

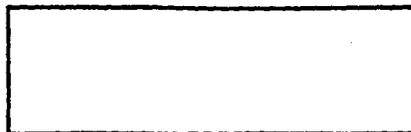


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82- SUBMISSIONS FACING SHEET

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Madrid 26th April 2002

Spanish Exchange Commission
Paseo de la castellana 19
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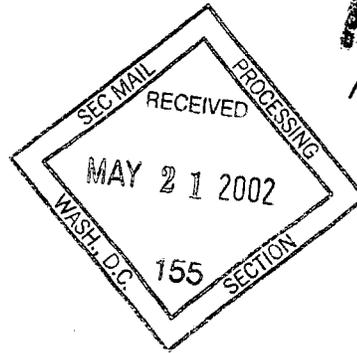
ATT: D. Antonio Mas Sirvent

Dear Sirs,

In compliance with the provisions of Sec. 3° of the 291/92 Act dated 7 March, please find attached the information regarding the 2001 Annual Accounts and the Director's Report of Tele Pizza, S.A. and of TelePizza Group.

Please do not hesitate to contact us if you require further information.

Fernando Zapater Marqués
Chief Executive Manager

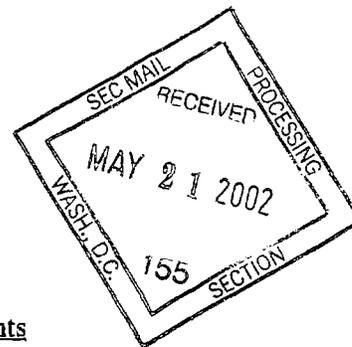


AR/S
1231-01

OFFICE OF THE DIRECTOR
SECURITIES AND EXCHANGE COMMISSION
02 MAY 30 AM 11:45

Audidores

Edificio Torre Europa
 Paseo de la Castellana, 95
 28046 Madrid

**Auditors' Report on the Annual Accounts**

(Translation from the original in Spanish)

To the Shareholders of
 Tele Pizza, S.A.

We have audited the annual accounts of Tele Pizza, S.A. (the Company), which comprise the balance sheet at 31 December 2001, the related statement of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these annual accounts for 2001 also include, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2001. The annual accounts for 2000 were examined by other independent auditors who issued their opinion thereon dated 30 March 2001, which was qualified for non-compliance with generally accepted accounting principles.

In our opinion, these annual accounts for 2001 present fairly, in all material respects, the shareholders' equity and financial position of Tele Pizza, S.A. at 31 December 2001 and the results of its operations and the source and application of funds for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2001 contains such explanations as the directors consider relevant to the situation of the Company, the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2001. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

KPMG AUDITORES, S.L.

(Signed)

José Ignacio Leivar Aragón

21 March 2002



KPMG Auditores S.L.
 KPMG Auditores S.L. es miembro de
 KPMG International, Sociedad S4 22.

Inscrito en el Registro Oficial de Auditores de Cuentas con el n.º 50702.
 y en el Registro de Sociedades del Instituto de Auditores-Censores
 Jurados de Cuentas con el n.º 10.
 (Reg. Mer. Madrid, T. 11 961, F. 6º, Sec. 6.ª, H. M-108 007, Inscritp. 1.ª
 N.I.F. B-78510153)



TELE PIZZA, S.A.

Annual Accounts and Directors' Report

31 December 2001

(With Auditors' Report Thereon)

(Translation from the original in Spanish)

TELE PIZZA, S.A.

Balance Sheets

31 December 2001 and 2000

(Expressed in thousands of Euros)

(Translation from the original in Spanish)

Assets	2001	2000	Shareholders' Equity and Liabilities	2001	2000
Fixed assets			Shareholders' equity (note 13)		
Establishment costs (note 5)	1,096	1,257	Share capital	6,708	6,708
Intangible assets (note 6)	14,848	14,992	Share premium	11,369	11,369
Tangible assets (note 7)	55,875	52,870	Reserves	58,080	58,080
Investments (note 8)	113,469	96,567	Profit/(loss) for the year	<u>(8,169)</u>	<u>(8,169)</u>
Long-term debtors (note 11)	3,620	-			
Own shares (note 9)	<u>13,529</u>	<u>19,558</u>		67,988	70,988
	202,437	185,244	Provisions for liabilities and charges (note 14)	5,037	15,037
Deferred expenses	533	742	Long-term creditors		
			Loans (note 15)	64,878	70,878
Current assets			Other creditors (note 16)	<u>1,101</u>	<u>1,101</u>
Stocks (note 10)	1,400	1,031		65,979	77,979
Debtors (note 11)	55,071	24,577	Current liabilities		
Short-term investments (note 12)	12,462	30,555	Loans (note 17)	67,523	43,523
Cash in hand and at banks	669	820	Group companies (note 18)	49,052	10,052
Prepayments	<u>1,095</u>	<u>389</u>	Trade creditors (note 19)	11,438	15,438
	70,697	57,372	Other creditors (note 20)	6,630	7,630
			Accruals	<u>20</u>	<u>666</u>
				134,663	73,663
	<u>273,667</u>	<u>243,358</u>		<u>273,667</u>	<u>243,358</u>

The accompanying notes form an integral part of the annual accounts for 2001.

TELE PIZZA, S.A.

Statements of Profit and Loss
for the years ended 31 December 2001 and 2000

(Expressed in thousands of Euros)

(Translation from the original in Spanish)

	2001	2000	Income	2001	2000
Operating expenses			Operating income		
Materials consumed (note 10)	89,860	73,272	Net sales (note 21)	195,318	
Personnel expenses (note 22)	57,063	61,296	Other operating income	8,295	
Amortisation and depreciation (notes 5, 6 and 7)	8,957	9,014	Other income from ordinary activities	610	
Changes in trade provisions (notes 10 and 11)	(550)	-	Capital grants		
Other operating expenses	<u>36,127</u>	<u>42,631</u>			
Total operating expenses	191,457	186,213	Total operating income	204,223	
Operating profit	12,766	27,560			
Financial expenses			Financial income		
Interest and similar expenses	7,950	5,201	Income from investments in share capital (note 23)	509	
			Other interest and similar income (note 23)	1,363	
Total financial expenses	7,950	5,201	Total financial income	1,872	
			Net financial expenses	6,078	
Profit on ordinary activities	6,688	24,058			
Extraordinary losses and expenses			Extraordinary profit and income		
Changes in provisions for investments (note 8)	6,479	2,013	Profit on disposal of fixed assets	80	
Changes in provisions for own shares (note 9)	6,029	1	Profit on operations involving own shares	-	
Losses on fixed assets	215	159	Extraordinary income	496	
Extraordinary expenses	6,601	15,516	Prior years' income and profits	363	
Prior years' losses and expenses	<u>2,940</u>	<u>1,928</u>			
Total extraordinary losses and expenses	22,264	19,617	Total extraordinary profit and income	939	
			Net extraordinary expenses	21,325	
Profit for the year before tax	-	12,117	Loss for the year before tax	14,637	
Income tax	-	5,888	Income tax (note 25)	6,468	
Profit for the year	-	6,229	Loss for the year	8,169	

The accompanying notes form an integral part of the annual accounts for 2001.

