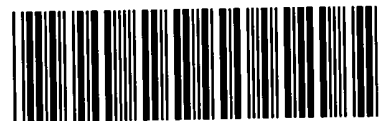


COMPANY REGISTRATION NUMBER: 6343560

**THIRD STATE PIZZA COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
25 DECEMBER 2016**

FRIDAY



A6G0IU4W

A09

29/09/2017

#427

COMPANIES HOUSE

THIRD STATE PIZZA COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

Contents	Page
Strategic report	1
Directors' report	3
Independent auditor's report to the members	5
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated statement of changes in equity	10
Company statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13

THIRD STATE PIZZA COMPANY LIMITED

STRATEGIC REPORT

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

GOING CONCERN

The director has a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis in preparing the financial statements.

PRINCIPAL ACTIVITY

The Company and the Group's principal activity is the sale of pizzas.

RESULTS FOR THE FINANCIAL YEAR

The audited financial statements for the period ended 25 December 2016 was a profit of £1,472,422 (27 December 2015: £959,697).

BUSINESS REVIEW

The performance of the Group has continued to strengthen with continued increase in the trading net profit over the period. During 2016 the Group has continued its growth strategy and four new stores were purchased, bringing the total number of stores in the Group to twenty four. During the first six months of 2017 five additional stores were opened. The Group has been profitable this financial period and is expected to continue to do so by way of excellent product, effective management and control and with the support of the franchisor which has an impressive track record in the United Kingdom and abroad. This has seen the increase in turnover from £13,144,299 for the period ended 27 December 2015 to £17,975,791 for the period ended 25 December 2016. The director expects the trading levels of existing stores to continue to improve.

KEY PERFORMANCE INDICATORS

Both financial and non-financial key performance indicators are produced and reviewed by the director on a monthly basis. These KPIs include turnover, margins, profit/loss and staffing metrics. Key performance indicators have been detailed in the business review section above.

RISKS AND UNCERTAINTIES

Economic Risk - The group is exposed to any slowdown in the UK economy, arising from level of employment, disposable income, interest rates and consumer confidence. The risk is mitigated by maintaining a wide customer basis and a competitive offering in the market through management's close relationship with the franchise operator.

Regulatory risks - The group's operations require compliance with a wide range of regulations: such as health and safety and hygiene procedures. The group has implemented a rigorous regime of standards and safety checks (including food) to ensure each store is operating at the highest of standards.

Consumer taste - Any material change in the consumer taste of the pizza delivery industry could adversely affect the group. The group works alongside Domino's at assessing demographic trends, ensuring innovation and fresh products are available to customers.

Liquidity risks - In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long term and short term debt finance.

The group does not in general expose itself to fluctuations in changes in foreign currency exchange rates. Due to the nature of the business, there is little exposure to credit risk either, and therefore no specific policies are required in respect of trade receivables.

THIRD STATE PIZZA COMPANY LIMITED

STRATEGIC REPORT *(continued)*

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

EMPLOYEES

It is the group policy to recruit the most capable persons for the positions. Group practices and procedures, including those relating to pay, promotions, terminations and training, comply with relevant legislation without discrimination. The group does not tolerate harassment of employees.

This report was approved by the board of directors on ...26/9/17... and signed on behalf of the board by:



M S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Bodicote
Banbury
Oxfordshire
OX15 4DB

THIRD STATE PIZZA COMPANY LIMITED

DIRECTORS' REPORT

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

The directors present their report and the consolidated financial statements of the group for the period ended 25 December 2016.

Directors

The directors who served the company during the period were as follows:

M S Grewal
B K Grewal

Dividends

The directors do not recommend the payment of a dividend.

Employment of disabled persons

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

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings, and through personal interaction with the company director who visits all the stores in the company and group regularly, and is thus easily accessible to all employees.

