>Closing balance</b>                                   | <b>(3.6)</b>              | <b>(1.1)</b>              |

#### Deferred tax arising in the UK on non-capital items

|                                | Share-based<br>payments<br>£m | Accelerated<br>capital<br>allowances<br>£m | Lease<br>inducements<br>£m | Provisions<br>£m | Reversionary<br>interests<br>£m | Total<br>£m  |
|--------------------------------|-------------------------------|--------------------------------------------|----------------------------|------------------|---------------------------------|--------------|
| At 30 December 2018            | 1.5                           | (2.5)                                      | 0.1                        | 0.4              | 1.9                             | 1.4          |
| Charge to equity               | (0.5)                         | –                                          | –                          | –                | –                               | (0.5)        |
| Credit/(charge) to income      | 0.6                           | (0.2)                                      | (0.1)                      | (1.4)            | –                               | (1.1)        |
| <b>At 29 December 2019</b>     | <b>1.6</b>                    | <b>(2.7)</b>                               | <b>–</b>                   | <b>(1.0)</b>     | <b>1.9</b>                      | <b>(0.2)</b> |
| Transitional impact of IFRS 16 | –                             | –                                          | –                          | 0.5              | –                               | 0.5          |
| Credit to equity               | 0.2                           | –                                          | –                          | –                | –                               | 0.2          |
| (Charge)/credit to income      | (0.4)                         | (1.4)                                      | –                          | (1.7)            | 0.2                             | (3.3)        |
| <b>At 27 December 2020</b>     | <b>1.4</b>                    | <b>(4.1)</b>                               | <b>–</b>                   | <b>(2.2)</b>     | <b>2.1</b>                      | <b>(2.8)</b> |

No deferred tax asset (2019: £nil) has been recognised to the extent that future taxable profits are expected to be in excess of the profits arising from the reversal of existing taxable temporary differences. Net deferred tax assets of £0.8m are expected to be recovered in the next 12 months and net deferred tax liabilities of £4.4m are expected to be settled more than 12 months after the year end.

The Group has trading tax losses of £25.5m (2019: £20.4m) which arose in relation to its Swiss business which are available to carry forward to offset against future taxable profits in Switzerland. No deferred tax asset has been recognised in relation to these trading losses in Switzerland on the basis they may not be recovered in the foreseeable future.

In 2019 the Group had tax losses of £32.3m which arose in relation to its Norwegian business which are available to carry forward to offset against future taxable profits in Norway. No deferred tax asset was recognised in relation to these trading losses in Norway on the basis they were not considered to be recovered in the foreseeable future and the business has been disposed of in the current year.

The Group has tax losses of £11.7m (2019: £6.5m) which arose in relation to its Swedish business which are available to carry forward to offset against future taxable profits in Sweden. No deferred tax asset has been recognised in relation to these trading losses in Sweden on the basis they may not be recovered in the foreseeable future. In 2018 a deferred tax asset of £0.6m was recognised in respect of Swedish trading losses and as noted above the write-off of this asset resulted in a prior year deferred tax charge in 2019 of £0.6m.

## 12. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would have been issued on the conversion of all dilutive potential Ordinary shares into Ordinary shares.

### Earnings

|                                                                  | 52 weeks ended 27 December 2020        |                                     |                                              | 52 weeks ended 29 December 2019        |                                     |                                              |
|------------------------------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------------|
|                                                                  | £m                                     | £m                                  | £m                                           | £m                                     | £m                                  | £m                                           |
|                                                                  | Profit/(loss) after tax for the period | Adjust for non-controlling interest | Attributable to equity holders of the parent | Profit/(loss) after tax for the period | Adjust for non-controlling interest | Attributable to equity holders of the parent |
| Continuing and discontinued operations                           | 39.7                                   | 1.4                                 | 41.1                                         | 2.8                                    | 10.3                                | 13.1                                         |
| Discontinued operations                                          | 42.5                                   | (1.4)                               | 41.1                                         | 56.5                                   | (10.3)                              | 46.2                                         |
| Continuing operations                                            | 82.2                                   | –                                   | 82.2                                         | 59.3                                   | –                                   | 59.3                                         |
| Adjustments for underlying earnings per share:                   |                                        |                                     |                                              |                                        |                                     |                                              |
| Continuing operations                                            | 82.2                                   | –                                   | 82.2                                         | 59.3                                   | –                                   | 59.3                                         |
| – Included in profit after tax – other non-underlying items      | 2.1                                    | –                                   | 2.1                                          | 21.8                                   | –                                   | 21.8                                         |
| Underlying profit after tax attributable to owners of the parent | 84.3                                   | –                                   | 84.3                                         | 81.1                                   | –                                   | 81.1                                         |

### Weighted average number of shares

|                                                                     | At 27 December 2020<br>Number | At 29 December 2019<br>Number |
|---------------------------------------------------------------------|-------------------------------|-------------------------------|
| Basic weighted average number of shares (excluding treasury shares) | 461,992,362                   | 460,355,785                   |
| Dilutive effect of share options and awards                         | 3,391,802                     | 3,081,964                     |
| Diluted weighted average number of shares                           | 465,384,164                   | 463,437,749                   |

The performance conditions relating to share options granted over 3,672,670 shares (2019: 5,258,208) have not been met in the current financial period and therefore the dilutive effect of the number of shares which would have been issued at the period end has not been included in the diluted earnings per share calculation.

There are no share options excluded from the diluted earnings per share calculation because they would be antidilutive (2019: nil). See note 2 for further information on reversionary interests and share options.

### Earnings per share

|                                               | 52 weeks ended<br>27 December 2020 | 52 weeks ended<br>29 December 2019 |
|-----------------------------------------------|------------------------------------|------------------------------------|
| <b>Continuing operations</b>                  |                                    |                                    |
| Basic earnings per share                      | 17.8p                              | 12.9p                              |
| Diluted earnings per share                    | 17.7p                              | 12.8p                              |
| <b>Underlying earnings per share:</b>         |                                    |                                    |
| Basic earnings per share                      | 18.2p                              | 17.6p                              |
| Diluted earnings per share                    | 18.1p                              | 17.5p                              |
| <b>Continuing and discontinued operations</b> |                                    |                                    |
| Basic earnings per share                      | 8.9p                               | 2.8p                               |
| Diluted earnings per share                    | 8.8p                               | 2.8p                               |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 13. Dividends paid and proposed

|                                                                                                                             | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Declared and paid during the year:                                                                                          |                                          |                                          |
| Equity dividends on Ordinary shares:                                                                                        |                                          |                                          |
| Final dividend for 2019: nil (2018: 5.45p)                                                                                  | –                                        | 25.0                                     |
| Interim dividend for 2020: 5.56p (2019: 4.20p)                                                                              | 25.6                                     | 19.3                                     |
| Dividends paid                                                                                                              | 25.6                                     | 44.3                                     |
| Proposed for approval by shareholders at the AGM<br>(not recognised as a liability at 27 December 2020 or 29 December 2019) |                                          |                                          |
| Final dividend for 2020: 9.10p (2019: 5.56p)                                                                                | 42.6                                     | 26.1                                     |

The proposed final dividend for 2019 was suspended and not tabled at the AGM. The 2019 final dividend was deferred until September 2020. The interim dividend payment made in September 2020 of 5.56p is consistent with the original value announced, but not paid, for the final dividend for 2019. The final dividend for 2020 of 9.10p represents a dividend for the full year 2020.

### 14. Intangible assets

|                                                | Goodwill<br>£m | Franchise fees<br>£m | Software<br>£m | Other<br>£m | Total<br>£m |
|------------------------------------------------|----------------|----------------------|----------------|-------------|-------------|
| <b>Cost or valuation</b>                       |                |                      |                |             |             |
| At 30 December 2018                            | 54.0           | 51.4                 | 38.1           | 2.9         | 146.4       |
| Additions                                      | –              | 0.7                  | 8.2            | –           | 8.9         |
| Acquisitions                                   | 0.8            | –                    | –              | –           | 0.8         |
| Foreign exchange on translation                | (1.3)          | (1.8)                | (0.1)          | (0.7)       | (3.9)       |
| Transferred to assets held for sale            | (21.6)         | (42.0)               | (1.2)          | (1.4)       | (66.2)      |
| At 29 December 2019                            | 31.9           | 8.3                  | 45.0           | 0.8         | 86.0        |
| Additions                                      | –              | –                    | 6.5            | –           | 6.5         |
| At 27 December 2020                            | 31.9           | 8.3                  | 51.5           | 0.8         | 92.5        |
| <b>Accumulated amortisation and impairment</b> |                |                      |                |             |             |
| At 30 December 2018                            | 10.0           | 5.1                  | 23.0           | 1.6         | 39.7        |
| Provided during the year                       | –              | 1.1                  | 6.4            | –           | 7.5         |
| Impairment                                     | 21.9           | 15.2                 | 1.2            | –           | 38.3        |
| Foreign exchange on translation                | –              | 0.3                  | –              | –           | 0.3         |
| Transferred to assets held for sale            | (13.3)         | (18.5)               | (1.2)          | (1.3)       | (34.3)      |
| At 29 December 2019                            | 18.6           | 3.2                  | 29.4           | 0.3         | 51.5        |
| Provided during the year                       | –              | 1.1                  | 4.5            | –           | 5.6         |
| Impairment                                     | –              | –                    | 4.9            | –           | 4.9         |
| At 27 December 2020                            | 18.6           | 4.3                  | 38.8           | 0.3         | 62.0        |
| <b>Net book value at 27 December 2020</b>      | <b>13.3</b>    | <b>4.0</b>           | <b>12.7</b>    | <b>0.5</b>  | <b>30.5</b> |
| <b>Net book value at 29 December 2019</b>      | <b>13.3</b>    | <b>5.1</b>           | <b>15.6</b>    | <b>0.5</b>  | <b>34.5</b> |

During prior periods, the Group made a number of acquisitions, recognising intangible assets at fair value and goodwill at cost. Intangible assets recognised include the MFAs for Iceland, Norway and Sweden and the SFA for the London corporate stores.

At 27 December 2020 the net book value of internally generated intangibles included within software was £5.3m (2019: £6.2m). Internally generated intangibles included within software additions during the year was £5.0m (2019: £4.2m).

The carrying amount of goodwill and indefinite life intangibles has been allocated as follows:

|                                    | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------|---------------------------|---------------------------|
| <b>Goodwill</b>                    |                           |                           |
| Iceland*                           | –                         | 8.3                       |
| UK corporate stores                | 13.3                      | 13.3                      |
|                                    | 13.3                      | 21.6                      |
| <b>Indefinite life intangibles</b> |                           |                           |
| Sweden*                            | –                         | 3.9                       |
| Iceland*                           | 8.2                       | 19.6                      |
|                                    | 8.2                       | 23.5                      |
|                                    | 21.5                      | 45.1                      |

\* Included within assets held for sale.

### Impairment Reviews

The Group is obliged to test goodwill and indefinite life intangibles annually for impairment, or more frequently if there are indications that goodwill and indefinite life intangibles might be impaired.

In performing these impairment tests, management is required to compare the carrying value of the assets of a Cash Generating Unit ('CGU'), including goodwill and indefinite life intangibles, with their estimated recoverable amount. The recoverable amounts of an asset being the higher of its fair value less costs to sell and value in use. Management consider the different nature of the Group's operations to determine the appropriate methods for assessing the recoverable amounts of the assets of a CGU. When testing goodwill for impairment, the goodwill is allocated to the CGU or group of CGUs that were expected to benefit from the synergies of the business combination from which it first arose.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 14. Intangible assets continued

#### UK Corporate stores

An impairment review has been performed over the goodwill and intangible assets attributable to the Group's UK corporate store business, within the UK & Ireland operating segment. The impairment review has been based on the value in use of the overall UK corporate store group of cash generating units, which comprises the businesses acquired with Sell More Pizza in 2017 and Have More Fun in 2018. In assessing value in use, the impairment review draws on the Group's five-year plan. The corporate store business performed marginally unfavourably to the 2020 budget due to a fall in sales caused by the impact of Covid-19 in London but was able to mitigate this through cost reduction. The key assumption in the five-year plan is that the corporate store business will recover from the impact of Covid-19 and will gradually grow back to 95% of the 2020 budgeted levels by the end of 2021. Other key assumptions in the cash flow projections are those regarding revenue growth and EBITDA margins, which include food cost inflation, labour inflation and expected productivity gains. In accordance with IAS 36, future new store openings are only included in the projections for impairment purposes if they are committed to at the point of carrying out the review. Capital Expenditure is forecast in the projections for store refits and other capital expenditure outside of store openings, including considering the impact of any necessary changes to make the business model more sustainable including eBikes and energy efficiency measures.

Long-term growth rates are set no higher than the long-term economic growth projections of the UK, which is where the business operates. Management applies pre-tax discount rates in value in use estimation that reflect current market assessments of the time value of money and the risks specific to the CGUs and businesses under review. The discount rates and long-term growth rates applied in the annual impairment reviews conducted in the current and prior year, are as follows:

|                     | Long-term growth rate |                     | Discount rate       |                     |
|---------------------|-----------------------|---------------------|---------------------|---------------------|
|                     | At 27 December 2020   | At 29 December 2019 | At 27 December 2020 | At 29 December 2019 |
| UK corporate stores | 2.0%                  | 2.0%                | 8.9%                | 9.0%                |

For the year ended 27 December 2020 no impairment has been recognised against the goodwill allocated to the corporate stores (2019: £18.7m). The prior year impairment reduced the carrying amount of the group of CGUs £22.0m, following trading during the period the revised asset base is £20.6m.

The forecast for the London corporate stores assumes no store openings over the forecast period and includes an initial revenue growth in 2021 of 9%, followed by revenue growth assumptions between 2% and 3% over the remaining term of the five-year period. All revenue growth is on a like for like basis. Growth in future years is based on the long-term growth rate of 2.0%. The key sensitivities within the forecast is strong sales growth in 2021 with a lessening impact from Covid-19 following a challenging year in 2020; as well as the ability to drive down costs through operational efficiencies and tighter control over operating costs. The valuation based on the current five-year plan gives headroom of £10.2m. Sensitivity analysis has been performed to highlight the impact of assumptions and key sensitivities in isolation and in conjunction:

- A reduction in 2021 revenue growth from 900bps to 200bps would reduce the headroom to £6.4m.
- A 100bps increase in food cost percentage would reduce the headroom to £5.1m.
- A 100bps increase in food cost percentage and a 100bps increase to labour cost percentage results in an impairment of £0.1m.
- A 100bps increase in the discount rate reduces headroom to £6.3m.