(1) Nature and Principal Activities

Tele Pizza, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 15 June 1988. Its registered offices are located in Madrid.

The statutory activity of the Company consists of economic studies, sales promotion of all types of products on behalf of third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacture, distribution and commercialisation of products for human consumption, on behalf of the Company or third parties, and renting of machinery and equipment to third parties. All or part of these activities may be carried out indirectly by the Company either through the ownership of shares or shareholdings in companies with identical or similar activities or by any other manner permitted by Spanish legislation.

The principal activity of Tele Pizza, S.A. consists of the management and operation of fast-food sales outlets and restaurants under the brandname TelePizza, for consumption at home and on the premises. At 31 December 2001 this activity is carried through premises owned by the Company and franchises, all located in Spain.

The franchise activity consists mainly of advising on the management of shops and restaurants owned by third parties that operate under the TelePizza brandname. The Company receives a percentage of its franchisees' sales (royalty) for these services.

The Company centralises the promotion and advertising activities of all the restaurants and shops operating in Spain under the TelePizza brandname, a number of which are operated by subsidiaries.

The Company has incorporated and invested in companies which comprise the Tele Pizza Group, which generally carry out the same activities, in Spain and abroad (see note 8).

In 2000 the Company took certain action to restructure the organisation of its business units. At an extraordinary general meeting held on 1 December 2000 the shareholders of Tele Pizza, S.A. agreed to transfer the industrial business activity to a group company, Elaboración y Suministros de Alimentos, S.L. (Eysal). As a result of this restructuring, since 1 December 2000 the Company is no longer directly in charge of the production activity, supply of raw materials or storage and distribution of products.

Notes to the Annual Accounts

(2) Basis of Presentation

The directors of the Company have prepared these annual accounts in the format established by prevailing Spanish legislation to present fairly the shareholders' equity, financial position, results of operations and changes in financial position for 2001, and to present the proposed application of the loss for the year.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Company. The directors consider that the annual accounts for 2001 will be approved without significant changes.

As required by Spanish accounting principles, the balance sheet, statement of profit and loss and disclosure of source and application of funds for 2001 include comparative figures for the prior year, which formed a part of the 2000 annual accounts approved by the shareholders at their annual general meeting held on 22 June 2001. To facilitate comparison in the statement of profit and loss, Euros 8,920 thousand have been reclassified between net sales and other operating income. As permitted by such principles, the Company has opted to omit comparative data for 2000 from the notes to the accounts for 2001.

At 31 December 2001 the Company has negative working capital which while being characteristic of the sector, is mainly due to investments in fixed assets during the year.

Since the end of 2001 the Company has prepared its accounting records in Euros. Consequently, the comparative figures for 2000 included in the balance sheet, statement of profit and loss, disclosure of source and application of funds have been converted by applying the fixed exchange rate between the Euro and the Peseta and regulations regarding roundings.

(3) Application of Loss

The directors propose that the loss for the year ended 31 December 2001 be carried forward as accumulated losses. This proposal is subject to the approval of the shareholders at their annual general meeting.

The distribution of earnings for the year ended 31 December 2000, carried out in 2001, is shown in the details of changes in shareholders' equity in note 13.

(4) Significant Accounting Principles

The accompanying annual accounts have been prepared in accordance with accounting principles established in the Spanish General Chart of Accounts, the most significant of which are as follows:

(a) Establishment costs

Establishment costs, which comprise those incurred on opening new shops and increasing share capital, are stated at cost less accumulated amortisation calculated on a straight line basis over a period of five years.

(b) Intangible assets

Intangible assets are stated at cost of acquisition or direct cost of production, as appropriate, net of accumulated amortisation as follows:

- Concessions, patents, licences, trademarks and similar items are stated at cost and amortised on a straight line basis over the four-year period in which they are estimated to provide revenues.
- Goodwill arising from acquisitions is stated at cost. Goodwill on merger operations corresponds to the difference between the net book value of the interests held by Tele Pizza, S.A. and the shareholders' equities of the absorbed companies, to the limit of the market value. Goodwill is amortised systematically over the twenty-year period in which it is estimated to provide revenues.
- Charges paid for the award of administrative concessions are amortised on a straight line basis over the period of each concession.
- Software is stated at cost and, once installation has been completed, is amortised on a straight line basis over the four-year period of expected use. Software maintenance costs are expensed when incurred.
- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are amortised on a straight line basis over the useful lives of the leased assets. The total lease instalments and the amount of the purchase option are recorded as a liability. The initial difference between the total debt and the cash value of the asset, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using a financial method. When the purchase option is exercised, the cost and accumulated depreciation of these goods is transferred to the corresponding tangible asset category.

(c) Tangible assets

Tangible assets are stated at cost, less accumulated depreciation.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	33
Plant and machinery	7-10
Other installations, equipment and furniture	10
Motor vehicles	2
Information technology equipment	5

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

As contracts for the rental of premises are generally for a period of ten years or more, costs incurred on improvements made and refurbishment are depreciated over the estimated useful lives of the installations.

(d) Investments

Investments in group companies are stated at cost of acquisition, including other inherent costs. Cost does not include accrued dividends not paid at the acquisition date.

Provision is generally made for a decline in value of investments where circumstances so dictate. In the case of share capital holdings, provision is made where cost exceeds the underlying net book value, adjusted to take into account any latent unrecorded goodwill at year end.

Investments in group companies are not consolidated for the purposes of the individual accounts of the Company and are stated at cost. The Company prepares separate consolidated annual accounts at 31 December 2001, which show shareholders' equity and profit attributable to the Parent company of Euros 93,117 thousand and Euros 5,128 thousand, respectively.

(e) Own shares

Own shares associated with stock option plans are stated at average weighted cost of acquisition. Provision is made to reflect these shares at market value.

(f) Deferred expenses

Deferred expenses comprise loan arrangement expenses and deferred interest on debts and are expensed over the terms of the corresponding debts using a financial method.

Notes to the Annual Accounts

(g) Stocks

Stocks are stated at average weighted cost.

The Company makes provision for stocks where cost exceeds market value or when circumstances indicate doubtful recovery of such costs.

(h) Debtors

The Company makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

(i) Foreign currency transactions

Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are taken to profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in Euros at rates of exchange approximating those at 31 December. Unrealised foreign exchange losses, determined for groups of currencies with similar maturity or market trends, are charged to expenses while unrealised exchange gains, similarly determined, are deferred.

(j) Current/Long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(k) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued

In the absence of any foreseeable need for abnormal termination of employees' services and because indemnities are not payable to employees retire or voluntarily leave the Company, indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(l) Income taxes

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, if applicable, are included in deferred tax assets or liabilities.

Tax credits in respect of loss carryforwards are recognised as deferred tax assets when the directors of the Company consider their future realisation to be reasonably assured based on estimated profitability on normal business activities. Should this not be the case, tax credits are recognised as a reduction of income tax expense in the year in which the loss is utilised.

