

Company registration number 7278725

DP Poland PLC

Annual Report and Accounts 2017

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DP Poland PLC

Annual Report and Accounts 2017

STRATEGIC REPORT

- 02 Company Information
- 03 Company Profile
- 04 Risk Management
- 06 Chairman's Statement
- 07 Chief Executive's Review
- 10 Finance Director's Review

GOVERNANCE

- 14 The Board
- 16 Directors' Report
- 20 Remuneration Report
- 22 Statement of Directors' Responsibilities
- 23 Independent Auditors' Report

FINANCIAL STATEMENTS

- 27 Group Income Statement
- 28 Group Statement of Comprehensive Income
- 28 Company Statement of Comprehensive Income
- 29 Group Balance Sheet
- 30 Company Balance Sheet
- 31 Group Statement of Cash Flows
- 32 Company Statement of Cash Flows
- 33 Group Statement of Changes in Equity
- 33 Company Statement of Changes in Equity
- 34 Notes to the Financial Statements
- 56 Notice of Annual General Meeting

Company Information

Directors	Nicholas John Donaldson - <i>Non-Executive Chairman</i> Peter John Edward Shaw - <i>Chief Executive</i> Maciej Adam Jania - <i>Finance Director</i> Robert Nicholas Lutwyche Morrish - <i>Non-Executive</i> Christopher Humphrey Robertson Moore - <i>Non-Executive</i> Gerald William Ford - <i>Non Executive</i>
Secretary	Patrick Michael Bodenham FCCA
Registered Office	42 - 50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Registered Number	7278725
Website	www.dppoland.com
Group Head Office – Poland	ul Słomińskiego 19, lok. 508 00-195 Warszawa
Nominated Adviser and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Solicitors	Ashfords LLP 1 New Fetter Lane London EC4A 1AN
Auditors	Crowe Clark Whitehill LLP Aquis House 49-51 Blagrove Street Reading Berkshire RG1 1PL
Registrars	SLC Registrars 42 - 50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Principal Bankers	Raiffeisen Bank Polska S.A. ul Piekna 20 00-549 Warsaw

Company Profile

DP Poland plc owns the entire issued share capital of DP Polska SA ("DPPSA"), a Polish company. DPPSA has the exclusive master franchise in Poland for Domino's Pizza, the world's leading pizza delivery brand. DPPSA has the exclusive right to develop and operate and sub-franchise to others the right to develop and operate Domino's Pizza stores in Poland.

DPPSA's first Domino's Pizza store was opened in Warsaw in February 2011. There are currently 56 Domino's Pizza stores in 25 Polish towns and cities, 32 corporately of which 2 are managed under management contract and 24 sub-franchised.

Poland has a population of 38.5 million people and has the potential to become a significant pizza delivery market. DP Poland's objective is to establish Domino's Pizza as the leading pizza delivery brand in Poland.

Risk Management

In addition to the review of the business given in the Chairman's Statement and the Chief Executive's Review, the Directors are required under section 417 the Companies Act 2006 to describe the principal risks and uncertainties facing the Company and the Group. The following is a summary of the principal risks and uncertainties, their potential impact, and the steps which have been taken by the Directors to mitigate them.

Master Franchise Agreement

The success of the Group and the Company is dependent on the continuation of the Master Franchise Agreement ("MFA") with Domino's Pizza. If the MFA were to be terminated it would prevent the Group from continuing to operate using the Domino's Pizza brand. To mitigate this risk the MFA has been secured for an initial 15 year period from June 2010, which may be renewed for an additional ten year term provided certain conditions are satisfied. The Group works closely with its franchisor partner to ensure that all conditions of the MFA, and amendments thereof, are adhered to.

Limited trading history

It is impossible to predict fully the ongoing demand for the Group's products in its chosen markets and the profits and cash flows which will result from sales of those products. If sales revenues are significantly lower than anticipated, or costs are significantly higher than anticipated, this will negatively affect the Group's profitability and cash flows. To mitigate this risk the Company has chosen a proven, market-leading franchise system, which has already been successful in many markets.

Maintaining and expanding a suitable store portfolio

In order for the Group to implement its strategy (and to ensure compliance with the Domino's Pizza master franchise agreement) it will need to maintain and increase the number of its stores throughout Poland. There can be no guarantee that it will be able to identify sufficient suitable locations for new stores. To mitigate this risk, management use a site acquisition strategy utilising a number of separate sources and identifying potential sites well in advance of scheduled openings.

Changes in consumer tastes

Food service businesses are affected by changes in consumer tastes, local and national competition and factors such as demographic trends. Any material change in the market perception of the pizza home delivery and convenience food industry in general, or the Domino's brand in particular, could adversely affect the Group. To mitigate this risk the Group aims to reflect consumer tastes in its product offering and to offer value, quality and service to its customers.

Regulatory and compliance risks

The Group's operations are subject to a broad range of regulatory requirements, particularly in relation to planning, health and safety, employment, advertising and licensing. Failure to comply with these requirements could result in imposition of fines, damage to the brand and other negative consequences. To mitigate this risk, the Group has implemented a strong training and compliance regime and closely monitors changes in relevant legislation and regulations.

Economic risks

A deterioration in the general economic climate in Poland could lead to customers having less disposable income available which might in turn adversely affect the Group's revenues. The Group deliberately operates exclusively in Poland, whose economy has to date been resilient following the global economic slowdown and is now showing strong GDP growth coupled with low inflation.

Sub-Franchisees

Good relationships with our sub-franchisees are essential to the success of our sub-franchising business. Should these relationships deteriorate, there is a risk that we might lose franchisees or that loans made to them might become wholly or partly unrecoverable. To mitigate this risk it is our policy to work closely with sub-franchisees and to provide great service and support to them. Loans provided to sub-franchisees have where possible, appropriate guarantees to minimize any risk of financial loss.

IT systems and infrastructure

Significant failure in, or successful attacks on, the IT processes of our retail operations could impact online sales and each store's ability to trade. In the event of this happening, website sales could stop, which could have a serious detrimental effect on the financial performance of the Group. To mitigate this risk, it is our policy to regularly monitor, control and maintain the integrity and efficiency of IT infrastructure. Processes are in place to deal with any significant IT security incidents. Contingency plans are in place should any serious IT failures arise.

Chairman's Statement

Double digit like-for-likes¹ and a record number of store openings delivered robust growth in both System Sales² and Revenue for YE 2017 on the back of a strong performance in 2016. We finished 2017 with a store estate more than 50% larger than it was at the beginning of the year and an expanded commissary capacity to service our growing store estate over the next 5+ years.

Group EBITDA³ performance for the full year was impacted by inflation in both food and labour costs in the second half, coupled with strong price promotion in support of sales, resulting in a greater loss than we had anticipated, marginally greater than the loss for 2016. While frustrating we have experienced an easing of those inflationary pressures in the first months of 2018.

Our most mature stores are now performing more strongly than we had originally anticipated, in both sales and EBITDA. Mature store performance and the growth of our younger stores give us confidence in maintaining momentum in store roll-out and providing the requisite support that that roll-out requires, including the expansion of our commissary capacity and continued marketing investment. Growing sales bring greater economies of scale in procurement and greater efficiencies in marketing, our trial of national television advertising in Q1 2018 demonstrated the potential of that marketing channel.

Our commissary revenue stream delivered robust growth in gross profit⁶ in 2017, from both sales royalties and food sales to sub-franchisees, albeit that our margin was impacted by inflation in food costs. We are very mindful of the profitability of our sub-franchise partners and the importance of sharing in both the impact of food cost rises and the benefits when food costs fall. Our second commissary came on stream at the end of the summer, expanding our capacity to supply up to 150 stores with fresh dough and ingredients.

The majority of our 19 store openings in 2017 were corporate and as previously reported we expect that to continue to be the case over the next few years as we drive expansion. 4 of the 19 store openings in 2017 were sub-franchised. While the investment case in corporate stores is increasingly compelling we continue actively to market and encourage sub-franchising, convinced of the advantages of a mixed corporate/sub-franchised system, evidenced by most Domino's markets. We expect the number of sub-franchise openings to grow as confidence in the Domino's sub-franchise model builds.

Store roll-out was further supported by our latest fund raising in June 2017 of £5.2m before expenses.

We look to maintain the momentum of expansion as we drive towards critical mass. In the short term our Group EBITDA is impacted by the costs of a high proportion of immature corporate stores and the costs of running a well-resourced store opening team and an expanded commissary capacity. As the estate matures and store openings become a smaller proportion of the total store estate and commissary capacity is utilised we should see improvement in Group EBITDA.

I would like to thank our team and our sub-franchisees for another record year of expansion and for maintaining that momentum into 2018.

Nicholas Donaldson
Non-Executive Chairman
26 March 2018

Chief Executive's Review

Group performance

Group EBITDA³ losses increased by 13% (£1.78m) in 2017 versus (£1.58m) in 2016, at average exchange rates for 2017⁴ and 2016⁵, impacted mainly by inflationary pressures on food and labour costs in the second half of the year.

At constant exchange rates⁴ Group EBITDA losses increased by 6% 2017 on 2016.

The Group loss for the period of (£2.63 m⁴) was an increase of 6% on 2016.

Store performance

System Sales² were up 51%, 2017 on 2016, as a result of 17% like-for-like¹ store System Sales growth 2017 on 2016, healthy growth from non-like-for-like¹ stores and the opening of 19 new stores during the year.

The 2017 like-for-like performance of 17% was on the back of 27% like-for-like growth in 2016, representing 49% compound like-for-like growth over 2 years 2016-17. Q4 2017 was our 21st consecutive quarter of double digit like-for-like⁶ System Sales growth.

We took the decision towards the end of 2015 to accelerate store roll-out, based on the encouraging performance of our most mature stores and that of stores opened in new cities in 2015. 12 new stores were opened in 2016 and 19 new stores in 2017. As a result, by YE 2017 57% of our store estate was less than 2 years old and 35% less than 1 year old. Over 24 months, 1st January 2016 to 31st December 2017 we expanded our geographic presence from 4 to 24 towns and cities. By the same token our most mature corporate stores continued to grow year-on-year and by YE 2017 had outperformed our original expectations, in both average weekly unit sales (AWUS) and store EBITDA. We have started to split⁷ the delivery areas of some of these mature stores.

Achieving this momentum in store roll-out, underpinned by the facts of mature store performance, has taken investment. Effective customer acquisition is vital in the early months of a store's opening and we support our stores through a range of sales and marketing initiatives to build initial sales and acquire customers. The costs of marketing in those early months are paid back as the customer base of each store grows and the brand becomes established in each new location.

Since Q4 2016 we have seen an increase in the cost of sales, due to inflation in food costs, notably the price of cheese, plus wage inflation due to increased general employment and greater competition for delivery drivers. While managing these increases through Q4 2016 – Q3 2017 by careful control of pricing and promotion, Q4 2017 saw a sharper uplift in cost inflation, compounded by greater competitive marketing activity, requiring more aggressive price promotion on our part. While the economics of our mature stores are robust enough to weather these impacts on costs our immature stores are less so and as such total store EBITDA was impacted in 2017.

