

Registration No: 02569801

Papa John's (GB) Limited

Report and Financial Statements

For the year ended 26 December 2021

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Company information

Directors

G R Lilley
A M Clark

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Registered Office

Papa John's International Hub
11 Northfield Drive
Northfield
Milton Keynes
Buckinghamshire
MK15 0DQ

Strategic report

Company No: 02569801

For the year ended 26 December 2021

The Directors present their strategic report for the year ended 26 December 2021.

Papa Johns

Better ingredients. Better pizza.

The principal activity of the company during the year was the franchising of pizza home delivery and take-away stores in the United Kingdom ("UK") and the related wholesale supply of product ingredients and packaging to the store network. The company receives a royalty from each franchisee as well as a marketing fee which contributes to the national spends on advertising and promotion that benefit the franchisees at scale.

Building a culture of leaders who believe in inclusivity, diversity and winning, Papa Johns' purpose is to bring people together with better pizza. For this reason, we are committed to investing in our most important ingredient, our people, and creating a diverse, equitable and inclusive culture where everyone belongs. We are dedicated to development and training and creating the best environment for our workforce to help us attract and retain talent in a highly competitive market.

Strategic Focus

We are committed to delivering on our brand promise "BETTER INGREDIENTS. BETTER PIZZA.®" and a business strategy designed to drive sustainable long-term, profitable growth. We believe that using high quality ingredients leads to superior quality pizzas. Our original crust pizza dough is made from six simple ingredients and is fresh, never frozen. We also top our pizzas with real cheese made from mozzarella, pizza sauce made with vine-ripened tomatoes, and meat free of fillers. Our marketing and menu strategies emphasize the quality of our ingredients and our new product innovations to accelerate sales. We utilise technology to deliver a better customer experience, improve operational efficiencies and inform our decision making. Our loyalty program ("Papa Rewards") and one-to-one marketing platforms help us retain loyal customers and attract new ones. As our loyalty program grows, it continues to deliver strategic benefits. Papa Rewards customers are significantly more profitable than non-loyalty customers since we can directly engage them with targeted personalized offers that drive higher frequency, ticket price and satisfaction. We also partner with top delivery aggregators to meet customer demand for our products. Aggregators have also helped navigate the driver shortage, especially during peak times when our delivery teams are working at full capacity.

We continue to pursue a growth strategy by expanding our footprint, opening 38 net stores during the year. We also continue to focus on a strong franchise system and improving store economics. While each Papa John's franchisee manages and operates their own stores and business, we devote significant resources to providing franchisees with assistance in store operations, quality assurance, technology, training, marketing, and site selection.

High-Quality Menu Offerings

New product development continued to play a major part of the strategy in 2021 to create new and exciting products that contributed in growing our brand health and consideration, such product launches were:

- Vegan Curious Campaign launched for Veganuary. This included two new products: Vegan Stuffed Crust pizza and Not Chicken Vegan Bites
- In conjunction with the Paralympics partnership the Weirwolf and Alice Tai Pizzas were launched
- Papadials were trialled in selective stores during the second half of the year and rolled out across the UK in April 2022. The Papadia range included Philly Cheesesteak, Philly Mushroom, Vegan Philly Mushroom, Sausage & Pepperoni, BBQ Chicken & Bacon
- The summer saw the return of the Reggae Reggae Chicken Wings
- The Fresh Soul campaign was launched in September with new products: BBQ Beef, Chorizo Pizza, Spicy BBQ Beef pizzas and BBQ Pulled Beef Loaded Tots
- For the Festive period, the popular Pigs in Blankets and Camembert Bites returned along with a new product: Sage & Onion Chicken Wings. Papa Johns made a contribution to Crisis from every festive meal deal sold, as well as donating vouchers to support Crisis guests, volunteers and staff over the Christmas period. This raised £139,000 in Papa Johns & customer donations.

Strategic report (continued)

Company No: 02569801

For the year ended 26 December 2021

Marketing

Our UK marketing strategy consists of both national and local components. Our national strategy includes national advertising via television, print, direct mail, digital, mobile marketing and social media channels. Our digital marketing activities have increased significantly over the past several years in response to increasing customer use of online and mobile technology. Local advertising programs include radio, print, direct mail, store-to-door flyers, digital, mobile marketing and local social media channels. Franchised Papa Johns restaurants within a defined market have the option to join an area advertising cooperative. Each member restaurant contributes a percentage of sales to the advertising co-operative for market-wide programs, such as radio, digital and print advertising.

Major Partnership Announcements

In October 2021, Papa Johns announced two existing football partnerships:

- A three-year deal with the EFL that will see us become the Official Title Sponsor of the EFL Trophy. The exclusive partnership, which will run until at least the end of the 2022/23 season, sees the competition, become known as the 'Papa Johns Trophy'. In addition to the title sponsorship, Papa Johns will also be the Official Pizza of the EFL.
- The second was with the SPFL. The partnership will run for three seasons up until the end of season 2022/23 and will see Papa Johns provide vital commercial and promotional support to the professional game and clubs across the four SPFL divisions and Cup competitions. The partnership that will see us become the Official Delivery and Takeaway Partner of the Scottish Professional Football League.