Notes to the Annual Accounts

(5) Establishment Costs

Movement in establishment costs during 2001 is as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	Transfers (note 7)	
Start-up costs	1,225	265	(9)	28	1,509
Share issue costs	<u>32</u>	-	-	-	<u>32</u>
	1,257	265	(9)	28	1,541
Less, accumulated amortisation	-	(445)	-	-	(445)
	<u>1,257</u>	<u>(180)</u>	<u>(9)</u>	<u>28</u>	<u>1,096</u>

Opening balances are disclosed net of accumulated amortisation.

(6) Intangible Assets

Details of intangible assets and movement during 2001 are as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	Transfers (note 7)	
Cost					
Concessions, patents, licences, trademarks and similar	1,566	146	(35)	-	1,677
Goodwill	9,634	-	-	146	9,780
Software	2,214	975	-	(95)	3,094
Rights over leased assets	3,252	-	-	-	3,252
Software in progress	<u>1,299</u>	<u>275</u>	<u>(18)</u>	-	<u>1,556</u>
	17,965	1,39	(53)	51	19,359
Accumulated amortisation					
Concessions, patents, licences, trademarks and similar	(977)	(210)	22	-	(1,165)
Goodwill	(679)	(526)	-	(146)	(1,351)
Software	(750)	(588)	-	-	(1,338)
Rights over leased assets	<u>(567)</u>	<u>(90)</u>	-	-	<u>(657)</u>
	<u>(2,973)</u>	<u>(1,41)</u>	<u>22</u>	<u>(146)</u>	<u>(4,511)</u>
	<u>14,992</u>	<u>(18)</u>	<u>(31)</u>	<u>(95)</u>	<u>14,848</u>

The Company has contracted certain assets through lease financing, comprising commercial premises, furniture, information technology and other equipment.

TELE PIZZA, S.A.

Notes to the Annual Accounts

Details of these assets and the most significant contracts signed are as follows:

Asset	Date of contract	Number of monthly instalments	Thousands of Euros		
			Cash value	Amount of final instalment	Purchase option
Commercial premises	03/92	120	322	5	48
Commercial premises	06/92	120	195	2	23
Commercial premises	05/95	120	511	7	7
Commercial premises	10/94	120	258	3	39
Commercial premises	01/94	120	270	3	47
Commercial premises	03/95	120	210	1	37
Commercial premises	07/94	120	219	3	3
Commercial premises	02/94	120	361	4	3
Commercial premises	06/94	120	240	3	3
Commercial premises	03/94	120	452	5	6
Commercial premises	11/95	120	177	2	3
Furniture	01/95	36	5	-	-
Information technology equipment	01/99	36	4	-	-
Information technology equipment	01/99	36	4	-	-
Information technology equipment	01/99	36	3	-	-
Motorbikes	03/98	60	7	-	-
Motorbikes	02/99	36	7	-	-
Motorbikes	01/99	36	<u>7</u>	-	-
Total cost			3,25		
Less, accumulated amortisation			<u>(657)</u>		
				<u>2,59</u>	

A summary of the liabilities resulting from these operations at 31 December 2001 is as follows:

	Thousands of Euros
Total liability under the contracts	4,646
Payments made	
In prior years	(2,957)
During the year	<u>(449)</u>
Lease financing creditors	<u>1,240</u>

Notes to the Annual Accounts

Details of these liabilities are as follows:

	Thousands of Euros		
	Long term	Short term	Total
Principal	629	366	995
Interest	41	49	90
VAT	<u>101</u>	<u>54</u>	<u>155</u>
	<u>771</u> (note 15)	<u>469</u> (note 17)	<u>1,240</u>

Details of fully amortised assets at 31 December 2001 are as follows:

	Thousands of Euros
Concessions, patents, licences, trademarks and similar	961
Software	<u>9</u>
	<u>970</u>

It is Company policy to contract insurance policies to cover any risks that may arise on intangible assets.

Notes to the Annual Accounts

(7) Tangible Assets

Details in tangible assets and movement during 2001 are as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	Transfers (notes 5 and 6)	
Cost					
Land and buildings	13,847	2,517	-	(1,204)	15,1
Plant and machinery	51,376	5,969	(7,475)	968	50,8
Other installations, equipment and furniture	4,092	385	(434)	652	4,6
Motor vehicles	4,202	510	(1,495)	-	3,2
Information technology equipment	8,165	1,301	(828)	113	8,7
Fixed assets under construction	-	5,800	(926)	856	5,7
	81,682	16,482	(11,158)	1,385	88,3
Accumulated depreciation					
Buildings	(573)	(116)	-	-	(689)
Plant and machinery	(18,051)	(4,880)	2,813	(1,047)	(21,1)
Other installations, equipment and furniture	(1,425)	(384)	152	(413)	(2,0)
Motor vehicles	(3,368)	(481)	1,286	-	(2,5)
Information technology equipment	(5,222)	(1,237)	461	142	(5,8)
	(28,639)	(7,098)	4,712	(1,318)	(32,3)
Provision for depreciation	(173)	-	-	-	(173)
	<u>52,870</u>	<u>9,384</u>	<u>(6,446)</u>	<u>67</u>	<u>55,8</u>

Additions mainly reflect the acquisition of land for the construction of a new logistics distribution platform and new Company head offices in San Sebastian de los Reyes (Madrid), which should be completed by September 2002 (see note 27). Additions also include investments in installations and machinery in new shops and as a result of a change in the format of existing shops.

Disposals mainly reflect assets ceded from own shops converted into franchises.

Details of fully depreciated assets at 31 December 2001 are as follows:

	Thousands of Euros
Plant and machinery	4,517
Other installations, equipment and furniture	409
Motor vehicles	2,685
Information technology equipment	3,448
	<u>11,059</u>

It is Company policy to contract insurance policies to cover any risks that may arise on tangible assets.

Notes to the Annual Accounts

(8) Investments

Investments at 31 December 2001 and movement during the year are as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	Transfers (note 12)	
Investments in group companies	99,956	21,855	-	(959)	120,852
Investments in associated companies	65	-	-	-	65
Long-term investments	33	-	(33)	-	-
Credit for losses to be offset in the long term (note 25)	-	2,620	-	-	2,620
Other loans	1,238	72	(302)	-	1,008
Guarantee deposits	<u>1,589</u>	<u>97</u>	<u>-</u>	<u>-</u>	<u>1,686</u>
	102,881	24,644	(335)	(959)	126,231
Less, provisions for investments	<u>(6,314)</u>	<u>(6,905)</u>	<u>426</u>	<u>31</u>	<u>(12,762)</u>
	<u>96,567</u>	<u>17,739</u>	<u>91</u>	<u>(928)</u>	<u>113,469</u>

Details of investments in group companies, which at no time are listed on the stock exchange, are included in the accompanying Appendix I, which forms an integral part of this note. All the companies included have been audited at 31 December 2001, except Telepizza Fuenlabrada, S.A., Telepizza Algeciras, S.A., Circol, S.A. and Telepizza Maroc, S.A., which have been subject to limited review, and Lubasto Holding, B.V. as it is not representative.