Given the maturity of the business and the improvements in cost control and operational efficiencies we have seen since acquisition we believe the further cost control and efficiencies are achievable. EBITDA margin would have to decrease by more than 197bps throughout the forecast to trigger an impairment.

### Disposal groups held for sale

The International operations have been classified as disposal groups held for sale at the balance sheet date and have been presented accordingly in the Group balance sheet. IFRS 5 requires a business classified as a disposal group held for sale to be valued at its expected fair value less costs of disposal, with its long-term value in use disregarded in light of the decision to dispose of the operations.

The fair value less costs of disposal of the goodwill, intangible assets, freehold property, plant and equipment and right of use leased assets attributable to each of the International disposal groups have been based on either offers received for the businesses or expectations based on conversations to date with potential buyers.

An impairment charge of £14.5m has been recognised in respect of the Icelandic disposal group, £7.4m recorded against goodwill and £7.1m recorded against intangible assets. This reduces the carrying value of goodwill to £nil and intangible assets to £10.6m. The closing carrying value of freehold property, plant and equipment attributable to the Icelandic business is £5.7m. The closing carrying values of both right of use leased assets and lease liabilities attributable to the Icelandic business are £3.7m.

An impairment charge of £8.1m has been recognised in respect of the Swedish disposal group, £4.2m recorded against intangible assets, £1.2m recorded against freehold property, plant and equipment and £2.7m recorded against right of use leased assets. This reduces the carrying value of these assets to £nil. The carrying value of goodwill attributable to the Swedish business is also £nil, following impairments in prior periods. In impairing the right of use leased assets to £nil, but retaining lease liabilities with a carrying value of £2.7m in the Swedish disposal group, the Group is recognising the expected consideration will have to be paid to the buyer to dispose of the business.

No impairment charge has been recognised in respect of the Swiss disposal group in the period. The closing carrying value of goodwill, intangible assets and freehold property, plant and equipment attributable to the Swiss disposal group is £nil, following impairments in prior periods. The closing carrying values of both the right of use leased assets and lease liabilities attributable to the Swiss business are £4.0m.

These impairments have arisen as market conditions have limited the pool of potential buyers and impacted their view of longer term growth prospects of the businesses.

Final agreed proceeds for each of the International disposal groups may differ from current offers or expectations, but given the advanced stage of the disposal process, a material change in fair value is not considered probable.

### Master franchise fees

Master franchise fees consist of costs relating to the MFA for UK, Ireland, Switzerland, Iceland, Norway and Sweden. Each MFA is treated as having an indefinite life. They are tested annually for impairment in accordance with IAS 36. The Swiss, Norwegian, Swedish and Icelandic MFAs have been tested for impairment in tandem with the goodwill and other intangible assets attributable to these businesses, as described above. The assumptions underlying the tests on the UK & Ireland MFAs are not disclosed as the carrying value is not material.

### Standard Franchise Agreements

The SFAs were recognised at fair value on acquisition of the UK corporate store portfolio in 2017 and 2018 and, as reacquired assets, are being amortised over their remaining contractual life. The net book value of SFAs at 27 December 2020 is £4.0m (2019: £5.1m). The SFAs attributable to the UK corporate stores business are tested for impairment in tandem with the goodwill and other intangible assets attributable to that business, as described above.

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 15. Property, plant and equipment

|                                     | Freehold<br>land and<br>buildings<br>£m | Assets under<br>construction<br>£m | Leasehold<br>improvements<br>£m | Fixtures and<br>fittings<br>£m | Supply<br>Chain Centre<br>equipment<br>£m | Store<br>equipment<br>£m | Total<br>£m |
|-------------------------------------|-----------------------------------------|------------------------------------|---------------------------------|--------------------------------|-------------------------------------------|--------------------------|-------------|
| <b>Cost or valuation</b>            |                                         |                                    |                                 |                                |                                           |                          |             |
| At 30 December 2018                 | 55.2                                    | 3.3                                | 10.0                            | 7.3                            | 50.9                                      | 22.6                     | 149.3       |
| Additions                           | 0.1                                     | 0.3                                | 0.8                             | 3.5                            | 2.6                                       | 7.5                      | 14.8        |
| Disposals                           | (2.7)                                   | –                                  | –                               | –                              | –                                         | (0.1)                    | (2.8)       |
| Transfer between classes of asset   | 0.7                                     | (0.5)                              | –                               | –                              | (0.7)                                     | 0.5                      | –           |
| Foreign exchange on translation     | –                                       | (0.1)                              | –                               | –                              | –                                         | 0.2                      | 0.1         |
| Transferred to assets held for sale | –                                       | (2.7)                              | (10.1)                          | (6.1)                          | (1.0)                                     | (25.5)                   | (45.4)      |
| At 29 December 2019                 | 53.3                                    | 0.3                                | 0.7                             | 4.7                            | 51.8                                      | 5.2                      | 116.0       |
| Additions                           | –                                       | 8.9                                | –                               | 0.4                            | 1.4                                       | 0.9                      | 11.6        |
| Foreign exchange on translation     | 0.1                                     | –                                  | –                               | –                              | 0.1                                       | –                        | 0.2         |
| Transfer between classes of asset   | 5.2                                     | –                                  | –                               | –                              | (5.2)                                     | –                        | –           |
| At 27 December 2020                 | 58.6                                    | 9.2                                | 0.7                             | 5.1                            | 48.1                                      | 6.1                      | 127.8       |
| <b>Depreciation and impairment</b>  |                                         |                                    |                                 |                                |                                           |                          |             |
| At 30 December 2018                 | 9.0                                     | –                                  | 3.1                             | 4.7                            | 16.5                                      | 8.4                      | 41.7        |
| Provided during the year            | 0.8                                     | –                                  | 0.2                             | 1.7                            | 2.6                                       | 5.5                      | 10.8        |
| Impairment                          | –                                       | 1.7                                | 4.4                             | 1.0                            | 0.5                                       | 8.7                      | 16.3        |
| Disposals                           | (1.5)                                   | –                                  | –                               | –                              | –                                         | (0.1)                    | (1.6)       |
| Transfer between classes of asset   | 0.7                                     | –                                  | –                               | –                              | (0.7)                                     | –                        | –           |
| Foreign exchange on translation     | –                                       | 0.2                                | 0.4                             | 0.1                            | –                                         | 0.7                      | 1.4         |
| Transferred to assets held for sale | –                                       | (1.9)                              | (8.0)                           | (5.6)                          | (0.8)                                     | (21.1)                   | (37.4)      |
| At 29 December 2019                 | 9.0                                     | –                                  | 0.1                             | 1.9                            | 18.1                                      | 2.1                      | 31.2        |
| Provided during the year            | 0.8                                     | –                                  | 0.1                             | 0.8                            | 2.4                                       | 1.2                      | 5.3         |
| Impairment                          | –                                       | –                                  | –                               | –                              | –                                         | 0.2                      | 0.2         |
| Transfer between classes of asset   | 1.1                                     | –                                  | –                               | –                              | (1.1)                                     | –                        | –           |
| At 27 December 2020                 | 10.9                                    | –                                  | 0.2                             | 2.7                            | 19.4                                      | 3.5                      | 36.7        |
| Net book value at 27 December 2020  | 47.7                                    | 9.2                                | 0.5                             | 2.4                            | 28.7                                      | 2.6                      | 91.1        |
| Net book value at 29 December 2019  | 44.3                                    | 0.3                                | 0.6                             | 2.8                            | 33.7                                      | 3.1                      | 84.8        |

During the current period, assets under construction amounting £9.2m related to the new Cambuslang site, the expansion of the Naas Commissary, supply chain equipment and the Head Office refurbishment.

Assets related to Supply Chain Centre building improvements have been reclassified from Supply Chain Centre equipment to Freehold land and buildings as this more accurately reflects the nature of these assets.

#### Freehold land and buildings

Included within freehold land and buildings is an amount of £6.0m (2019: £6.0m) in respect of land which is not depreciated.

#### Capitalised financing costs

The amount of borrowing costs capitalised during the period ended 27 December 2020 was £nil (2019: £0.1m). The rate used to determine the amount of borrowing costs eligible for capitalisation in 2019 was 1.0%.

## 16. Right-of-use assets, lease receivables and lease liabilities

### Right-of-use assets

The net book value of right-of use assets as at 27 December 2020 were as follows:

|           | 27 December 2020<br>£m |
|-----------|------------------------|
| Property  | 12.8                   |
| Equipment | 7.3                    |
|           | 20.1                   |

Additions to right-of-use assets during 2020 were £6.4m.

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

|           | 27 December 2020<br>£m |
|-----------|------------------------|
| Property  | 1.1                    |
| Equipment | 5.1                    |
|           | 6.2                    |

### Lease receivables

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

| Undiscounted amounts due under finance leases:                           | 27 December 2020<br>£m |
|--------------------------------------------------------------------------|------------------------|
| Year 1                                                                   | 25.9                   |
| Year 2                                                                   | 25.6                   |
| Year 3                                                                   | 24.7                   |
| Year 4                                                                   | 23.9                   |
| Year 5                                                                   | 23.2                   |
| Onwards                                                                  | 180.3                  |
| <b>Total undiscounted lease receivables</b>                              | <b>303.6</b>           |
| Less present value discount                                              | (98.9)                 |
| <b>Lease receivables included in the statement of financial position</b> | <b>204.7</b>           |
| <b>Presented as:</b>                                                     |                        |
| Current                                                                  | 13.2                   |
| Non-current                                                              | 191.5                  |
|                                                                          | 204.7                  |

The Group applies the simplified model in accordance with IFRS 9 to recognise lifetime expected credit losses on lease receivables. The value of the expected credit loss on lease receivables is not material.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 16. Right-of-use assets, lease receivables and lease liabilities continued

#### Lease liabilities

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

|                                                                          | 27 December 2020<br>£m |
|--------------------------------------------------------------------------|------------------------|
| <b>Undiscounted amounts due under finance leases:</b>                    |                        |
| Year 1                                                                   | 32.3                   |
| Year 2                                                                   | 29.6                   |
| Year 3                                                                   | 26.6                   |
| Year 4                                                                   | 25.4                   |
| Year 5                                                                   | 24.7                   |
| Onwards                                                                  | 193.2                  |
| <b>Total undiscounted lease liabilities</b>                              | <b>331.8</b>           |
| Less present value discount                                              | (105.3)                |
| <b>Lease liabilities included in the statement of financial position</b> | <b>226.5</b>           |
| <b>Presented as:</b>                                                     |                        |
| Current                                                                  | 17.8                   |
| Non-current                                                              | 208.7                  |
|                                                                          | <b>226.5</b>           |

#### Amounts recognised in the income statement

|                                                    | 27 December 2020<br>£m |
|----------------------------------------------------|------------------------|
| Interest received on lease receivables             | 12.8                   |
| Interest paid on lease liabilities                 | (14.3)                 |
| Income relating to short term leases               | 0.6                    |
| Expenses relating to short term leases – property  | (0.3)                  |
| Expenses relating to short term leases – equipment | (2.6)                  |

## 17. Trade and other receivables

Included in non-current assets:

|                                                | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------------------|---------------------------|---------------------------|
| Amounts owed by associates and joint ventures* | 16.8                      | 19.5                      |
| Loans to franchisees*                          | 3.1                       | 3.7                       |
| Prepaid operating lease charges                | –                         | 5.8                       |
| Net investment in finance leases*              | –                         | 0.1                       |
| Other receivables*                             | 1.3                       | 8.0                       |
|                                                | 21.2                      | 37.1                      |

\* Financial assets at amortised cost.

Included in current assets:

|                                                | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------------------|---------------------------|---------------------------|
| Trade receivables*                             | 12.4                      | 11.5                      |
| Amounts owed by associates and joint ventures* | 0.6                       | 1.2                       |
| Other receivables*                             | 1.2                       | 3.8                       |
| Prepayments                                    | 2.6                       | 29.6                      |
| Accrued income                                 | 19.4                      | 15.5                      |
| Net investment in finance leases*              | –                         | 0.4                       |
|                                                | 36.2                      | 62.0                      |

\* Financial assets at amortised cost.

Included in current other receivables are balances due from franchisees for development of new stores and refurbishment of existing stores of £0.7m (2019: £1.2m).

The decrease in prepayments during the current year primarily relates to cash timing differences year-on-year. The increase in accrued income is due to a timing difference in relation to eCommerce cash receipts from our payment providers which resulted from the timing of public holidays around year end.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 17. Trade and other receivables continued

#### Trade receivables

Trade receivables are denominated in the following currencies:

|          | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|----------|---------------------------|---------------------------|
| Sterling | 11.8                      | 10.4                      |
| Euro     | 0.6                       | 1.1                       |
|          | 12.4                      | 11.5                      |

Trade receivables are non-interest bearing and are generally on seven to 28 day terms. As at 27 December 2020, there was a provision of £0.7m against trade receivables (2019: £0.5m).

The ageing analysis of trade receivables is as follows:

|                     | Total<br>£m | Not past<br>due<br>£m | Past due       |                |
|---------------------|-------------|-----------------------|----------------|----------------|
|                     |             |                       | <30 days<br>£m | >30 days<br>£m |
| At 27 December 2020 | 12.4        | 12.0                  | 0.3            | 0.1            |
| At 29 December 2019 | 11.5        | 10.6                  | –              | 0.9            |

#### Loans to franchisees

Loans to franchisees are repayable within one to 10 years. The loans are either interest free or bear interest on a quarterly basis at an average of 3.0% above LIBOR and are repaid in monthly or quarterly instalments.

#### Amounts owed by associates and joint ventures

|                                | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|--------------------------------|---------------------------|---------------------------|
| Amounts owed by associates     | 17.1                      | 20.5                      |
| Amounts owed by joint ventures | 0.3                       | 0.2                       |
|                                | 17.4                      | 20.7                      |

Included within the balance due from joint ventures and associates is a loan balance of £16.8m (2019: £19.5m) due from Daytona JV Limited, trading balances of £0.3m (2019: £1.0m) due from Full House Restaurants Holdings Limited and £0.3m due from Domino's Pizza West Country Limited (2019: £0.2m).