In conjunction with the EFL and SPFL partnerships, a 'Get on the Pitch' fund was created with the aim to help give grass roots clubs a financial lift after what's been a catastrophic year for grassroots football clubs. At Papa Johns we know this is just the start and we're looking forward to amplifying our support for grassroots football via our EFL and SPFL partnerships moving forward.

Away from football, Papa Johns was named as an official partner of the ParalympicsGB team ahead of the rescheduled Paralympic Games in Tokyo in 2021. As part of the agreement, which will last until the end of 2021, the company will support Great Britain's Paralympic team by taking part in fundraising initiatives, whilst also creating digital content through its new 'We are Limitless' campaign.

Financial Results

System sales represent all sales made by franchise stores to consumers. Like-for-like system sales across UK increased by 3.6%. First half year growth was partially attributed to the reduction in the rate of VAT on hot takeaway food from 20% to 5% which was effective from 15 July 2020 in the UK and continued to apply until 1 October 2021. At that point the rate of VAT on hot takeaway food increased from 5% to 12.5%. There is only a limited direct benefit to our profitability from the VAT rate reduction as the majority of our revenue is made by our supply chain upon which the rate of VAT has not changed. Our benefit is derived from a small increase in royalty on the system sales reported by our franchisees.

Operating profit was £7.73m, a 1% increase from £7.65m in 2020.

The company continued to open stores during the year and finished the year with 507 Papa John's stores in the UK (2020: 469 stores) all operated by franchisees. This contributed to the 7.8% growth in turnover.

	2021 £000	2020 £000	Change %
Turnover	102,339	94,914	7.8%
Operating profit	7,728	7,652	1.0%
Profit after tax	6,704	6,838	(2.0%)
Total equity	31,028	36,220	(14.3%)
Current assets as % of current liabilities ('quick ratio')	254%	290%	(36.0%)
Average number of employees	185	158	17.1%

Strategic report (continued)

Company No: 02569801

For the year ended 26 December 2021

Human Capital

Our team members are critical to our success. As of December 26, 2021, we employed 185 employees.

To help our team members succeed in their roles and to ensure consistent operational execution, we emphasise continuous training and development opportunities, including providing innovative tools and materials for the operational training and development of team members. Team members have access to our management training program and ongoing development programs. In addition, to further support our team members' development, we have established our Dough & Degrees program, which allows our team members to earn a university degree for free or at a reduced tuition in partnership with Purdue University Global and the University of Maryland Global Campus. We also offer a tuition reimbursement program that provides another opportunity for our team members to advance their careers.

Diversity and Inclusion

The business has a strong commitment to creating a diverse and inclusive working environment, and a culture where every colleague feels welcome and empowered. We believe in the benefits of bringing a wide range of skills, experience, and perspectives into our business. We do not condone any type of bullying, harassment, or discrimination in the workplace.

Principal Risks and Uncertainties

COVID-19

The Coronavirus pandemic (COVID-19) is still causing financial and operating hardships across most industries. Measures taken by the Government to contain the virus have had an overall decline in economic activity. Papa Johns stores were fortunate to remain open during the lockdown period and continue to do so. There has been no overall negative impact to the company's or its franchisees' financial position as a result of the pandemic. The company introduced a number of changes such as implementing contactless food delivery and other policies to minimise the risk to the operations, employees, franchisees and customers. We continue to remain close to our supply chain and have contingencies in place to minimise any disruption.

Other Risks and Uncertainties

The ongoing conflict between Russia and Ukraine has affected the availability, and therefore cost, of some of our core ingredients. Whilst the company is able to fix an element of this pricing in advance, the price of cheese specifically is linked more closely with the milk price which has grown exponentially in 2022. This has not impacted our ability to supply our stores with the product they need to meet the demand, but it has meant higher food costs for franchisees across such a key product area.

Combined with the cost-of-living challenges we are seeing throughout 2022 with impacts to fuel costs and energy costs, these are tough macroeconomic conditions to trade in, but we continue to focus on innovation and pricing structure to ensure the best deals for customers, whilst maintaining profitability across our stores.

As a franchisor business there are risks with running the estate in both credit terms (with franchisees) and in managing the leases on the properties on which the company owns the head lease. The credit risk is managed by the weekly monitoring and action on credit agreements and terms with provisions made for non-recovery. The leases are managed by the internal estates department to ensure the estate is maintained and lease issues addressed promptly. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection.

Papa John's (GB) Limited's ultimate parent company, Papa John's International Inc. provides managerial and financial support if needed. Also, measures are in place to mitigate currency and interest rate risk at a group level. The directors therefore believe, that at a company level, the currency and interest rate risks are minimal and thus no specific hedging currently takes place to offset any currency movements or interest rate risk.

Strategic report (continued)

Company No: 02569801

For the year ended 26 December 2021

Section 172 (1) statement

The following Section 172 statement which is required by the Companies Act 2006 describes how the directors have had regard to the matters set out in Section 172 (1a to 1f) and have taken decisions for the long-term benefit of Papa John's (GB) Limited and its stakeholders.