The activity of the subsidiaries is essentially the same as that of Tele Pizza, S.A., except for Lubasto Holding, B.V., which holds 50% of the shares of A Tu Hora, S.A., a company operating in the electronic commerce area.

At 31 December 2001 the subsidiaries Telepizza UK, plc and Telepizza Maroc, S.A. have negative equity. The Company has made provision for liabilities and charges to cover the accumulated losses in these subsidiaries (see note 14).

Details of movement in the provision for the decline in value of investments are as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Charge	Reversa l	Transfer	
Telepizza France, S.A.	4,268	4,792	-	-	9,060
Telepizza UK, plc	1,092	1,695	-	-	2,787
Telepizza Poland Sp. Z o.o.	429	-	(426)	(3)	-
Circol, S.A.	435	-	-	-	435
Vending Pizza, S.A.	31	-	-	(31)	-
Lubasto Holding B.V.	-	418	-	-	418
Telepizza Maroc, S.A.	<u>59</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>62</u>

Notes to the Annual Accounts

6.314 6.905 (426) (31) 12.762

(9) Own Shares

During 2001 the Company has maintained 7,775,000 own shares without movement, in order to comply with the stock option plans for employees of the Company. The total nominal value amounts to Euros 233 thousand, representing 3.48% of the share capital at 31 December 2001. In accordance with article 79.3 of the Spanish Companies Act, the Company has created the corresponding mandatory non-distributable reserve (see note 13(d)).

The Company has made provision for the difference between the average acquisition cost of the aforementioned own shares and their listed price on the stock exchange at 31 December 2001. Movement is as follows:

	Thousands of Euros		
	Balances at 31.12.00	Additions	Balances at 31.12.01
Acquisition cost	35,263	-	35,263
Less, provisions	(15,705)	(6,029)	(21,734)
	<u>19,558</u>	<u>(6,029)</u>	<u>13,529</u>

Of the total number of own shares, 5,011,394 shares are assigned to the Company stock option plans. The remaining 2,736,606 shares will cover new stock option plans, the terms and conditions of which will be proposed, when appropriate, by the board of directors at the general shareholders meeting. The exercise price of the options will be higher than the net book value of the shares recorded in the balance sheet at 31 December 2001.

(10) Stocks

This caption comprises foodstuffs and other products.

In 2001 the Company has reversed the provision of Euros 434 thousand for obsolescence made on 31 December 2000.

The total cost of materials consumed during 2001 was as follows:

	Thousands of Euros
Purchases (note 23)	89,795
Change in stocks	<u>65</u>
	<u>89,860</u>

It is Company policy to contract insurance policies to cover any risks that may arise on stocks.

TELE PIZZA, S.A.

Notes to the Annual Accounts

(11) Debtors

Details of debtors are as follows:

	Thousands of Euros	
	<u>Long term</u>	<u>Short term</u>
Trade debtors	3,620	8,420
Group companies (note 18)	-	36,544
Sundry debtors	-	4,788
Public entities	<u>-</u>	<u>5,398</u>
	3,620	55,150
Less, provision for doubtful debts	<u>-</u>	<u>(79)</u>
	<u>3,620</u>	<u>55,071</u>

Long term debtors mature is as follows:

	<u>Thousands of Euros</u>
Two years	1,321
Three years	312
Four years	312
Five years	312
Thereafter	<u>1,363</u>
	<u>3,620</u>

Debtor balances with public entities include the following:

	<u>Thousands of Euros</u>
With tax authorities	
Tax rebate	1,671
Withholdings and payments on account	22
Credit for losses to be offset in the short term (note 25)	<u>3,705</u>
	<u>5,398</u>

Notes to the Annual Accounts

Movement in the provision for doubtful debts during 2001 is as follows:

	<u>Thousands of Euros</u>
Balance at 1 January	195
Charges	79
Reversals	<u>(195)</u>
Balance at 31 December	<u>79</u>

(12) Short-Term Investments

Details of short-term investments are as follows:

	<u>Thousands of Euros</u>				<u>Balances at 31.12.01</u>
	<u>Balances at 31.12.00</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers (note 8)</u>	
Short-term investments	-	-	-	959	959
Loans to group companies (note 18)	30,21	35,259	(54,306)	-	11,17
Short-term investment securities	256	-	-	-	256
Dividend (note 18)	-	164	-	-	164
Other loans	94	-	(94)	-	-
Short-term guarantee deposits	<u>90</u>	<u>-</u>	<u>(44)</u>	<u>-</u>	<u>46</u>
	30,65	35,423	(54,444)	959	12,59
Provision for decline in value of investments	<u>(104)</u>	<u>-</u>	<u>-</u>	<u>(31)</u>	<u>(135)</u>
	<u>30,55</u>	<u>35,423</u>	<u>(54,444)</u>	<u>928</u>	<u>12,46</u>

The Company has classified as short-term certain investments in group companies which will be disposed in 2002 (see Appendix I).

In 2001 the Company has written off loans of Euros 14,525 thousand extended to its subsidiary Vending Pizza, S.A. and applied the provision made in prior years (see note 14).

Notes to the Annual Accounts

(13) Shareholders' Equity

Movement in shareholders' equity is as follows:

	Thousands of Euros							Total
	Share capital	Share premium	Legal reserve	Own shares reserve	Merger reserve	Voluntary reserves	Profit and loss	
Balances at 31.12. 00	6,708	11,369	1,290	19,55	13	30,990	6,229	76,157
Distribution of 2000 profit	-	-	-	-	-	6,229	(6,229)	-
Adjustment of reserves for own shares	-	-	-	(6,02	-	6,029	-	-
2001 loss	-	-	-	-	-	-	(8,169)	(8,169)
Balances at 31.12. 01	<u>6,708</u>	<u>11,369</u>	<u>1,290</u>	<u>13,52</u>	<u>13</u>	<u>43,248</u>	<u>(8,169)</u>	<u>67,988</u>

(a) Share capital

At 31 December 2001 share capital consists of 223,597,400 registered shares of Euros 0.03 par value each, fully subscribed and paid. All shares have the same voting and profit sharing rights, except own shares (see note 9), the voting and profit sharing rights of which are suspended. At 31 December 2001 no shareholder has an interest of over 10% of the share capital.

All shares are quoted on the stock exchange.

(b) Share premium

The share premium is subject to the same restrictions and may be used for the same purposes as the voluntary reserves of the Company, including conversion into share capital.

(c) Legal reserve

Companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital.

(d) Reserve for own shares

In accordance with article 79 of the Spanish Companies Act, the Company has provided an amount for own shares in special situations (see note 9). This reserve is not distributable unless the shares are disposed of or redeemed by the Company.

TELE PIZZA, S.A.

Notes to the Annual Accounts

(e) Voluntary reserves

Voluntary reserves are freely distributable, except for Euros 9,525 thousand corresponding to establishment costs and goodwill pending amortisation at 31 December 2001.