Qualifying indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the financial year and as at the date of approving the directors' report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' 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 prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

THIRD STATE PIZZA COMPANY LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Statement of disclosure of information to auditors

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

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

This report was approved by the board of directors on ...26/9/17... and signed on behalf of the board by:



M S Grewal
Director

Registered office:
The Courtyard
Chapel Lane
Bodicote
Banbury
Oxfordshire
OX15 4DB



Independent auditors' report to the members of Third State Pizza Company Limited

Report on the financial statements

Our opinion

In our opinion, Third State Pizza Company Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 25 December 2016 and of the group's profit and cash flows for the period then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 25 December 2016;
- the Consolidated Profit and Loss Account for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated and Company Statements of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Director's Responsibilities Statement set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
26 September 2017

THIRD STATE PIZZA COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

		Period from 28 Dec 15 to 25 Dec 16	Period from 29 Dec 14 to 27 Dec 15
	Note	£	£
Turnover	4	17,975,791	13,144,299
Cost of sales		(12,076,737)	(8,736,408)
Gross profit		5,899,054	4,407,891
Administrative expenses		(3,980,612)	(3,093,937)
Other operating income	5	24,750	20,000
Operating profit	6	1,943,192	1,333,954
Interest payable and similar charges	10	(23,970)	(26,392)
Profit on ordinary activities before taxation		1,919,222	1,307,562
Tax on profit on ordinary activities	11	(446,800)	(347,865)
Profit for the financial period and total comprehensive income		<u>1,472,422</u>	<u>959,697</u>
Profit for the financial period attributable to:			
The owners of the parent company		1,050,479	658,959
Minority interests		421,943	300,738
		<u>1,472,422</u>	<u>959,697</u>

All the activities of the group are from continuing operations.

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

25 DECEMBER 2016

	Note	25 Dec 16 £	27 Dec 15 £
Fixed assets			
Intangible assets	13	384,356	372,045
Tangible assets	14	4,415,524	3,273,255
		<u>4,799,880</u>	<u>3,645,300</u>
Current assets			
Stocks	16	125,958	87,460
Debtors	17	942,590	678,959
Cash at bank and in hand		803,807	682,591
		<u>1,872,355</u>	<u>1,449,010</u>
Creditors: amounts falling due within one year	18	(3,753,555)	(3,251,103)
Net current liabilities		(1,881,200)	(1,802,093)
Total assets less current liabilities		<u>2,918,680</u>	<u>1,843,207</u>
Creditors: amounts falling due after more than one year	19	(243,982)	(540,700)
Provisions for liabilities			
Taxation, including deferred taxation	20	(90,234)	(90,465)
Net assets		<u>2,584,464</u>	<u>1,212,042</u>
Capital and reserves			
Called up share capital	24	100	100
Profit and loss account	25	1,890,571	840,092
Equity attributable to the owners of the parent company		<u>1,890,671</u>	<u>840,192</u>
Minority interests		693,793	371,850
		<u>2,584,464</u>	<u>1,212,042</u>

These consolidated financial statements were approved by the board of directors and authorised for issue on 26.12.17, and are signed on behalf of the board by:



M S Grewal
Director

Company registration number: 6343560

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED

COMPANY BALANCE SHEET

25 DECEMBER 2016

	Note	25 Dec 16 £	27 Dec 15 £
Fixed assets			
Intangible assets	13	103,625	80,187
Tangible assets	14	2,866,989	1,989,926
Investments	15	280,275	280,275
		<u>3,250,889</u>	<u>2,350,388</u>
Current assets			
Stocks	16	73,031	48,845
Debtors	17	374,355	586,076
Cash at bank and in hand		449,734	393,762
		<u>897,120</u>	<u>1,028,683</u>
Creditors: amounts falling due within one year	18	(2,481,712)	(2,252,099)
Net current liabilities		<u>(1,584,592)</u>	<u>(1,223,416)</u>
Total assets less current liabilities		<u>1,666,297</u>	<u>1,126,972</u>
Creditors: amounts falling due after more than one year	19	(144,971)	(362,140)
Provisions for liabilities			
Taxation, including deferred taxation	20	(107,203)	(102,023)
Net assets		<u>1,414,123</u>	<u>662,809</u>
Capital and reserves			
Called up share capital	24	100	100
Profit and loss account	25	1,414,023	662,709
Total shareholders' funds		<u>1,414,123</u>	<u>662,809</u>