Shareholder

The company is privately owned with all of its shares held by Papa John's Pizza Limited. Any major strategic decisions related to the company are overseen at ultimate parent and shareholder in the US. The day-to-day operational and strategic matters are handled by the designated leadership team in the UK, in the best interests of the ultimate parent company.

Employees

We have an experienced and committed workforce and value the various levels of engagement we have with them.

Monthly meetings are held with all corporate employees at all levels within the organization. The UK leadership team will update employees on the company performance and employees are welcomed to ask any questions of senior management at these meetings. This is alongside regular team meetings within individual departments with an emphasis on strategic and personal development.

The company complies with all relevant employment legislation including requirements concerning equal opportunities in employment, employment of disabled people and health and safety at work.

Suppliers

We aim to conduct all our business relationships with integrity and expect the same from our suppliers. We work closely with a diverse range of suppliers both within, and outside of, the UK.

A strong, trusted and transparent supply chain is integral to our success as a food manufacturing and wholesale supplier of food ingredients to our franchise network, along with the strong relationships formed across other business areas including marketing, property rental and information technology.

Customers

The company's customer base primarily comprises its franchisees but also end consumers. The UK leadership team have regular contact with franchisees as the relationship is fundamental to our business model. The company periodically engages with the Franchise Advisory Council (FAC) which comprises of a selection of franchisees across geographical regions who represent the franchisee group as a whole. The purpose of these meetings is to have open discussions regarding the plans of the business and to raise any issues from the franchisee group. The outcomes from these meetings are considered when making any operational or strategic decisions for the company.

Community and environment

We recognise that the business has a role in contributing to wider society.

The UK Leadership Team encourages corporate members and franchisees to participate in charitable activities, covering both food donations and fund raising, for local and national charities.

On behalf of the Board



G R Lilley
Director

3 March 2023

Directors' report

Company No: 02569801

For the year ended 26 December 2021

The Directors present their report and financial statements for the year ended 26 December 2021.

Directors

The directors who held office during the year and up to the date of this report were as follows:

G R Lilley	(Appointed: 06 April 2022)
A M Clark	(Appointed: 13 October 2022)
J A Oakley	(Resigned: 02 March 2022)
J H Swaysland	(Resigned: 03 June 2022)
S E Lindsay	(Resigned: 13 October 2022)
E R Williams	(Resigned: 13 December 2022)

Results and dividends

During the year, the company made a profit after tax of £6,704,000 (2020 – £6,838,000). The directors have declared and paid ordinary share dividends of £12,688,136 (2020 – nil).

Future developments

The company's commitment to the Papa John's brand, with its focus on superior product quality and innovation remains. The focus for the forthcoming year is to continue our strong growth in the underlying outlets and significantly grow the number of outlets trading under the Papa John's brand, thus increasing geographical coverage.

A significant and on-going area of growth for both Papa John's and the industry as a whole continues to be internet / online sales.

The company continues to invest heavily in marketing activities to further build on the brand recognition, and in 2021 has continued to advertise in national media, leading to increased brand recognition by consumers.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to price, credit, liquidity and cash flow risk are described within the review of the business and principal risk and uncertainties sections contained within the Strategic Report.

The company has considerable financial resources, including net current assets of £29,638,000 (2020: £33,197,000), and well-established relationships with a wide distribution of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business and financial risks successfully.

The directors have carried out a detailed review of cashflow forecasts covering 12 months from the approval of these financial statements. The latest projections show that the company is dependent on the support of the ultimate parent company, Papa John's International, Inc. The ultimate parent company has confirmed that it will continue to support the company for a period of 12 months from the date the financial statements of Papa John's (GB) Limited are authorised for issue.

The directors have assessed the ability of Papa John's International, Inc., to support the company and have concluded that the ultimate parent company has the ability to support.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of 12 months from the date of this report. In accordance with this, they continue to adopt the going concern basis in preparation of the financial statements.

Directors' report (continued)

Company No: 02569801

For the year ended 26 December 2021

Streamlined energy and carbon reporting (SECR) disclosure

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 December 2021	Year to 31 December 2020
Energy consumption used to calculate emissions (kWh)	3,030,078	3,012,420
Emissions from combustion of gas (Scope 1) tCO ₂ e	87	61
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	67	126
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	479	496
Total gross tCO ₂ e based on above	633	683
Intensity ratio (tCO ₂ e/floor area meter)	0.089628	0.096708

Energy efficiency action summary

Year to 31 December 2021

Due to the COVID-19 pandemic, Papa John's (GB) Limited decreased business travel and recognized this time as an opportunity to make improvements in internal communication, including increasing the use of video conferencing.

Our company recognises the importance of employee engagement and provides training sessions for our employees on sustainability, including energy efficiency. We regularly replace our employees' IT equipment with newer, more energy efficient models, which ensures lower energy consumption and better work conditions at the same time.