(14) Provisions for Liabilities and Charges

Provisions for liabilities and charges mainly comprise the estimated amounts needed to cover contingencies for liabilities that could arise, directly or indirectly, from the Company's activities. Movement in 2001 is as follows:

	Thousands of Euros				Balance at 31.12.01
	Balance at 31.12.00	Charges	Reversa ls	Applications	
Investments in group companies	-	3,898	-	-	3,8
Vending Pizza, S.A. (note 12)	14,853	-	(328)	(14,525)	-
Other provisions	<u>149</u>	<u>990</u>	<u>-</u>	<u>-</u>	<u>1.1</u>
	<u>15,002</u>	<u>4,888</u>	<u>(328)</u>	<u>(14,525)</u>	<u>5.0</u>

Details of the provision for investments in group companies are as follows:

	Thousands of Euros
Telepizza UK, plc	3,230
Telepizza Maroc, S.A.	<u>668</u>
	<u>3,898</u> (note 8)

(15) Long-Term Loans

Details of long-term loans are as follows:

Type	Final maturity	Thousands of Euros	
		Original amount	Balance at 31.12.01
Syndicated loan	20,07,2005	96,162	85,477
Less, short-term maturities (note 17)			<u>(21,370)</u>
			64,107
Lease finance creditors (note 6)			<u>771</u>
			<u>64,878</u>

TELE PIZZA, S.A.

Notes to the Annual Accounts.

Lease finance creditors (note 6)

771

64.878

The syndicated loan bears interest at market rates.

Details of the maturities of the syndicated loan are as follows:

<u>Maturity</u>	<u>Thousands of Euros</u>
One year	21,370
Two years	21,370
Three years	21,369
Four years	<u>21,368</u>
	<u>85,477</u>

(16) Other Long-Term Creditors

Details of other long-term creditors are as follows:

	<u>Thousands of Euros</u>
Deferred tax liability (note 25)	595
Deposits received	320
Other creditors	<u>186</u>
	<u>1,101</u>

(17) Short-Term Loans

Details of this caption are as follows:

	<u>Thousands of Euros</u>	
	<u>Limit</u>	<u>Drawn down</u>
Credit facilities	49,1	45,138
Short-term syndicated loan (note 15)		21,370
Accrued interest		546
Lease finance creditors (note 6)		<u>469</u>
		<u>67,523</u>

Credit facilities bear interest at market rates and maybe extended on maturity if required.

(18) Balances with Group and Associated Companies

Balances with group and associated companies at 31 December are as follows:

	Thousands of Euros	
	Debtors	Creditors
Trade debtors (note 11)	12,546	-
Current accounts (note 11)	23,998	-
Loans extended (note 12)	11,172	-
Loans received	-	28,592
Current accounts	-	7,460
Suppliers	-	13,000
Dividend receivable (note 12)	<u>164</u>	<u>-</u>
	<u>47,880</u>	<u>49,052</u>

Loans received from and extended to group and associated companies accrue interest at market rates.

(19) Trade Creditors

Details are as follows:

	Thousands of Euros
Suppliers	1,434
Creditors for services rendered	9,078
Advances from customers	<u>926</u>
	<u>11,438</u>

(20) Other Creditors

Details are as follows:

	Thousands of Euros
Public entities	3,995
Salaries payable	1,929
Other debts	<u>706</u>
	<u>6,630</u>

TELE PIZZA, S.A.

Notes to the Annual Accounts

Credit balances with public entities include the following:

	Thousands of Euros
With tax authorities	
Withholdings	744
VAT payable	475
Social Security	1,272
Deferred tax liabilities (note 25)	<u>1,504</u>
	<u>3,995</u>

(21) Net Sales

Distribution of net sales by geographical markets is as follows:

	Thousands of Euros
Domestic market	193,326
Exports	<u>1,992</u>
	<u>195,318</u>

All the Company's sales have been made in Pesetas or Euros.

(22) Personnel Expenses

Details are as follows:

	Thousands of Euros
Wages and salaries	45,438
Social Security	11,508
Other social charges	<u>117</u>
	<u>57,063</u>

The average number of equivalent fulltime employees, distributed by category, is as follows:

Management	35
Shop managers	202
Administrative staff	94
Other personnel	<u>3,039</u>
	<u>3,370</u>

The average headcount in 2001 has been 6,676.

Notes to the Annual Accounts

(23) Transactions with Group and Associated Companies

The main transactions with Group and associated companies, detailed by item, are as follows:

	Thousands of Euros
Sales	15,860
Purchases	85,778
Services rendered	6,326
Services received	66
Financial income	1,270
Financial expenses	960
Dividends received	509

(24) Remuneration of and Balances with Directors

During the year ended 31 December 2001 the directors of the Company earned remuneration of Euros 769 thousand in respect of allowances, salaries and other items.

At 31 December 2001 the Company has no advances or loans with directors and has no pensions or insurance premiums commitments with members of the board.

(25) Taxation

The standard rate of tax is 35%, reduced by certain credits.

Due to the treatment permitted by fiscal legislation for certain transactions, the accounting loss differs from the tax loss. A reconciliation of accounting loss for the year with the tax loss that the Company expects to declare after approval of the annual accounts is as follows:

	Thousands of Euros
Loss for the year, before income tax	(14,637)
Permanent differences	
Provision for Vending Pizza, S.A. (note 14)	(14,525)
Provision for own shares (note 9)	6,029
Provision for investments (note 14)	3,898
Others, net	<u>584</u>
Adjusted accounting loss	(18,651)
Timing differences	
Reversal of prior years	
- Fiscal plan for accelerated depreciation	<u>580</u>
Tax loss	(18,071)
Tax at 35%	<u>6,325</u>
Credit for losses available for offset	<u>6,325</u>

Notes to the Annual Accounts

The income tax credit for the year is calculated as follows:

	Thousands of Euros
Accounting loss at 35%	(6,527)
Tax on foreign profits	<u>59</u>
	<u>(6,468)</u>

The Company has recognised a tax credit of Euros 6,325 thousand for losses incurred during the year. Euros 2,620 thousand have been recorded in the long term and Euros 3,705 thousand have been disclosed under short term based on the respective periods in which these losses are expected to be offset (see notes 8 and 11).

In 2001 the Company has also recorded deferred tax liability of Euros 1,184 thousand due to the difference between the estimate of income tax payable for 2000 and the final settlement made in 2001. This is in addition to the amounts shown in the above reconciliation.

Details of timing differences in the recognition of expenses and income for accounting and tax purposes and the corresponding accumulated deferred tax assets and liabilities, including the adjustment described in the previous paragraph, are as follows:

	Thousands of Euros	
	Timing differences	Tax effect
Deferred tax liabilities		
Fiscal plan for accelerated depreciation	1,783	624
Fiscal plan for reinvestment – capital gain on Delivery Delta	4,043	1,415
Lease financing operations	<u>171</u>	<u>60</u>
	<u>5,997</u>	<u>2,099</u>

At 31 December 2001 the Company has classified Euros 595 thousand as a long-term deferred tax liability (see note 16). The remaining amount is recorded as short-term (see note 20).

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At 31 December 2001 the Company has open to inspection by the tax authorities all applicable taxes since 1 January 1997. The board of directors of the Company does not expect that significant additional liabilities would arise in the event of inspection.

