

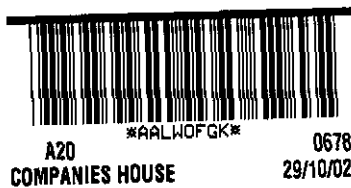
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**THE AMERICAN PIZZA COMPANY LIMITED**

Report and Accounts

30 December 2001

**ERNST & YOUNG**



# The American Pizza Company Limited

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Registered no. 2090645

## **DIRECTORS**

S G Hemsley  
A Mallows  
C H R Moore

## **SECRETARY**

A Mallows

## **AUDITORS**

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

## **REGISTERED OFFICE**

Domino's House  
Lasborough Road  
Kingston  
Milton Keynes  
MK10 0AB

 ERNST & YOUNG

# The American Pizza Company Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 December 2001.

### RESULTS AND DIVIDENDS

The profit for the year amounted to £347,987 (2000: profit £1,002,315). The directors do not recommend the payment of a dividend.

### PRINCIPLE ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the operation and development of Domino's Pizza delivery stores.

### DIRECTORS AND THEIR INTERESTS

The directors had no interest, as defined by the Companies Act 1985, in the share capital of the company at any time during the year.

S Hemsley and C Moore are also directors of DPGS Limited, the immediate parent company, which is a wholly owned subsidiary of Domino's Pizza UK & IRL plc and details of their interests therein are shown in the directors report of that company for the year ended 30 December 2001. A Mallows, who is also a director of DPGS Limited, has the following share options in Domino's Pizza UK & IRL plc:

<i>Date of grant</i>	<i>Number of ordinary shares under options</i>	<i>Exercise price per ordinary shares</i>	<i>Date of expiry</i>
31 March 1999	34,638	42.1p	30 March 2009
24 November 1999	51,957	50p	23 November 2009
4 August 2000	30,000	53p	3 August 2010
4 October 2001	75,000	55p	3 October 2011

### AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the board



Secretary

22 October 2002

# The American Pizza Company Limited

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

**INDEPENDENT AUDITOR'S REPORT**  
**to the members of The American Pizza Company Limited**

We have audited the company's accounts for the year ended 30 December 2001 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These accounts have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Accounting Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Registered Auditor  
Luton

*22 October 2002*

# The American Pizza Company Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 December 2001

		2001	(Restated) 2000
	Notes	£	£
<b>TURNOVER</b>		3,423,857	4,384,572
Cost of sales		(1,057,709)	(1,959,416)
<b>GROSS PROFIT</b>		2,366,148	2,425,156
Distribution costs		(1,131,347)	(722,462)
Administration expenses		(721,816)	(597,329)
<b>OPERATING PROFIT</b>	2	512,985	1,105,365
Interest payable and similar charges	4	–	(47,701)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		512,985	1,057,664
Tax on profit on ordinary activities	5	(164,998)	(55,349)
<b>PROFIT RETAINED FOR THE FINANCIAL YEAR</b>	13	347,987	1,002,315

# The American Pizza Company Limited

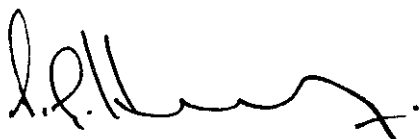
## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSS for the year ended 30 December 2001

	2001	(Restated) 2000
	£	£
Profit attributable to the financial year	347,987	1,002,315
Prior period adjustment in relation to full provision for deferred tax	210,131	
<b>TOTAL GAINS AND LOSS RECOGNISED SINCE THE LAST ANNUAL REPORT</b>	<b>558,118</b>	

# The American Pizza Company Limited

## BALANCE SHEET at 30 December 2001

	Notes	2001 £	(Restated) 2000 £
<b>FIXED ASSETS</b>			
Intangible assets	6	112,658	140,397
Tangible assets	7	505,668	273,295
		<u>618,326</u>	<u>413,692</u>
<b>CURRENT ASSETS</b>			
Stocks	8	9,860	12,491
Debtors	9	1,870,855	1,086,049
Cash at bank and in hand		75,940	47,452
		<u>1,956,655</u>	<u>1,145,992</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(3,148,143)	(2,480,833)
<b>NET CURRENT LIABILITIES</b>		<u>(1,191,488)</u>	<u>(1,334,841)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(573,162)</u>	<u>(921,149)</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	11	—	—
		<u>(573,162)</u>	<u>(921,149)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,717,073	1,717,073
Share premium account	13	337,212	337,212
Profit and loss account	13	(2,627,447)	(2,975,434)
<b>Shareholders' funds</b>			
Equity		(2,288,699)	(2,636,686)
Non-equity		1,715,537	1,715,537
		<u>(573,162)</u>	<u>(921,149)</u>



Director

22 October 2002



# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 1. ACCOUNTING POLICIES

#### *Fundamental accounting concept*

The accounts are prepared on a going concern basis as the immediate parent undertaking has agreed not to seek repayment at the expense of third party creditors.