Directors' report (continued)

Company No: 02569801

For the year ended 26 December 2021

Streamlined energy and carbon reporting (SECR) disclosure (continued)

Methodology Notes

Reporting Period	1 January 2021 – 31 December 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared for the calendar year to 31 December 2021. Whilst this differs very slightly from the financial year to 26 December 2021, it is not considered to have a material impact on the contents of the SECR disclosure, had it been prepared in line with the financial year.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2021 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Conversion factor source	Natural Gas and Gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel: U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from mileage to kWh and GHG emissions using the method above. In absence of exact fuel types UK Vehicle Licensing Statistics was used to determine fuel types. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions.
Reason for the intensity measurement choice	Following the recommendations of the SECR legislation and based on the nature of our business Floor area (tCO _{2e} /floor area meter) gives the best overview on our efficiency performance on a longer scale.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).
Estimation	The report contains estimated electricity consumption for 1 month. Depending on the nature of the missing data the following estimation methods were used: Average value of +/-2 surrounding months; Average value from past 3 months; Value from same month of prior year.

Directors' report (continued)

Company No: 02569801

For the year ended 26 December 2021

Directors' qualifying third party indemnity provision

Papa John's International Inc., the company's ultimate parent 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 as at the date of approving the directors' report.

Charitable donations

The company raises charitable donations through both direct corporate contributions and online customer donations. For 2021, the company raised in total £368,000 through these channels on behalf of various charitable organisations including Crisis, Trussell Trust, British Paralympics Association and the Call of Duty Endowment.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement by the directors on performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors are fully apprised of their responsibilities under section 172 of the Companies Act 2006. In line with their duties under s172(1) Companies Act 2006, they act in a way they consider in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. How s172 has been applied by the directors is outlined in the Strategic Report.

Auditors

In accordance with s485 of the Companies Act 2016, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



G R Lilley
Director

3 March 2023

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, 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 appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor's report

to the members of Papa John's (GB) Limited

Opinion

We have audited the financial statements of Papa John's (GB) Limited for the year ended 26 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 26 December 2021 and of its profit for the year 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.

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 company 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of Papa John's (GB) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report (continued)

to the members of Papa John's (GB) Limited

Auditor's responsibilities for the audit of the financial statements (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those relating to United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition the Company must comply with operational and employment laws and regulations including health and safety regulations, food hygiene and safety regulations, environmental regulations and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management, and those charged with governance to understand where it considered there was susceptibility to fraud. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue. To address the risk of management override we have used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved obtaining and reading board and management meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of samples of transactions throughout the audit to supporting source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

Ernst & Young LLP

Mandip Dosanjh (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

Date:

3 March 2023

Statement of Comprehensive Income

For the year ended 26 December 2021

	<i>Note</i>	<i>2021</i> £000	<i>2020</i> £000
Turnover	2	102,339	94,914
Cost of sales		(69,418)	(64,442)
Gross profit		<u>32,921</u>	<u>30,472</u>
Administrative expenses		(25,193)	(22,820)
Operating profit	3	<u>7,728</u>	<u>7,652</u>
Interest receivable and similar income	5	379	379
Interest payable and similar expenses	6	(4)	–
Profit on ordinary activities before taxation		<u>8,103</u>	<u>8,031</u>
Taxation charge	7	(1,399)	(1,193)
Profit for the financial year and total comprehensive income for the year		<u><u>6,704</u></u>	<u><u>6,838</u></u>

The company's results are derived entirely from continuing activities.

Statement of Changes in Equity

As at 26 December 2021

	<i>Called-up Share capital £000</i>	<i>Share premium £000</i>	<i>Capital contribution £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 29 December 2019	–	4,285	13,537	10,715	28,537
Profit for the year	–	–	–	6,838	6,838
Share-based payment charge (note 22)	–	–	–	845	845
Dividends (note 20)	–	–	–	–	–
At 27 December 2020	–	4,285	13,537	18,398	36,220
Profit for the year	–	–	–	6,704	6,704
Share-based payment charge (note 22)	–	–	–	792	792
Dividends (note 20)	–	–	–	(12,688)	(12,688)
At 26 December 2021	–	4,285	13,537	13,206	31,028

Statement of Financial Position

Company No: 02569801

As at 26 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	9	672	900
Tangible assets	10	4,204	4,476
Investments	11	-	-
		<u>4,876</u>	<u>5,376</u>
Current assets			
Stocks	12	2,771	3,009
Debtors:			
- amounts due within one year	13	20,386	22,242
- amounts due greater than one year	13	12,866	16,816
		<u>33,252</u>	<u>39,058</u>
Cash at bank and in hand		12,834	8,631
		<u>48,857</u>	<u>50,698</u>
Creditors: amounts falling due within one year	14	(19,219)	(17,501)
		<u>29,638</u>	<u>33,197</u>
Net current assets			
		<u>34,514</u>	<u>38,573</u>
Total assets less current liabilities			
		<u>34,514</u>	<u>38,573</u>
Creditors: amounts falling due after more than one year	15	(2,086)	(1,959)
Provision for liabilities and charges			
Other provisions	17	(1,400)	(394)
		<u>31,028</u>	<u>36,220</u>
Net assets			
		<u>31,028</u>	<u>36,220</u>
Capital and reserves			
Called up share capital	18	-	-
Share premium	19	4,285	4,285
Capital contribution	19	13,537	13,537
Profit and loss account	19	13,206	18,398
		<u>31,028</u>	<u>36,220</u>
Total equity			
		<u>31,028</u>	<u>36,220</u>

On behalf of the Board



G R Lilley
Director

3 March 2023

Notes to the financial statements

For the year ended 26 December 2021

1. Accounting policies

Statement of compliance

Papa John's (GB) Limited is a limited liability company incorporated in England. The registered office is Papa John's International Hub, 11 Northfield Drive, Northfield, Milton Keynes, Buckinghamshire, MK15 0DQ.

