

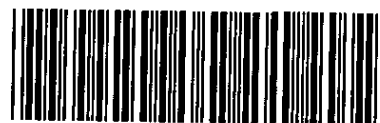
2090645

# **The American Pizza Company Limited**

## **Report and Financial Statements**

31 December 2006

THURSDAY



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COMPANIES HOUSE

# The American Pizza Company Limited

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Registered No 2090645

## **Directors**

S G Hemsley  
C H R Moore  
L D Ginsberg

## **Secretary**

L D Ginsberg

## **Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

## **Registered office**

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

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2006

### Results and dividends

The profit after taxation for the period amounted to £64 211 (2005 £343 263). The directors do not recommend the payment of any dividends. Preference dividends were not paid nor are proposed.

### Principal activities 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. Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will continue.

### Directors

The directors who served throughout the period were as follows -

SG Hemsley  
A Mallows (Resigned 30 June 2006)  
CHR Moore  
LD Ginsberg

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, C Moore and L Ginsberg are also directors of Domino's Pizza UK & IRL plc, the immediate parent company and details of their interests therein are shown in the directors' report of that company for the year ended 31 December 2006.

### Disclosure of information to 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 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.

### Special provisions

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

### Financial instruments

The company's principal financial instruments are cash and trade debtors.

The company has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. The main risks arising from the company's financial instruments are cash flow, interest risk, fair value, interest rate risk and credit risk. In view of the low level of foreign currency transactions, the Board does not consider there to be any significant foreign currency risks.

Due to the nature of customers who trade on credit terms, being predominantly franchisees, the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Since the group trades only with franchisees that have been subject to the franchisee selection process, there is no requirement for collateral.

## Directors' report

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



L D Ginsberg  
Secretary

2 August 2007

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

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

The directors are responsible for keeping 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 financial statements 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 auditors' report**

## **to the members of The American Pizza Company Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion**

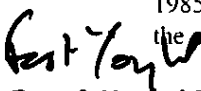
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
  - the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

  
Ernst & Young LLP  
Registered auditor  
Luton

24/8/07

## Profit and loss account

for the year ended 31 December 2006

		<i>Year ended 31 December 2006</i>	<i>Year ended 1 January 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	2	912,742	2,529,612
Cost of sales		389,122	925,287
<b>Gross profit</b>		523,620	1,604,325
Distribution costs		388,498	926,509
Administrative expenses		456,537	596,457
<b>Operating profit/(loss) before exceptional items</b>	3	(321,415)	81,359
Operating exceptionals	4	(52,144)	–
<b>Operating profit/(loss)</b>		(373,559)	81,359
Profit on disposal of tangible fixed assets	4	293,124	429,739
Bank interest receivable	6	668	4,927
Interest payable	7	(6,259)	(8)
<b>Profit/(loss) on ordinary activities before taxation</b>		(86,026)	516,017
Tax on profit on ordinary activities	8	(150,237)	172,754
<b>Profit for the financial year transferred to reserves</b>		64,211	343,263

The company has no recognised gains or losses other than the results for the period as set out above  
All activities relate to continuing operations

## Balance sheet

at 31 December 2006

	Notes	At 31 December 2006 £	At 1 January 2006 £
<b>Fixed assets</b>			
Intangible assets	9	28,428	105,468
Tangible assets	10	355,571	742,001
		<u>383,999</u>	<u>847,469</u>
<b>Current assets</b>			
Stocks	11	5,125	10,164
Debtors	12	1,759,331	1,199,522
Cash at bank		65,020	32,947
		<u>1,829,476</u>	<u>1,242,633</u>
<b>Creditors</b> , amounts falling due within one year	13	689,736	480,337
<b>Net current assets</b>		<u>1,139,740</u>	<u>762,296</u>
<b>Total assets less current liabilities</b>		<u>1,523,739</u>	<u>1,609,765</u>
<b>Provisions for liabilities and charges</b>	8	8,801	159,038
		<u>1,514,938</u>	<u>1,450,727</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,717,073	1,717,073
Share premium account	16	337,212	337,212
Profit and loss account	16	(539,347)	(603,558)
<b>Equity shareholders' funds</b>		<u>1,514,938</u>	<u>1,450,727</u>