In Q1 2018 we have started to see a softening in food cost inflation. The price of cheese is determined by the European dairy market and is a function of milk supply, which is forecast to increase through 2018. As such we expect the price of cheese to fall further during 2018. As our procurement volumes grow we will further benefit from growing economies of scale. Wage inflation is a function of the health of the Polish economy and demand for delivery drivers. While the competition for drivers remains we are seeing an improvement in recruitment and retention in Q1 2018, perhaps due to the recognition of the benefits of working for Domino's over other employers.

Store roll-out

We crossed the 50-store mark in October 2017, finishing the year with 54 stores. 19 openings, 15 corporate and 4 sub-franchised. 2017 was our biggest year of openings to-date.

Stores	1 Jan 2017	Opened	Corporate/sub-franchised movement	Sold to sub-franchisees	Closed	31 Dec 2017
Corporate	13	15	2	0	0	30*
Sub-franchised	22	4	-2	0	0	24
Total	35	19	0	0	0	54

* 2 corporate stores are run by sub-franchisees under management contract, with the option to acquire and sub-franchise in the future.

At YE 2017 we were operating stores in 24 towns and cities. To-date in 2018 we have 56 stores in 25 towns and cities.

Store splits will increase in 2018, meaning improved service delivery times, happier and more loyal customers and more efficient deployment of store labour. It is worth noting that store splits impact like-for-likes, with a proportion of the split store's customers reallocated to the new store. The sales of the original store are expected to re-build over time, as evidenced in other Domino's markets.

We saw an increase in store CAPEX costs, driven by increased demand for building and services, reflective of the buoyant Polish economy.

We are planning to have up to 70 stores open by YE 2018.

Sub-franchisees

In 2017 4 stores were opened by sub-franchisees and 2 were acquired from sub-franchisees, 1 of which we expect to be sub-franchised again in the near future.

There is no doubt that the established success model worldwide for recruiting Domino's sub-franchisees is converting existing Domino's store managers and area managers, they understand how to operate successful stores and are convinced of the opportunity. At the same time we continue to market to and encourage third parties to consider franchising the Domino's system. One of our most successful sub-franchisees joined us without any previous Domino's experience and they are now operating 3 stores, 2 sub-franchised and 1 under management contract.

Commissary

To support our store roll-out we opened a second commissary in August 2017, increasing our supply capacity from 50 to 150 stores, including our Warsaw facility. Located in Łódź, in the centre of the country, the new commissary is very well placed on the Polish motorway network, giving us the benefit of improved distribution costs to our stores in the north, west and south. While the investment in such a facility might be viewed as 'capital light' in comparison to commissary expansion in other Domino's markets, the new commissary represents the biggest investment project in our history. Expanding commissary capacity has added to Direct Costs, balanced in part by the savings in distribution costs.

Commissary gross profit⁸, derived from sub-franchised store sales royalties and margin on food sales, grew in 2017, although the opportunity to add margin was tempered by inflation in food costs. We are mindful of supporting our sub-franchisees when costs rise, as well as sharing in the margin benefits when costs fall. As well as food cost pressures our sub-franchisees faced the same wage pressures as our corporate stores. We work in close partnership with our sub-franchisees, looking at how to manage costs more effectively and how to drive and sustain sales growth.

Marketing and Innovation

In Q4 we introduced a new ordering channel, the Domino's Bot. Domino's Bot operates on Facebook Messenger using artificial intelligence (AI). Facebook made this AI platform available in late summer 2017 and Domino's Poland was the first Domino's market in the world to develop a Domino's ordering channel on it. The Domino's Bot ordering experience is very user friendly and is particularly popular among our customers aged 18-24. It was launched with a competition hosted by 3 of Poland's most popular YouTube bloggers, each with hundreds of thousands of followers. We saw a rapid uptake of Domino's Bot and a significant proportion of sales is now ordered via this new channel.

75% of all delivery sales were ordered online in 2017, compared to 71% in 2016, positioning Poland among the top Domino's markets in the world for online ordering. We anticipate that this proportion of delivery sales ordered on line will continue to increase.

Through the year we introduced a number of new pizza recipes including Buffalo Chicken, Pulled Pork and Greek Style.

We have seen an increase in competitive marketing activity as the market responds to increased consumer spending, as reflected in the GDP measure of internal consumption. 2 delivery aggregators have been particularly active in marketing, including television and poster campaigns.

June fund raising

In June 2017 we raised £5.2m before expenses. The new placing of shares represented approximately 8.2% of the Company's enlarged share capital post placing. The funds were raised to maintain the roll-out of new stores with a mix of corporate store openings and loans to sub-franchisees to open stores. An element of the fundraising was earmarked for additional marketing investment plus investment in technology to further improve interaction with customers.

Outlook and current trading

We tested national television advertising for the first time in January and February 2018 with 2x 2-week campaigns; the sales response was strong with like-for-like growth in System Sales ranging between 30-40% during each of those television advertised fortnights. Overall January like-for-like System Sales were 24% and February 18%. This test has convinced us that television will become an important medium for us when we reach the critical mass to justify it on a regular basis.

We have opened 2 stores so far in 2018 with 56 stores open to-date. We will continue to maintain the momentum of store roll-out through 2018, targeting 70 stores by YE 2018. We maintain our target of 100 stores by YE 2020.

The pressures on margins that we experienced in the second half of 2017, and in particular Q4, have been easing through Q1 2018. The price of cheese is softening and the fight for talent is becoming less intense as the attraction of working for Domino's versus other employers becomes clearer.

I am delighted that we are to be awarded a Gold Franny by our franchisor Domino's Pizza International (DPI) in recognition of our performance in 2017. Gold Frannies are awarded each year to a small proportion of Domino's franchisees in recognition of operational excellence, product quality, brand stewardship and growth. This is our second consecutive award, having received a Gold Franny for our 2016 performance.

As well as our own efforts our performance has been supported by the continuing growth of the Polish economy, providing helpful conditions for expansion through healthy consumer demand. These positive macro conditions are forecast to continue through 2018 and we look forward to another year of robust growth.

Peter Shaw
Chief Executive
26 March 2018

Finance Director's Review

Overview

2017 was a record year for store opening as we crossed the 50-store mark, to reach 54 stores open by YE 2017.

Sales from new stores and 17% like-for-like¹ System Sales² growth delivered 51% growth in overall System Sales. In Q4 2017 we achieved our 21st consecutive quarter of double digit like-for-like System Sales growth.

17% like-for-like growth in System Sales was diluted by c. 1 percentage point due to store splitting⁷ in Warsaw. We expect more splitting in 2018, in Warsaw and in non-Warsaw stores. Store splits improve labour and delivery efficiency and customer service, resulting in happier customers and repeat purchases.

During Q1-Q3 2016 we experienced deflation in food costs. In Q4 2016 we saw food prices start to rise and continue in 2017. At the same time we also experienced wage inflation, underpinned by increases in the minimum wage, the introduction of more generous social benefits, reduction in the retirement age and growth in GDP. From the broader macro-economic viewpoint wage inflation translates to an increase in internal consumption, which should in-turn stimulate demand and sales growth. We have been managing these inflationary pressures through menu pricing and efficiencies in procurement, however in Q4 2017 inflation was above our expectations and impacted margin. Our most mature corporate stores were able to withstand the impact of these margin pressures better than our younger stores, with those less than 2 years old most impacted. We are very aware of our sub-franchisees' margins and we look to absorb at least some of those inflationary pressure through sensitive management of our commissary margins.

The outlook for 2018 is looking more positive with regard to cost inflation, with an easing in the price of cheese and a levelling off in wage rates.

In 2017 we continued to accelerate store expansion, opening 19 stores and adding 14 towns/cities. In the period January-March 2018 we added 2 stores and 1 more town. To-date in 2018 there are 56 Domino's Pizza stores in 25 towns and cities.

We are targeting up to 70 stores open by the year end.

To support store openings and the continuing growth in System Sales we expanded our commissary capacity in 2017 with the construction of a new facility on the outskirts of Łódź, a large city in the centre of the country. We have approached this investment with the same capital light model that we applied to our Warsaw facility. The combined capacity of both commissaries is c. 150 stores.

Selling, General and Administrative expenses (S,G&A)

In 2017 Selling, General and Administrative expenses (S,G&A) were 21% of System Sales an 8 percentage point improvement on 2016 (2016 29%), measured using the actual average exchange rates for 2017 and 2016.

The opening of new stores in new towns and cities requires investment in the store expansion team and additional area managers to oversee both corporate and sub-franchised store performance. As we open more stores these additional costs will become proportionately less significant and the overall impact of S,G&A on Group EBITDA will reduce.

As our national coverage of stores grows the prospect of regular national television advertising becomes more realistic, both in terms of the efficiency of media spend and the availability of Domino's Pizza to potential consumers. We trialled our first TV campaign in January and February 2018 with strong sales results.

Direct costs

In preparation for many more store openings and continuing growth in System Sales we extended our commissary capacity in 2017 with the construction of a new commissary facility in Łódź. This additional commissary capacity impacted our Direct Costs through additional rent and operating costs, production labour and warehousing labour. As System Sales grow the impact on Direct Costs will become less marked and the benefits of lower production costs and warehouse product handling costs will be seen in further improved corporate store EBITDA and commissary gross profit. The opening of new stores in new towns and cities results in higher distribution costs, which in turn will become proportionally less significant as those costs are spread across still more stores. The opening of this second commissary in the centre of Poland, reduces distribution expenses for stores located in the north, south and west of Poland.

Store count

Stores	1 Jan 2017	Opened	Corporate/sub-franchised movement	Sold to sub-franchisees	Closed	31 Dec 2017
Corporate	13	15	2	0	0	30*
Sub-franchised	22	4	-2	0	0	24
Total	35	19	0	0	0	54

* 2 corporate stores are run by sub-franchisees under management contract, with the option to acquire and sub-franchise in the future.

We have acquired 2 sub-franchised stores, with the expectation that 1 store will be sub-franchised again in the near future, the second acquisition fitted our corporate store estate requirements and we expect the sub-franchisee who sold it to us to open another store this year.

At the year-end 35% of our stores were less than 1 year old and 57% of our stores were less than 2 years old. In 2020 we expect to have c. 15% of stores less than 1 year old and c. 30% of stores less than 2 years old.

We saw inflation in the cost of fitting out stores in 2017 which we do not expect to ease in 2018 as the Polish economy continues to grow, fueling demand for building and related services.

2 new stores have been opened since 1 January 2018, totaling 56 stores to-date.

Sales Key Performance Indicators

51% growth in System Sales (PLN) was supported by 17% like-for-like System Sales and the opening of 19 new stores in 2017. 17% like-for-like System Sales growth constitutes a mix of 16% like-for-like System Sales order count growth and a 1% growth in average net check. Delivery System Sales ordered online are growing, however newly opened stores need time to build online customers, which dilutes the System average. In certain weeks we have seen some mature stores hit 90%+ of orders placed online. We see the potential of digital marketing and digital order fulfilment continuing to grow, better meeting the needs of our consumers and adding to our operational efficiencies. In the near future we expect to see up to 100% of delivery orders placed online in mature stores.