The company's financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the financial statements of the Company for the year ended 26 December 2021, and in accordance with Companies Act 2006.

The financial statements of Papa John's (GB) Limited were authorised for issue by the Board of Directors on 3 March 2023.

Basis of preparation and change in accounting policy

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies.

The financial statements have been prepared in accordance with applicable accounting standards and on a going concern basis. The directors have assessed the company's ability to continue as a going concern and documented their rationale below.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company has taken advantage of the following available exemptions permitted under section 1.12 on the grounds that the company is a wholly owned subsidiary of Papa John's International Inc:

- statement of cash flows;
- related party transactions;
- financial instruments;
- key management personnel compensation

The company is also exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent Papa John's International Inc., a company incorporated in the USA.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to price, credit, liquidity and cash flow risk are described within the review of the business and principal risk and uncertainties sections contained within the Strategic Report.

The company has considerable financial resources, including net current assets of £29,638,000 (2020: £33,197,000), and well-established relationships with a wide distribution of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business and financial risks successfully.

The directors have carried out a detailed review of cashflow forecasts covering 12 months from the approval of these financial statements. The latest projections show the company generating positive cashflows through the 12 months from the date of this report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In accordance with this, they continue to adopt the going concern basis in preparation of the financial statements.

Notes to the financial statements (continued)

For the year ended 26 December 2021

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

For the Papa John's franchise stores, the company has entered into commercial leases, taking the headlease and then subletting the properties to the franchisees. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Onerous lease provision

The onerous lease provision is estimated as at the end of each financial year in order to provide for future obligations arising on property operating leases where the property is either vacant at the end of the year or is let to a tenant at a rent which is less than that paid by the company to its landlord.

The following are the company's key sources of estimation uncertainty:

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the difference is recognised in the income statement.

An asset's recoverable amount is the higher of its 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Judgement is required by management in respect of the impairment provision for short term debtors and loans receivable. This calculation is based on management's knowledge of the individual store and franchisee performance and their assessment of the capability of that franchisee to repay the debt.

Dilapidations

Where the company enters into a commercial lease with a provision to return the building in its original condition, the company may be required to pay a lump sum at the end of the lease. Management have made an estimate based on their knowledge of the industry and previous valuations.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Notes to the financial statements (continued)

For the year ended 26 December 2021

1. Accounting policies (continued)

Significant accounting policies

Intangible assets – software

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Amortisation is provided on all computer software at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life of three to five years.

Software written down to zero net book value during the year are 'retired' and written out of the records.

The carrying values of intangible assets are reviewed annually for impairment or when events or changes in circumstances indicate the carrying value may not be recoverable.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold land	-	not depreciated
Short leasehold land and buildings	-	5 to 20 years
Furniture and equipment	-	5 to 11 years
Computer equipment	-	3 to 5 years

Furniture and equipment written down to zero net book value during the year are 'retired' and written out of the accounting records.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Franchise fees

Franchise fees are recognised when a franchised store begins operations, at which time the company has performed its obligations related to such fees. Franchise fees are non-refundable.

Royalties

Franchise royalties, which are based on a percentage of franchised store sales, are recognised as revenue when the products are delivered to or carried out by customers.

Sale of goods

Revenue from sales of food, equipment, promotional items and supplies to franchised stores are recognised as revenue upon delivery of the related products to the franchisees.

Store fit out fees

Revenue from recharges of store fit out costs where we are not acting as agent are recognised when a franchised store begins operations, at which time the company has performed its obligations.

Rental income

Revenue from the rental of stores under operating lease agreements are recognised on a straight-line basis in accordance with the lease terms.

Finance income

Interest income is recognised as the interest accrues.

Notes to the financial statements (continued)

For the year ended 26 December 2021

1. Accounting policies (continued)

Significant accounting policies (continued)

Investments

Investments in subsidiaries are stated at cost less any impairment.

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Present obligations arising under onerous lease contracts are recognised and measured as provisions. An onerous contract is considered to exist when the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not yet reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or a right to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand.

Loans receivable

Loan notes which are basic financial instruments are initially recorded at cost. Subsequently they are measured at amortised cost using the effective interest method.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price and are subsequently measured at amortized cost using the effective interest method. Any losses arising from impairment are recognised in the income statement in administrative expenses.

Lease commitments

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight-line basis.

