

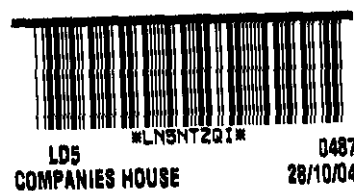
2090545

The American Pizza Company Limited

Report and Financial Statements

28 December 2003

ERNST & YOUNG



The American Pizza Company Limited

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**

Directors' report

The directors present their report and financial statements for the year ended 28 December 2003.

Results and dividends

The profit for the year, after taxation, amounted to £911,152. 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.

Directors

The directors at 28 December 2003 are listed on page 1.

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 Domino's Pizza UK & IRL plc, the ultimate parent company and details of their interests therein are shown in the directors' report of that company for the year ended 28 December 2003. A Mallows holds 38,000 (2002: nil) Ordinary Shares and has the following interest in share options over Ordinary Shares in Domino's Pizza UK & IRL plc:

<i>Date of grant</i>	<i>Exercise price per share</i>	<i>As at 30 December 2002</i>	<i>Exercised in the year</i>	<i>As at 28 December 2003</i>	<i>Date of expiry</i>
31.03.1999	42.1p	34,638	34,638	-	30.03.2009
24.11.1999	50p	51,957	51,957	-	23.11.2009
04.08.2000	53p	30,000	30,000	-	03.08.2010
04.10.2001	55p	75,000	25,000	50,000	03.10.2011

In addition to the interest in options above, A Mallows holds reversionary interests over 235,000 Ordinary Shares in Domino's Pizza UK & IRL plc. These interests are capable of vesting between 31 December 2005 and 31 December 2007 if specific performance criteria are met. These interests were granted at a price of £1.35 per share.

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



Secretary

26 October 2004

Statement of directors' responsibilities in respect of the financial statements

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 year. 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 28 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of 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

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 audit 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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of affairs of the company as at 28 December 2003 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
400 Capability Green
Luton
LU1 3LU

26 October 2004

Profit and loss account
for the year ended 28 December 2003

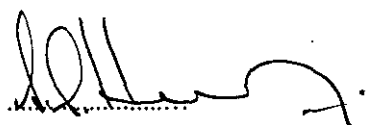
	Notes	2003 £	2002 £
Turnover	2	1,256,158	3,433,178
Cost of sales		376,298	1,076,192
Gross profit		879,860	2,356,986
Distribution costs		455,897	1,269,983
Administrative expenses		305,899	720,378
Operating profit	3	118,064	366,625
Profit on disposal of fixed assets	4	1,233,856	455,941
Profit on ordinary activities before taxation		1,351,920	822,566
Tax on profit on ordinary activities	6	440,768	211,009
Profit retained for the financial year		911,152	611,557

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

at 28 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	7	10,487	28,524
Tangible assets	8	74,017	390,211
		<u>84,504</u>	<u>418,735</u>
Current assets			
Stocks	9	1,514	9,198
Debtors	10	7,246,856	4,825,684
Cash at bank		15,157	47,735
		<u>7,263,527</u>	<u>4,882,617</u>
Creditors: amounts falling due within one year	11	6,377,938	5,156,678
Net current assets/(liabilities)		<u>885,589</u>	<u>(274,061)</u>
Total assets less current liabilities		<u>970,093</u>	<u>144,674</u>
Provisions for liabilities and charges			
Deferred taxation	6	20,546	106,279
		<u>949,547</u>	<u>38,395</u>
Capital and reserves			
Called up share capital	13	1,717,073	1,717,073
Share premium account	14	337,212	337,212
Profit and loss account	14	(1,104,738)	(2,015,890)
		<u>949,547</u>	<u>38,395</u>
Shareholders' funds:	14		
Equity		(765,990)	(1,677,142)
Non-equity		1,715,537	1,715,537
		<u>949,547</u>	<u>38,395</u>



Director

26 October 2004

Notes to the financial statements

at 28 December 2003

1. Accounting policies

Basis of preparation

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

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 parties transactions

The company is a wholly owned subsidiary of DPGS Limited, which in turn 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, other than freehold land, 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.

Notes to the financial statements

at 28 December 2003

1. Accounting policies (continued)

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;
- 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

An analysis of turnover by geographical market is given below:

	2003 £	2002 £
United Kingdom	<u>1,256,158</u>	<u>3,433,178</u>

3. Operating profit

This is stated after charging/(crediting):

	2003 £	2002 £
Auditors' remuneration - audit services	<u>11,000</u>	<u>10,000</u>
Depreciation of owned fixed assets	33,343	70,239
Amortisation	18,037	26,247
	<u>51,380</u>	<u>96,486</u>

Notes to the financial statements

at 28 December 2003

4. Exceptional items

	2003 £	2002 £
Profit on disposal of fixed assets	1,233,856	455,941

5. Staff costs

	2003 £	2002 £
Wages and salaries	354,610	1,006,229
Social security costs	14,653	57,767
Other pension costs	1,154	1,220
	<u>370,417</u>	<u>1,065,216</u>