#### *Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Turnover*

Turnover represents amounts receivable in respect of goods sold and management fees receivable within the United Kingdom.

#### *Intangible fixed assets*

Franchise fees are amounts paid to the franchisor. Amortisation is provided on a straight line basis over 20 years which aims to write off the cost of the asset over its expected useful life.

Goodwill represents the excess of purchase price over fair value on the acquisition of a store and will be amortised over 20 years being the estimated useful life.

#### *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at the following rates which aim to write off the cost of the assets over their expected useful lives:

Mopeds	-	over 18 months
Computers, fixtures and fittings and other equipment	-	over 5 – 10 years
Building improvements	-	lesser of life of lease plus 14 years, or 30 years
Motor vehicles	-	over 3 years

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

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Costs are determined on the average cost basis.

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 1. ACCOUNTING POLICIES (continued)

#### *Deferred taxation*

The Group has adopted the new Accounting Standard on Deferred Taxation FRS 19. Comparative tax charge figures have been restated following the adoption of this Standard

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

- Provision is made for tax on gains from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which 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 timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayment outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### 2. OPERATING PROFIT

This is stated after charging:

	2001	2000
	£	£
Depreciation of owned fixed assets	64,377	90,105
Depreciation of assets held under finance leases and hire purchase contracts	–	44,658
Amortisation of intangible fixed assets	27,739	27,532
Auditors' remuneration	10,000	5,000

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 3. STAFF COSTS

	2001 £	2000 £
Wages and salaries	923,326	389,961
Social security costs	57,673	20,339
Pensions	984	952
	<u>981,983</u>	<u>411,252</u>

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

	2001 No.	2000 No.
Administration	2	2
Production	133	130
	<u>135</u>	<u>132</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans and overdrafts	—	47,701
	<u>—</u>	<u>47,701</u>

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	(Restated) 2000 £
UK corporation tax:		
Total current tax	—	—
UK deferred tax:		
Origination and the reversal of timing differences in respect of:		
Profits in the period (note 11)	164,998	55,349
Total deferred tax	<u>164,998</u>	<u>55,349</u>
Tax on profit on ordinary activities	<u>164,998</u>	<u>55,349</u>

The Group has adopted the new Accounting Standard on Deferred Taxation FRS 19. Comparative tax charge figures have been restated following the adoption of this Standard. However, disclosure of factors effecting the tax charge have not been made in these accounts. This disclosure has been made for all of the group in the accounts of the group's controlling party, Domino's Pizza UK & IRL plc.

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 6. INTANGIBLE FIXED ASSETS

	<i>Franchise fees £</i>	<i>Goodwill £</i>	<i>Total £</i>
Cost:			
At 31 December 2000 and 30 December 2001	7,046	220,003	227,049
Amortisation:			
At 31 December 2000	2,250	84,402	86,652
Provided during the year	467	27,272	27,739
At 30 December 2001	2,717	111,674	114,391
Net book value:			
At 30 December 2001	4,329	108,329	112,658
At 31 December 2000	4,796	135,601	140,397

### 7. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements £</i>	<i>Cars and mopeds £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Total £</i>
Cost:				
At 31 December 2000	316,495	70,479	414,471	801,445
Additions	165,047	—	132,387	297,434
Disposals	—	—	(804)	(804)
At 30 December 2001	481,542	70,479	546,054	1,098,075
Depreciation:				
At 31 December 2000	205,025	50,495	272,630	528,150
Provided during the year	15,007	11,497	37,873	64,377
Disposals	—	—	(120)	(120)
At 30 December 2001	220,032	61,992	310,383	592,407
Net book value:				
At 30 December 2001	261,510	8,487	235,671	505,668
At 31 December 2000	111,470	19,984	141,841	273,295