In accordance with Spanish tax legislation, losses declared may be carried forward to be offset against profits of the fifteen subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the tax authorities' power of inspection. On the basis of income tax returns filed for 2001 the Company has loss carryforwards of Euros 18,071 thousand generated during this year which may be offset until 2016.

Notes to the Annual Accounts

(26) Guarantees to Third Parties and Other Contingent Liabilities

At 31 December 2001 the Company has obtained bank guarantees of Euros 1,581 thousand.

(27) Subsequent Events

On 18 January 2002 the Company entered into a contract whereby it undertook to sell the building under construction to which the Company, as lessee, will transfer its new headquarters. This contract establishes that the Company will be responsible for continuing construction work and will deliver the building on completion.

The directors of the Company estimate that no loss will be incurred on the aforementioned sale commitment.

(28) Statements of Source and Application of Funds

The statements of source and application of funds for the 2001 and 2000 are shown in Appendix II, which forms an integral part of this note to the annual accounts.

(Translation from the original in Spanish)

1. Company's position and Business performance

In 2001 Tele Pizza, S.A. incurred a net loss of Euros 8.17 million. This figure has been particularly affected by significant extraordinary losses, mainly derived from closure of operations in the UK and Morocco, as well as a provision for the decline in the value of own shares.

Tele Pizza, S.A. has continued to pursue its development strategy as a franchise business. This year the Company has introduced a new support structure for franchisees, leading to significant improvements in the quality of the advisory services provided, which have been recognised in the award to the Company from the Spanish Association for the Development and Defence of Franchisees (AEDEF).

In 2001 Tele Pizza, S.A. began development of a new concept, *La Piazza*, focusing on pizza consumption outside the home. The chain is the first to provide pizza as the main product of a wide range of fast service offerings. By the end of 2001 seven restaurants are in operation. This number is expected to rise to 14 during 2002.

Plans to expand in towns of less than 30,000 inhabitants have continued with 21 franchises operational at the end of 2001. A further 20 franchises are currently being opened.

2. R&D

Research and development policies have continued along the same lines as in prior years.

3. Own shares

At 31 December 2001 the Company has 7,775,000 own shares with a total nominal value of Euros 233 thousand, representing 3.48% of share capital. In accordance with article 79.3 of the Spanish Companies Act, Tele Pizza, S.A. has provided for the mandatory non-distributable reserve.

4. Significant subsequent events

On 18 January 2002 the Company has formally undertaken to sell the building under construction to which the Company, as lessee, will transfer its new head offices in 2002.

The contract will be executed in public deed once construction of the building has been completed by the Company.

TELE PIZZA, S.A.

Diligencia de Firma

The Annual Accounts and the Director's Report , which are included on pages above, were prepared by the Board of Directors of Tele Pizza, S.A., during its meeting held on 21 March 2002. In this same meeting, the Chairman and Secretary of the Board signed the aforementioned pages in representation of the other Board members.

Pedro Ballvé Lantero
Chairman

José Carlos Olcese Santonja
Vice-Chairman

Aldo Olcese Santonja
Board Member

Alfonso Martínez de Irujo Fitz-James Stuart
Board Member

Rainiero Vanni D'Archirafi
Board Member

Joaquín Cayuela Vergés
Board Member

Antonio Catalán Díaz
Board Member

Claudio Boada Palleres
Board Member

Rafael Hernández García
Board Member

Guillermo de la Dehesa Romero
Board Member

Fernando Zapater Marques
Board Member

Javier Gaspar Pardo de Andrade
Non Board Member Secretary

Vending Pizza, S.A.	51.0%	60	(12,014)	-	(2,572)	-	(14,526)	31	-
Vending Universe, S.L.	51.0%	60	-	-	-	-	60	31	31
PW España, S.L.	100.0%	3	-	-	-	-	3	3	3
Telecocina Mediterránea, S.L.	100.0%	3	-	-	-	-	3	3	3
Teleoriental, S.L.	100.0%	3	-	-	-	-	3	3	3
Telegrill España, S.L.	100.0%	3	-	-	-	-	3	3	3
Telepizza Hellas, A.E.	60.0%	1,467	-	34	-	-	1,501	885	885
								<u>959</u>	<u>928</u>

This Appendix forms an integral part of note 8 to the annual accounts for 2001, in conjunction with which it should be read.

TELE PIZZA, S.A.

Statements of Source and Application of Funds
for the years ended 31 December 2001 and 2000

(Expressed in thousands of Euros)

(Translation from the original in Spanish)

Applications	2000		2001		Sources
	2000	2001	2000	2001	
Acquisitions of fixed assets					
Establishment costs		265	1,303		
Intangible assets		1,396	6,825		6,229
Tangible assets		16,482	25,628		9,014
Investments		24,044	42,252		2,064
Long-term debtors		3,620	-		(4,873)
Own shares		-	<u>26,520</u>		(2,419)
		46,407	102,528		-
Deferred income		-	3		-
Deferred expenses		-	455		<u>4,560</u>
		-			18,200
Cancellation or transfer to short term of long-term debt		11,319	260		24,190
Application of provisions for liabilities and charges		14,525	-		268
		-	-		<u>11,369</u>
		-			18,428
		-			46
		-			-
		-			161
		-			928
		-			6,351
		-			335
		-			-
		-			<u>46,276</u>
		-			<u>8,623</u>
Total applications		<u>72,251</u>	<u>103,246</u>		<u>72,251</u>
					<u>103,246</u>

	2001		2000	
	Increases	Decreases	Increases	Decreases
Stocks	369	-	-	4,617
Debtors	30,494	-	-	745
Current liabilities	-	59,601	-	24,981
Short-term investments	-	18,093	24,859	-
Cash in hand and at banks	-	151	-	2,521
Prepayments	<u>706</u>	-	-	<u>618</u>
	31,569	77,845	24,859	33,482
Increase in working capital	<u>46,276</u>	-	<u>8,623</u>	-
	<u>77,845</u>	<u>77,845</u>	<u>33,482</u>	<u>33,482</u>

This Appendix forms an integral part of note 28 to the annual accounts for 2001, in conjunction with which it should be read.

Madrid 26th April 2002

Spanish Exchange Commission
Paseo de la castellana 19
MADRID

ATT: D. Antonio Mas Sirvent

Dear Sirs,

In compliance with the provisions of Sec. 3° of the 291/92 Act dated 7 March, please find attached the information regarding the 2001 Annual Accounts and the Director's Report of Tele Pizza, S.A. and of TelePizza Group.

Please do not hesitate to contact us if you require further information.

Fernando Zapater Marqués
Chief Executive Manager

Audidores

Edificio Torre Europa
 Paseo de la Castellana, 95
 28046 Madrid

Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish)

To the Shareholders of
 Tele Pizza, S.A.

We have audited the consolidated annual accounts of Tele Pizza, S.A. (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2001, the related consolidated statement of profit and loss for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2001 also include, for each individual caption in the consolidated balance sheet and statement of profit and loss, comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2001. The consolidated annual accounts for 2000 were examined by other independent auditors who issued their opinion thereon dated 30 March 2001, which was qualified for non-compliance with generally accepted accounting principles.

