

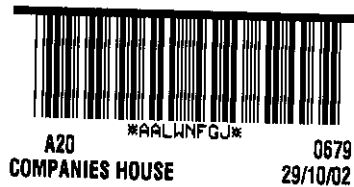
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**DOMINO'S PIZZA GROUP LIMITED**

Report and Accounts

30 December 2001

**ERNST & YOUNG**



# Domino's Pizza Group Limited

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Registered no. 2882515

## **DIRECTORS**

C Halpern  
S G Hemsley  
C H Moore  
N Wray  
Y Gottesman  
A Mallows

## **SECRETARY**

A Mallows

## **AUDITORS**


Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

## **BANKERS**

National Westminster Bank Plc  
501 Silbury Boulevard  
Milton Keynes  
MK9 3ER

## **REGISTERED OFFICE**

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

 **ERNST & YOUNG**

# Domino's Pizza Group 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, after taxation, amounted to £1,368,333 (2000: £994,159). The directors recommend a dividend of £780,583 (2000: £507,873).

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the group is the development of the Domino's franchise system in the UK and Republic of Ireland.

### DIRECTORS AND THEIR INTERESTS

G Halpern, resigned as a director on 8 January 2001.

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.

C Halpern, S Hemsley, N Wray, Y Gottesman, and C Moore are also directors of Domino's Pizza UK & IRL plc, the immediate parent company, details of their interests therein are shown in the directors' report of that company for the year ended 30 December 2001. A Mallows 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 share</i>	<i>Date of expiry</i>
31.03.99	34,638	42.1p	30.03.2009
24.11.99	51,957	50p	23.11.2009
04.08.00	30,000	53p	03.08.2010
04.10.01	75,000	55p	03.10.2011

### AUDITORS

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

By order of the board



Secretary

22 October 2002

## Domino's Pizza Group 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 AUDITORS' REPORT**  
**to the members of Domino's Pizza Group 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 23. 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 Auditing 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 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 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*

# Domino's Pizza Group Limited

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

			(Restated)
	Notes	2001 £	2000 £
<b>TURNOVER</b>	2	32,016,190	25,148,232
Cost of sales		(20,529,038)	(15,517,303)
<b>GROSS PROFIT</b>		11,487,152	9,630,929
Distribution costs		(3,006,824)	(2,858,244)
Administration expenses		(6,349,622)	(5,139,675)
<b>OPERATING PROFIT</b>	3	2,130,706	1,633,010
Interest receivable		75,928	59,127
Interest payable and similar charges	6	(404,511)	(295,612)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,802,123	1,396,525
Tax on profit on ordinary activities	7	(433,790)	(402,366)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,368,333	994,159
Dividends on equity shares	8	(780,583)	(507,873)
<b>PROFIT RETAINED FOR THE FINANCIAL YEAR</b>	19	587,750	486,286

All turnover and profits are derived from the company's continuing activities.

## Domino's Pizza Group Limited

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

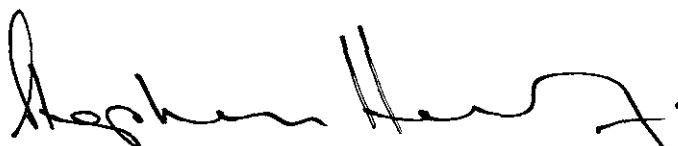
	2001	(Restated) 2000
	£	£
Profit attributable to the financial year	1,368,333	994,159
Prior period adjustment in relation to full provision for deferred tax	(4,830)	
<b>TOTAL GAINS AND LOSS RECOGNISED SINCE THE LAST ANNUAL REPORT</b>	<u>1,363,503</u>	<u></u>

# Domino's Pizza Group Limited

## BALANCE SHEET

at 30 December 2001

	Notes	2001 £	(Restated) 2000 £
<b>FIXED ASSETS</b>			
Intangible assets	9	376,270	415,797
Tangible assets	10	2,487,994	1,825,731
		<u>2,864,264</u>	<u>2,241,528</u>
<b>CURRENT ASSETS</b>			
Stocks	11	1,212,976	1,138,066
Debtors	12	15,665,681	14,104,088
Cash at bank and in hand		2,755,300	827,108
		<u>19,633,957</u>	<u>16,069,262</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(9,881,830)	(6,799,690)
<b>NET CURRENT ASSETS</b>		<u>9,752,127</u>	<u>9,269,572</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,616,391</u>	<u>11,511,100</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	(6,584,912)	(6,062,541)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	–	(4,830)
		<u>6,031,479</u>	<u>5,443,729</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	2,200,000	2,200,000
Profit and loss account	19	3,831,479	3,243,729
Equity shareholders' funds		<u>6,031,479</u>	<u>5,443,729</u>



Director

22 October 2001

# Domino's Pizza Group Limited

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## NOTES TO THE ACCOUNTS

at 30 December 2001

### 1. ACCOUNTING POLICIES

#### *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.

#### *Depreciation of tangible fixed assets*

Provision is made for depreciation on all tangible assets, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Motor vehicles	-	over 3 years
Plant and equipment	-	over 10 years
Computers, fixtures and fittings and other equipment	-	over 2 to 10 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.