The financial statements were approved by the Board on *2 August* 2007 and were signed on its behalf by



L D Ginsberg  
Director



## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements of The American Pizza Company Limited were approved for issue by the Board of Directors on 2007

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

#### **Related party transactions**

The company is a wholly owned subsidiary of Domino's Pizza UK & IRL plc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with group companies

#### **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**

All fixed assets are initially recorded at cost

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Leasehold improvements	- over the life of the lease term
Fixtures, fittings and equipment	- over 5 - 10 years
Cars and mopeds	- over 18 months to 3 years

#### **Stocks**

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

#### **Pensions**

The company makes contributions to certain individual's personal pension plans. Contributions are charged in the profit and loss account as they become payable

#### **Deferred taxation**

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 a right to pay less or to receive more tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and 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,

## Notes to the financial statements

at 31 December 2006

### Deferred taxation (continued)

- 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 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 timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

## 2. Turnover

Turnover, which is stated net of VAT represents amounts receivable in respect of goods sold and management fees receivable

Turnover is attributable to one continuing activity, that of the operation and development of Domino's Pizza delivery stores in the United Kingdom

## 3. Operating profit / (loss)

This is stated after charging

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Auditors' remuneration - audit of the financial statements	11,550	11 000
Depreciation of owned fixed assets	51,966	110 048
Amortisation	1,265	12,343
Operating lease rentals	88,153	101,227
	<u>141 384</u>	<u>223 618</u>

## 4 Exceptional items

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Profit on disposal of fixed assets	293,124	429,739
Assets written off	<u>(52 144)</u>	<u>—</u>

During the year, the company sold 4 (2005: 8) of its stores for a total consideration of £960,497 (2005: £1,536,000). The sales resulted in a total profit on disposal net of costs of £293,124 (2005: £429,739). Assets with book value of £52,144 (2005: £nil) were written off as a result of the closure of 1 (2005: none) store during the year.

## Notes to the financial statements

at 31 December 2006

### 5. Staff costs

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Wages and salaries	347,374	792,536
Social security costs	20,486	44,792
Other pension costs	1,386	1,239
	<u>369,246</u>	<u>838,567</u>

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

	<i>Year ended 31 December 2006 No</i>	<i>Year ended 1 January 2006 No</i>
Store operations	72	119
Administrative staff	3	1
	<u>75</u>	<u>120</u>

### 6. Interest receivable

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Bank interest receivable	<u>668</u>	<u>4,927</u>

### 7. Interest payable

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Bank interest payable	<u>6,259</u>	<u>8</u>

## Notes to the financial statements

at 31 December 2006

### 8. Tax on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows

	<i>Year ended 31 December 2006</i>	<i>Year ended 1 January 2006</i>
	<i>£</i>	<i>£</i>
<i>Current tax</i>		
UK corporation tax	-	165,326
Tax overprovided in previous periods	-	(31,821)
Total current tax (note 8(b))	-	133,505
<i>Deferred tax</i>		
Origination and reversal of timing differences	(150,237)	39,249
Tax on (loss)/ profit on ordinary activities	(150,237)	172,754

#### (b) Factors affecting current tax charge/(credit)

The differences are reconciled below

	<i>Year ended 31 December 2006</i>	<i>Year ended 1 January 2006</i>
	<i>£</i>	<i>£</i>
Profit/(Loss) on ordinary activities before tax	(86,026)	516,017
Loss on ordinary activities at standard rate of tax	(25,808)	154,805
Non-qualifying depreciation	3,041	23,425
Loss on sale of non-qualifying assets	(33,947)	-
Accelerated capital allowances	(1,358)	29,436
Tax (over)/under provided in prior years	-	(31,821)
Expenses not deductible for tax purposes	2,531	(43,219)
Group claim	39,898	-
Other	15,643	879
Total current tax (note 8(a))	-	133,505

#### (c) Deferred tax

	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	<i>£</i>	<i>£</i>
Capital allowances in advance of depreciation	(8,801)	(159,038)
Provision for deferred taxation	(8,801)	(159,038)