In our opinion, these consolidated annual accounts for 2001 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Tele Pizza, S.A. and its subsidiaries at 31 December 2001 and the consolidated results of operations for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2001 contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2001. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Tele Pizza, S.A. and its subsidiaries.

KPMG AUDITORES, S.L.

(Signed)

José Ignacio Leivar Aragón

21 March 2002



KPMG Auditores S.L.
 KPMG Auditores S.L. es miembro de
 KPMG International Society of Swiss

Inscrita en el Registro Oficial de Auditores de Cuentas con el n.º 30702,
 y en el Registro de Sociedades del Instituto de Auditores-Censores
 Jurados de Cuentas con el n.º 10.
 Reg. Mer. Madrid, T. 11.981, F. Ba, Svo. 8, H. M-188.007, Madrid. I.º
 N.I.F. B-78910133



TELE PIZZA, S.A. AND SUBSIDIARIES
Consolidated Annual Accounts and Directors' Report
31 December 2001
(With Auditors' Report Thereon)
(Translation from the original in Spanish)

TELE PIZZA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2001 and 2000

(Expressed in thousands of Euros)

(Translation from the original in Spanish)

	Assets		Shareholders' Equity and Liabilities	
	2001	2000	2001	2000
Fixed assets				
Establishment costs (note 4)	2,454	4,936	Shareholders' equity (note 13)	6,708
Intangible assets (note 5)	18,788	24,719	Share capital	67,275
Tangible assets (note 6)	133,496	133,227	Parent company reserves	14,006
Investments (note 7)	13,293	6,444	Reserves in consolidated companies	<u>5,128</u>
Long-term trade debtors (note 11)	12,381	-	Profit for the year attributable to Parent company (note 23)	
Parent company shares (note 8)	<u>13,529</u>	<u>19,558</u>		93,117
	193,941	188,884	Minority interests (note 14)	2,530
Goodwill on consolidation (note 9)	24,212	25,715	Negative consolidation differences (note 15)	408
	715	789	Deferred income (note 6)	812
Deferred expenses			Provision for liabilities and charges (note 16)	2,858
			Long-term creditors (note 17)	68,499
Current assets			Current liabilities	
Stocks (note 10)	12,137	12,783	Loans (note 18)	72,716
Debtors (note 11)	49,025	43,423	Trade creditors	34,053
Short-term investments (note 12)	3,463	6,050	Other creditors (note 19)	14,427
Cash in hand and at banks	5,382	5,878	Trade provisions	430
Prepayments	<u>1,787</u>	<u>776</u>	Accruals	<u>812</u>
	71,794	68,910		<u>122,438</u>
	<u>290,662</u>	<u>284,298</u>		<u>290,662</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2001.

TELE PIZZA, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2001

(Translation from the original in Spanish)

(1) Nature, Principal Activities and Composition of the Group

Tele Pizza, S.A. (hereinafter the Parent company) was incorporated with limited liability under Spanish law on 15 June 1988. Its registered offices are located in Madrid.

The statutory activity of the Parent company consists of economic studies, sales promotion of all types of products on behalf of third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacture, distribution and commercialisation of products for human consumption, on behalf of the Company or third parties, and renting of machinery and equipment to third parties. All or part of these activities may be carried out indirectly by the Company either through the ownership of shares or shareholdings in companies with identical or similar activities or by any other manner permitted by Spanish legislation.

The principal activity of Tele Pizza, S.A. and its subsidiaries (hereinafter the Group) consists of the management and operation of food sales outlets and restaurants under the brandnames TelePizza and Pizza World, for consumption at home and on the premises. At 31 December 2001 this activity is carried out through premises owned by the Company and franchises located in Spain, Portugal, Mexico, Poland, Chile, France, the United Kingdom and Morocco. Other activities include the manufacture of cheese-related dairy products.

The franchise activity consists mainly of advising on the management of shops and restaurants owned by third parties that operate under the TelePizza and Pizza World brandnames. The Group receives a percentage of its franchisees' sales (royalty) for these services.

The Group centralises its activity on promotion and advertising activities of all the restaurants and shops operating in Spain under the both brandnames.

The subsidiaries and sub-groups comprising the Tele Pizza Group, the percentage ownership and details of the respective shareholders' equities at 31 December 2001 are included in the accompanying Appendix I, which forms an integral part of this note. None of the subsidiaries are listed on the stock exchange.

At 31 December 2001 the investment in Vending Pizza, S.A. (in liquidation) has not been consolidated and, as a consequence, this company no longer forms part of the consolidated group.

In 2001 the Telepizza Mexico sub-group has entered into a contract to transfer the rights and use of the TelePizza brandname to a new company, in which third parties hold a majority interest. Consequently, at 31 December 2001 most Telepizza Mexico business units are awaiting re-opening which has been planned under a new format.

The directors of the Parent company agreed to cease the activities of the subsidiaries Telepizza UK, Plc. and Telepizza Maroc, S.A. with effect from the beginning 2002.

(2) Basis of Presentation

The directors of the Parent company have prepared these consolidated annual accounts in the format established by prevailing Spanish legislation governing the preparation of consolidated accounts (Royal Decree 1815 of 20 December 1991), from the accounting records of Tele Pizza, S.A. and its subsidiaries to present fairly the consolidated shareholders' equity and financial position of the Group at 31 December 2001 and the results of its operations for the year then ended.

The individual annual accounts for 2001 of the Parent company and its subsidiaries are pending approval by the shareholders at the respective general annual meetings. Nonetheless, the directors of the Parent company consider that the annual accounts for 2001 will be approved without significant changes.

As required by Spanish accounting principles, the consolidated balance sheet and statement of profit and loss for 2001 include comparative figures for the prior year, which formed a part of the 2000 consolidated annual accounts approved by the shareholders of the Parent company at their annual general meeting held on 22 June 2001. To facilitate comparison in the 2000 consolidated statement of profit and loss, Euros 6,687 thousand have been reclassified between net sales and other operating income. As permitted by such principles, the Parent company has opted to omit comparative data for 2000 from the consolidated notes to the accounts for 2001.

At 31 December 2001 the Group has negative working capital which, while being characteristic of the sector, is mainly due to the investments in fixed assets made during the year.

Since the end of 2001 the Parent company and its subsidiaries located in European Monetary Union member states have prepared their accounting records in Euros. Consequently, the comparative figures for 2000 included in the consolidated balance sheet and statement of profit and loss have been converted by applying the fixed exchange rate between the Euro and the Peseta and regulations regarding roundings.

(3) Significant Accounting and Consolidation Principles

The accompanying consolidated annual accounts have been prepared in accordance with the accounting principles established in the Spanish General Chart of Accounts and in Royal Decree 1815 of 20 December 1991, as follows:

(a) Consolidation principles

The most significant consolidation principles applied in accordance with Royal Decree 1815 of 20 December 1991 are as follows:

- The consolidated annual accounts have been obtained through full consolidation of the annual accounts of the subsidiaries in which Tele Pizza, S.A. holds a direct or indirect interest exceeding 50%. Companies in which Tele Pizza, S.A. holds an interest of 50% or less, but does not exercise effective majority control have been consolidated using the equity method.
- All significant balances, transactions and unrealised profits between consolidated companies have been eliminated in the consolidation process, where applicable.