Under the terms of the loan agreement, the loan to Daytona JV Limited accrues interest at between 2.7% and 3.0% per annum and is payable quarterly in arrears. The loan is repayable on 18 October 2025 or when the Group ceases to own shares in the associate.

An analysis is provided below of the movement in trading and loan balances with associates and joint ventures:

|                             | Trading balance<br>£m | Loan balance<br>£m | Total<br>£m |
|-----------------------------|-----------------------|--------------------|-------------|
| At 30 December 2018         | 1.3                   | 19.3               | 20.6        |
| Movement in trading balance | (0.1)                 | –                  | (0.1)       |
| Movement in loan balance    | –                     | 0.2                | 0.2         |
| At 29 December 2019         | 1.2                   | 19.5               | 20.7        |
| Movement in trading balance | (0.6)                 | –                  | (0.6)       |
| Movement in loan balance    | –                     | (2.7)              | (2.7)       |
| At 27 December 2020         | 0.6                   | 16.8               | 17.4        |

The movement in the trading balance is included within the 'increase in receivables' in 'cash generated from operations' in the cash flow statement.

## 18. Investments in associates and joint ventures

|                                       | Joint ventures<br>£m | Associates<br>£m |
|---------------------------------------|----------------------|------------------|
| Balance at 30 December 2018           | 3.7                  | 26.0             |
| Underlying profit for the period      | 0.2                  | 4.7              |
| Non-underlying expense for the period | –                    | (2.8)            |
| Dividends received                    | –                    | (1.0)            |
| Investments in the period             | –                    | 1.5              |
| Foreign exchange movement             | –                    | 0.1              |
| Balance at 29 December 2019           | 3.9                  | 28.5             |
| Underlying profit for the period      | 0.7                  | 8.8              |
| Non-underlying expense for the period | –                    | (0.5)            |
| Dividends received                    | (0.5)                | (2.0)            |
| Repayments of capital                 | –                    | (0.8)            |
| Foreign exchange movement             | –                    | 1.3              |
| Balance at 27 December 2020           | 4.1                  | 35.3             |

|                                                         | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|---------------------------------------------------------|---------------------------|---------------------------|
| <b>Share of post-tax profits/(losses) of associates</b> |                           |                           |
| Full House Restaurant Holdings Limited                  | 4.1                       | 1.8                       |
| Daytona JV Limited                                      | 4.2                       | 0.1                       |
|                                                         | 8.3                       | 1.9                       |
| <b>Share of post-tax profits of joint ventures</b>      |                           |                           |
| Domino's Pizza West Country Limited                     | 0.7                       | 0.2                       |
|                                                         | 9.0                       | 2.1                       |

Details of joint ventures and associates are given in note 34.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 18. Investments in associates and joint ventures continued

#### (a) Investment in associates

The Group has a 49% interest in Full House Restaurant Holdings Limited ('Full House'), a private company that manages pizza delivery stores in the UK.

The Group has a 33.3% investment in Daytona JV Limited ('Daytona'), a UK incorporated company which owns the MFA for Domino's Germany. The Group's interest is subject to a put and call option. The put option is exercisable from 1 January 2021, and the call option is exercisable from 1 January 2023. No value is recognised on the balance sheet of the Group or Company in relation to the options, as the exercise price, based on a price/earnings multiple, is considered to be at fair value. We currently expect, based on the forecast earnings of the investment, the value generated to be between £50m to £90m dependent on the timing of exercise. This would lead to a profit on disposal of the joint venture of between £25-£65m based on current book values.

A summary of financial information of the associates is set out below:

|                                                                     | Full House                |                           | Daytona                   |                           |
|---------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                                                     | At 27 December 2020<br>£m | At 29 December 2019<br>£m | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
| Non-current assets                                                  | 23.4                      | 16.9                      | 164.7                     | 128.1                     |
| Current assets                                                      | 8.3                       | 3.1                       | 26.3                      | 18.6                      |
| Current liabilities                                                 | (6.6)                     | (4.6)                     | (27.6)                    | (13.1)                    |
| Non-current liabilities                                             | (9.9)                     | (4.6)                     | (93.6)                    | (77.1)                    |
| Net assets                                                          | 15.2                      | 10.8                      | 69.8                      | 56.5                      |
| The Group's share of interest in associate undertaking's net assets | 7.5                       | 5.3                       | 23.3                      | 18.8                      |
| Goodwill and transaction costs                                      | 2.3                       | 2.3                       | 2.2                       | 2.1                       |
| Group's carrying amount of the investment                           | 9.8                       | 7.6                       | 25.5                      | 20.9                      |
| Revenue                                                             | 60.9                      | 50.8                      | 112.1                     | 77.5                      |
| Profit for the period                                               | 8.6                       | 3.7                       | 12.9                      | 0.1                       |
| Group's share of underlying profit for the period                   | 4.1                       | 1.8                       | 4.7                       | 2.9                       |
| Group's share of non-underlying loss for the period                 | –                         | –                         | (0.5)                     | (2.8)                     |
| Group's share of profit for the period                              | 4.1                       | 1.8                       | 4.2                       | 0.1                       |

The associates had no contingent liabilities or capital commitments at 27 December 2020 or at 29 December 2019. The associates require the parent's consent to distribute its profits.

**(b) Investment in joint ventures**

During the year the Group held a 50% UK joint venture in Domino's Pizza West Country Limited ('West Country'). West Country is accounted for as a joint venture using the equity method in the consolidated financial statements as the Group has joint control through voting rights and share ownership as well as being party to a joint venture agreement, which ensures that strategic, financial and operational decisions relating to the joint venture activities require the unanimous consent of the two joint venture partners.

A summary of financial information of the joint venture is set out below:

|                                                         | At 27 December 2020                | At 29 December 2019                |
|---------------------------------------------------------|------------------------------------|------------------------------------|
|                                                         | West Country<br>£m                 | West Country<br>£m                 |
| <b>Summary of joint ventures' balance sheets</b>        |                                    |                                    |
| Current assets                                          | 3.8                                | 3.0                                |
| Non-current assets                                      | 6.3                                | 5.3                                |
| Current liabilities                                     | (1.2)                              | (1.4)                              |
| Non-current liabilities                                 | (1.4)                              | –                                  |
| Net assets                                              | 7.5                                | 6.9                                |
| Group's share of interest in joint ventures' net assets | 3.7                                | 3.5                                |
| Goodwill and transaction costs                          | 0.4                                | 0.4                                |
| Group's carrying amount of the investment               | 4.1                                | 3.9                                |
| Within gross balance sheets:                            |                                    |                                    |
| Cash and cash equivalents                               | 3.1                                | 2.2                                |
|                                                         |                                    |                                    |
|                                                         | 52 weeks ended<br>27 December 2020 | 52 weeks ended<br>29 December 2019 |
|                                                         | West Country<br>£m                 | West Country<br>£m                 |
| <b>Summary of joint ventures' income statement</b>      |                                    |                                    |
| Revenue                                                 | 13.6                               | 11.8                               |
| Profit after tax for the year                           | 1.4                                | 0.4                                |
| Total comprehensive income for the year                 | 1.4                                | 0.4                                |
| Group's share of profit for the year                    | 0.7                                | 0.2                                |
| Dividends received                                      | 0.5                                | –                                  |
| Profit after tax for the year includes:                 |                                    |                                    |
| Depreciation and amortisation                           | 0.5                                | 0.5                                |
| Income tax expense                                      | 0.3                                | 0.1                                |

West Country had no contingent liabilities or capital commitments as at 27 December 2020 and 29 December 2019. West Country cannot distribute their profits without the consent from the two venture partners.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 19. Inventories

|                                                                             | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-----------------------------------------------------------------------------|---------------------------|---------------------------|
| Raw materials                                                               | 0.3                       | 0.3                       |
| Finished goods and goods for sale                                           | 10.7                      | 12.7                      |
| <b>Total inventories at lower of cost or estimated net realisable value</b> | <b>11.0</b>               | <b>13.0</b>               |

Provisions against inventories were £1.8m (2019: £0.4m) and amounts were written off against cost of sales of £1.4m (2019: £1.1m).

### 20. Cash and cash equivalents

|                                                                    | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|--------------------------------------------------------------------|---------------------------|---------------------------|
| Cash at bank and in hand                                           | 63.4                      | 11.1                      |
| Cash at bank and in hand included in disposal groups held for sale | 8.4                       | 4.9                       |
| <b>Total cash at bank and in hand</b>                              | <b>71.8</b>               | <b>16.0</b>               |

Cash at bank earns interest at floating rates based on daily deposit rates. The fair value of cash and cash equivalents is £71.8m (2019: £16.0m).

Cash is denominated in the following currencies:

|                 | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-----------------|---------------------------|---------------------------|
| Sterling        | 51.5                      | 8.4                       |
| Euro            | 14.4                      | 2.7                       |
| Icelandic Krona | 0.1                       | 0.1                       |
| Swiss Franc     | 4.0                       | 1.5                       |
| Swedish Krone   | 1.4                       | –                         |
| Danish Krone    | 0.4                       | –                         |
| Norwegian Krone | –                         | 3.3                       |
|                 | <b>71.8</b>               | <b>16.0</b>               |

### 21. Trade and other payables

|                                             | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|---------------------------------------------|---------------------------|---------------------------|
| <b>Included in current liabilities:</b>     |                           |                           |
| Trade payables*                             | 19.3                      | 23.5                      |
| Other taxes and social security costs       | 4.8                       | 6.8                       |
| Other payables*                             | 28.8                      | 21.6                      |
| Accruals*                                   | 31.2                      | 24.3                      |
| NAF and eCommerce creditor*                 | 5.6                       | 2.0                       |
| Deferred income                             | 0.3                       | 7.2                       |
|                                             | <b>90.0</b>               | <b>85.4</b>               |
| <b>Included in non-current liabilities:</b> |                           |                           |
| Deferred income                             | 0.3                       | 10.0                      |
| Other payables*                             | –                         | 0.1                       |
|                                             | <b>0.3</b>                | <b>10.1</b>               |

\* Financial liabilities at amortised cost.

Terms and conditions of the above financial liabilities are:

- trade payables are non-interest bearing and are normally settled on seven to 30-day terms;
- other payables are non-interest bearing and have an average term of six months. Included within accruals are amounts relating to goods received and not yet invoiced of £7.3m (2019: £7.8m), together with trading accruals, Head Office cost accruals, payroll accruals and royalty accruals throughout the Group.

### NAF and eCommerce funds

As at 27 December 2020, the gross amounts of the NAF and eCommerce fund were as follows:

|                                | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|--------------------------------|---------------------------|---------------------------|
| NAF surplus                    | 23.4                      | 16.8                      |
| eCommerce fund deficit         | (17.8)                    | (14.8)                    |
| Net NAF and eCommerce creditor | 5.6                       | 2.0                       |

The opening Net NAF and eCommerce creditor on 30 December 2019 was £2.0m, which consisted of a NAF surplus of £16.8m and an eCommerce fund deficit of £14.8m. Total contributions made to the NAF and eCommerce fund during the 52 weeks ended 27 December 2020 were £57.7m (2019: £55.9m) of which £54.2m (2019: £54.8m) was recognised as revenue.

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 27 December 2020 was a net surplus of £5.6m (2019: £2.0m) and is therefore presented within trade and other payables.

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 key judgements and policies related to the NAF and eCommerce income is described in note 2.

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 Group 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 Group also has the ability to recover any deficit through decreased spend by 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.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 22. Financial liabilities

|                                               | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-----------------------------------------------|---------------------------|---------------------------|
| <b>Current</b>                                |                           |                           |
| Put option liabilities                        | –                         | 0.9                       |
|                                               | –                         | 0.9                       |
| <b>Non-current</b>                            |                           |                           |
| Bank revolving facility                       | 243.6                     | 248.1                     |
| Non-current instalments due on finance leases | –                         | 0.2                       |
|                                               | 243.6                     | 248.3                     |

The table above relates to continuing operations. There are no financial liabilities related to discontinued operations in the current year. Within discontinued operations in 2019, there was a current overdraft of £0.2m.

#### Banking facilities

At 27 December 2020 the Group had a total of £350.0m (2019: £350.0m) of banking facilities, of which £104.8m (2019: £99.6m) was undrawn.

#### Bank revolving facility

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 12 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 by August 2021. Arrangement fees of £1.6m (2019: £2.3m) 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. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

The facility is secured by an unlimited cross guarantee between Domino's Pizza Group plc, DPG Holdings Limited, Domino's Pizza UK & Ireland Limited, DP Realty Limited, DP Pizza Limited, Sell More Pizza Limited, Sheermans SS Limited and Sheermans Limited.

An ancillary overdraft and pooling arrangement are in place with Barclays Bank Plc for £10.0m covering the Company, Domino's Pizza UK & Ireland Limited, DPG Holdings Limited, and DP Pizza Limited. An ancillary overdraft is in place with Barclays Bank Plc for €5.0m (£4.3m) for Domino's Pizza UK & Ireland Limited. Interest is charged for both overdrafts at the same margin as applicable to the revolving credit facility above LIBOR (or equivalent).

#### Other loans

The five year amortising loan facility provided by Nordea Bank AB to DP Norway AS for NOK 50.0m maturing in November 2022 was repaid during 2019. The facility was repayable in three quarterly instalments of NOK 2.1m (£0.2m) followed by a final bullet payment of NOK 21.4m (£1.8m). Interest was charged at 1.35% above three month NIBOR with quarterly commission of 0.15%.

The NOK 4.0m (£0.3m) overdraft facility provided by Nordea Bank AB to DP Norway AS was cancelled during the 2019 year.

Both the overdraft and loan facility were previously guaranteed by the Company.

#### Share buyback obligation

As at 27 December 2020, there is no obligation to buy back shares (2019: £nil). On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2018. The remaining share buybacks outstanding at 27 December 2018 were recognised as a financial liability of £15.8m. The share buyback obligation was fully satisfied by 27 February 2019.

### Put option liabilities

The Group previously granted put options held by non-controlling interests over their remaining shareholdings of PPS Foods AB, DP Norway AS and Pizza Pizza EHF. The gross amount attributed to the put options held by the non-controlling interests over the remaining shareholdings at 29 December 2019 was £0.9m.