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 8. STOCKS

	2001 £	2000 £
Raw materials and consumables	9,860	12,491

### 9. DEBTORS

	2001 £	(Restated) 2000 £
Amounts owed by group undertaking	1,758,091	779,233
Other debtors	19,391	50,274
Deferred taxation (note 11)	45,133	210,131
Prepayments and accrued income	48,240	46,411
	<u>1,870,855</u>	<u>1,086,049</u>

### 10. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	9,229	14,270
Amounts owed to group undertakings	3,064,449	2,366,308
Other creditors	5,343	13,653
Accruals and deferred income	69,122	86,602
	<u>3,148,143</u>	<u>2,480,833</u>

The parent and other group companies have undertaken not to seek repayment of their debts totalling £3,064,449 until the finances of the company permit.

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax provided in the accounts is as follows:

	2001	(Restated) Provided 2000
	£	£
Accelerated capital allowances	(3,000)	9,131
Losses	48,133	201,000
	<u>45,133</u>	<u>210,131</u>
At 26 December 1999 – as previously stated		–
Prior year adjustment for FRS 19		265,480
At 26 December 1999 – as re - stated		265,480
Charge to profit and loss account		(55,349)
At 31 December 2000 – as re - stated		210,131
Charge to profit and loss account (note 5)		(164,998)
Deferred tax asset recognised at 30 December 2001 (note 9)		<u>45,133</u>

As a result of the adoption of FRS 19, the profit and loss reserve and certain balance sheet values were restated and as a result the reserve as at 31 December 2000 was increased by £210,131.

### 12. SHARE CAPITAL

	2001	Authorised 2000
	£	£
Equity:		
Ordinary shares of £1 each	10,000	10,000
Non-equity:		
Redeemable preference shares of £1 each	2,000,000	2,000,000
	<u>2,010,000</u>	<u>2,010,000</u>

# The American Pizza Company Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 12. SHARE CAPITAL (continued)

	<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
Equity:		
Ordinary shares of £1 each	1,536	1,536
Non-equity:		
Redeemable preference shares of £1 each	1,715,537	1,715,537
	<u>1,717,073</u>	<u>1,717,073</u>

The preference shares may be redeemed at par at the discretion of the management at any time from two years after the date of issue.

	<i>Number of shares</i>	<i>Redemption date</i>
Preference shares of £1 each	500,000	17/01/91
Preference shares of £1 each	783,333	11/01/92
Preference shares of £1 each	432,204	23/12/98
	<u>1,715,537</u>	

### 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 26 December 1999 as previously reported	1,717,073	337,212	(4,243,229)	(2,188,944)
Effect of full provision for deferred tax	–	–	265,480	265,480
At 26 December 1999 – as restated	<u>1,717,073</u>	<u>337,212</u>	<u>(3,977,749)</u>	<u>(1,923,464)</u>
Profit for the year – as restated	–	–	1,002,315	1,002,315
At 31 December 2000	<u>1,717,073</u>	<u>337,212</u>	<u>(2,975,434)</u>	<u>(921,149)</u>
Profit for the year	–	–	347,987	347,987
At 30 December 2001	<u>1,717,073</u>	<u>337,212</u>	<u>(2,627,447)</u>	<u>(573,162)</u>

Shareholders funds at 31 December 2000 were previously reported as a deficit of £1,131,280 before adjusting for the prior year adjustment of £210,131.

# The American Pizza Company Limited

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## NOTES TO THE ACCOUNTS

at 30 December 2001

**14. CONTINGENT LIABILITIES**

The group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the group's assets. At 30 December 2001 the balance due under these facilities was £7,425,000 (2000: £6,000,000). The loans will bear interest at 1.1% over base.

**15. RELATED PARTIES**

The company has relied on the exemption under FRS 8 from disclosing transactions with group companies on the basis that the company is a wholly owned subsidiary and the immediate parent company produces consolidated accounts which are publicly available.

**16. PARENT UNDERTAKING AND CONTROLLING PARTY**

In the opinion of the directors the immediate parent company is DPGS Limited, a company incorporated in the United Kingdom which is a wholly owned subsidiary of Domino's Pizza UK & IRL plc.

In the opinion of the directors the controlling party is Domino's Pizza UK & IRL plc a company incorporated in the United Kingdom.