Pensions

The company operates a personal defined contribution pension scheme for eligible employees. Contributions are charged in the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

Notes to the financial statements (continued)

For the year ended 26 December 2021

1. Accounting policies (continued)

Share-based payments

The company participates in the Papa John's International Inc. stock option plan. Under the plan options are granted in Papa John's International Inc

FRS102 requires the fair value of options and share awards, which ultimately vest to be charged to the company's Statement of Comprehensive Income over the vesting or performance period.

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting periods, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using the appropriate pricing model.

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

At each Statement of Financial Position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and managements best estimate of the achievement or otherwise of the non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the last Statement of Financial Position date is recognised in the Statement of Comprehensive Income account with a corresponding entry in equity.

No contribution is made directly by this entity as a result of the share options in the parent. As a result, there is a deemed capital contribution in equity.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any cost not yet recognised in the Statement of Comprehensive Income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Statement of Comprehensive Income.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. The company operates in one principal area of activity, that of the franchising of pizza home delivery and takeaway stores, including the wholesale supply of product ingredients and packaging to its store network.

The company operates in two principal markets, the UK and Europe and is categorised as follows:

	2021	2020
	£000	£000
<i>Continuing operations:</i>		
UK turnover	102,186	93,867
Overseas turnover	153	1,047
	102,339	94,914
	102,339	94,914

Notes to the financial statements (continued)

For the year ended 26 December 2021

3. Operating profit

This is stated after charging:

	2021	2020
	£000	£000
Auditors' remuneration		
- audit services	65	64
- non-audit services	4	4
Amortisation of intangible fixed assets	608	384
Depreciation of tangible fixed assets	669	702
Operating lease rental charges		
- property	8,082	7,052
- office equipment	31	38
- plant and machinery	48	150
	<u> </u>	<u> </u>

4. Staff costs

(a) Staff costs	2021	2020
	£000	£000
Wages and salaries	7,756	7,647
Social security costs	676	631
Other pension costs	186	173
Share-based payment charge (Note 20)	792	845
	<u>9,410</u>	<u>9,296</u>

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

	2021	2020
	No.	No.
Head office and management	118	102
Commissary	67	56
	<u>185</u>	<u>158</u>

Notes to the financial statements (continued)

For the year ended 26 December 2021

4. Staff costs (continued)

(b) Directors' remuneration

	2021 £000	2020 £000
Emoluments	819	657
Company contributions paid to money purchase pension schemes	22	25
	2021 No.	2020 No.
Members of money purchase pension schemes (note 19)	5	4
	2021 No.	2020 No.
Number of directors' exercising stock options (note 20)	5	4

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

	2021 £000	2020 £000
Emoluments (excluding company pension contributions)	232	181
Company contributions paid to money purchase pension schemes	5	4

The highest paid director exercised stock options during the year.

Notes to the financial statements (continued)

For the year ended 26 December 2021

5. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	7	8
Other interest receivable	372	371
	<u>379</u>	<u>379</u>

6. Interest payable and similar expenses

	2021 £000	2020 £000
Other interest payable	4	-
	<u>4</u>	<u>-</u>

7. Taxation

The tax charge is made up as follows:

	2021 £000	2020 £000
<i>Current tax:</i>		
UK taxation at 19% (2020 – 19%) – current year	1,533	1,349
Adjustments in respect of prior periods	-	-
Total current tax	<u>1,533</u>	<u>1,349</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(134)	(156)
Adjustments in respect of prior periods	-	-
Total tax charge	<u>1,399</u>	<u>1,193</u>

Factors affecting tax charge

The tax charge assessed on the profit on ordinary activities for the year is different from the effective standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are reconciled below:

Notes to the financial statements (continued)

For the year ended 26 December 2021

7. Taxation (continued)

	2021 £000	2020 £000
Profit on ordinary activities before taxation	8,103	8,031
Profit on ordinary activities before taxation multiplied by the effective standard rate of corporation tax in the UK of 19.00% (2020 – 19%)	1,540	1,526
<i>Effect of:</i>		
Expenses not deductible for tax purposes	1,721	1,542
Income not taxable for tax purposes	(1,536)	(1,340)
Depreciation in excess of capital allowances	(25)	6
Adjustments to tax charge in respect of previous period	–	–
Other permanent differences	(197)	(364)
Remeasurement of deferred tax for changes in tax rates	36	–
Deferred tax on share options	(140)	(177)
Total tax charge	1,399	1,193

8. Deferred taxation

Deferred taxation at 25% (2020 - 19%) is recognised on the Statement of Financial Position as follows:

	2021 Unrecognised £000	2021 Recognised £000	2020 Unrecognised £000	2020 Recognised £000
Accelerated capital allowances	–	156	–	148
Short term timing differences	–	(7)	–	(5)
Deferred tax on share options	–	(576)	–	(436)
Total undiscounted net deferred asset	–	(427)	–	(293)

Changes in tax rates and factors affecting the future tax changes

The main rate of corporation tax has remained at 19%. In the March 2021 Budget, the Chancellor announced plans to increase the main rate of corporation tax to 25% from April 2023 onwards - this change has been substantively enacted at the balance sheet date. Where deferred tax assets and liabilities are expected to unwind after 1 April 2023, they have been revalued to reflect the rate change.