In respect of the put options relating to PPS Foods AB, DP Norway AS, and Pizza Pizza EHF, the value of the financial liabilities was the discounted value of the gross liabilities for the put options based on the expected value of the consideration on exercise of the options. The put option liability was based on a forecast sales multiple of the respective businesses during the exercise period. The options were exercisable in stages from 1 July 2019 until 30 June 2023.

Following the disposal of DP Norway AS, the put option liabilities have been extinguished and therefore no amounts are recognised as at 27 December 2020.

## 23. Deferred consideration

### (a) Assets

|                         | Total<br>£m |
|-------------------------|-------------|
| At 30 December 2018     | 6.6         |
| Transfer to liabilities | (0.9)       |
| At 29 December 2019     | 5.7         |
| At 27 December 2020     | 5.7         |

### (b) Liabilities

|                                                           | Total<br>£m |
|-----------------------------------------------------------|-------------|
| At 30 December 2018                                       | –           |
| Transfer from assets                                      | 0.9         |
| Recognised in relation to prior acquisition of subsidiary | (1.1)       |
| At 29 December 2019                                       | (0.2)       |
| Settled during the year                                   | 0.2         |
| At 27 December 2020                                       | –           |

|                   | At<br>27 December 2020<br>£m | At<br>29 December 2019<br>£m |
|-------------------|------------------------------|------------------------------|
| Current liability | –                            | (0.2)                        |
| Non-current asset | 5.7                          | 5.7                          |
|                   | 5.7                          | 5.5                          |

On 6 August 2018, the Group acquired 100% of the share capital of Hamandi Investments Limited (now called Have More Fun (London) Limited), a franchisee that operates six Domino's stores in London. At 29 December 2019 the Group held a £0.2m payable balance, being the net of a retention and an updated provisional working capital adjustment. During the year ended 27 December 2020, this balance was settled in full.

On 18 December 2018, the Group disposed of its 50% holding of share capital in its joint venture DP Shayban Limited, on which deferred consideration is receivable of £5.7m in 2023. This is not contingent on performance conditions. The deferred consideration attracts interest at a 1.5% margin plus a 12 month LIBOR.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 24. Provisions

|                                          | Reversionary<br>share plan<br>provisions<br>£m | Dilapidations<br>provisions<br>£m | Onerous<br>contract<br>provisions<br>£m | Other<br>provisions<br>£m | Total<br>£m |
|------------------------------------------|------------------------------------------------|-----------------------------------|-----------------------------------------|---------------------------|-------------|
| At 30 December 2018                      | 11.0                                           | 1.5                               | 2.5                                     | 1.8                       | 16.8        |
| Arising during the period                | –                                              | –                                 | 6.2                                     | 1.5                       | 7.7         |
| Utilised during the period               | –                                              | –                                 | (0.3)                                   | –                         | (0.3)       |
| Released during the period               | –                                              | –                                 | (2.7)                                   | (1.1)                     | (3.8)       |
| Impact of discounting                    | –                                              | –                                 | 0.1                                     | –                         | 0.1         |
| Foreign exchange on translation          | –                                              | –                                 | (0.1)                                   | –                         | (0.1)       |
| Transferred to liabilities held for sale | –                                              | (0.5)                             | (3.3)                                   | (1.1)                     | (4.9)       |
| At 29 December 2019                      | 11.0                                           | 1.0                               | 2.4                                     | 1.1                       | 15.5        |
| Derecognised on adoption of IFRS 16      | –                                              | –                                 | (1.6)                                   | –                         | (1.6)       |
| Arising during the period                | –                                              | –                                 | –                                       | 0.2                       | 0.2         |
| Utilised during the period               | –                                              | –                                 | (0.4)                                   | (0.2)                     | (0.6)       |
| At 27 December 2020                      | 11.0                                           | 1.0                               | 0.4                                     | 1.1                       | 13.5        |
|                                          |                                                |                                   | At 27 December 2020<br>£m               | At 29 December 2019<br>£m |             |
| Current                                  |                                                |                                   | 0.4                                     | 2.7                       |             |
| Non-current                              |                                                |                                   | 13.1                                    | 12.8                      |             |
|                                          |                                                |                                   | 13.5                                    | 15.5                      |             |

#### Reversionary share plan provisions

As discussed more fully in note 2, the employment tax provision relates to certain of the Group's historical share-based compensation arrangements dating from 2003 to 2010. As a result of the updated legal advice received a provision was recorded during the period ended 31 December 2017 amounting to £11.0m, comprising £2.6m employer's NIC, and £8.4m employee's NIC and PAYE at that date. Within this an estimate of interest on overdue tax of £3.0m was provided. These provisions have been maintained as at 29 December 2019 and 27 December 2020 pending agreement with the tax authorities.

No contingent asset has been recognised in the financial statements in relation to the indemnities provided by the beneficiaries of the arrangements. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities and as such recoverability is not considered virtually certain.

The timing of the utilisation of the provision is uncertain, as discussed more fully in note 2.

#### Dilapidations provisions

On acquisition of the London corporate stores, the Group acquired dilapidations provisions which were recognised at fair value. During the period, none of these provisions were released or utilised (2019: £nil).

#### Onerous contract provision

The onerous contract provisions of £0.4m relates to onerous contracts for IT equipment. The 2019 onerous contract provision of £2.4m relates to both outstanding rent obligation for properties in the UK and Ireland as well as the outstanding obligation on the onerous contract for store equipment. The contract for store equipment has been signed for a fixed term but at present the equipment is not being utilised.

#### Other provisions

Other provisions include £0.8m (2019: £0.8m) for closure costs of Domino's Pizza Germany Limited, £0.2m (2019: £0.4m) for legal claims arising on the acquisition of London corporate stores, and a further £0.1m for post disposal costs in the Nordics.

## 25. Financial risk management objectives and policies

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

The main risks are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

The Group has various financial assets such as trade receivables and cash, which arise directly from its operations. The Group's principal financial liabilities comprise bank revolving facilities, other loans and finance leases.

The Group has not entered into any derivative transactions such as interest rate swaps or foreign currency contracts. The Group's treasury policy allows it to trade in derivatives to manage interest rate, commodity and foreign exchange risk.

### Foreign currency risk

The Group has investments in operations in Iceland, Ireland, Sweden and Switzerland and also buys and sells goods and services in currencies other than sterling. The Group has also invested in an associate in Germany and an investment in Ireland. 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 Group does not currently use derivatives to hedge balance sheet and income statement translation exposures arising on the consolidation of overseas subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in sterling against the Euro, Swedish Krona and Norwegian Krone exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the carrying value of currency-denominated assets in subsidiaries with a sterling functional currency and sterling-denominated assets in subsidiaries with a non-sterling functional currency.

The impact on the Group's pre-tax equity is due to changes in carrying value of investments in joint ventures and associates. The Group's exposure to foreign currency changes for all other currencies is immaterial.

|      | Change in EUR rate | Effect on profit<br>before tax<br>£m | Effect on<br>pre-tax equity<br>£m |
|------|--------------------|--------------------------------------|-----------------------------------|
| 2020 | +25%               | (6.5)                                | (5.1)                             |
|      | -25%               | 10.8                                 | 8.5                               |
| 2019 | +25%               | (3.5)                                | (4.2)                             |
|      | -25%               | 5.9                                  | 7.0                               |
|      | Change in SEK rate | Effect on profit<br>before tax<br>£m | Effect on<br>pre-tax equity<br>£m |
| 2020 | +25%               | (0.3)                                | –                                 |
|      | -25%               | 0.4                                  | –                                 |
| 2019 | +25%               | 0.3                                  | –                                 |
|      | -25%               | (0.4)                                | –                                 |
|      | Change in NOK rate | Effect on profit<br>before tax<br>£m | Effect on<br>pre-tax equity<br>£m |
| 2020 | +25%               | –                                    | –                                 |
|      | -25%               | –                                    | –                                 |
| 2019 | +25%               | 0.4                                  | –                                 |
|      | -25%               | (0.7)                                | –                                 |

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 25. Financial risk management objectives and policies continued

#### 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 Group's trade and other receivables and net investment in finance leases 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 (2019: £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 Group'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 (2019: £nil).

Specific credit reviews of the counterparties to the other financial assets held at amortised cost, being deferred and contingent consideration and amounts owed by associates and joint ventures, have not revealed any significant risk of credit loss (2019: £nil).

Credit risk is factored into the measurement approach for all financial assets held at fair value, such that their carrying value includes any expected credit loss impairment.

#### Liquidity risk

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

To manage liquidity risk, each operating area prepares short-term, medium-term and long-term cash flow forecasts which are regularly reviewed and challenged. These forecasts are consolidated centrally to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation.

All major investment decisions are considered by the Board as part of the project appraisal and approval process.

The Group has access to a £350.0m syndicated revolving credit facility which matures in December 2023 with an option of a further one-year extension. The Group also has access to sterling and euro overdrafts which were undrawn at 27 December 2020 and 29 December 2019.

The tables below summarise the maturity profile of the Group's financial liabilities at 27 December 2020 and 29 December 2019 based on their contractual undiscounted payments:

|                                 | On demand<br>£m | Less than<br>3 months<br>£m | 3 to 12<br>months<br>£m | 1 to 5<br>years<br>£m | Total<br>£m |
|---------------------------------|-----------------|-----------------------------|-------------------------|-----------------------|-------------|
| <b>At 27 December 2020</b>      |                 |                             |                         |                       |             |
| <i>Floating rate borrowings</i> |                 |                             |                         |                       |             |
| Bank revolving facility         | –               | –                           | –                       | 243.6                 | 243.6       |
| <i>Non-interest bearing</i>     |                 |                             |                         |                       |             |
| Trade and other payables        | 0.2             | 78.5                        | 5.8                     | 0.3                   | 84.8        |
|                                 | 0.2             | 78.5                        | 5.8                     | 243.9                 | 328.4       |

|                                        | On demand<br>£m | Less than<br>3 months<br>£m | 3 to 12<br>months<br>£m | 1 to 5<br>years<br>£m | Total<br>£m |
|----------------------------------------|-----------------|-----------------------------|-------------------------|-----------------------|-------------|
| <b>At 29 December 2019</b>             |                 |                             |                         |                       |             |
| <i><b>Floating rate borrowings</b></i> |                 |                             |                         |                       |             |
| Bank revolving facility                | –               | –                           | –                       | 248.1                 | 248.1       |
| <i><b>Fixed rate borrowings</b></i>    |                 |                             |                         |                       |             |
| Finance leases                         | –               | –                           | –                       | 0.2                   | 0.2         |
| <i><b>Non-interest bearing</b></i>     |                 |                             |                         |                       |             |
| Trade and other payables               | –               | 71.2                        | 0.2                     | 0.1                   | 71.5        |
| Put option liabilities                 | –               | –                           | 0.9                     | –                     | 0.9         |
|                                        | –               | 71.2                        | 1.1                     | 248.4                 | 320.7       |

### Interest rate risk

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

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

The Group undertakes sensitivity analysis prepared on a basis of constant net debt.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the 52 week period ended 27 December 2020 would increase/decrease by £1.1m (2019: increase/decrease by £1.1m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. There would be no impact on other comprehensive income.

### Capital management

The primary objective of the Group's capital management is to ensure that it retains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants.

The Group manages its capital structure and adjusts it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the periods ended 27 December 2020 and 29 December 2019. At the AGM on 19 April 2018, a special resolution was passed to authorise the Company to make purchases on the London Stock Exchange of up to 10% of its Ordinary shares. This authorisation was partially satisfied by the buyback programme in 2018 which completed in 2019.

The Group's financing is subject to financial covenants. These covenants relate to measurement of adjusted EBITDAR against consolidated net finance charges (interest cover) and adjusted EBITDA (leverage ratio) measured semi-annually on a trailing 12 month basis at half year and year end. The Group has complied with all these covenants.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 25. Financial risk management objectives and policies continued

|                                                      | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------------------------|---------------------------|---------------------------|
| Other loans                                          | –                         | 0.2                       |
| Finance leases                                       | –                         | 0.3                       |
| Bank revolving facilities                            | 243.6                     | 248.1                     |
| Less: cash and cash equivalents                      | (71.8)                    | (16.0)                    |
| Net debt                                             | 171.8                     | 232.6                     |
| Underlying EBIT                                      | 109.0                     | 105.3                     |
| Underlying depreciation, amortisation and impairment | 16.5                      | 11.7                      |
| Underlying EBITDA                                    | 125.5                     | 117.0                     |
| Adjusted gearing ratio                               | 1.37                      | 1.99                      |
| Underlying EBITDA                                    | 125.5                     | 117.0                     |
| Less EBITDA impact of IFRS 16                        | (7.9)                     | –                         |
| Adjusted underlying EBITDA                           | 117.6                     | 117.0                     |
| Adjusted gearing ratio (excluding IFRS 16)           | 1.46                      | 1.99                      |

For further commentary on cash flow, net debt and gearing see the Strategic Report.

### 26. Financial instruments

Set out below is a comparison by classification of all the Group's financial instruments in the financial statements:

|                                               | Fair value<br>2020<br>£m | Amortised Cost<br>2020<br>£m | Carrying value<br>2020<br>£m | Fair value<br>2019<br>£m | Amortised Cost<br>2019<br>£m | Carrying value<br>2019<br>£m |
|-----------------------------------------------|--------------------------|------------------------------|------------------------------|--------------------------|------------------------------|------------------------------|
| <b>Financial assets</b>                       |                          |                              |                              |                          |                              |                              |
| Trade receivables                             | –                        | 12.4                         | 12.4                         | –                        | 11.5                         | 11.5                         |
| Other receivables                             | –                        | 2.5                          | 2.5                          | –                        | 11.8                         | 11.8                         |
| Loans to franchisees                          | –                        | 3.1                          | 3.1                          | –                        | 3.7                          | 3.7                          |
| Cash and cash equivalents                     | –                        | 63.4                         | 63.4                         | –                        | 11.1                         | 11.1                         |
| Net investment in finance leases              | –                        | 204.7                        | 204.7                        | –                        | 0.5                          | 0.5                          |
| Deferred and contingent consideration         | –                        | 5.7                          | 5.7                          | –                        | 5.7                          | 5.7                          |
| Amounts owed by associates and joint ventures | –                        | 17.4                         | 17.4                         | –                        | 20.7                         | 20.7                         |
| Other financial asset                         | 15.3                     | –                            | 15.3                         | 7.1                      | –                            | 7.1                          |
| Investments                                   | 12.3                     | –                            | 12.3                         | 10.5                     | –                            | 10.5                         |
| <b>Financial liabilities</b>                  |                          |                              |                              |                          |                              |                              |
| Trade payables                                | –                        | 19.3                         | 19.3                         | –                        | 23.5                         | 23.5                         |
| Other payables                                | –                        | 28.8                         | 28.8                         | –                        | 21.6                         | 21.6                         |
| Accruals                                      | –                        | 31.2                         | 31.2                         | –                        | 24.3                         | 24.3                         |
| NAF and eCommerce                             | –                        | 5.6                          | 5.6                          | –                        | 2.0                          | 2.0                          |
| Bank revolving facilities                     | –                        | 243.6                        | 243.6                        | –                        | 248.1                        | 248.1                        |
| Deferred and contingent consideration         | –                        | –                            | –                            | –                        | 0.2                          | 0.2                          |
| Lease liabilities                             | –                        | 226.5                        | 226.5                        | –                        | 0.2                          | 0.2                          |
| Put option liabilities                        | –                        | –                            | –                            | –                        | 0.9                          | 0.9                          |

Prepayments, accrued income, deferred income and other tax and social security payables are not financial assets or liabilities and are therefore excluded from the above analysis.

