

Registered No 7916193

Domino's Pizza Germany Limited

Report and Financial Statements

30 December 2012

TUESDAY



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COMPANIES HOUSE

Directors

B Trier
S Wilkins
D Wild
M Millar

Auditors

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Barclays Bank Plc
Frankfurt Branch
Bockenheimer Landstr 38-40
60323 Frankfurt
Germany

Registered office

1 Thornbury
West Ashland
Milton Keynes
MK6 4BB

Directors' report (continued)

The company was incorporated on 19th January 2012 and on 20th January 2012 the company acquired the trade and assets of a German business, Domino's Pizza Germany GmbH. The directors present their report and financial statements for the period ended 30 December 2012.

Results and dividends

The loss before tax for the period amounted to €4,577,230. Ordinary dividends of €nil were paid during the period.

Principal activities and review of the business

The principal activity of the company during the period was the development of the Domino's franchise system in Germany.

In 2012, system sales, which are the sales of all stores in the Domino's system in Germany, rose to €3.6m. We are encouraged by the sales performance in our Berlin stores with like-for-like sales in the two mature stores increasing by 19.3% and 24.1%.

During 2012, 12 new stores were opened (2011: 6) bringing the year-end store count to 18.

Directors

The directors who served throughout the period were as follows -

L Batchelor (Resigned 16 March 2014)

L D Ginsberg (Resigned 2 April 2014)

D Elkanati (Appointed 13 February 2012, Resigned 26 February 2014)

A Batty (Resigned 1 October 2012)

K Spiroff (Appointed 1 October 2012, Resigned 30 September 2013)

B Trier (Appointed 1 October 2013)

S Wilkins (Appointed 8 January 2014)

D Wild (Appointed 16 March 2014)

M Millar (Appointed 26 February 2014)

Disclosure of information to the auditor

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 this 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.

Going Concern

The company has net liabilities of £4,592,514. The directors have carried out a detailed review of cashflow projections covering 12 months from the approval of these financial statements. The company is dependent on the continued support of its ultimate parent company. The ultimate parent company, Domino's Pizza Group Plc, has confirmed that they will provide financial support to enable the company to meet its financial obligations as they become due. Therefore, they adopt the going concern basis of accounting in preparing the annual financial statements.

Post Balance Sheet Event

The performance in the period to 29 December 2013 for the German business has been below expectations, particularly in respect of the corporate stores.

Directors' report (continued)

A change of management in 2013 gave the Board the opportunity to review and implement a new strategy based on

- a move to franchise rather than corporate stores,
- a more modest 2014 opening programme – likely to be five stores,
- a standard store format with a 150 square metre template,
- streamlined Support Centre overhead,
- a new e-commerce platform, and
- premium pricing with aggressive promotions

The summary of this strategy is to ensure a clear focus on store level economics. The implementation of this revised strategy resulted in increased losses in 2013 and significant write-offs. This included the impairment of goodwill and property, plant and equipment amounting to €9.5m. We expect that losses in Germany will continue for several years until we establish sound and replicable store level economics and achieve a critical mass of stores sufficient to support the overhead. Thereafter we hope the growth in contribution from Germany will be significant and replicate the progress made in the UK.

Directors' and officers' liability insurance

The Company maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties.

Auditor

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

By order of the board



S Wilkins
Director

12th May 2014

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 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

Independent auditor's report

to the members of Domino's Pizza Germany Limited

We have audited the financial statements of Domino's Pizza Germany Limited for the period ended 30 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 December 2012 and of its loss for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (continued)

to the members of Domino's Pizza Germany Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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,

Ernst & Young LLP

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

12/5/2014

Profit and Loss Account

for the period ended 30 December 2012

	Notes	Period from 19 January to 30 December 2012 €
Turnover	2	4,405,057
Cost of sales		(4,027,432)
Gross profit		177,625
Distribution costs		(326,547)
Administrative expenses		(4,183,132)
Operating loss	3	(4,332,054)
Profit on ordinary activities before interest and taxation		-
Interest receivable		-
Interest payable	6	(245,176)
Loss on ordinary activities before taxation		(4,577,230)
Tax on profit on ordinary activities	7	(15,404)
Loss for the financial period		(4,592,634)