	2017	2016	Change %
System Sales PLN	58,082,060	38,531,225	+51%
System Sales £ ⁴	11,953,501	7,929,867	+51%
L-F-L system sales	+17%	+27%	
L-F-L system order count	+16%	+24%	
Delivery System Sales ordered online	+75%	+71%	

⁴ Constant exchange rate of £1: 4.8590 PLN

Group Performance

25% growth of Group Revenue at a constant exchange rate of £1: 4.8590 PLN is derivative of 51% growth of System Sales and selling 4 new stores to sub-franchisees. In 2017 we did not sell any corporate stores to sub-franchisees.

Group Revenue & EBITDA	2017	2016	Change %
Revenue PLN	50,425,616	40,346,077	+25%
Revenue £	10,377,777 ⁴	8,303,370 ⁴	+25%
Group EBITDA ³ £	(1,784,677) ⁴	(1,680,364) ⁴	-6%

Constant exchange rate of £1: 4.8590 PLN

The Group Income statement at the actual average exchange rate for 2017 and 2016 was impacted by sterling weakening against the zloty by 9% in 2017.

Group Revenue & EBITDA	2017	2016	Change %
Revenue PLN	50,425,616	40,346,077	+25%
Revenue £	10,377,777 ⁴	7,556,718 ⁵	+37%
Group EBITDA ³ £	(1,784,677) ⁴	(1,579,565) ⁵	-13%

Actual average exchange rates for 2017 and 2016

Group Loss for the period

The Group EBITDA loss, excluding non-cash items, non-recurring items and store pre-opening expenses, at actual average exchange rates for 2017 and 2016, increased by £205,112 (£104,313 increase at a constant exchange rate of £1: 4.8590 PLN) against the prior year.

The Group loss for the year at actual average exchange rates for 2017 and 2016 increased by £141,118 against 2016, mainly due to the effect of an increase of store pre-opening expenses, an increase of depreciation and amortization, a decrease of other non-cash and non-recurring items, an increase of foreign exchange gains and a decrease of share-based payments

Group Loss for the period	2017	2016	Change %
Loss for the period	(2,634,519) ⁴	(2,493,401) ⁵	-6%

Actual average exchange rates for 2017 and 2016

Exchange rates

PLN: £1	2017	2016	Change %
Income Statement	4.8590	5.3391	-9%
Balance Sheet	4.7048	5.1437	-9%

Financial Statements for our Polish subsidiary DP Polska S.A. are denominated in PLN and translated to £. Under IFRS accounting standards the Income Statement for the Group has been converted from PLN at the average annual exchange rate applicable to PLN against £. The balance sheet has been converted from PLN to £ at the 31 December 2017 exchange rate applicable to PLN against £. In 2017 the PLN strengthened against £ and impacted numbers presented at 2017 and 2016 rates accordingly.

Cash position

Cash reduced by 29% from 1 January 2017, with net cash at 31st December 2017 of £4.5m. Cash of £7.0m was deployed to cover:

- Group losses
- store CAPEX (including CAPEX to be deployed in stores to be opened in 2018)
- new commissary CAPEX
- part of 2018 TV and radio campaign
- share placing expenses.

Some 2018 costs and investments were paid in 2017.

On 6 June 2017 the Group completed a placing of 12,200,000 new ordinary shares at the price of 43 pence per share, to raise a total of £5,246,000.

	1 st January 2017	Cash movement	31 st December 2017
Cash in bank	6,308,260	(1,802,349)	4,505,911

Actual exchange rates for 2017 and 2016

Macro situation in Poland

In 2017 we saw strong GDP growth combined with inflation. The inflation that we experienced in food and wages was higher than the general rise in prices of goods and services. GDP growth was supported by growth in Internal Consumption and by Investments (Investments since Q4 of 2017). The 3 Month Warsaw Interbank Offered Rate is virtually unchanged.

Macro KPI	2017	2016
Real GDP growth (% growth) ⁹	4.5	2.9
Inflation (% growth) ¹⁰	2.1	-0.7
	31 Dec 2017	31 Dec 2016
Interest rate (%) ¹¹	1.7200	1.7300

Maciej Jania
Finance Director
26 March 2018

¹ Like-for-like growth in PLN, matching trading periods for the same stores between 1 January and 31 December 2016 and 1 January and 31 December 2017

² System Sales – total retail sales including sales from corporate and sub-franchised stores

³ Excluding non-cash items, non-recurring items and store pre-opening expenses

⁴ Exchange rate average for 2017 £1: 4.8590 PLN

⁵ Exchange rate average for 2016 £1: 5.3391 PLN

⁶ Stores up to 12 months old with no matching trading periods in 2016

⁷ When a second store is opened in an existing store's delivery area and the delivery area is split between the original store and the second store

⁸ Sales minus variable costs

⁹ source: <http://www.euromonitor.com/poland/country-factfile#>

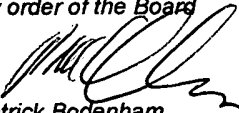
¹⁰ source: <http://www.euromonitor.com/poland/country-factfile#>

¹¹ 3M WIBOR at 30th of December; source: www.money.pl

Strategic Report approval

The Strategic Report on pages 2 to 13, incorporates the sections: Company Information, Company Profile, Risk Management, Chairman's Statement, Chief Executive's Review and the Finance Director's Review.

By order of the Board


Patrick Bodenham
Company Secretary
26 March 2018

The Board

The Board of DP Poland plc comprises 2 Executive and 4 Non-Executive Directors.

Nicholas Donaldson (aged 64), *Non-Executive Chairman*

Nick, who is a barrister by profession, has worked in investment banking for over 30 years. He is a partner of London Bridge Capital, a corporate finance advisory firm. Until 2003 Nick was head of corporate finance at Arbuthnot Securities. Prior to this he was head of investment banking in Europe for Robert W Baird and previously head of corporate finance and M&A at Credit Lyonnais. Nick was until 2007 a member of the FSA's Listing Authority Advisory Committee, which he joined on its inception. Nick has spent the majority of his career providing strategic advice to companies on mergers & acquisitions, IPOs and secondary fund raisings. Nick is an independent director of fully listed Games Workshop Group PLC. He is also a director of The Fulham Shore plc, the AIM listed restaurant group.

Peter Shaw (aged 57), *Chief Executive*

Peter is a founder of DP Poland and has been Chief Executive since October 2010. Peter started working in Poland in 2006 when he was appointed International Marketing Director for AIM listed coffeeheaven international plc, Poland's leading coffee bar chain. coffeeheaven was acquired by Costa Coffee in February 2010. With over 30 years' experience of working with consumer brands, Peter started his career in 1984 as a graduate trainee with Unilever's consumer research arm Research International. In 1987 Peter joined Saatchi and Saatchi Advertising and in 1992 joined leading innovation consultancy CLK where he helped major consumer brand owners develop their consumer offers. Peter is Executive Chairman of DP Poland's operating company DP Polska S.A.

Maciej Jania (aged 45), *Finance Director*

Maciej is a highly experienced commercial manager with significant expertise in running both start-up and established multi-site businesses. Maciej was co-founder and the Finance Director of coffeeheaven international plc, Poland's largest coffee bar chain. In 2007 he moved to Samsung Electronics (Poland) where he held a senior financial position. In November 2010 Maciej was appointed Managing Director of DP Polska SA, DP Poland's operating business. Maciej was appointed to the board of DP Poland plc in September 2012 in the role of plc Finance Director which he fulfils alongside his role as Managing Director of DP Polska S.A.

Robert Morrish FCA (aged 68), *Non-Executive Director*

Rob is a Chartered Accountant and has considerable experience at board level in small and medium sized businesses. He was previously a Non-Executive Director of coffeeheaven international plc and Group Finance Director of Supreme Petfoods Limited and until December 2010 was Chief Financial Officer of Lookfantastic.com, an online beauty product retailer and hair salon business. Rob has introduced and developed financial, costing and reporting systems for a diverse range of businesses and has considerable practical experience in treasury, taxation and company secretarial matters. He is currently also the Finance Director of RAK Ceramics UK Ltd.

Chris Moore (aged 58), *Non-Executive Director*

Chris was Chief Executive Officer at Domino's Pizza UK & IRL, from December 2007 to December 2011, having joined that company in 1990 as European Marketing Manager. Chris is a recipient of the Domino's Pizza Chairman's Circle Award presented in July 2010 making him one of the few individuals in the 50 year history of the company to receive this award. He has more than 22 years of experience working with Domino's Pizza UK and Ireland and was responsible for growing the number of stores from 37 to 720. Chris advises and invests in a number of other businesses in the catering and online industries.

Gerry Ford (aged 59), *Non-Executive Director*

Gerry Ford is Chairman and Chief Executive of Caffè Nero Group Limited, Europe's largest independent coffee house group. Gerry founded Caffè Nero in 1997, listed the company on the London Stock Exchange (LSE) in 2001-2007 before taking it private again. In 2005 he was named the UK's Entrepreneur of the Year by the Financial Times and LSE. Today, Caffè Nero has more than 5,000 employees in 700 stores across 7 countries. Gerry is Chairman of the Polish subsidiary which

operates approximately 30 stores. Gerry has more than 20 years' experience of sitting on boards and nurturing small-medium sized businesses.

DP Polska S.A. Management Board

Peter Shaw, *Chairman*

Maciej Jania, *Managing Director*

Tomasz Lachowski (aged 38) *Finance Director*

Tomasz joined DP Polska from coffeeheaven (CHI Polska S.A.), Poland's leading coffee bar brand, where he was Head of Finance in the Warsaw headquarters. Tomasz joined coffeeheaven in 2002 and saw the business grow from a handful of stores to Central Europe's leading coffee bar brand. Tomasz attended the School of Economics and Law, Kielce.

Grzegorz Ziarek (aged 38) *Franchisee and Operations Director*

Grzegorz joined DP Polska in 2010 and was part of the operations team that was responsible for our first store openings. Now responsible for corporate store operations and for overseeing our sub-franchisees, Grzegorz was promoted to the DP Polska board in 2017. Before joining DP Polska Grzegorz worked in the catering and hotel sector including the Intercontinental Warsaw and the Hilton Warsaw. Grzegorz graduated from the Warsaw School of Economics with a Masters in Tourism Economy.

Directors' Report

The Directors are pleased to present their report and the audited financial statements for the year ended 31 December 2017.

Results and Dividends

The loss for the period, after taxation, amounted to £2,634,519 (2016: £2,493,401). The Directors do not recommend payment of a dividend to ordinary shareholders.

Fixed Assets

Details of the Group's intangible assets and property, plant and equipment are shown in notes 12 and 13 to the financial statements on pages 44 and 45.

Corporate Governance

The Company follows, so far as is practicable and given the Company's size, the recommendations of best practice in the corporate governance of public companies as set out in the UK Corporate Governance Code. In particular, the Board has a majority of Non-Executive Directors.

Board Meetings

The Company holds regular Board meetings throughout the year.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors: Robert Morrish, Nicholas Donaldson and Gerald Ford. The overall policy of the committee is to consider and propose remuneration and benefit packages to the Chief Executive and other senior managers in the Group which are appropriate to retain and motivate them to meet the objectives set by the Board. Full details of the Company's remuneration policy and the remuneration paid to all Directors is set out in the Remuneration Report on pages 20 and 21.