### Financial instruments measured at fair value

Other financial assets and investments are measured at fair value and have been categorised at Level 3 of the fair value hierarchy, as defined under IFRS 13, because their fair value is determined by reference to significant unobservable inputs.

#### Other financial asset

|                   | At<br>27 December 2020<br>£m | At<br>29 December 2019<br>£m |
|-------------------|------------------------------|------------------------------|
| Current asset     | 2.0                          | –                            |
| Non-current asset | 13.3                         | 7.1                          |
|                   | 15.3                         | 7.1                          |

Other financial asset relates to a contingent consideration (referred to as the 'Market Access Fee') of up to €25.0m (£22.5m) (2019: €25.0m (£21.3m)) payable by Domino's Pizza Enterprises Limited to the Group for divesting of its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market. This Market Access Fee is payable in instalments from 2017, the payment of each instalment being contingent on the divested German business achieving defined levels of EBITDA in the calendar years 2020 and 2021.

The fair value of the Market Access Fee is calculated by reviewing past EBITDA and estimating future EBITDA levels of the divested German business, deriving from this a schedule of expected instalments receivable by the Group and discounting these expected cash flows using a discount rate that reflects the time value of money and the risks specific to the German business for which future EBITDA estimates have not been risk adjusted.

The Market Access Fee is at Level 3 of the fair value hierarchy because determining its fair value requires an estimate of future EBITDA levels of the divested German business, which is an unobservable fair value input.

Changes in fair value between reporting dates reflect changes in estimation of future instalments receivable, which are recorded as other income or expense. The unwinding of time value discounting is recorded in finance costs, and foreign exchange movements are recorded in finance costs or income. A net income of £8.2m was recognised in the income statement in the period (2019: cost of £1.8m), made up of £7.1m of other income (2019: £2.1m of other expense) from changes in estimation of future instalments receivable and £1.1m of net finance income (2019: £0.3m) from unwinding time value discounting and foreign exchange movements.

The calendar year ended 31 December 2020 is the first year that has triggered consideration to become due. The total discounted payments expected to be received based reported EBITDA is €7.2m (£6.4m). The current forecast EBITDA for the calendar year ended 31 December 2021 will result in total discounted payments of €9.9m (£8.4m).

The key estimate that has been applied in the valuation of the future payments receivable is the forecasted EBITDA for the calendar year ending 31 December 2021. All forecasts are prepared by the management team of Daytona JV Limited. The management forecasts are adjusted to reflect recent performance.

Sensitivity analysis has been performed to highlight the impact of movements within the forecast EBITDA number and discount rates:

- A 10% decrease in EBITDA for the calendar year to 31 December 2021 would lead to a €1.3m (£1.2m) reduction in the valuation.
- A 10% increase in EBITDA the calendar year to 31 December 2021 would lead to a €1.3m (£1.2m) increase in the valuation.
- A 100bps increase in the discount rate would lead to a €0.5m (£0.4m) decrease in the valuation.
- A 100bps decrease in the discount rate would lead to a €0.5m (£0.4m) increase in the valuation.

The EBITDA for the calendar year ending 31 December 2021 would have to be 59% lower than the forecast for no payment to be triggered.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 26. Financial instruments continued

#### Investments

In November 2018, the Group acquired 15% of the issued share capital of Shorecal Limited, a private company registered in the Republic of Ireland that operates 27 Domino's franchise stores in Ireland. The Group's shareholding in Shorecal Limited is in preference shares, acquired for an original cost of investment of €12.2m (£11.0m). As a preference shareholder, the Group has enhanced rights to dividend distributions and enhanced rights over Shorecal Limited's equity value in the event of a liquidation or onward share sale. The Group also has 'drag and tag' rights to participate in an onward share sale arranged by Shorecal Limited's other shareholders.

The investment in Shorecal Limited has been designated as a fair value through profit and loss equity instrument, whereby dividends received by the Group are recognised in profit and loss together with any fair value gains or losses. The fair value of the investment is calculated by discounting the future shareholder returns the Group expects to receive from the investment, being proceeds from a liquidation or onward share sale and dividends received up to that point. A probability weighted expected return method has been applied in performing this fair value calculation, whereby multiple future outcomes for Shorecal Limited are simulated with a probability assigned to each scenario.

The investment in Shorecal Limited is at Level 3 of the fair value hierarchy because determining its fair value requires a probability weighted estimate of future shareholder returns, which is an unobservable fair value input.

During the period, the investment fair value has increased by €1.4m (£1.3m) (2019: €nil (£nil)), bringing the total valuation to €13.7m (£12.3m). The fair valuation has been performed based on current and expected forecast performance of the investment on a probability weighted expected return approach. This considers the potential future performance and potential dividend returns together with assessments of likelihood of various exit arrangements as structured under the shareholder agreement. The increase in the period is as a result of strong performance during 2020 and increased expected future performance of the company over the medium term.

The key assumptions in the model are the scenario probabilities applied, the 2021 budgeted EBITDA and the discount rate applied. Sensitivity analysis has been performed to highlight the impact of movements within the key judgemental areas:

- A 10% decrease in 2021 EBITDA would lead to a €1.0m (£0.9m) reduction in the valuation.
- A 10% increase in 2021 EBITDA would lead to a €1.3m (£1.2m) increase in the valuation.
- A 100bps increase in the discount rate would lead to a €1.2m (£1.1m) decrease in the valuation.
- A 100bps decrease in the discount rate would lead to a €2.4m (£2.2m) increase in the valuation.
- The weighting of probabilities was adjusted for the 2020 year end valuation, had the probability weightings remained in line with the prior year assumptions the fair value would be €15.8m (£14.2m), a €2.1m (£1.9m) increase in the current valuation.

#### Financial instruments measured at amortised cost

All other financial instruments are measured at amortised cost. Trade and other receivables, trade and other payables and share buyback obligations have short terms to maturity. For this reason their carrying values are considered to reasonably approximate their fair values. The bank revolving facilities and other loans incur interest at floating rates. Given this and the Group's strong liquidity management, their carrying values are also considered to reasonably approximate their fair values. Net investment in finance leases relates to equipment leased to franchisees on terms of between one and five years. The NAF and eCommerce creditor relates to an excess of royalties received from franchisees over NAF and eCommerce services provided. Given the strong payment history of franchisees, the carrying value of these balances with franchisees is considered to reasonably approximate fair value. Deferred and contingent consideration relates to the sale of the Group's 50% shareholding in DP Shayban Limited, where a deferred consideration of £5.7m is receivable in 2023. Given the strong payment history of the counterparties to this transaction, and securities in place, the carrying value is considered to reasonably approximate fair value.

## 27. Share capital and reserves

Allotted, called up and fully paid share capital

|                                          | At 27 December 2020 |           | At 29 December 2019 |           |
|------------------------------------------|---------------------|-----------|---------------------|-----------|
|                                          | Number              | £         | Number              | £         |
| At 29 December 2019 and 30 December 2018 | 462,230,073         | 2,407,449 | 468,506,730         | 2,440,134 |
| Share issues                             | 6,750,000           | 35,156    | –                   | –         |
| Share buybacks                           | –                   | –         | (6,276,657)         | (32,685)  |
| Share cancellations                      | –                   | –         | –                   | –         |
| At 27 December 2020 and 29 December 2019 | 468,980,073         | 2,442,605 | 462,230,073         | 2,407,449 |

During the period the Company issued a total of 6,750,000 Ordinary shares of 25/48p each for a total value of £13.0m including costs of £0.1m. The shares were issued following the exercise of an option, granted by the Company in 2014 with an exercise price of 192.5p per share. The option was granted as part consideration for an acquisition of minority interests in Germany which was announced on 27 February 2014. The dilutive impact of these share options has been included in the calculation of dilutive earnings per share in the current and prior years.

In the prior period the Company bought back a total of 6,276,657 Ordinary shares of 25/48p each for a total value of £16.0m including costs of £0.1m. The average price paid for these repurchased shares was 253.3p. These repurchased shares were then cancelled in the same period.

### Nature and purpose of reserves

#### Share capital

Share capital comprises the nominal value of the Company's Ordinary shares of 25/48p each.

#### Share premium

The share premium reserve is the premium paid on the Company's 25/48p Ordinary shares. Movement for the year relates to the issue of 6,750,000 shares at a premium of £12.9m.

#### Capital redemption reserve

The capital redemption reserve included the nominal value of shares bought back by the Company.

#### Capital reserve – own shares

This reserve relates to shares in the Company held by an independently managed Employee Benefit Trust ('EBT') and shares in the Company held by the Company as 'treasury shares'.

All shares in the Company purchased by the Company as treasury shares in the prior period were done so as part of announced buy back programmes, and were then cancelled in the same year. There were no shares held in treasury at the end of the current or prior period.

Shares in the Company held by the EBT are purchased in order to satisfy employee shares options and potential awards under employee share incentive schemes. During the period, the EBT did not purchase any shares (2019: 602,460 at a cost of £1.4m) in the Company and disposed of 342,854 shares in the Company (2019: 1,101,140). The EBT held 1,285,549 shares (2019: 1,628,400) at the end of the period, which have a historic cost of £3.4m (2019: £4.5m). The EBT waived its entitlement to dividends in the current and prior period.

#### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

#### Other reserves

The other reserves relate to the gross liability for put options held by non-controlling interests that the Group is contractually obliged to meet when exercised.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 28. Business combinations and disposals

#### DP Norway AS

On 22 May 2020, the Group disposed of its 71% interest in DP Norway SA, the business in Norway, with consideration paid to the buyers of £6.4m.

The loss on disposal of the Group's controlling 71% interest in Norway is analysed as follows:

|                                                                 | £m            |
|-----------------------------------------------------------------|---------------|
| Cash paid on disposal                                           | (3.0)         |
| Cash disposed                                                   | (3.4)         |
| <b>Net cash paid on disposal</b>                                | <b>(6.4)</b>  |
| Net liabilities disposed excluding cash (see below)             | 5.8           |
| Non-controlling interest disposed                               | (10.5)        |
| Currency translation gains transferred from translation reserve | 1.9           |
| <b>Exceptional loss on disposal</b>                             | <b>(9.2)</b>  |
| Non-underlying professional fees related to the disposal        | (1.6)         |
| <b>Total costs of disposal</b>                                  | <b>(10.8)</b> |
| Property, plant and equipment                                   | –             |
| Inventories, trade and other receivables/(payables)             | (0.9)         |
| Provisions                                                      | 3.5           |
| Deferred tax liabilities                                        | 3.2           |
| <b>Net liabilities disposed excluding cash</b>                  | <b>5.8</b>    |

As a result of this transaction the £0.8m put option liability was derecognised. Other reserves, which related to the initially recognised put options, were reduced by £3.1m with a corresponding impact on retained earnings. The non-controlling interest of £10.5m was recycled through the income statement.

#### PPS Foods AB

On 22 May 2020, in combination with the disposal of Norway, the Group acquired the remaining 29% of PPS Foods AB, the business in Sweden for consideration of €1, at which point the subsidiary became wholly owned by the Group. As a result of this transaction the non-controlling interest of £2.2m and other reserves of £2.4m (relating to the initially recognised put options) were derecognised.

#### Pizza Pizza EHF

On 3 July 2019, the Group received a put option exercise notice in relation to the remaining 4.7% minority interest of Pizza Pizza EHF. On 14 August 2019, the Group paid a consideration of €2.9m (£2.7m) to acquire the remaining 4.7% of Pizza Pizza EHF, at which point the subsidiary became wholly owned by the Group. The non-controlling interest of £1.0m in Pizza Pizza EHF and the other reserve of £19.6m (relating to the initially recognised put option) were derecognised.

## 29. Share-based payments

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 27 December 2020 was £1.4m (2019: £0.6m).

### 2012 Long Term Incentive Plan ('2012 LTIP')

At the 2012 AGM, shareholders approved the adoption of LTIP rules which allow for either the grant of market value options or performance shares. Awards are approved and granted at the discretion of the Remuneration Committee to Senior Executives and other employees. All awards are capable of vesting within a three-year period should certain performance targets be achieved by the Group. For certain Senior Executives, awards that vest are subject to a further two year holding period. No options were exercised during the period. The weighted average share price for options exercised during 2019 was 319p.

### 2016 Long Term Incentive Plan ('2016 LTIP')

At the 2016 AGM, shareholders approved the adoption of new LTIP rules which allow for either the grant of market value options or performance shares. Awards are approved and granted at the discretion of the Remuneration Committee to Senior Executives and other employees. All awards are capable of vesting within a three to five-year period should certain performance targets be achieved by the Group. For certain Senior Executives, awards that vest are subject to a further two-year holding period. There were no options exercised during the period (2019: nil).

### Deferred Share Bonus Plan ('DSBP')

Under the terms of annual bonus arrangements with Senior Executives, bonus payments can be settled partially in cash and partially in shares of the Company, with the shares element typically deferred for a two or three year period and lapsing in certain circumstances connected with leaving the Company. The weighted average share price for DSBP awards exercised during the period was 308p (2019: £nil).