#### *Amortisation of intangible fixed assets*

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Master franchise fee	-	over 20 years
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#### *Stocks*

Stocks comprise raw materials, consumables and goods for resale (being equipment for resale to franchisees) and are stated at the lower of cost and net realisable value. Cost of stock is determined on the average cost basis or, for computer and food stock, the first-in, first-out basis.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

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 repayments outstanding.

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

*Other operating income*

Certain stores are acquired from poor performing franchises. Where the store is not intended to form part of the long-term portfolio of corporate stores, it is included as a current asset, as it is held with a view to subsequent resale. Profits or losses on the disposal of these available for sale stores are treated as other operating income or expense.

*Pensions*

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

2. TURNOVER

The principal components of turnover are royalties received, commissary and equipment sales, sale of franchises, stated net of value added tax. Substantially all of the goods and services are sold or rendered within the United Kingdom. All of the turnover is in one business segment.

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 3. OPERATING PROFIT AND EXCEPTIONAL ITEMS

This is stated after charging:

	2001 £	2000 £
Depreciation of owned fixed assets	390,158	294,889
Depreciation of assets held under finance leases and hire purchase contracts	72,423	66,688
Amortisation of intangible fixed assets	39,527	40,287
Auditors' remuneration - audit services	29,106	27,350
- non-audit services	116,000	46,147
Operating lease rentals - land and buildings	46,664	58,000
- plant, machinery and vehicles	831,580	839,952
	<u>          </u>	<u>          </u>

### 4. DIRECTORS' EMOLUMENTS

	2001 £	2000 £
Emoluments	595,670	575,481
	<u>          </u>	<u>          </u>
Company contributions paid to individual personal pension plan	18,675	8,561
	<u>          </u>	<u>          </u>

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

	2001 £	2000 £
Emoluments	178,988	152,885
	<u>          </u>	<u>          </u>
Company contributions paid to individual personal pension plan	15,000	-
	<u>          </u>	<u>          </u>

### 5. STAFF COSTS

	2001 £	2000 £
Wages and salaries	4,326,749	3,827,666
Social security costs	400,340	313,402
Other staff costs	74,118	71,895
	<u>          </u>	<u>          </u>
	4,801,207	4,212,963
	<u>          </u>	<u>          </u>

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 5. STAFF COSTS (continued)

The monthly average number of employees (including directors) during the year was as follows:

	2001 No.	2000 No.
Administration	85	80
Production and distribution	88	78
	<u>173</u>	<u>158</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans and overdrafts	393,981	276,372
Finance charges payable under finance leases and hire purchase contracts	10,530	19,240
	<u>404,511</u>	<u>295,612</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	(Restated) 2000 £
UK corporation tax:		
Profit for the year	612,055	536,882
Corporation tax underprovided in previous years	(154,362)	(80,000)
Total current tax	<u>457,693</u>	<u>456,882</u>
UK deferred tax:		
Origination and the reversal of timing differences in respect of: Profits in the period (note 17)	(23,903)	(54,516)
Total deferred tax	<u>(23,903)</u>	<u>(54,516)</u>
Tax on profit on ordinary activities	<u>433,790</u>	<u>402,366</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 parent undertaking, Domino's Pizza UK & IRL plc.

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS at 30 December 2001

### 8. DIVIDENDS

	2001	2000
	£	£
Equity dividends on ordinary shares:		
Interim paid	780,583	507,873
	<u>          </u>	<u>          </u>

### 9. INTANGIBLE FIXED ASSETS

	<i>Master franchise fee £</i>
Cost:	
At 31 December 2000 and 30 December 2001	729,730
	<u>          </u>
Amortisation:	
At 31 December 2000	313,933
Provided during the year	39,527
	<u>          </u>
At 30 December 2001	353,460
	<u>          </u>
Net book value:	
At 30 December 2001	376,270
	<u>          </u>
At 31 December 2000	415,797
	<u>          </u>

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 10. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Plant and equipment</i> £	<i>Total</i> £
Cost:			
At 31 December 2000	145,660	2,741,893	2,887,553
Additions	2,101	1,125,320	1,127,421
Disposals	(14,590)	(5,233)	(19,823)
At 30 December 2001	133,171	3,861,980	3,995,151
Depreciation:			
At 31 December 2000	138,044	923,778	1,061,822
Provided during the year	4,347	458,234	462,581
Disposals	(14,590)	(2,656)	(17,246)
At 30 December 2001	127,801	1,379,356	1,507,157
Net book value:			
At 30 December 2001	5,370	2,482,624	2,487,994
At 31 December 2000	7,616	1,818,115	1,825,731

The net book value of plant and equipment includes an amount of £325,448 (2000: £326,726) in respect of assets held under finance leases and hire purchase contracts.