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

Domino's Pizza Germany Limited

Registered No 7916193

Balance Sheet

As at 30 December 2012

		At 30 December 2012
	Notes	€
Fixed assets		
Intangible assets	8	749,889
Tangible assets	9	3,784,623
		<u>4,534,512</u>
Current assets		
Stocks	10	85,693
Debtors	11	7,194,356
Cash at bank		183,374
		<u>7,463,423</u>
Creditors amounts falling due within one year	12	<u>(16,575,045)</u>
Net current assets		<u>(9,111,622)</u>
Total assets less current liabilities		<u>(4,577,110)</u>
Provisions for liabilities and charges	13	<u>(15,404)</u>
		<u>(4,592,514)</u>
Capital and reserves		
Called up share capital	15	120
Profit and loss account	16	(4,592,634)
Equity shareholders' funds	16	<u>(4,592,514)</u>

The financial statements were approved by the Board on 12th May 2014 and were signed on its behalf by



S Wilkins

Director

Cashflow Statement

Period from
19 January to
30 December
2012
€

Cashflow from operating activities

Loss before taxation	(4,577,230)
Taxation	(15,404)
Net finance costs	245,176
Amortisation and depreciation	295,924
Decrease/(increase) in inventories	(85,693)
Decrease/(increase) in receivables	(7,194,356)
(Decrease)/increase in payables	16,329,869
Increase in provisions	15,404

Cash generated from operations

5,013,690

Corporation tax

-

Net cash generated by operations

5,013,690

Cashflow from investing activities

Purchase of property, plant and equipment	(4,830,436)
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Net cash used by investing activities

(4,830,436)

Net cashflow before financing

183,254

Cashflow from financing activities

Issue of share capital	120
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Net increase in cash and cash equivalents

183,374

Cash and cash equivalents at the start of the period

Cash and cash equivalents at the end of the period

183,374

Notes to the financial statements

at 30 December 2012

1. Accounting policies

Basis of preparation

The financial statements of Domino's Pizza Germany Limited were approved for issue by the Board of Directors on 17th May 2014

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

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 is amortised on a straight-line basis over 30 years in line with the life of the master franchise agreement which is considered to be the expected useful life.

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated to write down the cost of the assets to their residual values, on a straight-line method on the following bases:

Assets under construction	Not depreciated
Leasehold improvements	Over the life of the lease
Fixtures and fittings	Over 5 to 10 years
Commissary equipment	Over 3 to 30 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, on an annual basis. The majority of assets within commissary equipment are being depreciated over ten years or more. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised. 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.

Notes to the financial statements

at 30 December 2012

1. Accounting policies (continued)

Stocks

Stocks comprise raw materials, consumables and goods for resale (being equipment for resale to franchises) 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.

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.

Functional currency

The functional currency of the company is Euros as the company's primary economic environment in which it operates is Germany.

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.

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 and 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.

Notes to the financial statements

at 30 December 2012

1. Accounting policies (continued)

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 corporate store food sales, commissary and equipment sales, sale of franchises stated net of Value Added Tax and investment income. Substantially all of the goods and services are sold or rendered within Germany.

Turnover is attributable to one continuing activity, that of the development of the Domino's Pizza franchise system in Germany.