All of the Company's DSBP, 2012 LTIP and 2016 LTIP awards are accounted for as equity settled. A small number of the LTIP and all of the DSBP awards include entitlement to the equivalent dividends that would have been paid on vested shares in the period between grant date and the dividend equivalent end date. These dividend entitlements, referred to as dividend equivalent awards, can be equity settled or cash settled at the discretion of the Remuneration Committee. Equity settled accounting treatment was elected at the point of granting all dividend equivalent awards. Where dividend equivalent awards are subsequently settled in cash, the settling cash payment is accounted for as a repurchase of an equity interest.

Further information on the DSBP, the 2012 LTIP and 2016 LTIP awards is given in the Executive Director policy table on pages 103 to 105 of the Directors' remuneration report. No cash payments (2019: £0.5m) were made during the 52 weeks ended 27 December 2020 settling dividend equivalent awards, recorded as a repurchase of equity as shown in the statement of changes in equity.

### Company Share Option Plan ('CSOP')

In May 2009, the Group established a CSOP, with approved and unapproved sections. Employees are eligible for grants at the discretion of the Remuneration Committee. All awards are capable of vesting within a three year period should certain performance targets be achieved and are equity settled. The options lapse after 10 years or in certain other circumstances connected with leaving the Company. The weighted average share price for options exercised during the period was 287p (2019: 252p).

### Sharesave Scheme

During 2009 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company 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 in the Company or to take their savings in cash. The contractual life of the scheme is three years. The weighted average share price for options exercised during the period was 350p (2019: 325p).

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 29. Share-based payments continued

#### Estimating fair value

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 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 27 December 2020, together with the fair values calculated by those models:

|                                       | 52 weeks ended<br>27 December 2020 | 52 weeks ended<br>29 December 2019 |
|---------------------------------------|------------------------------------|------------------------------------|
| Weighted average fair value           | 261.2p                             | 133.95p                            |
| Weighted average share price at grant | 347.38p                            | 247.61p                            |
| Weighted average exercise price       | 62.62p                             | 77.11p                             |
| Weighted average expected term        | 3 years                            | 3 years                            |
| Expected dividend yield               | 2.09%                              | 3.88%                              |
| Risk-free rates                       | 0%                                 | 0.57%                              |
| Expected volatility                   | 30.26%                             | 29.35%                             |

#### Share options and awards outstanding

As at 27 December 2020, the following share options and awards were outstanding:

| Scheme                          | Exercise price     | Outstanding<br>at 29<br>December<br>2019<br>Number | Granted<br>during<br>the period<br>Number | Exercised<br>during<br>the period<br>Number | Forfeited<br>during<br>the period<br>Number | Outstanding<br>at 27<br>December<br>2020<br>Number | Weighted<br>average<br>remaining<br>life<br>Years | Exercisable at<br>27 December<br>2020<br>Number |
|---------------------------------|--------------------|----------------------------------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| 2012 LTIP                       | 0.00p to 43.16p    | 3,711,037                                          | 1,697,962                                 | –                                           | (1,558,585)                                 | 3,850,414                                          | 1.52                                              | 288                                             |
| 2016 LTIP                       | –                  | 588,525                                            | –                                         | –                                           | (475,227)                                   | 113,298                                            | 0.16                                              | 12,541                                          |
| DSBP                            | –                  | 107,337                                            | –                                         | (107,337)                                   | –                                           | –                                                  | –                                                 | –                                               |
| CSOP                            |                    |                                                    |                                           |                                             |                                             |                                                    |                                                   |                                                 |
| (Unapproved)                    | 113.67p to 160.80p | 44,079                                             | –                                         | (17,121)                                    | –                                           | 26,958                                             | –                                                 | 26,958                                          |
| CSOP (Approved)                 | 68.50p to 160.80p  | 59,651                                             | –                                         | (23,795)                                    | (12,279)                                    | 23,577                                             | –                                                 | 23,577                                          |
| Sharesave<br>Scheme             | 143.33p to 275.33p | 1,407,842                                          | 480,236                                   | (183,051)                                   | (120,357)                                   | 1,584,670                                          | 1.73                                              | –                                               |
|                                 |                    | 5,918,471                                          | 2,178,198                                 | (331,304)                                   | (2,166,448)                                 | 5,598,917                                          |                                                   | 63,364                                          |
| Weighted average exercise price |                    | 52.06p                                             | 59.97p                                    | 150.08p                                     | 16.21p                                      | 59.53p                                             |                                                   | 150.99p                                         |

As at 29 December 2019, the following share options and awards were outstanding:

| Scheme                          | Exercise price     | Outstanding<br>at 30<br>December<br>2018<br>Number | Granted<br>during<br>the period<br>Number | Exercised<br>during<br>the period<br>Number | Forfeited<br>during<br>the period<br>Number | Outstanding<br>at 29<br>December<br>2019<br>Number | Weighted<br>average<br>remaining<br>life<br>Years | Exercisable at<br>29 December<br>2019<br>Number |
|---------------------------------|--------------------|----------------------------------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| 2012 LTIP                       | 0.00p to 43.16p    | 4,054,251                                          | 1,720,007                                 | (1,037,690)                                 | (1,025,531)                                 | 3,711,037                                          | 1.84                                              | 288                                             |
| 2016 LTIP                       | –                  | 1,602,000                                          | –                                         | –                                           | (1,013,475)                                 | 588,525                                            | 1.19                                              | –                                               |
| DSBP                            | –                  | 107,337                                            | –                                         | –                                           | –                                           | 107,337                                            | –                                                 | 107,337                                         |
| CSOP                            |                    |                                                    |                                           |                                             |                                             |                                                    |                                                   |                                                 |
| (Unapproved)                    | 113.67p to 160.80p | 44,079                                             | –                                         | –                                           | –                                           | 44,079                                             | –                                                 | 44,079                                          |
| CSOP (Approved)                 | 68.50p to 160.80p  | 112,355                                            | –                                         | (52,674)                                    | (30)                                        | 59,651                                             | –                                                 | 59,651                                          |
| Sharesave<br>Scheme             | 143.33p to 275.33p | 1,137,594                                          | 1,144,397                                 | (10,776)                                    | (863,373)                                   | 1,407,842                                          | 2.00                                              | –                                               |
|                                 |                    | 7,057,616                                          | 2,864,404                                 | (1,101,140)                                 | (2,902,409)                                 | 5,918,471                                          |                                                   | 211,355                                         |
| Weighted average exercise price |                    | 44.90p                                             | 77.11p                                    | 6.56p                                       | 74.98p                                      | 52.06p                                             |                                                   | 67.35p                                          |

### 30. Additional cash flow information

|                                                               | Notes | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|---------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|
| <b>Cash flows from investing activities</b>                   |       |                                          |                                          |
| Dividends received from associates and joint ventures         | 18    | 2.5                                      | 1.0                                      |
| Decrease/(increase) in loans to associates and joint ventures | 18    | 3.7                                      | (1.5)                                    |
| Increase in loans to franchisees                              |       | –                                        | (0.2)                                    |
| Receipts from repayment of franchisee leases                  |       | –                                        | 0.9                                      |
| Other                                                         |       | 6.2                                      | 0.2                                      |

### Reconciliation of financing activities

|                         | At 29 December<br>2019<br>£m | Adoption of<br>IFRS 16<br>£m | Cash flow<br>£m | Exchange<br>differences<br>£m | Non-cash<br>movements<br>£m | At 27 December<br>2020<br>£m |
|-------------------------|------------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|
| Bank revolving facility | (248.1)                      | –                            | 9.9             | (4.8)                         | (0.6)                       | (243.6)                      |
| Other loans             | (0.2)                        | –                            | 0.2             | –                             | –                           | –                            |
| Lease liabilities       | (0.3)                        | (241.2)                      | 36.6            | 0.2                           | (32.2)                      | (236.9)                      |
| Other                   | (0.9)                        | –                            | –               | –                             | 0.9                         | –                            |
|                         | (249.5)                      | (241.2)                      | 46.7            | (4.6)                         | (31.9)                      | (480.5)                      |

|                         | At 30 December<br>2018<br>£m | Cash flow<br>£m | Exchange<br>differences<br>£m | Non-cash<br>movements<br>£m | At 29 December<br>2019<br>£m |
|-------------------------|------------------------------|-----------------|-------------------------------|-----------------------------|------------------------------|
| Bank revolving facility | (224.5)                      | (27.9)          | 5.0                           | (0.7)                       | (248.1)                      |
| Other loans             | (3.2)                        | 2.9             | 0.1                           | –                           | (0.2)                        |
| Finance leases          | (0.4)                        | 0.1             | –                             | –                           | (0.3)                        |
| Other                   | (27.6)                       | 71.0            | (0.4)                         | (43.9)                      | (0.9)                        |
|                         | (255.7)                      | 46.1            | 4.7                           | (44.6)                      | (249.5)                      |

Included within Other are gross put option liabilities of £nil (2019: £0.9m).

### Share transactions

|                                                                              | Notes | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|------------------------------------------------------------------------------|-------|------------------------------------------|------------------------------------------|
| Purchase of own shares – share buyback                                       | 27    | –                                        | (16.0)                                   |
| Purchase of own shares – employee benefit trust                              | 27    | –                                        | (1.4)                                    |
| Consideration received on exercise of share options – employee benefit trust | 27    | 0.5                                      | –                                        |
|                                                                              |       | 0.5                                      | (17.4)                                   |

### 31. Capital commitments

At 27 December 2020, amounts contracted for but not provided for in the financial statements for the acquisition of property, plant and equipment amounted to £0.9m (2019: £1.1m) for the Group.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 32. Contingent liabilities

During the year, the German tax authorities launched a tax audit on Domino's Pizza Germany Limited, a 100% owned subsidiary of the Group. This covers the years 2015 through 2018. The subsidiary was the previous trading subsidiary of the wholly owned Germany operations of the Group, which were closed in 2016 following sale of certain stores to the Daytona associate. The audit is still ongoing and is at a relatively early stage. Due to the early nature of the auditors' investigations, the potential liability is currently unknown.

### 33. Post balance sheet events

On 8 March 2021 we announced that we have exchanged contracts to sell the business in Sweden for a cash cost of £1.8m to be paid to the purchaser.

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 27 December 2020 it would have had the effect of increasing the net deferred tax liability by £1.1m.

### 34. Related party transactions

The financial statements include the financial statements of Domino's Pizza Group plc and the subsidiary and associated undertakings listed below.

| Name of Company                                | Country of incorporation | Proportion of voting rights and share capital | Registered office                                                              |
|------------------------------------------------|--------------------------|-----------------------------------------------|--------------------------------------------------------------------------------|
| <b>Directly held subsidiary undertakings</b>   |                          |                                               |                                                                                |
| DP Capital Limited                             | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| DP Cyco Limited                                | Cyprus                   | 100% Ordinary                                 | Rigas, 4, Omega Court, Floor 1, Limassol, 3095, Cyprus                         |
| DP Cyco Switzerland Limited                    | Cyprus                   | 100% Ordinary                                 | Rigas, 4, Omega Court, Floor 1, Limassol, 3095, Cyprus                         |
| DP Group Developments Limited                  | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| DP Realty Limited                              | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| DPG Holdings Limited                           | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| Pizza Pizza EHF                                | Iceland                  | 100% Ordinary                                 | Lóuhólar 2-6, 111 Reykjavík, Iceland                                           |
| PPS Foods AB <sup>1</sup>                      | Sweden                   | 100% Ordinary                                 | Hanögatan 9, 211 24 Malmö, Skåne Län                                           |
| <b>Indirectly held subsidiary undertakings</b> |                          |                                               |                                                                                |
| D.P. Newcastle Limited                         | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| Domino's Leasing Limited                       | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| Domino's Pizza (Isle of Man) Limited           | Isle of Man              | 100% Ordinary                                 | First Floor, Jubilee Buildings, Victoria Street, Douglas, IM1 2SH, Isle of Man |
| Domino's Pizza Germany (Holdings) Limited      | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| Domino's Pizza Germany Limited                 | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| Domino's Pizza GmbH                            | Switzerland              | 100% Ordinary                                 | Europastrasse 19, 8152, Glattbrugg, Switzerland                                |
| DP Pizza Limited                               | Republic of Ireland      | 100% Ordinary                                 | Unit 1B Toughers Business Park, Newhall, Naas Co. Kildare, Ireland             |
| Domino's Pizza UK & Ireland 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              |
| HJS Pizza Deutschland GmbH <sup>2</sup>        | Germany                  | 100% Ordinary                                 | c/o Cormoran GmbH, Am Zirkus 2, 10117, Berlin, Germany                         |
| Sell More Pizza 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              |
| 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              |
| WAP Partners Limited                           | England                  | 100% Ordinary                                 | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom              |
| <b>Direct associate undertakings</b>           |                          |                                               |                                                                                |
| Daytona JV Limited                             | England                  | 33% Ordinary                                  | 3rd Floor, 1 Ashley Road, Altrincham, Cheshire WA14 2DT, United Kingdom        |
| <b>Indirectly held associate undertakings</b>  |                          |                                               |                                                                                |
| Full House Restaurants Holdings Ltd            | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom        |

| Name of Company                                                   | Country of incorporation | Proportion of voting rights and share capital | Registered office                                                             |
|-------------------------------------------------------------------|--------------------------|-----------------------------------------------|-------------------------------------------------------------------------------|
| <b>Indirectly held subsidiaries of associate undertakings</b>     |                          |                                               |                                                                               |
| B N Sandy (Cannock) Limited <sup>2</sup>                          | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| B N Sandy (Newcastle) Limited <sup>2</sup>                        | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Bristol Curry Limited <sup>2</sup>                                | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Classic Crust Limited                                             | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Dancing Tiger Limited <sup>2</sup>                                | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Daytona Germany GmbH                                              | Germany                  | 33% Ordinary                                  | Am Sandtorkai 75-77 (Eingang Haus Nr. 77) 20457 Hamburg, Germany              |
| Domino's Pizza Deutschland GmbH                                   | Germany                  | 33% Ordinary                                  | Am Sandtorkai 75-77 (Eingang Haus Nr. 77) 20457 Hamburg, Germany              |
| Freshname 845 Limited <sup>2</sup>                                | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Full House Restaurants Limited                                    | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Hallo Pizza GmbH                                                  | Germany                  | 33% Ordinary                                  | Hans-Böckler-Strasse 48, 40764 Langenfeld, Germany                            |
| House Special Limited                                             | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| J M R Foster (Winsford) Limited <sup>3</sup>                      | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Sherston Limited                                                  | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Shorecal Limited                                                  | Republic of Ireland      | 15% Ordinary                                  | 4 Haddington Terrace, Dun Laoghaire, Co. Dublin, Ireland                      |
| Sunmead Limited                                                   | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| Surrey Pizzas Limited                                             | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| The Woodpecker Inn Ltd                                            | England                  | 49% Ordinary                                  | Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF, United Kingdom       |
| <b>Direct Joint venture undertakings</b>                          |                          |                                               |                                                                               |
| Domino's Pizza West Country Limited                               | England                  | 50% Ordinary                                  | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom             |
| <b>Indirectly held subsidiaries of joint venture undertakings</b> |                          |                                               |                                                                               |
| DA Hall Trading Limited                                           | England                  | 50% Ordinary                                  | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom             |
| DAHT Limited                                                      | England                  | 50% Ordinary                                  | 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB, United Kingdom             |
| MLS Limited                                                       | England                  | 50% Ordinary                                  | Aldreth, Pearcroft Road, Stonehouse, Gloucestershire GL10 2JY, United Kingdom |

1 The Group acquired the remaining 29% of PPS Foods AB in May 2020 and subsequently announced the sale of the entire shareholding in March 2021, with completion expected in May 2021.