The company has trading losses to carry forward as at 26 December 2021 of £nil (2020 – £nil).

Notes to the financial statements (continued)

For the year ended 26 December 2021

9. Intangible assets

	<i>Software</i> £000	<i>Total</i> £000
<i>Cost:</i>		
At 27 December 2020	1,724	1,724
Additions during the year	380	380
Disposals during the year	(292)	(292)
At 26 December 2021	<u>1,812</u>	<u>1,812</u>
<i>Amortisation:</i>		
At 27 December 2020	824	824
Charge for the year	608	608
Disposals in the year	(292)	(292)
At 26 December 2021	<u>1,140</u>	<u>1,140</u>
<i>Net book value:</i>		
At 26 December 2021	<u>672</u>	<u>672</u>
At 27 December 2020	<u>900</u>	<u>900</u>

10. Tangible fixed assets

	<i>Construction in progress</i> £000	<i>Freehold land and buildings</i> £000	<i>Equipment, fixtures & fittings</i> £000	<i>Total</i> £000
<i>Cost:</i>				
At 27 December 2020	–	3,532	3,466	6,998
Additions during the year	–	–	397	397
Disposals during the year	–	–	(216)	(216)
At 26 December 2021	<u>–</u>	<u>3,532</u>	<u>3,647</u>	<u>7,179</u>
<i>Depreciation:</i>				
At 27 December 2020	–	971	1,551	2,522
Charge for the year	–	133	536	669
Disposals in the year	–	–	(216)	(216)
At 26 December 2021	<u>–</u>	<u>1,104</u>	<u>1,871</u>	<u>2,975</u>
<i>Net book value:</i>				
At 26 December 2021	<u>–</u>	<u>2,428</u>	<u>1,776</u>	<u>4,204</u>
At 27 December 2020	<u>–</u>	<u>2,561</u>	<u>1,915</u>	<u>4,476</u>

Notes to the financial statements (continued)

For the year ended 26 December 2021

11. Investments

	£
<i>Cost:</i>	
At 27 December 2020	–
Additions	100
	<hr/>
At 26 December 2021	100
	<hr/>
<i>Provisions for impairment:</i>	
At 27 December 2020	–
Provided during the year	–
	<hr/>
At 26 December 2021	–
	<hr/>
<i>Net book value:</i>	
At 26 December 2021	100
	<hr/> <hr/>
At 27 December 2020	–
	<hr/> <hr/>

Name of company	Country of incorporation	Proportion voting rights and share capital	Registered office
<i>Subsidiary undertakings:</i>			
Papa John's Corporate Stores Ltd	England	100% Ordinary	Papa John's International Hub, 11 Northfield Drive, Northfield, Milton Keynes, Bucks, MK15 0DQ

12. Stocks

	2021 £000	2020 £000
Raw materials	2,771	3,009
	<hr/> <hr/>	<hr/> <hr/>

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

Stocks recognised as an expense in the period were £48,319,000 (2020 - £46,642,000). There were impairment losses of £133,000 (2020: £185,000) in the period which have been recognised in cost of sales.

Notes to the financial statements (continued)

For the year ended 26 December 2021

13. Debtors

	2021 £000	2020 £000
Trade debtors	10,354	11,115
Loans to franchisees	4,106	5,682
Prepayments and accrued income	4,833	5,152
Amounts owed by ultimate parent company	567	–
Amounts owed by subsidiary	99	–
Deferred tax (note 8)	427	293
	<u>20,386</u>	<u>22,242</u>

Amounts falling due after more than one year not included above are:

	2021 £000	2020 £000
Loans to franchisees	11,353	15,537
Prepayments and accrued income	1,513	1,279
	<u>12,866</u>	<u>16,816</u>

14. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	2,695	4,495
Other taxes and social security costs	1,065	481
Accruals and other creditors	15,459	12,162
Amounts owed to ultimate parent company	–	363
	<u>19,219</u>	<u>17,501</u>

The amounts due to the ultimate parent company are repayable on demand.

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

	2021 £000	2020 £000
Accruals and other creditors	2,086	1,959
	<u>2,086</u>	<u>1,959</u>

Notes to the financial statements (continued)

For the year ended 26 December 2021

16. Obligations under leases

Operating lease commitments where the company is lessee

For the Papa John's franchise stores, the company has entered into commercial leases, taking the headlease and then subletting the properties to the franchisees. The leases have an average duration of between 10 and 25 years. Under the terms of the franchise agreement the franchisee is granted an initial period of 10 years to operate. Under the agreement, the franchisee also has the option to renew for a further 5 years at the end of the initial period provided at the time of the renewal the franchisee is not in default of any material provision of the franchise agreement. In addition, the company has entered into commercial leases on items of plant and equipment. These leases have an average duration of between 3 and 5 years. Only the property lease agreements contain an option for renewal, with such options being exercisable six months before the expiry of the lease term at rentals based on market prices at the time of exercise.