3. Operating loss

This is stated after charging/(crediting)

	<i>Period ended 30 December 2012 €</i>
Auditors' remuneration - audit of the financial statements	2,500
- other fees to auditors	-
	<u>2,500</u>
Depreciation of owned fixed assets	273,682
Amortisation	22,242
Operating lease rentals – property	28,863
Operating lease rentals – other equipment	46,486
	<u>371,273</u>

4. Staff costs

	<i>Period ended 30 December 2012 €</i>
Wages and salaries	1,419,389
Social security costs	240,549
Other pension costs	9,223
	<u>1,669,161</u>

Notes to the financial statements

at 30 December 2012

4. Staff costs (continued)

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

	<i>Period ended 30 December 2012</i>
	<i>No</i>
Production and distribution staff	6
Corporate store staff	222
Administrative staff	12
	<u>240</u>

5. Directors' emoluments

The following disclosures relate to the total amounts paid to the directors of Domino's Pizza Germany Limited for their services to this company and other subsidiaries of the Group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of other fellow subsidiaries.

	<i>Period ended 30 December 2012</i>
	<i>€</i>
Emoluments	<u>2,057,460</u>
Company contributions paid to individual personal pension plan	<u>140,880</u>

	<i>Period ended 30 December 2012</i>
	<i>No</i>
Members of money purchase pension schemes	<u>'3</u>

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

	<i>Period ended 30 December 2012</i>
	<i>€</i>
Emoluments	<u>1,044,047</u>
Company contributions paid to individual personal pension plan	<u>79,651</u>

Notes to the financial statements

at 30 December 2012

6. Interest payable

*Period ended
30 December
2012
€*

Shareholder loan interest payable

245,176

245,176

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities
The tax charge is made up as follows

*Period ended
30 December
2012
€*

Current tax

UK corporation tax

-

Total current tax (note 7(b))

-

Deferred tax

Current year origination and reversal of timing differences (note 13)

15,404

Prior year origination and reversal of timing differences (note 13)

-

Tax on profit on ordinary activities

15,404

Notes to the financial statements

at 30 December 2012

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 24.5%. The differences are reconciled below

	<i>Period ended 30 December 2012 €</i>
Loss on ordinary activities before tax	(4,577,230)
Loss on ordinary activities at the standard rate of tax	(1,121,421)
Non-qualifying depreciation	52,766
Other non-qualifying expenditure	11,382
Accelerated capital allowances	(15,404)
Group relief surrender for no charge	1,072,677
Total current tax (note 8(a))	-

In his budget on 20 March 2013, the Chancellor of the Exchequer announced tax changes, which have an effect on the Group's current and future tax position. The changes announced were further decreases from the planned rate of UK corporation tax of 25% to 23% from April 2013 and by a further 1% each year to 20% from April 2015. The reduction of the UK corporation tax rate to 24% from April 2012 and 23% from April 2013 had been substantively enacted during the year. The effect of these changes to the UK tax system have been reflected in the company's financial statements for the 53 weeks ending 30 December 2012 to the extent that they had been substantively enacted by that date.

Notes to the financial statements

at 30 December 2012

8. Intangible fixed assets

	<i>Goodwill</i>	<i>Franchise fee</i>	<i>Total</i>
	€	€	€
Cost			
At 19 January 2012	-	-	-
Additions	712,131	60,000	772,131
At 30 December 2012	712,131	60,000	772,131
Depreciation			
At 19 January 2012	-	-	-
Provided during the period	22,242	-	22,242
At 30 December 2012	22,242	-	22,242
Net book value			
At 30 December 2012	689,889	60,000	749,889
At 19 January 2012	-	-	-

Notes to the financial statements

at 30 December 2012

9. Tangible fixed assets

	<i>Assets under construction</i>	<i>Commissary equipment</i>	<i>Fixtures and fittings</i>	<i>Interest in leases</i>	<i>Total</i>
	€	€	€	€	€
Cost					
At 19 January 2012	-	-	-	-	-
Additions	711,096	96,855	2,997,879	252,475	4,058,305
At 30 December 2012	711,096	96,855	2,997,879	252,475	4,058,305
Depreciation					
At 19 January 2012	-	-	-	-	-
Provided during the period	-	3,245	270,437	-	273,682
At 30 December 2012	-	3,245	270,437	-	273,682
Net book value					
At 30 December 2012	711,096	93,610	2,727,442	252,475	3,784,623
At 19 January 2012	-	-	-	-	-