2 B N Sandy (Cannock) Limited, Bristol Curry Limited and Dancing Tiger Limited were dissolved on 5 January 2021. Freshname 845 Limited was dissolved on 19 January 2021. The liquidation for HJS Pizza Limited concluded on 25 January 2021. B N Sandy (Newcastle) Limited was dissolved on 26 January 2021.

3 A voluntary strike off application has been submitted to Companies House in respect of J M R Foster (Winsford) Limited, which is no longer trading.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 34. Related party transactions continued

During the period the Group entered into transactions, in the ordinary course of business, with related parties. For details of loan balances due from associates please refer to note 18. Transactions entered into, and trading balances outstanding with related parties, are as follows:

| Related party                 | Sales to<br>related party<br>£m | Amounts owed<br>by related party<br>£m |
|-------------------------------|---------------------------------|----------------------------------------|
| Associates and joint ventures |                                 |                                        |
| 27 December 2020              | 27.2                            | 0.6                                    |
| 29 December 2019              | 43.6                            | 1.2                                    |

Sales to associates and joint ventures have fallen significantly during the year due to the impact of IFRS 16 with rental income now being repayment of lease receivables, see note 2 for further details.

### Terms and conditions of transactions with related parties

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 Group has not provided for or benefited from any guarantees for any related party receivables or payables.

### Compensation of key management personnel (including Directors)

|                              | 52 weeks ended<br>27 December 2020<br>£m | 52 weeks ended<br>29 December 2019<br>£m |
|------------------------------|------------------------------------------|------------------------------------------|
| Short-term employee benefits | 4.2                                      | 4.0                                      |
| Post-employment benefits     | 0.1                                      | 0.3                                      |
| Share-based payment          | 3.7                                      | 0.1                                      |
|                              | 8.0                                      | 4.4                                      |

The table above includes the remuneration costs of the Executive Directors of the Company, the Directors of Domino's Pizza UK & Ireland Limited and other key management personnel of the Group.

A provision for employment taxes has been recorded in 2017 (see note 2). The related expense was included in the compensation to the Directors and members of the senior management team in 2017. The amounts are presented gross and do not reflect future recoveries of the expense from certain members of the senior management team and Directors.

# COMPANY BALANCE SHEET

AT 27 DECEMBER 2020

|                                                         | Notes | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|---------------------------------------------------------|-------|---------------------------|---------------------------|
| <b>Fixed assets</b>                                     |       |                           |                           |
| Investment in subsidiary undertakings                   | 4     | 23.8                      | 43.7                      |
| Investment in associates and joint ventures             | 4     | 23.3                      | 24.0                      |
|                                                         |       | 47.1                      | 67.7                      |
| <b>Assets</b>                                           |       |                           |                           |
| Deferred consideration: falling due after one year      | 6     | 5.7                       | 5.7                       |
| Other financial asset: falling due after one year       | 3     | 13.3                      | 7.1                       |
| Other financial asset: falling due within one year      | 3     | 2.0                       | –                         |
| Other receivables: falling due after one year           | 5     | 18.4                      | 21.7                      |
| Other receivables: falling due within one year          | 5     | 112.2                     | 66.9                      |
| Current tax asset                                       |       | –                         | 0.1                       |
| Cash and cash equivalents                               |       | 2.0                       | 0.4                       |
| Deferred tax asset                                      | 9     | 2.1                       | 0.6                       |
|                                                         |       | 155.7                     | 102.5                     |
| <b>Liabilities: amounts falling due within one year</b> |       |                           |                           |
| Other payables                                          | 7     | (16.4)                    | (3.1)                     |
| Provisions                                              | 10    | (0.1)                     | –                         |
|                                                         |       | (16.5)                    | (3.1)                     |
| <b>Liabilities: amounts falling due after one year</b>  |       |                           |                           |
| Financial liabilities                                   | 8     | –                         | (3.3)                     |
| Deferred tax liabilities                                | 9     | (2.9)                     | –                         |
| Provisions                                              | 10    | (11.0)                    | (11.0)                    |
| <b>Total liabilities</b>                                |       | (30.4)                    | (17.4)                    |
| <b>Net assets</b>                                       |       | 172.4                     | 152.8                     |
| <b>Shareholders' equity</b>                             |       |                           |                           |
| Called up share capital                                 | 11    | 2.4                       | 2.4                       |
| Share premium account                                   |       | 49.6                      | 36.7                      |
| Capital redemption reserve                              |       | 0.5                       | 0.5                       |
| Capital reserve – own shares                            |       | (3.4)                     | (4.5)                     |
| Retained earnings                                       |       | 123.3                     | 117.7                     |
| <b>Total equity shareholders' funds</b>                 |       | 172.4                     | 152.8                     |

The profit for the 52 week period ended 27 December 2020 of the Company is £30.3m (2019: £122.9m). The notes on pages 219 to 225 are an integral part of these company financial statements. The financial statements were approved by the Directors on 8 March 2021 and signed on their behalf by:

*Dominic Paul*

Dominic Paul

Director

8 March 2021

Registered number: 03853545

# COMPANY STATEMENT OF CHANGES IN EQUITY

52 WEEKS ENDED 27 DECEMBER 2020

|                                                                        | Share<br>capital<br>£m | Share<br>premium<br>account<br>£m | Capital<br>redemption<br>reserve<br>£m | Capital<br>reserve – own<br>shares<br>£m | Retained<br>Earnings<br>£m | Equity<br>shareholders'<br>funds<br>£m |
|------------------------------------------------------------------------|------------------------|-----------------------------------|----------------------------------------|------------------------------------------|----------------------------|----------------------------------------|
| At 30 December 2018                                                    | 2.4                    | 36.7                              | 0.5                                    | (6.4)                                    | 41.8                       | 75.0                                   |
| Share buybacks                                                         | –                      | –                                 | –                                      | (1.4)                                    | (16.0)                     | (17.4)                                 |
| Share buybacks obligation satisfied                                    | –                      | –                                 | –                                      | –                                        | 15.8                       | 15.8                                   |
| Impairment of share issues                                             | –                      | –                                 | –                                      | 3.3                                      | (3.3)                      | –                                      |
| Profit for the period                                                  | –                      | –                                 | –                                      | –                                        | 122.9                      | 122.9                                  |
| Tax on employee share options                                          | –                      | –                                 | –                                      | –                                        | 0.7                        | 0.7                                    |
| Share options and LTIP charge                                          | –                      | –                                 | –                                      | –                                        | 0.6                        | 0.6                                    |
| Repurchase of equity from dividend equivalent<br>employee share awards | –                      | –                                 | –                                      | –                                        | (0.5)                      | (0.5)                                  |
| Equity dividends paid                                                  | –                      | –                                 | –                                      | –                                        | (44.3)                     | (44.3)                                 |
| At 29 December 2019                                                    | 2.4                    | 36.7                              | 0.5                                    | (4.5)                                    | 117.7                      | 152.8                                  |
| Proceeds from share issues                                             | –                      | 12.9                              | –                                      | 0.6                                      | –                          | 13.5                                   |
| Impairment of share issues                                             | –                      | –                                 | –                                      | 0.5                                      | (0.5)                      | –                                      |
| Profit for the period                                                  | –                      | –                                 | –                                      | –                                        | 30.3                       | 30.3                                   |
| Share options and LTIP charge                                          | –                      | –                                 | –                                      | –                                        | 1.4                        | 1.4                                    |
| Equity dividends paid                                                  | –                      | –                                 | –                                      | –                                        | (25.6)                     | (25.6)                                 |
| At 27 December 2020                                                    | 2.4                    | 49.6                              | 0.5                                    | (3.4)                                    | 123.3                      | 172.4                                  |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

52 WEEKS ENDED 27 DECEMBER 2020

## 1. Accounting policies

### General information

Domino's Pizza Group plc ('the Company') is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' report.

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

The Company's financial statements are individual entity financial statements.

As permitted by section 408 of the Companies Act 2006, the income statement and the statement of comprehensive income of the parent company have not been separately presented in these financial statements.

### Basis of preparation

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework and the Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention except for certain financial assets and liabilities measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 27 December 2020 and have been applied consistently to all years presented. The impact of the adoption of IFRS 16 on the Group accounts has been set out in note 2 of the Group financial statements. The adoption of this standard had no material impact on the financial statements of the Company.

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

- (a) the requirements of IFRS 2 Share Based Payments;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of IFRS 13 Fair Value Measurement;
- (d) the requirement IAS 1 Presentation of Financial Statements to present certain comparative information and objectives, policies and processes for managing capital;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose IFRSs issued but not effective;
- (g) the requirements of IAS 24 Related Party Disclosures to present key management personnel compensation and intra-group transactions including wholly owned subsidiaries;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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.

### Judgements

Refer to note 2 of the Group financial statements for significant judgements related to the reversionary share plan and note 26 for disclosure on the valuation of the Market Access Fee.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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### 1. Accounting policies continued

#### Investments

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

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 income statement.

#### Interests in associates and joint ventures

Investments in associates and joint ventures are stated at cost less provision for impairment.

#### Capital reserve – own shares

Treasury shares held by the Employee Benefit Trust are classified in capital and reserves as 'Capital reserve – own shares' and recognised at cost. No gain or loss is recognised on the purchase or sale of such shares.

#### Share-based payment transactions

Directors of the Company receive an element of remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met; see the Directors' Remuneration Report for the individual vesting conditions for the various schemes.

The cost of equity-settled transactions with employees 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 value is determined by an external value using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance 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, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry into equity.

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. 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.

The Company recharges the cost of equity-settled transactions to the respective employing entity, with a corresponding increase in equity and investment in subsidiary undertakings booked with Domino's Pizza Group plc.

### Other financial assets

The Market Access Fee is classified as a non-current other financial asset and is measured at fair value. Changes in fair value are recognised in the income statement.

### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

### Provisions for liabilities

A provision is recognised where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Reversionary share plan

Certain of the Group's historical share-based compensation arrangements dating from 2003-2010 involve a degree of estimation and judgement in respect of their employment tax treatment. HMRC issued protective assessments in respect of potential employment tax relating to these historical schemes and as a result of further advice received in January 2018 a provision was recorded. For details see note 2 of the Group financial statements.

### 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 otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

## 2. Profit attributable to members of the parent Company

The profit for the 52 week period ended 27 December 2020 of the Company is £30.3m (2019: £122.9m).

Dominic Paul and Neil Smith are the only Executive Directors employed by the Company. They are the only employees of the Company. Information regarding Directors' remuneration is included in the Directors' remuneration report on pages 100 to 126.

For details of audit fees see note 6 of the Group financial statements.

## 3. Other financial assets

|                   | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|-------------------|---------------------------|---------------------------|
| Current asset     | 2.0                       | –                         |
| Non-current asset | 13.3                      | 7.1                       |
|                   | 15.3                      | 7.1                       |

Other financial assets relates to a contingent consideration (referred to as the 'Market Access Fee') of up to €25.0m (2019: €25.0m) payable by Domino's Pizza Enterprises Limited to the Group for divesting of its interests in operating Domino's Pizza stores in Germany and its exclusive access to the German market. This Market Access Fee is payable in instalments from 2017, the payment of each instalment being contingent on the divested German business achieving defined levels of EBITDA. As at 27 December 2020, no Market Access Fee payments have been made or are due. For details of the fair value considerations see note 26 of the Group financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 4. Investments

|                              | Subsidiary<br>undertakings<br>£m | Associates and<br>joint ventures<br>£m | Total<br>£m |
|------------------------------|----------------------------------|----------------------------------------|-------------|
| <b>Cost or valuation</b>     |                                  |                                        |             |
| At 30 December 2018          | 69.8                             | 22.6                                   | 92.4        |
| Additions                    | 2.7                              | 1.5                                    | 4.2         |
| Impairment                   | (28.8)                           | –                                      | (28.8)      |
| Foreign exchange             | –                                | (0.1)                                  | (0.1)       |
| <b>At 29 December 2019</b>   | <b>43.7</b>                      | <b>24.0</b>                            | <b>67.7</b> |
| Return of investment funding | –                                | (0.8)                                  | (0.8)       |
| Impairment                   | (19.9)                           | –                                      | (19.9)      |
| Foreign exchange             | –                                | 0.1                                    | 0.1         |
| <b>At 27 December 2020</b>   | <b>23.8</b>                      | <b>23.3</b>                            | <b>47.1</b> |

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are detailed in note 34 of the Group financial statements and further details on the additions to investments in associates and joint ventures can be found in note 18 of the Group financial statements.

During the period the Company disposed of its investment in DP Norway SA with consideration paid to the buyers of £6.4m. Further information around the disposal is set out in Note 28 of the Group financial statements.

During the period the investment in Pizza Pizza EHF (Iceland) was impaired by £19.9m (2019: £20.2m). In the prior year the investment in PPS Foods AB was impaired by £3.6m, and the investment in DP Cyco Limited was impaired by £5.0m. These impairments were recorded in administrative expenses. The impairments were recorded following reclassification of the operations as assets held for sale on the Group financial statements. Further information around the valuation methodology used, sensitivities and events and circumstances which led to the impairment are set out in note 14 to the Group financial statements.