### 11. STOCKS

	<i>2001</i> £	<i>2000</i> £
Raw materials and goods for resale	1,212,976	1,138,066

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 12. DEBTORS

	2001 £	2000 £
Trade debtors	2,391,799	2,663,154
Amounts owed by group undertakings	10,269,718	9,885,389
Other debtors	2,408,921	1,417,962
Deferred taxation (note 17)	19,073	—
Prepayments and accrued income	576,170	137,583
	<u>15,665,681</u>	<u>14,104,088</u>

Included within trade debtors is £219,960 (2000: £393,030) due after more than one year. Included within other debtors is £23,564 (2000: £7,447) due after more than one year. Included within amounts owed by group undertakings is £309,000 (2000: £345,000) due after more than one year.

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

	2001 £	2000 £
Bank loans (note 15)	900,000	—
Finance lease creditors (note 16)	76,044	72,951
Trade creditors	2,759,508	2,954,364
Amounts owed to group undertakings	3,122,912	1,628,959
Corporation tax	113,121	201,372
Other taxes and social security costs	841,157	633,783
Other creditors	466,017	293,395
Accruals and deferred income	1,603,071	1,014,866
	<u>9,881,830</u>	<u>6,799,690</u>

### 14. CREDITORS: amounts falling due after more than one year

	2001 £	2000 £
Bank loans (note 15)	6,525,000	6,000,000
Finance lease creditors (note 16)	59,912	62,541
	<u>6,584,912</u>	<u>6,062,541</u>

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 15. LOANS

An analysis of bank loans is set out below:

	2001	2000
	£	£
Amounts payable:		
In more than five years	6,525,000	6,000,000

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

### 16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2001	2000
	£	£
Amount payable:		
Within one year	85,179	73,360
In two to five years	65,556	79,509
	150,735	152,869
Less: finance charges allocated to future periods	(14,779)	(17,377)
	135,956	135,492

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax provided in the accounts is as follows:

	2001	(Restated) Provided 2000
	£	£
Accelerated capital allowances	125,493	81,323
Other timing differences	(144,566)	(76,493)
	(19,073)	4,830
At 26 December 1999 – as previously stated		–
Prior year adjustment for FRS 19		59,346
At 26 December 1999 – as re - stated		59,346
Charge to profit and loss account		(54,516)
At 31 December 2000 – as re - stated		4,830
Charge to profit and loss account (note 7)		(23,903)
Deferred tax provided at 30 December 2001 (note 12)		(19,073)

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 reduced by £4,830.

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS at 30 December 2001

### 18. SHARE CAPITAL

	<i>No.</i>	<i>2001 £</i>	<i>No.</i>	<i>2000 £</i>
Authorised:				
Ordinary shares of 5p each	44,000,000	2,200,000	44,000,000	2,200,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>No.</i>	<i>2000 £</i>	<i>No.</i>	<i>1999 £</i>
Allotted, called up and fully paid:				
Ordinary shares of 5p each	44,000,000	2,200,000	44,000,000	2,200,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 26 December 1999 as previously reported	2,200,000	2,816,789	5,016,789
Effect of full provision for deferred tax	–	(59,346)	(59,346)
At 26 December 1999 – as restated	<u>2,200,000</u>	<u>2,757,443</u>	<u>4,957,443</u>
Profit for the year – as restated	–	994,159	994,159
Dividends	–	(507,873)	(507,873)
At 31 December 2000	<u>2,200,000</u>	<u>3,243,729</u>	<u>5,443,729</u>
Profit for the year	–	1,368,333	1,368,333
Dividends	–	(780,583)	(780,583)
At 30 December 2001	<u>2,200,000</u>	<u>3,831,479</u>	<u>6,031,479</u>

Shareholders funds at 31 December 2000 were previously reported as £5,448,559 before deducting the prior year adjustment of £4,830.

### 20. 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 loan bears interest at 1.1% over base.

# Domino's Pizza Group Limited

## NOTES TO THE ACCOUNTS

at 30 December 2001

### 21. OTHER FINANCIAL COMMITMENTS

At 30 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001	Other 2000
	£	£
Operating leases which expire:		
Within one year	42,188	27,145
In two to five years	351,356	571,390
	<u>393,544</u>	<u>598,535</u>

### 22. 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

Transactions between the company and International Franchise Systems Inc., a company in which C Halpern is a director, are set out below:

	2001	2000
	£	£
Current account:		
Opening debt due to International Franchise Systems Inc.	—	(892)
Costs incurred by Domino's Pizza Group Limited on behalf of International Franchise Systems Inc	178,146	206,528
Costs incurred by International Franchise Systems Inc. on behalf of Domino's Pizza Group Limited	(43,163)	—
Transfer of funds from International Franchise Systems Inc.	—	(52,751)
Transfer of funds to International Franchise Systems Inc.	30,017	—
Management charges from International Franchise Systems Inc.	(165,000)	(152,885)
Closing debt due to International Franchise Systems Inc.	<u>—</u>	<u>—</u>

These transactions occurred in the normal course of business and at normal market prices.

During the period, the company purchased services to the value of £65,000 (2000: £nil) in the normal course of business and at normal market prices from Chinese Pompano Inc., a company in which Gerald Halpern is a director. At the balance sheet date the amount due to Chinese Pompano Inc., was £nil (2000: £nil).

### 23. PARENT UNDERTAKING 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.