These consolidated financial statements were approved by the board of directors and authorised for issue on 26.1.17, and are signed on behalf of the board by:



M S Grewal
Director

Company registration number: 6343560

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Equity attributable to the owners of the parent company £	Minority interests £	Total £
At 29 December 2014	100	181,133	181,233	71,112	252,345
Profit for the period	—	658,959	658,959	300,738	959,697
Total comprehensive income for the period	—	658,959	658,959	300,738	959,697
At 27 December 2015	100	840,092	840,192	371,850	1,212,042
Profit for the period	—	1,050,479	1,050,479	421,943	1,472,422
Total comprehensive income for the period	—	1,050,479	1,050,479	421,943	1,472,422
Dividends paid and payable	—	—	—	(100,000)	(100,000)
Total investments by and distributions to owners	—	—	—	(100,000)	(100,000)
At 25 December 2016	100	1,890,571	1,890,671	693,793	2,584,464

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Total share- holders' funds £
At 29 December 2014	100	299,603	299,703
Profit for the period	—	363,106	363,106
Total comprehensive income for the period	—	363,106	363,106
At 27 December 2015	100	662,709	662,809
Profit for the period	—	751,314	751,314
Total comprehensive income for the period	—	751,314	751,314
At 25 December 2016	<u>100</u>	<u>1,414,023</u>	<u>1,414,123</u>

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

	25 Dec 16 £	27 Dec 15 £
Cash flows from operating activities		
Profit for the financial period	1,472,422	959,697
<i>Adjustments for:</i>		
Depreciation of tangible assets	763,199	515,667
Amortisation of intangible assets	55,189	50,251
Interest payable and similar charges	23,970	26,392
Loss on disposal of tangible assets	511	–
Tax on profit on ordinary activities	446,800	347,865
<i>Changes in:</i>		
Stocks	(38,498)	(21,486)
Trade and other debtors	(132,262)	(37,073)
Trade and other creditors	638,505	922,410
Cash generated from operations	3,229,836	2,763,723
Tax paid	(287,691)	(131,133)
Net cash from operating activities	<u>2,942,145</u>	<u>2,632,590</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,905,980)	(1,559,060)
Purchase of intangible assets	(67,500)	(22,500)
Net cash used in investing activities	<u>(1,973,480)</u>	<u>(1,581,560)</u>
Cash flows from financing activities		
Repayments of bank loans	(280,786)	(299,160)
Loans to other related entities	(411,644)	(476,601)
Interest paid	(23,970)	(26,392)
Repayments of other loans	(31,049)	(52,671)
Dividends paid to minority interests	(100,000)	–
Net cash used in financing activities	<u>(847,449)</u>	<u>(854,824)</u>
Net increase in cash and cash equivalents	121,216	196,206
Cash and cash equivalents at beginning of period	682,591	486,385
Cash and cash equivalents at end of period	<u>803,807</u>	<u>682,591</u>

The notes on pages 13 to 29 form part of these consolidated financial statements.

THIRD STATE PIZZA COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Courtyard, Chapel Lane, Bodicote, Banbury, Oxfordshire, OX15 4DB.

2. Statement of compliance

The principal activity of the company during the year was pizza delivery.

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

3. Accounting policies

Basis of preparation

These financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

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

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 29 December 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 28.

Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies *(continued)*

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the progress of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both internal and external sources of information such as market conditions, counterparty credit ratings and experience recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

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

(ii) Estimating value in use

Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

(iii) Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the ageing of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

(iv) Determining residual values and useful economic lives of property, plant and equipment
The company depreciate tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

THIRD STATE PIZZA COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Revenue recognition

The turnover shown in the profit and loss account represents amounts for goods sold during the year, exclusive of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies *(continued)*

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Goodwill purchased from the acquisition of a new store is capitalised and written off on a straight line basis over its useful economic life, which is the lesser of the trading property lease period or the period of the franchise agreement.