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

	2003 No.	2002 No.
Production staff	76	156
Administrative staff	1	2
	<u>77</u>	<u>158</u>

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
<i>Current tax:</i>		
UK corporation tax	432,713	59,597
Tax under provided in previous years	93,788	-
Total current tax (note 6(b))	<u>526,501</u>	<u>59,597</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(85,733)	151,412
Tax on profit on ordinary activities	<u>440,768</u>	<u>211,009</u>

Notes to the financial statements

at 28 December 2003

6. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003 £	2002 £
Profit on ordinary activities before taxation	1,351,920	822,566
Profit on ordinary activities at the standard rate of tax	405,576	246,770
Non-qualifying depreciation	3,102	9,841
Loss on sale of non-qualifying assets	(8,814)	(27,096)
Rolled over gains	-	(28,358)
Amortisation and disposal of goodwill	-	7,873
Sundry differences	-	1,845
Decelerated / (Accelerated) capital allowances	32,849	(53,455)
Utilisation of tax losses	-	(97,823)
Tax under provided in prior years	93,788	-
Total current tax (note 6(a))	526,501	59,597

(c) Factors that may affect future tax charges

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. Such gains would become taxable only if the assets were sold without it being possible to claim rollover relief. The amount not provided is £ nil (2002: £28,358) in respect of this. At present, it is not envisaged that any tax will become payable in the foreseeable future.

(d) Deferred tax

	2003 £	2002 £
Capital allowances in advance of depreciation	(20,546)	(107,779)
Other timing differences	-	1,500
Provision for deferred taxation	(20,546)	(106,279)
At 30 December 2002		£ (106,279)
Profit and loss account movement arising during the year		85,733
At 28 December 2003		(20,546)

Notes to the financial statements

at 28 December 2003

7. Intangible fixed assets

	<i>Goodwill</i> £	<i>Franchise fees</i> £	<i>Total</i> £
Cost:			
At 30 December 2002 and 28 December 2003	123,003	7,046	130,049
Amortisation:			
At 30 December 2002	98,341	3,184	101,525
Provided during the year	17,572	465	18,037
At 28 December 2003	115,913	3,649	119,562
Net book value:			
At 28 December 2003	7,090	3,397	10,487
At 30 December 2002	24,662	3,862	28,524

8. Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Cars and mopeds</i> £	<i>Total</i> £
Cost:				
At 30 December 2002	356,860	497,416	14,769	869,045
Additions	9,755	40,118	1,089	50,962
Disposals	(345,670)	(411,083)	(15,858)	(772,611)
At 28 December 2003	20,945	126,451	—	147,396
Depreciation:				
At 30 December 2002	178,616	287,590	12,628	478,834
Provided during the year	4,840	26,440	2,063	33,343
Disposals	(181,814)	(242,293)	(14,691)	(438,798)
At 28 December 2003	1,642	71,737	—	73,379
Net book value:				
At 28 December 2003	19,303	54,714	—	74,017
At 30 December 2002	178,244	209,826	2,141	390,211

9. Stocks

	<i>2003</i> £	<i>2002</i> £
Raw materials and consumables	1,514	9,198

Notes to the financial statements

at 28 December 2003

10. Debtors

	2003 £	2002 £
Amounts owed by group undertakings	7,081,813	4,381,417
Other debtors	1,429	9,236
Prepayments	163,614	435,031
	<u>7,246,856</u>	<u>4,825,684</u>

11. Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	5,528	6,267
Amounts owed to group undertakings	5,726,170	5,030,846
Corporation tax	586,097	59,596
Other creditors	930	12,768
Accruals and deferred income	59,213	47,201
	<u>6,377,938</u>	<u>5,156,678</u>

12. 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 28 December 2003 the balance due under these facilities was £1,098,000 all of which is in relation to the Employee Benefit Trust (2002: £8,175,000). The loans will bear interest at 1% over base.

13. Share capital

	2003 £	Authorised 2002 £
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>2003</i>	<i>2002</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</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>

Notes to the financial statements

at 28 December 2003

13. Share capital (continued)

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

14. 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 share- holders' funds £</i>
At 30 December 2001	1,717,073	337,212	(2,627,447)	(573,162)
Profit for the year	—	—	611,557	611,557
At 29 December 2002	1,717,073	337,212	(2,015,890)	38,395
Profit for the year	—	—	911,152	911,152
At 28 December 2003	<u>1,717,073</u>	<u>337,212</u>	<u>(1,104,738)</u>	<u>949,547</u>

15. Parent company 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. Copies of the financial statements of Domino's Pizza UK & IRL plc may be obtained from its registered office: Domino's House, Lasborough Road, Kingston, Milton Keynes, MK10 0AB.

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