Audit Committee

An audit committee has been established which consists of two Non-Executive Directors, Nicholas Donaldson and Robert Morrish. The committee is responsible for ensuring that the financial performance of the Group is properly reported upon and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

Health and Safety

High standards of health and safety management are promoted at all levels within the Group. As required under the Polish Labour Code, DP Polska S.A. ("DPSA") has appointed an external health and safety consultancy to advise DPSA on all aspects of employee health and safety. Regular audits for compliance are carried out by this organisation at DPSA stores and offices and DPSA periodically receives written confirmation that there are no outstanding matters within its operations that pose a danger to the health or safety of its employees.

In addition, the Group's approach to the health, safety and welfare of its employees in all markets is supported by training programmes and written rules relating to health and safety, all of which promote a high level of awareness and commitment within the Group.

Going Concern

In forming their views, the Directors have prepared cash flow forecasts for a 12 month period following the date of signing the balance sheet. As part of the preparation of these forecasts, the Directors have estimated the likely outcome for the number of new stores opened. Before entering into a contract to acquire a new site, the Directors ensure that the Group has sufficient working capital available to allow the completion of the outlet. Based on these forecasts, the Directors have confirmed that there are

sufficient cash reserves to fund the on-going store build programme and to operate business for the period under review.

After reviewing these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors and Directors' Interests

The Directors who held office during the period were as follows:

Nicholas John Donaldson
 Peter John Edward Shaw
 Maciej Adam Jania
 Robert Nicholas Lutwyche Morrish
 Christopher Humphrey Robertson Moore
 Gerald William Ford

In accordance with the Company's Articles of Association Peter Shaw and Christopher Moore offer themselves for re-election at the Annual General Meeting.

The following Directors at 31 December 2017 had interests in the ordinary shares of 0.5p each as follows:

	<i>Number of Ordinary</i>	<i>Percentage of Ordinary Shares</i>
Peter Shaw ^{1, 2, 4, 5}	1,340,879	0.88%
Gerald Ford ²	1,117,038	0.73%
Christopher Moore ²	4,190,833	2.75%
Robert Morrish ²	272,666	0.18%
Nicholas Donaldson ^{2, 3}	329,333	0.22%
Maciej Jania ^{2, 4, 5}	2,369,118	1.55%

1. Peter Shaw also controls the voting rights of 283,936 ordinary shares pursuant to the terms of the Company's Joint Ownership Share Scheme.
2. The Directors are interested in an additional 1,943,912 ordinary shares in total, pursuant to the terms of the Company's Share Incentive Plan as follows: Peter Shaw - 51,948 shares; Nicholas Donaldson - 336,110 shares; Robert Morrish - 336,110 shares; Maciej Jania - 274,584 shares; Gerald Ford - 315,050; Christopher Moore - 630,100 shares.
3. Held through Nicholas Donaldson's personal pension.
4. Under the Company's Long Term Incentive Share Option Plan 2014 awards, Peter Shaw holds vested options over 3,250,125 of the company's ordinary shares exercisable at 0.5 pence per share.
5. Under the Company's Long Term Incentive Share Option Plan 2016 awards, Peter Shaw and Maciej Jania have been awarded options over a maximum of 961,538 and 565,808 respectively of the Company's ordinary shares. These options are subject to Company performance conditions over the period to December 2018.

Interests in the Joint Ownership Share Scheme take the form of a restricted interest in the Company's ordinary shares which permits the participant, subject to certain performance criteria, to benefit from a proportion of the increase (if any) in the value of a number of ordinary shares over which the interest is acquired. The DP Poland plc Share Incentive Plan provides for awards of restricted shares to employees (and under an addendum by way of sub-plan, non-executive directors of Group companies). The ordinary shares in the Company are held in an Employee Benefit Trust during a vesting period of two years but the participant enjoys certain beneficial ownership rights during that time, and becomes entitled to full rights of ownership once the ordinary shares have vested.

Awards under the Long Term Incentive Share Option Plan take the form of options over the ordinary shares of the company, exercisable at 0.5 pence each. These awards are based on a percentage of the participant's base annual salary. The 2016 awards are subject to performance conditions as follows: (a) positive Group EBITDA in the year to 31st December 2018 - 70% of the total award; (b) the number of corporate and sub-franchised stores opened by 31st December 2018 30% of the total award;

Substantial Interests

At 26 March 2018, the Company had been notified under the Disclosure and Transparency Rules of the following major shareholdings and the percentages of voting rights represented by such holdings, excluding the shareholdings and associated voting rights of the Directors noted above.

	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Canaccord Genuity Group Inc	22,865,034	14.99%
FMR LLC	14,776,373	9.69%
Pageant Holdings Ltd	11,979,850	7.85%
Octopus Investments	7,209,666	4.73%

Financial Instruments

The Group's principal financial instruments comprise cash at bank or in hand and various items such as trade receivables and payables, which arise directly from its operations. It is Group policy that no trading in financial instruments shall be undertaken.

The Group's overseas operations expose it to a variety of financial risks and the Directors have identified that the main risks to the Group in this area are from interest rate and foreign currency movements.

The Group is exposed to cash flow interest risk on its floating rate deposits and bank loans. The Group is able to manage this by free movement of funds between currencies to maintain the best return for the Group. Cash and borrowing requirements are managed centrally to maximise interest income and minimise interest exposure, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its activities.

As the Group's operations are all in Poland, it is exposed to foreign exchange risks primarily with respect to Polish Zlotys, US Dollars and Euros. In each case, where revenues of the Group are in a foreign currency, there is a material match between the currency of the operating company's revenue stream, primary assets, debt and debt servicing (if applicable).

Investments of cash surpluses, borrowings and other financial instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. Customers are not traded with on credit terms.

All sub-franchisees who are provided with loans from the Group have been through the franchisee selection process, which is considered to be sufficiently robust to ensure an appropriate credit verification procedure.

Annual General Meeting

The Annual General Meeting of the Company will take place at the offices of Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET, on 04 May 2018 at 10.00 a.m.

The notice of Annual General Meeting contains an ordinary resolution at resolution 5, which seeks to give the Directors authority to allot shares up to a maximum aggregate nominal amount of £254,251 and which, if passed, would allow the Directors to allot and issue up to 50,850,128 new ordinary shares of 0.5p each, representing approximately one third of issued ordinary share capital of the Company at the date of the notice of Annual General Meeting. This resolution also authorises the Directors to allot shares up to a further aggregate nominal amount of £254,251 where the shares are to be offered by way of a fully pre-emptive rights issue. The Directors do not have any present

intention to exercise such authority. However, if the Directors were to exercise such authority and allot more than one third of the issued share capital, the Directors intend to follow best practice as regards the Directors standing for re-election, as recommended by the ABI. The notice of Annual General Meeting also contains a special resolution at resolution 6 which will authorise the Directors to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 5 in the notice of Annual General Meeting referred to above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £76,275 representing 15,255,070 ordinary shares of 0.5p each, otherwise than pro rata to existing shareholders. The Directors have no present intention of issuing any further new ordinary shares in the exercise of such power. The notice of Annual General Meeting also contains a special resolution at resolution 7 to amend the Articles of Association of the Company, details of the proposed changes are set out in the notes to the Notice of Annual general meeting.

Statement of Disclosure of Information to Auditors

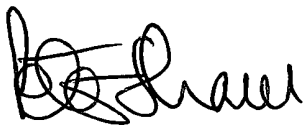
The Directors of the Company who held office at the date of approval of this Annual Report as set out above each confirm that:

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

Auditors

Crowe Clark Whitehill LLP has indicated its willingness to continue as auditor. Accordingly a resolution proposing its re-appointment as auditor will be put to the members at the next Annual General Meeting.

On Behalf of the Board



Peter Shaw
Director
26 March 2018

Remuneration Report

Overview and Policy

The Remuneration Committee comprises Robert Morrish, Nicholas Donaldson and Gerald Ford, Non-Executive Directors of the Company. The terms of reference of the committee are that it makes recommendations to the Board on the framework and quantum of executive remuneration.

The overall policy of the committee is to provide remuneration and benefit packages to the Chief Executive and other senior managers in the Group which are appropriate to retain and motivate them to meet the objectives set by the Board.

In determining the mix of short-term reward (salary, bonus and other benefits) and longer-term reward (share incentives), the committee is mindful of the continuing 'development' nature of the business.

Recent survey data indicate that the base pay and total earnings of the Company's Directors are at the lower end of total pay for similar size quoted UK businesses. The current framework of executive remuneration is weighted heavily in favour of longer-term incentives in the form of share incentives, the value of which is dependent upon the share price of the Company and thus 'shareholder value'. The number and pricing of such incentives also reflect the risk to the management of a significant portion of their remuneration being provided in this way.

Directors' Contracts and Remuneration

Chief Executive

Peter Shaw is responsible for the strategic management and development of the Company's business. Under the terms of his director's service contract he is entitled to a salary of £125,000 per annum for a minimum time commitment of 26 hours per week. At the discretion of the Remuneration Committee, he may additionally be paid an annual bonus which is also subject to achieving detailed performance conditions. The amounts payable under his contract in 2017 were: salary £125,000; discretionary bonus £38,053. His employment may be terminated by 12 months notice by either party.

Finance Director

Maciej Jania is responsible for all matters relating to Group finance. He is also Managing Director of DP Polska S.A. He receives a UK director's fee of £6,000 per annum and additionally receives a consultancy fee of 276,000 Polish Zloty (approximately equivalent to £56,800) per annum from DP Poland plc. For his directorship of DP Polska S.A. he receives additional fees and salary totalling 114,000 Polish Zloty (approximately equivalent to £23,460) per annum. In 2017 he received a performance based bonus of £31,650. Additionally he received shares in the Company, through the Company's Share Incentive Plan, to the value of £15,000.

Non-Executive Directors

Nicholas Donaldson is Non-Executive Chairman of the Company. During the year ended 31 December 2017, the fee payable to him was £15,000 per annum and he received shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £15,000. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Robert Morrish is a Non-Executive Director of the Company. During the year ended 31 December 2017, the fee payable to him was £15,000 per annum and he received shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £15,000. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Gerald Ford is a Non-Executive Director of the Company. During the year ended 31 December 2017, the fee payable to him was £15,000 per annum. He is also entitled to receive shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £15,000 per annum. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Christopher Moore is a Non-Executive Director of the Company. During the year ended 31 December 2015 he received no cash remuneration. He is entitled to receive shares in the Company, through the Company's Non-Executive Director Share Incentive Plan, to the value of £30,000 per annum. This appointment is terminable on 3 months' notice by either party, and earlier in certain circumstances.

Remuneration and Share Incentives in the year to 31 December 2017

Total remuneration, fees and benefits paid or payable to the Directors by the Group for the year ended 31 December 2017 are set out below and amounts in aggregate to £325,966 (2016: £352,974).

Details of share incentives held by, and granted to, Directors are set out in the Directors' Report on page 17.