Hive-ups

When the controlling interest of shares are purchased, the company recognises the investment in the entity as an investment for the fair value of consideration paid. No goodwill is recognised.

Where the underlying trade and assets of the entity are then subsequently 'hived up', it is deemed that a business combination has occurred as the initial investment in shares was represented by the underlying trade and assets at the time of acquisition. Differences between the purchase consideration and the trade and net assets recognised is recognised as goodwill (upon acquisition).

Any differences between the goodwill recognised and the initial investment in the entity are written-off to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies (continued)

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10% per annum straight line basis
Franchise fee	-	Straight line basis over the term on the franchise agreement

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Straight line basis over the term of the trading property lease period
Fixtures and fittings	-	20% per annum straight line basis
Motor vehicles	-	25% per annum reducing balance basis

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies (continued)

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets comprise of debtors and cash.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities comprise of creditors.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, then they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

3. Accounting policies (continued)

Defined contribution plans (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

4. Turnover

Turnover arises from:

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Sale of goods	17,975,791	13,144,299

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Other operating income

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Rental income	24,750	20,000

6. Operating profit

Operating profit or loss is stated after charging:

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Amortisation of intangible assets	55,189	50,251
Depreciation of tangible assets	763,199	515,667
Loss on disposal of tangible assets	511	-

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

7. Auditor's remuneration

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Fees payable for the audit of the parent and consolidated financial statements	14,175	9,156
The audit of the company's subsidiaries	9,538	5,520
	<u>23,713</u>	<u>14,676</u>

8. Staff costs

The average number of persons employed by the group during the period, including the directors, amounted to:

	25 Dec 16 No.	27 Dec 15 No.
Production staff	499	371

The aggregate payroll costs incurred during the period, relating to the above, were:

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Wages and salaries	4,705,568	3,278,953
Social security costs	197,278	141,417
Other pension costs	17,792	-
	<u>4,920,638</u>	<u>3,420,370</u>

9. Directors' remuneration

No remuneration has been paid to the directors during the current or previous year.

10. Interest payable and similar charges

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Interest on banks loans and overdrafts	22,536	25,660
Other interest payable and similar charges	1,434	732
	<u>23,970</u>	<u>26,392</u>

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

11. Tax on profit on ordinary activities

Major components of tax expense

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Current tax:		
UK current tax expense	447,031	289,125
Adjustments in respect of prior periods	—	(36)
Total current tax	<u>447,031</u>	<u>289,089</u>
Deferred tax:		
Origination and reversal of timing differences	(231)	58,776
Tax on profit on ordinary activities	<u>446,800</u>	<u>347,865</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	Period from 28 Dec 15 to 25 Dec 16 £	Period from 29 Dec 14 to 27 Dec 15 £
Profit on ordinary activities before taxation	1,919,222	1,307,562
Profit on ordinary activities by rate of tax	383,845	264,737
Adjustment to tax charge in respect of prior periods	—	(36)
Effect of expenses not deductible for tax purposes	62,941	91,382
Adjustment to opening deferred tax to average rate	4,762	(2,282)
Adjustment to closing deferred tax to average rate	(4,748)	(5,936)
Tax on profit on ordinary activities	<u>446,800</u>	<u>347,865</u>

Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 20% to 19% (Effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 25 December 2016 has been calculated based on these rates.

12. Profit for the period of the parent company

The profit for the financial period of the parent company was £751,314 (2015: £363,106).