10. Stocks

	<i>At 30 December 2012 €</i>
Raw materials and goods for resale	85,693

11. Debtors

	<i>At 30 December 2012 €</i>
Trade debtors	630,024
Amounts owed by group undertakings	4,444,368
Other taxes and social security	241,579
Other debtors	1,451,003
Prepayments and accrued income	427,382
	7,194,356

Notes to the financial statements

at 30 December 2012

12. Creditors

amounts falling due within one year

	<i>At 30 December 2012 €</i>
Trade creditors	226,107
Other creditors	119,386
Accruals and deferred income	582,730
Amounts owed to Group undertakings	15,646,822
	<u>16,575,045</u>

13. Provisions for liabilities and charges

	<i>At 30 December 2012 €</i>
Opening balance	-
Current year origination and reversal of timing differences (note 8(a))	15,404
Provision for deferred taxation	<u>15,404</u>

14. Commitments under operating leases

At 30 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Assets other than land and buildings At 30 December 2012 €</i>
Operating leases which expire	
Within one year	-
In two to five years	722,730
Over five years	204,012
	<u>926,742</u>

Notes to the financial statements

at 30 December 2012

15. Share capital

	<i>Authorised</i> <i>At 30</i> <i>December</i> <i>2012</i> <i>£</i>	
Ordinary shares of £1 each	<u>100</u>	
	<i>Allotted, called up and fully paid</i> <i>At 30 December 2012</i>	
	<i>No</i>	<i>£</i>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
		€
Euro equivalent at £1 00 to €1 1975		<u>120</u>

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i> <i>account</i>	<i>Total</i> <i>share-holders'</i> <i>funds</i>
	€	€	€
At 23 January 2012	120	-	120
Loss for the period	-	(4,592,634)	(4,592,634)
At 30 December 2012	<u>120</u>	<u>(4,592,634)</u>	<u>(4,592,514)</u>

Notes to the financial statements

at 30 December 2012

17. Related Party Transactions

During the period the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding with related parties are as follows:

	Sales to related party €	Sales from related party €	Amounts owed by related party €	Amounts owed to related party €
Related party				
Joint Ventures				
2012	686,887	-	473,231	-
2011	-	-	-	-
Group Companies				
2012	-	204,127	4,444,368	15,646,822
2011	-	-	-	-
Total	686,887	204,127	4,917,599	15,646,822

18. Parent company and controlling party

In the opinion of the directors the immediate parent company is Domino's Pizza Germany (Holdings) Limited, a company incorporated in the United Kingdom which is a 75% owned subsidiary of Domino's Pizza Group plc, the ultimate parent company and controlling party. Copies of the financial statements of Domino's Pizza Group plc may be obtained from its registered office: 1 Thornbury, West Ashland, Milton Keynes, MK6 4BB.

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

19. Post Balance Sheet Event

The performance in the period to 29 December 2013 for the German business has been below expectations, particularly in respect of the corporate stores.

A change of management in 2013 gave the Board the opportunity to review and implement a new strategy based on:

- a move to franchise rather than corporate stores,
- a more modest 2014 opening programme – likely to be five stores,
- a standard store format with a 150 square metre template,
- streamlined Support Centre overhead,
- a new e-commerce platform, and
- premium pricing with aggressive promotions.

The summary of this strategy is to ensure a clear focus on store level economics. The implementation of this revised strategy resulted in increased losses in 2013 and significant write-offs. This included the impairment of goodwill and property, plant and equipment amounting to €9.5m. We expect that losses in Germany will continue for several years until we establish sound and replicable store level economics and achieve a critical mass of stores sufficient to support the overhead. Thereafter we hope the growth in contribution from Germany will be significant and replicate the progress made in the UK.