Details of individual Directors' emoluments for the year are as follows: ¹

Name of Director	Year ended 31 December 2017 <i>salary or fees</i>	Year ended 31 December 2017 <i>performance based bonus</i>	Year ended 31 December 2017 <i>total emoluments</i>	Year ended 31 December 2016 <i>total emoluments</i>
	£	£	£	£
Nicholas Donaldson	15,000	-	15,000	15,000
Peter Shaw	125,000	38,053	163,053	188,617
Maciej Jania*	86,263	31,650	117,913	119,357
Robert Morrish	15,000	-	15,000	15,000
Christopher Moore	-	-	-	-
Gerald Ford	15,000	-	15,000	15,000
Total	256,263	69,703	325,966	352,974

The aggregate value of gains made on exercise of directors' share options during the year was £820,675 (2016: nil). The aggregate value of share awards to directors made during the year was £90,000 (2016: £90,000).

*Maciej Jania was the highest paid director during the year with emoluments as above of £117,913 (2016: £119,357), gains made on share options exercised during the year of £820,675 (2016: nil) and share awards during the year of £15,000 (2016: £15,000).

¹ This schedule is part of the audited information

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the Company's auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of DP Poland plc

Opinion

We have audited the financial statements of DP Poland plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2017;
- the Group and parent company statements of financial position as at 31 December 2017;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £150,000 (2016 £130,000), based on 8% of the expected loss before tax.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £5,000 (2016: £2,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The finance functions of the parent company and subsidiary are based in the UK and Poland respectively.

A member firm of Crowe Horwath International network in Poland (the 'component auditor') undertook a full scope audit of DP Polska S.A. under our direction. We were involved in the audit from the planning stage through to completion. This involved a combination of planning conference call meetings, in-country review and meetings and discussions with the audit committee.

DP Polska S.A. accounts for 80% of the group's loss before tax, 100% of the group's revenue and 76% of the group's net assets.

We visited Poland, reviewed and challenged the detailed working papers and findings of the component auditor and discussed matters with management. During our visit we also visited one of the Group's commissaries and various stores.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<i>Revenue recognition</i> We considered the risk that revenue is not recognised in accordance with the accounting policy set out in the financial statements:	We reconciled revenue from the ordering system "PULSE" to cash receipts, the financial statements and VAT records for a sample of months. We reviewed and tested a sample of cash reconciliations prepared by the finance team. We performed substantive testing on other sales including sales to sub-franchisees from the commissary. We performed testing to determine if revenue had been recorded in the correct period. We have assessed the appropriateness of the related disclosures on page 41 and in note 2 of the financial statements.

Our audit procedures in relation to this matter was designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on the matter individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Richard Baker (Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

Reading

26 March 2018

FINANCIAL STATEMENTS

Group Income Statement

for the year ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	2	10,377,777	7,556,718
Direct Costs		(9,658,691)	(7,022,673)
Selling, general and administrative expenses - excluding: store pre-opening expenses, depreciation, amortisation and share based payments		(2,503,763)	(2,113,610)
GROUP EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses			
		(1,784,677)	(1,579,565)
Store pre-opening expenses		(143,220)	(47,850)
Other non-cash and non-recurring items	5	(12,271)	(99,302)
Finance income		92,638	65,116
Finance costs		(24,364)	(12,478)
Foreign exchange gains / (losses)		148,032	(7,915)
Depreciation, amortisation and impairment		(656,942)	(458,722)
Share based payments		(253,715)	(352,685)
Loss before taxation	4	(2,634,519)	(2,493,401)
Taxation	9	-	-
Loss for the period		(2,634,519)	(2,493,401)
Loss per share			
Basic	11	(1.85 p)	(1.93 p)
Diluted	11	(1.85 p)	(1.93 p)

All of the loss for the year is attributable to the owners of the Parent Company.

Group Statement of comprehensive income

for the year ended 31 December 2017

	2017	2016
	£	£
Loss for the period	(2,634,519)	(2,493,401)
Currency translation differences	639,428	618,614
Other comprehensive expense for the period, net of tax to be reclassified to profit or loss in subsequent periods	639,428	618,614
Total comprehensive income for the period	(1,995,091)	(1,874,787)

All of the comprehensive expense for the year is attributable to the owners of the Parent Company.

Company Statement of comprehensive income

for the year ended 31 December 2017

	2017	2016
	£	£
Loss for the period	(484,609)	(655,727)
Total comprehensive income for the period	(484,609)	(655,727)

All of the loss for the year for both the Company and the Group, is attributable to the owners of the Parent Company.

Group Balance Sheet

at 31 December 2017

		2017	2016
	Notes	£	£
Non-current assets			
Intangible assets	12	558,438	442,764
Property, plant and equipment	13	6,617,788	2,765,748
Trade and other receivables	16	1,767,289	1,217,231
		8,943,515	4,425,743
Current assets			
Inventories	17	525,870	271,525
Trade and other receivables	16	2,580,994	1,818,425
Cash and cash equivalents	18	4,505,911	6,308,260
		7,612,775	8,398,210
Total assets		16,556,290	12,823,953
Current liabilities			
Trade and other payables	19	(1,648,960)	(1,218,991)
Borrowings	20	(129,613)	(73,007)
Provisions	26	(37,289)	(37,294)
		(1,815,862)	(1,329,292)
Non-current liabilities			
Provisions	26	-	(50,532)
Borrowings	20	(243,197)	(234,276)
		(243,197)	(284,808)
Total liabilities		(2,059,059)	(1,614,100)
Net assets		14,497,231	11,209,853
Equity			
Called up share capital	23	762,754	684,576
Share premium account		31,829,463	26,878,887
Capital reserve - own shares		(48,163)	(50,463)
Retained earnings		(18,499,828)	(16,116,724)
Currency translation reserve		453,005	(186,423)
Total equity		14,497,231	11,209,853

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2018 and were signed on its behalf by:



Peter Shaw
Director



Maciej Jania
Director

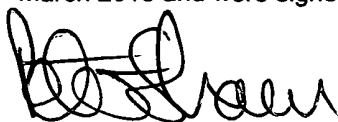
Company Balance Sheet

at 31 December 2017

COMPANY NUMBER: 7278725

		2017	2016
	Notes	£	£
Non-current assets			
Investments	14	25,458,709	18,310,823
		25,458,709	18,310,823
Current assets			
Trade and other receivables	16	249,371	174,682
Cash and cash equivalents	18	3,600,241	6,087,150
		3,849,612	6,261,832
Total assets		29,308,321	24,572,655
Current liabilities			
Trade and other payables	19	(134,587)	(196,781)
Net assets		29,173,734	24,375,874
Equity			
Called up share capital	23	762,754	684,576
Share premium account		31,829,463	26,878,887
Retained earnings		(3,418,483)	(3,187,589)
Shareholders' Equity		29,173,734	24,375,874

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2018 and were signed on its behalf by:



Peter Shaw
Director



Maciej Jania
Director

The loss relating to transactions in the financial statements of the parent company was £484,609 (2016: £655,727).

Group Statement of Cash Flows

for the year ended 31 December 2017

		2017	2016
	Note	£	£
Cash flows from operating activities			
Loss before taxation for the period		(2,634,519)	(2,493,401)
<i>Adjustments for:</i>			
Finance income	7	(92,638)	(65,116)
Finance costs	8	24,364	12,478
Depreciation, amortisation and impairment		656,942	458,722
Share based payments expense	24	253,715	352,685
Operating cash flows before movement in working capital		(1,792,136)	(1,734,632)
(Increase) in inventories		(221,747)	(134,825)
(Increase) in trade and other receivables		(728,558)	(254,038)
Increase in trade and other payables		555,994	461,664
(Decrease) / increase in provisions		(50,532)	50,532
Cash used in operations		(2,236,979)	(1,611,299)
Taxation paid		-	-
Net cash used in operations		(2,236,979)	(1,611,299)
Cash flows from investing activities			
Payments to acquire software		(23,833)	(25,114)
Payments to acquire property, plant and equipment		(4,131,753)	(1,714,215)
Payments to acquire intangible fixed assets		(26,039)	(23,699)
Lease deposits net amount (advanced)		(50,396)	(62,052)
Proceeds from disposal of property plant and equipment		-	698,882
(Increase) in loans to sub-franchisees	16	(501,731)	(1,214,743)
Interest received	7	92,638	36,745
Net cash used in investing activities		(4,641,114)	(2,304,196)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		5,028,754	3,055,426
Interest paid	8	(24,364)	(12,478)
Net cash from financing activities		5,004,390	3,042,948
Net (decrease) in cash and cash equivalents		(1,873,703)	(872,547)
Exchange differences on cash balances		71,354	193,304
Cash and cash equivalents at beginning of period		6,308,260	6,987,503
Cash and cash equivalents at end of period	18	4,505,911	6,308,260

The principal non-cash transaction was the acquisition of property, plant and equipment under finance lease agreements as disclosed in note 20.

Company Statement of Cash Flows

for the year ended 31 December 2017

		2017	2016
	Note	£	£
Cash flows from operating activities			
Loss before taxation		(484,609)	(655,727)
<i>Adjustments for:</i>			
Finance income		(10,207)	(30,088)
Share based payments expense		130,065	167,544
Operating cash flows before movement in working capital		(364,751)	(518,271)
Increase in trade and other receivables	16	(74,689)	(57,429)
Increase in trade and other payables		(62,194)	32,974
Cash used in operating activities		(501,634)	(542,726)
Cash flows from investing activities			
Equity investment in subsidiary company		(7,024,236)	(2,100,634)
Interest received		10,207	30,088
Net cash used in investing activities		(7,014,029)	(2,070,546)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		5,028,754	3,055,426
Net cash from financing activities		5,028,754	3,055,426
Net (decrease) / increase in cash and cash equivalents		(2,486,909)	442,154
Cash and cash equivalents at beginning of period		6,087,150	5,644,996
Cash and cash equivalents at end of period	18	3,600,241	6,087,150

Group Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £	Share premium account £	Retained earnings £	Currency translation reserve £	Capital reserve - own shares £	Total £
At 31 December 2015	651,241	23,856,796	(13,970,110)	(805,037)	(56,361)	9,676,529
Shares issued	33,335	3,166,825	-	-	-	3,200,160
Expenses of share issue	-	(144,734)	-	-	-	(144,734)
Share based payments	-	-	352,685	-	-	352,685
Shares transferred out of EBT	-	-	(5,898)	-	5,898	-
Translation difference	-	-	-	618,614	-	618,614
Loss for the period	-	-	(2,493,401)	-	-	(2,493,401)
At 31 December 2016	684,576	26,878,887	(16,116,724)	(186,423)	(50,463)	11,209,853
Shares issued	78,178	5,185,000	-	-	-	5,263,178
Expenses of share issue	-	(234,424)	-	-	-	(234,424)
Share based payments	-	-	253,715	-	-	253,715
Shares transferred out of EBT	-	-	(2,300)	-	2,300	-
Translation difference	-	-	-	639,428	-	639,428
Loss for the period	-	-	(2,634,519)	-	-	(2,634,519)
At 31 December 2017	762,754	31,829,463	(18,499,828)	453,005	(48,163)	14,497,231

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £	Share premium account £	Retained earnings £	Total £
At 31 December 2015	651,241	23,856,796	(2,884,547)	21,623,490
Shares issued	33,335	3,166,825	-	3,200,160
Expenses of share issue	-	(144,734)	-	(144,734)
Share based payments	-	-	352,685	352,685
Loss for the year	-	-	(655,727)	(655,727)
At 31 December 2016	684,576	26,878,887	(3,187,589)	24,375,874
Shares issued	78,178	5,185,000	-	5,263,178
Expenses of share issue	-	(234,424)	-	(234,424)
Share based payments	-	-	253,715	253,715
Loss for the year	-	-	(484,609)	(484,609)
At 31 December 2017	762,754	31,829,463	(3,418,483)	29,173,734

Notes to the Financial Statements

for the year ended 31 December 2017

1. ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with IFRSs

The DP Poland plc Group and Company financial statements for the period ended 31 December 2017 were authorised for issue by the Board of the Directors on 26 March 2018 and the balance sheets were signed on the Board's behalf by Peter Shaw and Maciej Jania. DP Poland plc is a public limited company incorporated and domiciled in England & Wales. The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange.