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

13. Intangible assets

Group	Goodwill £	Franchise Fee £	Total £
Cost			
At 28 December 2015	328,765	187,500	516,265
Additions	—	67,500	67,500
At 25 December 2016	<u>328,765</u>	<u>255,000</u>	<u>583,765</u>
Accumulated amortisation			
At 28 December 2015	74,378	69,842	144,220
Charge for the period	32,877	22,312	55,189
At 25 December 2016	<u>107,255</u>	<u>92,154</u>	<u>199,409</u>
Carrying amount			
At 25 December 2016	<u>221,510</u>	<u>162,846</u>	<u>384,356</u>
At 27 December 2015	<u>254,387</u>	<u>117,658</u>	<u>372,045</u>
Company		Franchise Fee £	
Cost			
At 28 December 2015			120,000
Additions			37,500
At 25 December 2016			<u>157,500</u>
Accumulated amortisation			
At 28 December 2015			39,813
Charge for the period			14,062
At 25 December 2016			<u>53,875</u>
Carrying amount			
At 25 December 2016			<u>103,625</u>
At 27 December 2015			<u>80,187</u>

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

14. Tangible assets

Group	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 28 December 2015	2,470,642	2,912,230	38,902	5,421,774
Additions	992,189	913,791	—	1,905,980
Disposals	—	(3,023)	—	(3,023)
At 25 December 2016	3,462,831	3,822,998	38,902	7,324,731
Accumulated depreciation				
At 28 December 2015	875,287	1,251,264	21,968	2,148,519
Charge for the period	271,578	487,437	4,184	763,199
Disposals	—	(2,511)	—	(2,511)
At 25 December 2016	1,146,865	1,736,190	26,152	2,909,207
Carrying amount				
At 25 December 2016	2,315,966	2,086,808	12,750	4,415,524
At 27 December 2015	1,595,355	1,660,966	16,934	3,273,255
Company				
	Leasehold improvements £	Fixtures and fittings £		Total £
Cost				
At 28 December 2015	1,459,146	1,650,985		3,110,131
Additions	736,550	604,512		1,341,062
At 25 December 2016	2,195,696	2,255,497		4,451,193
Accumulated depreciation				
At 28 December 2015	458,651	661,554		1,120,205
Charge for the period	161,537	302,462		463,999
At 25 December 2016	620,188	964,016		1,584,204
Carrying amount				
At 25 December 2016	1,575,508	1,291,481		2,866,989
At 27 December 2015	1,000,495	989,431		1,989,926

15. Investments

The group has no investments.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

15. Investments (continued)

Company	Shares in group undertakings £
Cost	
At 28 Dec 2015 and 25 Dec 2016	<u>280,275</u>
Impairment	
At 28 Dec 2015 and 25 Dec 2016	<u>—</u>
Carrying amount	
At 28 Dec 2015 and 25 Dec 2016	<u>280,275</u>

		Share capital & reserves	Result for the year	Proportion of ordinary shares held
MSG Cornwall Ltd	England & Wales	1,432,155	861,109	51%
Bansols 888 Ltd	England & Wales	(16,150)	—	51%

The interest in Bansols 888 Ltd is held through the subsidiary company, MSG Cornwall Ltd.

All the above subsidiaries trade in pizza delivery.

The address of the registered office for all the above companies is The Courtyard, Chapel Lane, Bodicote, Banbury, Oxfordshire OX15 4DB.

16. Stocks

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Raw materials and consumables	<u>125,958</u>	<u>87,460</u>	<u>73,031</u>	<u>48,845</u>

Stock recognised in cost of sales during the year as an expense was £4,881,503 (2015: £3,566,179).

The difference between purchase price of stocks and their replacement cost is not material.

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

17. Debtors

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Trade debtors	12,185	22,015	3,668	16,344
Amounts owed by group undertakings	—	—	—	400,000
Prepayments and accrued income	178,732	143,314	105,788	78,416
Amounts owed by other related entities	607,970	476,601	220,275	65,310
Other debtors	143,703	37,029	44,624	26,006
	<u>942,590</u>	<u>678,959</u>	<u>374,355</u>	<u>586,076</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Other loans	14,100	31,049	—	11,435
Bank loans and overdrafts	274,651	272,819	214,268	206,391
Trade creditors	611,247	829,827	316,868	478,088
Accruals and deferred income	1,673,965	910,142	1,222,481	666,288
Corporation tax	448,465	289,125	200,982	117,107
Social security and other taxes	709,932	455,383	522,399	351,433
Amounts owed to other related entities	—	280,275	—	280,275
Other creditors	21,195	182,483	4,714	141,082
	<u>3,753,555</u>	<u>3,251,103</u>	<u>2,481,712</u>	<u>2,252,099</u>

19. Creditors: amounts falling due after more than one year

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Other loans	52,875	66,975	—	—
Bank loans and overdrafts	191,107	473,725	144,971	362,140
	<u>243,982</u>	<u>540,700</u>	<u>144,971</u>	<u>362,140</u>

Bank loans are secured over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.