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

	2021		2020	
	<i>Land and buildings</i> £000	<i>Other</i> £000	<i>Land and Buildings</i> £000	<i>Other</i> £000
<i>Operating leases which expire:</i>				
- within one year	7,767	39	7,217	25
- within two to five years	29,130	31	27,472	41
- in over five years	33,347	-	33,204	-
	<u>70,244</u>	<u>70</u>	<u>67,893</u>	<u>66</u>

Operating lease commitments where the company is lessor

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

	2021		2020	
	<i>Land and buildings</i> £000	<i>Other</i> £000	<i>Land and buildings</i> £000	<i>Other</i> £000
<i>Operating leases which expire:</i>				
- within one year	7,113	-	7,157	-
- within two to five years	22,886	-	23,945	-
- in over five years	8,286	-	9,437	-
	<u>38,285</u>	<u>-</u>	<u>40,539</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 26 December 2021

17. Provision for liabilities and charges

	2021	2020
	£000	£000
<i>Provisions for vacant property commitments</i>		
At 27 December 2020 and 29 December 2019	394	120
New vacant property provisions during the year	1,006	274
At 26 December 2021 and 27 December 2020	<u>1,400</u>	<u>394</u>

The provision for vacant property commitments of £1,400,000 (2020 - £394,000) is estimated as at the end of each financial year in order to provide for future obligations arising on property operating leases where the property is either vacant at the end of the year or is let to a tenant at a rent which is less than that paid by the company to its landlord.

18. Share capital

	2021	2020
	£	£
<i>Allotted, issued and fully paid:</i>		
14 Ordinary shares of £1 each	14	14

19. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution reserve

This reserve records the nominal value of shares repurchased by the company.

20. Dividends

	2021	2020
	£000	£000
Interim dividend of £334,866.86 per ordinary share	4,688	-
Final dividend of £571,428.57 per ordinary share	8,000	-
Total dividends declared and paid	<u>12,688</u>	<u>-</u>

21. Pension costs

Group personal pension plan

The company operates a group personal pension scheme for the benefit of certain employees. The assets of the scheme are administered by trustees in funds independent of those of the company.

The total contributions charged in the year amounted to £186,000 (2020 - £173,000), of which £22,000 related to contributions paid on behalf of directors (2020 - £25,000). At 26 December 2021, contributions totalling £113,000 were outstanding (2020 - £28,000).

Notes to the financial statements (continued)

For the year ended 26 December 2021

22. Share-based payments

Papa John's International Inc. ("Papa John's") awards stock options and restricted stock from time to time under the Papa John's International, Inc. 2011 Omnibus Incentive Plan ("the Plan") and other such agreements as may arise, including awarding shares to PJUK employees under this Plan. Stock Option and restricted stock awards are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Options outstanding as of 26 December 2021 generally expire ten years from the date of grant and vest over a three-year period. Restricted stock awards generally vest over a three-year period.

The expense recognised in the Statement of Comprehensive Income account under FRS102– Section 26 'Share-based Payments' in respect of employee services received during the prior periods for all share options granted is £791,644 (2020 - £844,590).

Stock Options

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, stock options during the year:

	Options	WAEP	Contractual Term
Existing options at 27 December 2020	31,463	\$51.62	
Granted	-	-	
Exercised	(13,629)	\$55.93	
Cancelled/Expired	(195)	\$43.71	
Outstanding at 26 December 2021	17,639	\$48.38	5.52 years
Exercisable at 26 December 2021	9,686	\$51.91	

As there were no options granted in FY 2021, a summary of assumptions used in estimating the fair value of options granted has not been disclosed.

The risk-free interest rate for the periods within the contractual life of an option is based on the U.S. Treasury yield curve in effect at the time of grant. The estimated volatility is based on the historical volatility of our stock and other factors. The expected term of options represents the period of time that options granted are expected to be outstanding.

Stock options outstanding as at 26 December 2021, had exercise prices ranging from \$41.45 to \$78.77.

Notes to the financial statements (continued)

For the year ended 26 December 2021

22. Share-based payments (continued)

Restricted Stock

During the year Papa John's granted shares of restricted stock that were 100% time-based and have a three-year graded vesting schedule. These restricted shares are intended to focus participants on our long-range objectives, while at the same time serving as a retention mechanism. The fair value of the restricted stock is based on the market price of the Company's shares on the grant date.

Information pertaining to restricted stock activity during 2021 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Total as of 27 December 2020	34,227	\$54.15
Granted	13,543	\$98.60
Cancelled/Expired	(3,593)	\$59.34
Vested	(7,618)	\$93.05
Total as of 26 December 2021	36,559	\$69.33

23. Ultimate parent undertaking and controlling party

The company's immediate parent company is Papa John's Pizza Limited. Copies of Papa John's Pizza Limited's financial statements can be obtained from Papa John's International Hub, 11 Northfield Drive, Northfield, Milton Keynes MK15 0DQ.

The company's ultimate parent company and controlling party is Papa John's International Inc., a company incorporated in Delaware, USA. Copies of Papa John's International Inc.'s financial statements can be obtained from Papa John's International Inc., 2002 Papa John's Boulevard, Louisville, Kentucky, KY40299-2367, USA.

The smallest and largest entity, within which the results of the company are included, producing publicly available consolidated group financial statements is Papa John's International Inc.