Basis of preparation

The financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments and share based payments. The consolidated and Company financial statements of DP Poland plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (March 2018). The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

An additional line item for 'Group EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses' has been presented on the face of the income statement as the Board believes this presentation is relevant to the understanding of the Group's financial performance and is a useful indicator for the underlying cash generated from operations. The Directors believe that presenting store pre-opening expenses separately on the face of the Group Income Statement, below the Group EBITDA line, better reflects the underlying trading performance. Other non-GAAP performance measures used are:

- System sales (the sum of all sales made by both sub-franchised and corporate stores to consumers)
- Like-for-like sales (same store sales for those stores which traded throughout the current and comparative period).

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Group and Company financial statements are presented in Sterling. The assets and liabilities of the foreign subsidiary, whose functional currency is Polish Zloty, are translated into sterling at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average rate for the year. Differences arising from the translation of the opening net investment in the subsidiary are taken to reserves and reported in the consolidated statement of comprehensive income.

Basis of consolidation

The Group financial statements comprise the financial statements of DP Poland plc, its subsidiary undertaking and the Employee Benefit Trust ("EBT") drawn up to 31 December of each year, using consistent accounting policies. Subsidiary undertakings have been included in the Group financial statements using the purchase method of accounting. Accordingly the Group Income Statement and Group Statement of Cash Flows include the results and cash flows of subsidiaries from the date of acquisition.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated on consolidation.

New standards and interpretations not applied

All relevant IFRS applicable to this accounting period, issued by IASB and endorsed by the EU, have been adopted by the Group in preparation of these financial statements. The Directors consider that there are no standards issued but not yet endorsed or yet to be endorsed by the EU that would have a material impact on the financial statements other than IFRS 16 on leases which will have the significant effect of bringing most operating leases (see note 25 for details) onto the Group Balance Sheet and IFRS 9 which will require the Group to assess impairment losses on loan receivables and other financial instruments on a lifetime expected credit loss basis. IFRS 15 Revenue from Contracts with Customers is not expected to have any significant impact on the Group's financial statements.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets with a finite life are amortised and charged to administrative expenses on a straight line basis over their expected useful lives, as follows:

- Licences: over the duration of the legal agreement;
- Computer software: 2 years from the date when the software is brought into use
- Capitalised loan discounts: over the remaining term of the sub-franchise agreement

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

Fixtures, fittings and equipment

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and any impairment in value. Leasehold property comprises leasehold improvements including shopfitting and associated costs.

Depreciation

Depreciation is provided on all tangible non-current assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold property	– over the expected lease term (generally taken to be 5 years)
Fixtures, fittings and equipment	– 3 to 10 years

The carrying values of tangible non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Assets Under Construction

Assets under construction comprise the cost of tangible fixed assets in respect of stores that have not yet opened and therefore no depreciation has yet been charged. Depreciation will be charged on the assets from the date that they are brought into use.

Impairment

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 of continuing operations are recognised in the income statement under the expense category: Depreciation, amortisation and impairment.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial instruments

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them.

Financial assets

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group holds financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, loans to sub-franchisees, prepayments and cash and cash equivalents in the balance sheet. Loans to sub-franchisees are provided at below market interest rates. 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 Commissary sales that will be generated. These assets are amortised over the life of a new franchise agreement of 10 years.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost.

The Group only holds financial liabilities classified as other financial liabilities. Financial liabilities at amortised cost comprise trade and other payables, loans and accruals.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Store pre-opening costs

Operating costs incurred by stores prior to opening are written off to the income statement in the period in which they are incurred and disclosed separately on the face of the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories comprise food and packaging goods for resale. The Group applies a first in first out basis of inventory valuation.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

Employee share incentive plans

The Group issues equity-settled share-based payments to certain employees (including Directors). These payments are measured at fair value at the date of grant by use of a Black-Scholes model. Vesting is dependent on performance conditions other than conditions linked to the price of the shares of DP Poland plc (market conditions). In valuing equity-settled transactions, no account is taken of these performance conditions. This fair value cost of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. No cost is recognised for awards that do not ultimately vest.

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of lease incentives is spread on a straight line basis over the term of the lease. Where lease premiums are paid, these are depreciated over the lease terms.

Assets held under finance leases are recorded in the balance sheet at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the period. Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts with the exception of:

- Where 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.
- For taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures.
- Where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Capital instruments

Ordinary shares are classified as equity instruments. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in equity. The finance costs recognised in the Income Statement in respect of capital instruments other than equity shares are allocated to periods over the term of the instrument at a constant rate on the carrying amount applying the effective interest method.

Capital reserve - own shares

DP Poland plc shares which are held within the Company's employee benefit trust, for the purpose of providing share based incentives to Group employees are classified as 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.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration net of returns and value-added taxes. The criteria for recognising revenues are set out in note 2.

Direct Costs

Direct costs comprises foods costs and direct store expenses.

Interest income

Revenue is recognised as interest accrues applying the effective interest method.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors must make an assessment as to whether the Group is a going concern. In forming their views, the Directors have prepared cash flow forecasts for a 12 month period following the date of signing the balance sheet. As part of the preparation of these forecasts, the Directors have estimated the likely outcome for the number of new stores opened. Before entering into a contract to acquire a new site, the Directors ensure that the Group has sufficient working capital available to allow the completion of the outlet. Based on these forecasts, the Directors have confirmed that there are sufficient cash reserves to fund the on-going build, own and operate business for the period under review.

After reviewing these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Group's determination of whether intangibles and investments in subsidiary undertaking are impaired requires an estimation of the value in use of the cash generating units to which the relevant asset or investment is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate. The recoverable amount of the cash generating unit has been determined based on fair value calculated using discounted future cash flows, which are subject to significant estimates due to the growth phase of the business. Future cash flows are based on the Group's business plan. The calculation of the fair value is most sensitive to the following assumptions: store performance; discount rates; store openings in Poland; foreign exchange rates.

The discount rate reflects management's estimate of the return on capital employed for the investment in Poland. The store openings are based on the current business model being used by management, which is progressing in line with expectations.

The Group's determination of the amortised cost of sub-franchisee loan receivables also requires an estimation of future cash flows and the selection of a appropriate market rate of interest.

The calculation of the Group's total tax charge involves a degree of estimation and judgement in respect of the recoverability of tax losses. Further details of the treatment of deferred tax can be found in note 15.

2. REVENUE

Revenue represents amounts received from the sale of goods from the Group's principal continuing activity, being the operation and sub-franchising of Domino's Pizza stores. All of the revenue is derived in Poland. Revenue is measured at fair value of consideration net of returns and value added taxes. Revenue from pizza delivery, commissary and equipment sales is recognised on delivery to customers and sub-franchisees. Royalties are based on sub-franchised store sales to customers and are recognised as the income is earned by our sub-franchisees. Core revenues are ongoing revenues including sales to the public from corporate stores, sales of materials and services to sub-franchisees, royalties received from sub-franchisees and rents received from sub-franchisees. Other revenues are non-recurring transactions such as the sale of stores, fittings and equipment to sub-franchisees. Revenue recognised in the income statement is analysed as follows:

Revenue is divided into 'core revenues' and 'other revenues' as follows:

	2017 £	2016 £
Core revenue	9,663,088	6,030,869
Other revenue	714,689	1,525,849
	10,377,777	7,556,718

Revenue is further analysed as follows:

	2017 £	2016 £
Corporate store sales	5,798,649	4,078,847
Fixtures and equipment sales to sub-franchisees	714,689	1,621,371
Royalties and other sales to sub-franchisees	3,385,901	1,593,309
Rental income on leasehold property	478,538	263,191
	10,377,777	7,556,718

3. SEGMENTAL REPORTING

The Board monitors the performance of the corporate stores and the commissary operations separately and therefore those are considered to be the Group's two operating segments. Corporate store sales comprise sales to the public. Commissary operations comprise sales to sub-franchisees of food, services and fixtures and equipment. Commissary operations also include the receipt of royalty income from sub-franchisees. The Board monitors the performance of the two segments based on their contribution towards Group EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses. In accordance with IFRS 8, the segmental analysis presented reflects the information used by the Board. No separate balance sheets are prepared for the two operating segments and therefore no analysis of segment assets and liabilities is presented.

Operating Segment EBITDA contribution

	2017 £	2016 £
Corporate stores	345,667	328,906
Commissary gross profit	599,196	321,171
Unallocated expenses	(2,729,540)	(2,229,642)
GROUP EBITDA - excluding non-cash items, non-recurring items and store pre-opening expenses	(1,784,677)	(1,579,565)

4. LOSS BEFORE TAXATION

This is stated after charging

	2017 £	2016 £
Auditors and their – audit of company and group financial statements	37,445	30,400
associates' remuneration – tax compliance services	1,400	1,400
Directors' emoluments – remuneration and fees	325,966	352,974
Amortisation of intangible fixed assets	86,057	64,173
Depreciation of property, plant and equipment	570,885	394,549
Operating lease rentals – land and buildings	616,415	476,928
<i>and after crediting</i>		
Operating lease income from sub-franchisees	478,538	263,191
Foreign exchange gains /(losses)	148,032	(7,915)

5. OTHER NON-CASH AND NON-RECURRING ITEMS

	2017 £	2016 £
Provision for additional VAT payable	50,532	(50,532)
Other non-cash and non-recurring items	(62,803)	(48,770)
	(12,271)	(99,302)

Non-recurring Items

Non-recurring items include items which are not sufficiently large to be classified as exceptional, but in the opinion of the Directors, are not part of the underlying trading performance of the Group. The provision for additional VAT payable has been reversed following changes to a previous ruling by the Polish VAT authorities.

6. STAFF COSTS

Details of directors' remuneration, which is included in the amounts below, are given in the remuneration report on pages 20 to 21.