	<i>£</i>
At 1 January 2006	(159,038)
Profit and loss account movement arising during the year	150,237
At 31 December 2006	(8,801)

## Notes to the financial statements

at 31 December 2006

### 9. Intangible fixed assets

	<i>Goodwill</i> £	<i>Franchise fees</i> £	<i>Total</i> £
Cost			
At 1 January 2006	56,885	51,425	108,310
Additions	-	15,000	15,000
Disposals	(56,885)	(36,418)	(93,303)
At 31 December 2006	-	30,007	30,007
Amortisation			
At 1 January 2006	1,731	1,111	2,842
Charge for the period	-	1,265	1,265
Disposals	(1,731)	(797)	(2,528)
At 31 December 2006	-	1,579	1,579
Net book value			
At 31 December 2006	-	28,428	28,428
At 1 January 2006	55,154	50,314	105,468

### 10. Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Total</i> £
Cost			
At 1 January 2006	407,811	403,301	811,112
Additions	96,343	125,595	221,938
Disposals	(309,599)	(300,793)	(610,392)
At 31 December 2006	194,555	228,103	422,658
Depreciation			
At 1 January 2006	8,569	60,542	69,111
Provided during the period	8,873	43,093	51,966
Disposals	(5,494)	(48,496)	(53,990)
At 31 December 2006	11,948	55,139	67,087
Net book value			
At 31 December 2006	182,607	172,964	355,571
At 1 January 2006	399,242	342,759	742,001

## Notes to the financial statements

at 31 December 2006

### 11. Stocks

	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	£	£
Raw materials and consumables	5,125	10 164

### 12. Debtors

	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	£	£
Amounts owed by group undertakings	1,460,195	997,835
Other debtors	2 812	12 566
Prepayments and accrued income	296,324	189 121
	<u>1 759,331</u>	<u>1,199 522</u>

### 13. Creditors: amounts falling due within one year

	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	£	£
Trade creditors	7,147	22 200
Amounts owed to group undertakings	437 878	99 006
Corporation tax	-	133,505
Other taxation and social security	45,818	109,534
Other creditors	82 882	66,719
Accruals and deferred income	116,011	49,373
	<u>689,736</u>	<u>480 337</u>

### 14. Contingent liability

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 31 December 2006 the balance due under these facilities was £7 500,000 (2005 £7,500,000). The loans bear interest at 0.625% (2005 0.625%) over base

## Notes to the financial statements

at 31 December 2006

### 15. Share capital

	<i>Authorised</i>	
	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	£	£
Ordinary shares of £1 each	10,000	10,000
Redeemable Preference shares of £1 each	2 000,000	2 000,000
	<u>2 010,000</u>	<u>2 010 000</u>

	<i>Allotted, called up and fully paid</i>			
	<i>At 31 December 2006</i>		<i>At 1 January 2006</i>	
	<i>No</i>	£	<i>No</i>	£
Ordinary shares of £1 each	1,536	1 536	1,536	1 536
Redeemable Preference shares of £1 each	1,715,537	1 715,537	1 715,537	1,715,537
	<u>1,717,073</u>	<u>1 717,073</u>	<u>1,717,073</u>	<u>1,717,073</u>

The preference shares may be redeemed at par at the discretion of the company at any time from the dates below

	<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>	

### 16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£
At 2 January 2005	1,717,073	337,212	(946,821)	1 107 464
Profit for the period	–	–	343 263	343 263
At 1 January 2006	1,717,073	337,212	(603,558)	1,450,727
Profit for the period	–	–	64 211	64 211
At 31 December 2006	<u>1,717 073</u>	<u>337,212</u>	<u>(539,347)</u>	<u>1,514 938</u>

## Notes to the financial statements

at 31 December 2006

### 17. Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Operating leases which expire		
In two to five years	-	-
In over five years	43,000	131 320
	<u>43,000</u>	<u>131 320</u>

### 18. Ultimate parent company and controlling party

In the opinion of the directors the immediate parent company and controlling party is Domino's Pizza UK & IRL plc a company incorporated in the United Kingdom. Copies of the financial statements of Domino's Pizza UK & IRL may be obtained from its registered office Domino's House Lasborough Road, Kingston, Milton Keynes, MK10 0AB