The bank loans are repayable over the period until September 2018. The interest rate on the loans is 2% per annum over the Bank of England Base Rate.

20. Provisions for liabilities

Group	Deferred tax (note 21)
	£
At 28 December 2015	90,465
Additions	(231)
At 25 December 2016	<u>90,234</u>

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

20. Provisions for liabilities (continued)

Company	Deferred tax (note 21) £
At 28 December 2015	102,023
Additions	5,180
At 25 December 2016	107,203

21. Deferred tax

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

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Included in provisions for liabilities (note 20)	90,234	90,465	107,203	102,023

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Accelerated capital allowances	90,234	90,465	107,203	102,023

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £17,792 (2015: £Nil).

23. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Trade debtors	12,185	22,015	3,668	16,344
Amounts owed by group undertakings	—	—	—	400,000
Other debtors	751,673	513,630	264,899	91,316
	<u>763,858</u>	<u>535,645</u>	<u>268,567</u>	<u>507,660</u>

Financial assets that are equity instruments measured at cost less impairment

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Shares in group undertakings	—	—	280,275	280,275

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

23. Financial instruments (continued)

Financial liabilities measured at amortised cost

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Other loans	66,975	98,024	–	11,435
Bank loans and overdrafts	465,758	746,544	359,239	568,531
Trade creditors	611,247	829,827	316,868	478,088
Other creditors	1,695,160	1,372,900	1,227,195	1,087,645
	<u>2,839,140</u>	<u>3,047,295</u>	<u>1,903,302</u>	<u>2,145,699</u>

24. Called up share capital

Issued, called up and fully paid

	25 Dec 16		27 Dec 15	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

25. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	25 Dec 16	27 Dec 15	25 Dec 16	27 Dec 15
	£	£	£	£
Not later than 1 year	374,449	372,600	191,000	176,000
Later than 1 year and not later than 5 years	1,234,935	1,306,290	699,275	704,000
Later than 5 years	1,307,129	1,693,010	549,584	819,185
	<u>2,916,513</u>	<u>3,371,900</u>	<u>1,439,859</u>	<u>1,699,185</u>

The amount recognised in the profit and loss account as an expense in relation to operating leases was £433,752 (2015: £354,281).

THIRD STATE PIZZA COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

PERIOD FROM 28 DECEMBER 2015 TO 25 DECEMBER 2016

27. Related party transactions

Group

Information about related party transactions and outstanding balances are outlined below:

	25 Dec 16	27 Dec 15
	£	£
Sales to other related parties	91,409	39,501
Purchases from other related parties	745,054	480,539
Asset purchases from other related parties	798,544	632,500
Management charges from other related parties	363,000	259,750
Amounts owed to other related parties	99,770	846,622
Amounts due from other related parties	618,729	484,842

Company

Information about related party transactions and outstanding balances are outlined below:

	25 Dec 16	27 Dec 15
	£	£
Sales to entities over which the entity has control	205	Nil
Purchases from entities over which the entity has control	8,318	10,092
Amounts owed to entities over which the entity has control	972	Nil
Amounts due from entities over which the entity has control	Nil	400,000
Sales to other related parties	38,402	19,310
Purchases from other related parties	472,206	294,021
Assets purchased from other related parties	549,318	306,771
Management charges from other related parties	214,750	160,250
Amounts owed to other related parties	36,976	468,148
Amounts due from other related parties	223,943	67,846

28. Transition to FRS 102

These are the first consolidated financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 29 December 2014.

No transitional adjustments were required in equity or profit or loss for the period.