	2017 £	2016 £
Wages and salaries and directors' fees	2,589,578	1,972,816
Social security costs	359,423	245,277
Share based payments	253,715	352,685
	3,202,716	2,570,778

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

	2017 Number	2016 Number
Operational	63	43
Administration	33	28
Total	96	71

7. FINANCE INCOME

	2017 £	2016 £
Interest on short-term deposits	59,666	36,745
Unwinding of discount on loans to sub-franchisees	32,972	28,371
	92,638	65,116

8. FINANCE COSTS

	2017 £	2016 £
Other interest	24,364	12,478
	24,364	12,478

9. TAXATION

	2017 £	2016 £
Current tax	-	-
Total tax charge in income statement	-	-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities as follows:

	2017 £	2016 £
Loss before tax	(2,634,519)	(2,493,401)
Tax credit calculated at applicable rate of 19%	(500,559)	(473,746)
Income taxable but not recognised in financial statements	13,444	20,536
Income not subject to tax	(24,137)	(2,487)
Expenses not deductible for tax purposes	84,750	74,338
Tax losses for which no deferred income tax asset was recognised	426,502	381,359
Total tax charge in income statement	-	-

The Directors have reviewed the tax rates applicable in the different tax jurisdictions in which the Group operates. They have concluded that a tax rate of 19% represents the overall tax rate applicable to the Group.

10. LOSS ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY

The loss relating to transactions in the financial statements of the parent company was £484,609 (2016: £655,727).

11. LOSS PER SHARE

The loss per ordinary share has been calculated as follows:

	2017	2017	2016	2016
	Weighted average number of shares	£ Profit / (loss) after tax	Weighted average number of shares	£ Profit / (loss) after tax
Basic	142,164,031	(2,634,519)	128,931,485	(2,493,401)
Diluted	142,164,031	(2,634,519)	128,931,485	(2,493,401)

The weighted average number of shares for the year excludes those shares in the Company held by the employee benefit trust. At 31st December 2017 the basic and diluted loss per share is the same, as the vesting of JOSS, SIP or share option awards would reduce the loss per share and is, therefore, anti-dilutive.

12. INTANGIBLE ASSETS

Group	Franchise fees and intellectual property rights £	Software £	Capitalised loan discount £	Total £
Cost:				
At 31 December 2015	333,166	183,706	-	516,872
Foreign currency difference	43,480	24,255	-	67,735
Additions	23,699	25,114	178,269	227,082
Disposals	-	(4,668)	-	(4,668)
At 31 December 2016	400,345	228,407	178,269	807,021
Foreign currency difference	38,202	81,912	-	120,114
Additions	26,039	23,833	67,281	117,153
Disposals	-	-	-	-
At 31 December 2017	464,586	334,152	245,550	1,044,288
Amortisation				
At 31 December 2015	145,746	119,429	-	265,175
Foreign currency difference	19,850	16,236	-	36,086
Amortisation charged for the year	32,192	26,756	5,225	64,173
Disposals	-	(1,177)	-	(1,177)
At 31 December 2016	197,788	161,244	5,225	364,257
Foreign currency difference	19,551	15,985	-	35,536
Amortisation charged for the year	33,548	28,733	23,776	86,057
Disposals	-	-	-	-
At 31 December 2017	250,887	205,962	29,001	485,850
Net book value:				
At 31 December 2017	213,699	128,190	216,549	558,438
At 31 December 2016	202,557	67,163	173,044	442,764

Franchise fees consisting of the cost of purchasing the Master Franchise Agreement (MFA) from Domino's Pizza Overseas Franchising B.V. have been capitalised and are written off over the term of the MFA. The difference between the present value of loans to sub-franchisees recognised and the cash advanced has been capitalised as an intangible asset and are amortised over the life of a new franchise agreement of 10 years. The amortisation of intangible fixed assets is included within administrative expenses in the Income Statement. The Group has performed an annual impairment test for the franchise fees and loan discounts and the recoverable amount of the cash generating unit has been determined based on fair value calculated using discounted future cash flows based on the Group's business plan, and incorporating the Directors' estimated 14% discount rate, future store openings and the average Polish Zloty exchange rate for the year ended 31 December 2017. Further details of the assumptions made can be found on page 37. The fair value calculation indicates that no impairment is required. As at 31 December 2017, no reasonably anticipated change in the assumptions would give rise to a material impairment charge.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property £	Fixtures fittings and equipment £	Assets under construction £	Total £
Cost:				
At 31 December 2015	1,574,988	1,370,096	185,768	3,130,852
Foreign currency difference	226,639	349,204	(158,605)	417,238
Additions	581,957	336,619	605,016	1,523,592
Disposals	(679,424)	(394,242)	-	(1,073,666)
Transfers	78,037	496,304	(574,341)	-
At 31 December 2016	1,782,197	2,157,981	57,838	3,998,016
Foreign currency difference	336,090	584,555	(491,241)	429,404
Additions	2,074,716	440,698	1,616,339	4,131,753
Disposals	-	(87,457)	-	(87,457)
Transfers	55,487	1,041,695	(1,097,182)	-
At 31 December 2017	4,248,490	4,137,472	85,754	8,471,716
Depreciation:				
At 31 December 2015	521,625	556,020	-	1,077,645
Foreign currency difference	(26,465)	164,815	-	138,350
Depreciation charged for the year	178,035	216,514	-	394,549
Disposals	(248,843)	(129,433)	-	(378,276)
At 31 December 2016	424,352	807,916	-	1,232,268
Foreign currency difference	46,716	107,034	-	153,750
Depreciation charged for the year	217,535	353,350	-	570,885
Disposals	-	(102,975)	-	(102,975)
At 31 December 2017	688,603	1,165,325	-	1,853,928
Net book value:				
At 31 December 2017	3,559,887	2,972,147	85,754	6,617,788
At 31 December 2016	1,357,845	1,350,065	57,838	2,765,748

During the year the group acquired the entire share capital of Rush Hour Pizza Polska Sp. z o.o. for a cash payment equivalent to approximately £720,300 and subsequently re-sold the company for a cash equivalent to approximately £598,000. As part of the transaction the Group retained an existing pizza restaurant with a fair value equivalent to approximately £175,000.

14. NON CURRENT ASSET INVESTMENTS

	Group £	Company £
<i>Investments in Group undertakings</i>		
At 31 December 2015	-	16,025,048
Investment in subsidiary company - shares subscribed	-	2,100,634
Investment in subsidiary company - capital contribution		185,141
At 31 December 2016	-	18,310,823
Investment in subsidiary company - shares subscribed	-	7,024,236
Investment in subsidiary company - capital contribution		123,650
At 31 December 2017	-	25,458,709

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

The Group has performed an impairment review based on the Group's business plan and applying a 14% discount rate and concluded the the investment in Group undertakings is not impaired.

The Company holds 20% or more of the share capital of the following company, which is included in the consolidation:

<i>Company</i>	<i>Nature of business</i>	<i>Location</i>	<i>Class</i>	<i>% holding</i>
DP Polska S.A.	Operation of Pizza delivery restaurants	Poland	Ordinary	100

The registered office of DP Polska S.A. is: ul Słomińskiego 19, lok. 508, 00-195 Warszawa, Poland

15. DEFERRED TAX

The Group has unused tax losses of £14,893,543 available for offset against future profits. Polish tax losses are only recognised for deferred tax purposes to the extent that they are expected to be used to reduce tax payable of future profits. Under Polish law, losses can only be carried forward for five years and only 50% of the losses brought forward can be set off in any one year. Polish tax losses expire as follows: £2,570,078 in 2018; £2,891,716 in 2019; £1,325,869 in 2020; £1,854,519 in 2021 and £2,216,197 in 2022. UK tax losses carried forward at the balance sheet date were £4,035,164.

No deferred tax asset has been recognised in respect of the current year losses or in respect of share based payments as there is insufficient evidence to determine that these losses will be recovered.

16. TRADE AND OTHER RECEIVABLES

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Current				
Trade receivables	852,490	920,723	146,000	99,500
Other receivables	922,912	420,666	42,396	13,004
Prepayments and accrued income	435,442	186,077	60,975	62,178
Rent and supplier deposits	370,150	290,959	-	-
	2,580,994	1,818,425	249,371	174,682
Non-current				
Other receivables	1,767,289	1,217,231	-	-
At 31 December	4,348,283	3,035,656	249,371	174,682

Other receivables includes loans to sub-franchisees which are repayable over between three and seven years. Repayments may be made earlier in the event that sub-franchised stores achieve certain turnover targets earlier than expected. The loans are secured by a charge over certain assets of the sub-franchisees. Other receivables also includes Polish value added tax recoverable in future periods. No receivables are materially past due date. Other than amounts held by the Company, all trade and other receivables are in Polish Zloty. Trade receivables are non - interest bearing and are generally on 30 - 60 days terms. During the year ended 31 December 2017 no bad debts were written off (2016: nil).

17. INVENTORIES

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Raw materials and consumables	525,870	261,394	-	-
Work in progress - sub-franchise stores	-	10,131	-	-
At 31 December	525,870	271,525	-	-

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,858,389 (2016: £2,240,880)

18. CASH AND CASH EQUIVALENTS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	4,505,911	6,308,260	3,600,241	6,087,150
At 31 December	4,505,911	6,308,260	3,600,241	6,087,150

19. TRADE AND OTHER PAYABLES

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Current				
Trade payables	1,065,243	728,009	25,007	18,479
Other payables	176,051	84,659	6,470	20,123
Accrued expenses	407,666	406,323	103,110	158,179
At 31 December	1,648,960	1,218,991	134,587	196,781

20. BORROWINGS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Current interest bearing borrowings				
Finance lease liabilities	129,613	73,007	-	-
At 31 December	129,613	73,007	-	-

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Non current interest bearing loans and borrowings				
Finance lease liabilities	243,197	234,276	-	-
At 31 December	243,197	234,276	-	-

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities – minimum lease payments:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
No later than 1 year	147,604	85,356	-	-
Later than 1 year and no later than 5 years	260,588	269,418	-	-
Later than 5 years	-	-	-	-
Future finance charges on finance leases	35,382	47,491	-	-
Present value of finance lease liabilities	372,810	307,283	-	-

21. ANALYSIS OF MOVEMENTS IN NET FUNDS

	01 January 2017 £	Cash flows £	Foreign exchange movements £	31 December 2017 £
Cash and cash equivalents	6,308,260	(1,873,703)	71,354	4,505,911
Borrowings: finance leases - current	(73,007)	(56,606)	-	(129,613)
Borrowings: finance leases - non-current	(234,276)	(8,921)	-	(243,197)
Net funds	6,000,977	(1,939,230)	71,354	4,133,101

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2017	2016	2016
	Loans and receivables £	Financial liabilities at amortised cost £	Loans and receivables £	Financial liabilities at amortised cost £
GROUP				
Financial Assets				
Cash at bank	4,505,911		6,308,260	
Trade receivables	852,490		920,723	
Other receivables - current	922,912		420,666	
Other receivables - non current	1,767,289		1,217,231	
Total	8,048,602		8,866,880	
Financial Liabilities				
Trade payables		(1,065,243)		(728,009)
Finance leases - current		(129,613)		(73,007)
Finance leases - non current		(243,197)		(234,276)
Other liabilities - current		(176,051)		(84,659)
Accruals - current		(407,666)		(406,323)
Total		(2,021,770)		(1,526,274)
Net	6,026,832		7,340,606	

	2017	2017	2016	2016
	Loans and receivables £	Financial liabilities at amortised cost £	Loans and receivables £	Financial liabilities at amortised cost £
COMPANY				
Financial Assets				
Cash at bank	3,600,241		6,087,150	
Other receivables	42,396		13,004	
Total	3,642,637		6,100,154	
Financial Liabilities				
Trade payables		(25,007)		(18,479)
Other liabilities - current		(6,470)		(6,623)
Accruals		(103,110)		(158,179)
Total		(134,587)		(183,281)
Net	3,508,050		5,916,873	

The fair value of the Group's financial assets and liabilities is not considered to be materially different from the carrying amount as set out above. No financial assets are significantly past due or impaired.