During the prior period the Company made an additional investment of £2.7m into Pizza Pizza EHF (Iceland).

### 5. Other receivables

#### Falling due after one year

|                            | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|----------------------------|---------------------------|---------------------------|
| Amounts owed by associates | 16.8                      | 19.4                      |
| Other asset                | 1.6                       | 2.3                       |
|                            | 18.4                      | 21.7                      |

#### Falling due within one year

|                                    | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------|---------------------------|---------------------------|
| Amounts owed by Group undertakings | 112.0                     | 66.7                      |
| Amounts owed by joint ventures     | 0.2                       | 0.2                       |
|                                    | 112.2                     | 66.9                      |

Amounts owed by associates of £16.8m relates to the loan owed by Daytona JV Limited. Under the terms of the loan agreement, the loan accrues interest at between 2.7% and 3.0% per annum and is payable quarterly in arrears. The loan is repayable on 18 October 2025 or when the Group ceases to own shares in the associate.

Amounts owed by Group undertakings are repayable on demand.

The other asset of £1.6m (2019: £2.3m) relates to bank facility fees paid in previous years which will be recovered through recharging to subsidiary companies based on usage of the facility.

During the period, a provision was recorded over the amounts owed by PPS Foods AB of £8.7m (2019: £7.7m) and DP Norway AS of £nil (2019: £20.4m).

## 6. Deferred consideration

On 18 December 2018, the Company disposed of its 50% holding of share capital in its joint venture DP Shayban Limited, on which deferred consideration is receivable of £5.7m at 27 December 2020 (2019: £5.7m).

## 7. Other payables

|                                    | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------------------|---------------------------|---------------------------|
| Amounts owed to Group undertakings | 15.4                      | 2.5                       |
| Other creditors                    | 0.6                       | 0.1                       |
| Accruals and deferred income       | 0.4                       | 0.5                       |
|                                    | 16.4                      | 3.1                       |

## 8. Financial liabilities

|                        | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------|---------------------------|---------------------------|
| <b>Non-current</b>     |                           |                           |
| Put Option liabilities | —                         | 3.3                       |
|                        | —                         | 3.3                       |

### Bank revolving facility

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 12 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 by August 2021. Arrangement fees of £1.6m (2019: £2.3m) 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. In addition, a commitment fee is calculated on undrawn amounts based on 35% of the current applicable margin.

The facility is secured by an unlimited cross guarantee between Domino's Pizza Group plc, DPG Holdings Limited, Domino's Pizza UK & Ireland Limited, DP Realty Limited, DP Pizza Limited, Sell More Pizza Limited, Sheermans SS Limited and Sheermans Limited.

### Share buyback obligation

On 15 October 2018 the Group entered into an irrevocable non-discretionary programme with Numis Securities Limited to purchase up to a maximum of £25.0m of shares from 18 October 2019 to 27 February 2020. The outstanding commitment to purchase share buybacks was recognised as a financial liability of £15.8m as at 30 December 2018. No outstanding commitment remained as at 29 December 2019 or 27 December 2020.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 9. Deferred tax (liability)/asset

|                        | At 27 December 2020<br>£m | At 29 December 2019<br>£m |
|------------------------|---------------------------|---------------------------|
| Deferred tax asset     | 2.1                       | 0.6                       |
| Deferred tax liability | (2.9)                     | –                         |
|                        | (0.8)                     | 0.6                       |

The deferred tax asset of £2.1m relates to the reversionary share plan referred to in note 2 of the Group financial statements. The deferred tax liability of £2.9m relates to the deferred tax on the Market Access Fee. In the prior year the deferred tax asset of £1.9m relating to deferred tax on the reversionary share plan and the £1.3m liability relating to deferred tax on the Market Access Fee were shown on a net basis.

### 10. Provisions

|                            | Reversionary share<br>plan provisions<br>£m | Other<br>£m | Total<br>£m |
|----------------------------|---------------------------------------------|-------------|-------------|
| At 29 December 2019        | 11.0                                        | –           | 11.0        |
| Arising during the period  | –                                           | 0.2         | 0.2         |
| Utilised during the period | –                                           | (0.1)       | (0.1)       |
| At 27 December 2020        | 11.0                                        | 0.1         | 11.1        |

#### Reversionary share plan provisions

As discussed more fully in note 2 of the Group financial statements, the employment tax provision relates to certain of the Group's historical share-based compensation arrangements dating from 2003 to 2010. As a result of the legal advice received a provision has been recorded amounting to £11.0m, comprising £2.6m employer's NIC, and £8.4m employee's NIC and PAYE. Within this an estimate of interest on overdue tax of £3.0m has been provided for.

No contingent asset has been recognised in the financial statements in relation to the indemnities provided by the beneficiaries of the arrangements. As the tax liability has not crystallised, the Group is not yet entitled to seek recovery of the amounts due under the indemnities.

The timing of the utilisation of the provision is uncertain, as discussed more fully in note 2 of the Group financial statements.

### 11. Authorised and issued share capital

#### Allotted, called up and fully paid share capital

|                                          | At 27 December 2020 |           | At 29 December 2019 |           |
|------------------------------------------|---------------------|-----------|---------------------|-----------|
|                                          | Number              | £         | Number              | £         |
| At 29 December 2019 and 30 December 2018 | 462,230,073         | 2,407,449 | 468,506,730         | 2,440,134 |
| Share issues                             | 6,750,000           | 35,156    | –                   | –         |
| Share buybacks                           | –                   | –         | (6,276,657)         | (32,685)  |
| At 27 December 2020 and 29 December 2019 | 468,980,073         | 2,442,605 | 462,230,073         | 2,407,449 |

During the period the Company issued a total of 6,750,000 Ordinary shares of 25/48p each for a total value of £13.0m including costs of £0.1m.

In the prior period the Company bought back a total of 6,276,657 Ordinary shares of 25/48p each for a total value of £16.0m including costs of £0.1m. The average price paid for these repurchased shares was 253.3p. These repurchased shares were then cancelled in the same period.

## 12. Share-based payments

The total charge recognised for share-based payments in respect of employee services received during the 52 weeks ended 27 December 2020 was £1.4m (2019: £0.6m). This arises solely on equity-settled share-based payment transactions. Of this total, a charge of £0.2m (2019: credit of £0.1m) relates to employees of the Company and a charge of £1.2m (2019: £0.7m) relates to share options granted to employees of subsidiaries. For full disclosures relating to the total charge for the period including grants to both employees of the Company and its subsidiaries please refer to note 29 of the Group financial statements.

## 13. Reconciliation of shareholders' funds and movements on reserves

### 2020

On 18 September 2020 an interim 2020 dividend of £25.6m was paid to shareholders.

### 2019

On 25 April 2019 the 2018 final dividend of £25.0m was paid to shareholders, and on 7 October 2019 an interim 2019 dividend of £19.3m was paid to shareholders.

### Capital reserve – own shares

This reserve relates to shares in the Company held by an independently managed EBT and shares in the Company held by the Company as treasury shares.

*All shares in the Company purchased by the Company as treasury shares in the current and prior period were done so as part of announced buy back programmes, and were then cancelled in the same year. There were no shares held in treasury at the end of the current or prior period.*

Shares in the Company held by the EBT are purchased in order to satisfy employee shares options and potential awards under employee share incentive schemes. During the period, the EBT did not purchase any shares (2019: 602,460 at a cost of £1.4m) in the Company and awarded 342,854 shares in the Company (2019: 1,101,140). The EBT held 1,285,549 shares (2019: 1,628,400) at the end of the period, which have a historic cost of £3.4m (2019: £4.5m). The EBT waived its entitlement to dividends in the current and prior period.

## 14. Contingent Liabilities

Pursuant to the relevant regulation of the European Communities (Companies: Group Accounts) Regulations 1992 the Company has guaranteed the liabilities of the Irish subsidiary, DP Pizza Limited. The liabilities of DP Pizza Limited were £3.1m at 27 December 2020.

## FIVE-YEAR FINANCIAL SUMMARY

|                                                                                      | 27 December<br>2020 <sup>1</sup> | 29 December<br>2019 <sup>1</sup> | 30 December<br>2018 <sup>1</sup> | 31 December<br>2017 | 25 December<br>2016 |
|--------------------------------------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------|---------------------|
| Trading weeks                                                                        | 52                               | 52                               | 52                               | 53                  | 52                  |
| System sales (£m)                                                                    | 1,348.4                          | 1,210.9                          | 1,155.4                          | 1,179.6             | 1,004.2             |
| Group revenue (£m)                                                                   | 505.1                            | 508.3                            | 493.4                            | 474.6               | 360.6               |
| Underlying profit before tax (£m)                                                    | 101.2                            | 98.8                             | 100.0                            | 96.2                | 85.7                |
| Statutory profit before tax (£m)                                                     | 98.9                             | 75.1                             | 87.1                             | 81.2                | 82.5                |
| Basic earnings per share (pence)                                                     |                                  |                                  |                                  |                     |                     |
| – Statutory                                                                          | 8.9                              | 2.8                              | 10.3                             | 13.8                | 13.1                |
| – Underlying                                                                         | 18.2                             | 17.6                             | 17.4                             | 16.0                | 13.8                |
| Diluted earnings per share (pence)                                                   |                                  |                                  |                                  |                     |                     |
| – Statutory                                                                          | 8.8                              | 2.8                              | 10.2                             | 13.7                | 12.9                |
| – Underlying                                                                         | 18.1                             | 17.5                             | 17.2                             | 15.8                | 13.6                |
| Dividends per share (pence)                                                          | 9.10                             | 9.76 <sup>2</sup>                | 9.50                             | 9.00                | 8.00                |
| Underlying earnings before interest, taxation,<br>depreciation and amortisation (£m) | 125.5                            | 117.0                            | 112.7                            | 97.7                | 93.8                |
| Adjusted net (debt)/cash (£m)                                                        | (171.8)                          | (232.6)                          | (203.3)                          | (89.2)              | (34.6)              |
| Adjusted gearing ratio                                                               | 1.37                             | 1.99                             | 1.80                             | 0.8                 | 0.4                 |
| Stores at start of year                                                              | 1,298                            | 1,261                            | 1,192                            | 1,013               | 931                 |
| Stores opened                                                                        | 22                               | 43                               | 71                               | 112                 | 82                  |
| Stores acquired                                                                      | –                                | –                                | –                                | 67                  | –                   |
| Stores closed                                                                        | (6)                              | (6)                              | (2)                              | –                   | –                   |
| Stores disposed <sup>3</sup>                                                         | (56)                             | –                                | –                                | –                   | –                   |
| Stores at year end                                                                   | 1,258                            | 1,298                            | 1,261                            | 1,192               | 1,013               |
| Corporate stores at year end                                                         | 94                               | 129                              | 124                              | 108                 | 16                  |
| UK like-for-like sales growth (%)                                                    | 10.9%                            | 3.7%                             | 4.6%                             | 4.8%                | 9.8%                |

1. Excludes discontinued operations, now refers to UK & Ireland. Store totals are presented on a Group basis including International operations.

2. The final dividend for 2019 was suspended and not tabled at the AGM. A dividend of an equivalent amount was paid as an interim dividend in 2020, and the table above remains consistent with that presented in the 2019 Annual Report.

3. Stores disposed relate to the sale of the Norway operations.

## SHAREHOLDER INFORMATION

### Advisers and principal service providers

#### Registered office

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Milton Keynes  
MK6 4BB

01908 580000

Investor website:  
[investors.dominos.co.uk](http://investors.dominos.co.uk)

#### Auditor

PricewaterhouseCoopers LLP  
40 Clarendon Road  
Watford  
WD17 1JJ

#### Broker and corporate finance advisers

Numis Securities Limited  
The London Stock Exchange  
10 Paternoster Square  
London  
EC4M 7LT

#### Goldman Sachs

Plumtree Court  
25 Shoe Lane  
London  
EC4A 4AU

#### Solicitors

##### Slaughter and May

1 Bunhill Row  
London  
EC1Y 8YY

#### Bankers

##### Barclays Bank plc

3rd Floor  
28 George Street  
Luton  
LU1 3US

#### Registrars

##### Equiniti Limited

Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

## SHAREHOLDER INFORMATION CONTINUED

If you hold your shares direct and not through a Savings Scheme or ISA and have queries relating to your shareholding, please contact the registrars:

- Callers in the UK: 0371 384 2895
- Callers from outside the UK: +44 121 415 0926

Lines are open from 8.30a.m. to 5.30p.m. Monday to Friday (excluding UK bank holidays).

Shareholders can also access details of their holding and other information on the registrars' website, [www.shareview.co.uk](http://www.shareview.co.uk).

The registrars provide an online share dealing service for those who are not seeking advice on buying or selling, available at [www.selftrade.co.uk](http://www.selftrade.co.uk).

The registrars also offer a range of other dealing and investment services, which are explained on their website, [www.shareview.co.uk](http://www.shareview.co.uk)

### Handle with care...

Shareholders tell us that they sometimes receive unsolicited approaches, normally by telephone, inviting them to undertake a transaction in shares they own.

If you do not know the source of the call, check the details against the FCA website below and, if you have any specific information, report it to the FCA using the Consumer Helpline or the Online Reporting Form.

If you have any concerns whatsoever, do not take any action and do not part with any money without being certain that:

- you fully understand the transaction;
- you know who you are dealing with and that they are registered with and authorised by the FCA; and
- you have consulted a financial adviser if you have any doubts. Remember, if it sounds too good to be true, it almost certainly is. You run the risk of losing any money you part with.

If you are worried that you may already have been a victim of fraud, report the facts immediately using the Action Fraud Helpline. Should you want any more information about 'boiler room' and other investment-based fraud, this can be found on two websites:

### Action Fraud Helpline

0300 123 2040

### Action Fraud Website

[www.actionfraud.police.uk](http://www.actionfraud.police.uk)

### FCA Consumer Helpline

0800 111 6768

### FCA ScamSmart Website

[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

The Group's commitment to environmental issues is reflected in this Annual Report which has been printed on Symbol freelifa satin which is made from a FSC® certified and PCF (Process Chlorine Free) material. Printed in the UK by Pureprint Group using their environmental printing technology, and vegetable inks were used throughout. Pureprint Group is a CarbonNeutral® Company. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

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