Maturity of the Group's financial liabilities

	2017	2017	2017	2016	2016	2016
	Trade				Trade and	
	Finance	and other	Total	Finance	other	Total
	leases	payables		leases	payables	
	£	£	£	£	£	£
Due within one year	129,613	1,648,960	1,778,573	73,007	1,218,991	1,291,998
Due within two to five years	243,197	-	243,197	234,276	-	234,276
Due after five years	-	-	-	-	-	-
	372,810	1,648,960	2,021,770	307,283	1,218,991	1,526,274

Capital Risk Management

The Group aims to manage its overall capital so as to ensure that companies within the Group continue to operate as going concerns, whilst maintaining an optimal capital structure to reduce the cost of capital.

The Group's capital structure represents the equity attributable to shareholders of the company together with borrowings and cash and cash equivalents.

Currency Risk

The foreign currency risk stems from the Group's foreign subsidiary which trades in Poland and whose revenues and expenses are mainly denominated in local currencies. Additionally, some Group transactions are also denominated in US Dollar and Euro currencies. The Group is therefore subject to foreign currency risk due to exchange rate movements that will affect the Group's operating activities and the Group's net investment in its foreign subsidiary. In each case where revenues of the Group are in a foreign currency, there is a material match between the currency of each operating company's revenue stream, primary assets, debt and debt servicing (if applicable).

The carrying amount in Sterling, of the Group's foreign currency denominated monetary assets and liabilities at the reporting dates is as follows:

	2017	2016
	£	£
Assets		
Polish Zlotys	2,699,337	1,241,131
Liabilities		
Polish Zlotys	2,043,260	1,329,492

Sensitivity analysis

The potential impact on Group net loss and equity reserves from a 20% weakening of the Polish Zloty against sterling affecting the reported value of financial assets and liabilities would be an increased net loss and reduction in Group reserves of £131,215. A depreciation of 20% has been selected for the analysis as an illustration on the basis that it is a reasonable estimate of a likely market fluctuation.

An appreciation of 20% against Sterling would produce an equal and opposite effect.

Interest Rate Risk

Interest rate risk arises on the Group's cash and cash equivalents. All of the Group's cash and cash equivalents earn interest at variable rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher and all other variables were held constant, the effect on the Group's net result and equity reserves would have been an increase of £45,059.

Credit Risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents, trade and other receivables and loans to subfranchisees.

The Group manages its exposure to this risk by applying Board-approved limits to the amount of credit exposure to any one counterparty and employs minimum credit worthiness criteria as to the choice of counterparty, thereby ensuring that there are no significant concentrations of credit risk.

All sub-franchisees who are provided with loans from the Group have been through the franchisee selection process, which is considered to be sufficiently robust to ensure an appropriate credit verification procedure.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus funds are invested on a short term basis at money market rates and therefore such funds are available at short notice.

23. SHARE CAPITAL

		2017	2016
		£	£
<i>Called up, allotted and fully paid:</i>			
152,550,704 (2016: 136,915,112)	Ordinary shares of 0.5 pence each	762,754	684,576
<i>Movement in share capital during the period</i>			
	Number	Nominal value £	Consideration £
At 31 December 2015	130,248,112	651,241	26,407,874
Placing 05 October 2016	6,667,000	33,335	3,200,160
At 31 December 2016	136,915,112	684,576	29,608,034
Placing 06 June 2017	12,200,000	61,000	5,246,000
Option exercises 2017	3,435,592	17,178	17,178
At 31 December 2017	152,550,704	762,754	34,871,212

The Company does not have an authorised share capital.

DP Poland Employee Benefit Trust ("EBT")

The trustee of the EBT holds 2,654,878 ordinary shares in the Company for the purposes of satisfying outstanding and potential awards under the Company's Joint Ownership Share Scheme, Share Option Scheme and the Share Incentive Plans. The historic cost of these shares was £56,859 with a net contribution of £6,115 made by the JOSS award holders to acquire their joint interests. The shares held by the EBT had a market value of £1,204,900 at 31 December 2017.

24. SHARE BASED PAYMENTS

	Group 2017 £	Group 2016 £
Share based payments expense	253,715	352,685

During the period ended 31 December 2017 the Company provided four types of share-based incentive arrangements:

Type of arrangement	Vesting period	Vesting conditions
Joint Ownership Share Scheme	2.5 - 3.5 years	Achievement of store growth and financial targets
Employee Share Incentive Plan	2 years	Two years service
Non-Executive Directors' Share Incentive Plan	2 years	Two years service
Employee Share Option Plan	Variable*	Detailed individual performance targets
Long Term Incentive Option Plan	2.3 years	Detailed company performance targets

The Company established the Joint Ownership Share Scheme ("JOSS") and the Share Incentive Plans on 25 June 2010, the Employee Share Option Plan on 06 May 2011 and the Long Term Incentive Share Option Plan on 19th December 2014. The Group has calculated charges for the JOSS and share option awards using a Black-Scholes model. Volatility and risk free rates have been calculated for each JOSS grant based on expected volatility over the vesting period and current risk free rates at the time of each award. Volatility assumptions are based on historic volatility.

Assumptions used in the valuation of share option awards were as follows:

Award date	Exercise price	Expected volatility	Risk free rate	Expected dividends	Option life in years	IFRS2 fair value per share option
17 December 2014	0.5 pence	46%	0.98%	-	2 years	£0.0808
19 December 2014	0.5 pence	46%	0.98%	-	2.3 years	£0.0723
19 December 2014*	0.5 pence	46%	0.98%	-	2.3 years	£0.0036
03 May 2016	0.5 pence	50%	0.90%	-	3 Years	£0.2504
22 May 2017	0.5 pence	50%	0.90%	-	3 Years	£0.4557

* these awards include a market based performance condition based on future share price performance

The share based payments charge for the year by scheme was as follows:

	2017	2016
Share Incentive Plan	79,768	86,760
Employee Share Option Scheme	-	71,843
Other Share Options	55,936	31,083
Long Term Incentive Share Option Plan	118,011	162,999
	253,715	352,685

All of the above amounts related to equity-settled share based payment transactions.

Share scheme awards outstanding

Scheme and date of award	Hurdle or exercise price	Outstanding 31.12.16 No.	Awarded in period No.	Exercised in period No.	Lapsed in period No.	Outstanding 31.12.17 No.
JOSS 25 June 2010	23.08 pence + 3% per annum	383,936	-	-	-	383,936
SIP 27 July 2010	n/a	100,000	-	-	-	100,000
SIP 30 May 2012	n/a	75,000	-	-	-	75,000
SIP 19 June 2013	n/a	331,169	-	-	-	331,169
SIP 18 June 2014	n/a	413,604	-	-	-	413,604
SIP 17 April 2015	n/a	486,486	-	-	-	486,486
SIP 03 May 2016	n/a	346,154	-	-	-	346,154
SIP 24 May 2017	n/a	-	191,490	-	-	191,490
Share options 27 May 2011 *	0.5 pence	211,608	-	211,608	-	-
Share options 27 May 2012	0.5 pence	20,877	-	20,877	-	-
Share options 19 December 2014	0.5 pence	7,367,851	-	3,135,592	982,134	3,250,125
Share options 03 May 2016	0.5 pence	2,571,307	-	-	-	2,571,307
Share options 22 May 2017	0.5 pence	-	206,770	-	-	206,770

* These share options vested when the Group opened its 30th store in Poland.

The weighted average remaining contractual life of outstanding share options is 3.63 years (2016: 3.35 years). The number share options exercisable at 31 December 2017 was 3,250,125 with a weighted average exercise price of 0.5 pence.

25. OPERATING LEASE COMMITMENTS - MINIMUM LEASE PAYMENTS

At the period end the Group had future minimum rentals payable under non-cancellable operating leases as set out below:

	Land and buildings 2017	Land and buildings 2016
	£	£
Within one year	1,356,846	991,146
Within two to five years	3,778,094	3,284,119
In more than five years	145,090	266,315
At 31 December	5,280,030	4,541,580

Operating leases for land and buildings are normally for an initial term of 5 years with an option to renew thereafter. Lease payments are subject to regular rent reviews to reflect market rates.

Operating lease commitments where the Group is lessor

For the stores in the franchisee system, the Group has entered into commercial leases, taking the head lease and then subletting the properties to the franchisees. These non-cancellable leases have remaining terms of between five and ten years. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Land and buildings 2017 £	Land and buildings 2016 £
Within one year	472,909	314,260
Within two to five years	1,256,268	921,134
In more than five years	105,190	67,432
At 31 December	1,834,367	1,302,826

26. PROVISIONS

	Onerous lease provisions £	Other £	Total £
At 31 December 2015	75,173	-	75,173
Arising during the period	-	50,532	50,532
Utilised during the period	(45,749)	-	(45,749)
Released during the period	-	-	-
Foreign exchange on translation	7,870	-	7,870
At 31 December 2016	37,294	50,532	87,826
Arising during the period	-	-	-
Utilised during the period	-	-	-
Released during the period	(6,267)	(50,532)	(56,799)
Foreign exchange on translation	6,262	-	6,262
At 31 December 2017	37,289	-	37,289

Presented as

	2017 £	2016 £
Current	37,289	37,294
Non-current	-	50,532
	37,289	87,826

The onerous lease provision relates to outstanding rent obligations for three closed stores in Poland. Other provisions comprises the provision for additional VAT payable as shown in note 5. The provision for additional VAT payable has been reversed following changes to a previous ruling by the Polish VAT authorities. Based on this change of ruling and having taken professional advice, a repayment claim has been submitted to the Polish VAT authorities for a total of approximately £234,000. It is not yet known whether this repayment claim will be successful and therefore no asset has recognised in the Group balance sheet as at the year-end.

27. CAPITAL COMMITMENTS

At 31 December 2017, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £590,114 (2016: £2,389,154) for the Group.

28. RELATED PARTY TRANSACTIONS

During the period the group and company entered into transactions, in the ordinary course of business, with other related parties. The transactions with directors of the company are disclosed in the Directors' Remuneration Report. Transactions with key management personnel (comprising the Directors and key members of management in Poland) are disclosed below:

	Group 2017 £	Group 2016 £
Short-term employee benefits	383,900	405,699
Share-based payments	142,940	283,963
At 31 December	526,840	689,662

In the prior year, the Company provided loans to its subsidiary undertaking DP Polska S.A. as disclosed in note 14.

The Company made a charge of £50,000 to DP Polska S.A. for management services provided in 2017 (2016: £50,000).

29. EVENTS AFTER THE BALANCE SHEET DATE

There were no reportable post balance sheet events.