Notes to the Annual Accounts

- Accounting and valuation criteria applied by the subsidiaries have been brought into line with those of the Parent company, to present harmonised consolidated annual accounts.
- Positive differences between the net book value of the investments in subsidiaries and the proportional part of their shareholders' equity at the date of first consolidation or on acquisition, if this occurred subsequently, are shown under goodwill on consolidation in the balance sheet, which is amortised on a straight line basis over the twenty-year period estimated by the directors of the Parent company it will provide profits to the Group. Negative differences, similarly determined, are recorded under negative consolidation differences.
- Third party interests in shareholders' equity and results for the year of fully consolidated companies are included under minority interests in the accompanying consolidated balance sheet and under profit attributable to minority interests in the consolidated statement of profit and loss.
- The accounts of consolidated foreign companies have been converted into Euros at the closing rate of exchange method. The accounts of companies in countries with high inflation rates are adjusted for the changes to prices prior to their conversion to Euros, showing the purchasing power of currencies at year end. The difference between shareholders' equity of foreign companies at the historic rate of exchange and following conversion of assets, rights and liabilities at the closing exchange rate has been recorded under conversion differences in consolidated equity.
- The financial and tax year of all Group companies coincide with the calendar year.

(b) Establishment costs

Establishment costs, which comprise those incurred on opening new shops and increasing share capital, are stated at cost less accumulated amortisation calculated on a straight line basis over a period of five years.

(c) Intangible assets

Intangible assets are stated at cost of acquisition or direct cost of production, as appropriate, net of accumulated amortisation as follows:

- Concessions, patents, licences, trademarks and similar items are stated at cost and amortised on a straight line basis over the four-year period in which they are estimated to provide revenues.
- Goodwill arising from acquisitions is stated at cost. Goodwill on merger operations corresponds to the difference between the net book value of the interests held by Tele Pizza, S.A. and the shareholders' equities of the absorbed companies, to the limit of the market value. Goodwill is amortised systematically over the twenty-year period in which it is estimated to provide revenues.
- Charges paid for the award of administrative concessions are amortised on a straight line basis over the period of each concession.

Notes to the Annual Accounts

- Software is stated at cost and, once installation has been completed, is amortised on a straight line basis over the four-year period of expected use. Software maintenance costs are expensed when incurred.
- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are amortised on a straight line basis over the useful lives of the leased assets. The total lease instalments and the amount of the purchase option are recorded as a liability. The initial difference between the total debt and the cash value of the asset, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using a financial method. When the purchase option is exercised, the cost and accumulated depreciation of these goods is transferred to the corresponding tangible asset category.

(d) Tangible assets

Tangible assets are stated at cost, less accumulated depreciation.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

Buildings	33
Plant and machinery	6-10
Other fixed assets	
Other installations, equipment and furniture	10
Motor vehicles	2
Information technology equipment	5

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

As contracts for the rental of premises are generally for a period of ten years or more, costs incurred on improvements made and refurbishment are depreciated over the estimated useful lives of the installations.

(e) Investments

Shareholdings in companies consolidated using the equity method are stated at their underlying net book value at the year end.

Provision is generally made for a decline in value of investments where circumstances so dictate. In the case of share capital holdings, provision is made where cost exceeds the underlying net book value, adjusted to take into account any latent unrecorded goodwill at year end.

Notes to the Annual Accounts

(f) Own shares

Own shares associated with stock option plans are stated at average weighted cost of acquisition. Provision is made to reflect these shares at market value.

(g) Deferred expenses

Deferred expenses comprise loan arrangement expenses and deferred interest on debts and are expensed over the terms of the corresponding debts using the financial method.

(h) Stocks

Stocks are stated at cost of acquisition or production as follows:

- Raw materials, goods for resale and other materials consumed are stated at average weighted cost of acquisition.
- Finished goods and work in progress are stated at average weighted cost of raw materials and other materials consumed, including the applicable portion of direct and indirect labour costs and other manufacturing overheads.

The Group makes provision for stocks where cost exceeds market value or when circumstances indicate doubtful recovery of such costs.

(i) Debtors

The Group makes provision for doubtful accounts in respect of overdue balances and when circumstances indicate doubtful collection.

(j) Foreign currency transactions

Foreign currency transactions are accounted for in the currency of the country in which the Group company is located, at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are taken to consolidated profit or loss when they arise.

Balances receivable and payable in foreign currency at year end are expressed in the currency of the country in which the Group company is located, at rates of exchange approximating those at 31 December. Unrealised foreign exchange losses, determined for groups of currencies with similar maturity or market trends, are charged to expenses while unrealised exchange gains, similarly determined, are deferred.

The balance sheet and statement of profit and loss of consolidated companies located in foreign countries have been converted to Euros, as indicated in note 3(a).

Notes to the Annual Accounts

(k) Current/Long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the consolidated balance sheet date.

(l) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued

In the absence of any foreseeable need for abnormal termination of employees' services and because indemnities are not payable to employees retire or voluntarily leave the Group, indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(m) Income taxes

As the group of companies is not subject to the consolidated tax regime, the net income tax expense for 2001 shown in these consolidated annual accounts is derived from aggregation of the income tax expenses (or income, where appropriate) of the Group companies considered on an individual basis.

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, if applicable, are included in deferred tax assets or liabilities.

Tax credits in respect of loss carryforwards are recognised as deferred tax assets when the directors of the Parent company consider their future realisation to be reasonably assured based on estimated profitability on normal business activities. Should this not be the case, tax credits are recognised as a reduction of income tax expense in the year in which the loss is utilised.

(n) Capital grants

Capital grants are initially recorded as deferred income in the accompanying consolidated balance sheet. Income from capital grants is recognised in the consolidated statement of profit and loss on a straight line basis over the useful life of the fixed assets for which the grants have been received.

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(4) Establishment Costs

Movement in establishment costs during 2001 is as follows:

	Thousands of Euros
Balance at 1 January	4,936
Additions	451
Disposals	(2,312)
Transfers	95
Amortisation for the year	<u>(716)</u>
Balance at 31 December	<u>2,454</u>

Disposals for the year are mainly derived from the Telepizza Mexico sub-group as a result of the transfer of rights and use of the TelePizza brandname, mentioned in note 1.

(5) Intangible Assets

Details of intangible assets and movement during 2001 are as follows:

	Thousands of Euros						
	Balances at 31.12.00	Additions	Disposals	Transfers	Other movement	Vending Pizza no longer consolidated	Balances at 31.12.01
Cost							
Concessions, patents, licences, trademarks and similar	11,282	148	(196)	(609)	(63)	(6,921)	3,641
Goodwill	15,494	29	(3,389)	840	(6)	-	12,968
Software	3,101	1,306	(7)	(236)	121	-	4,285
Rights over leased assets	5,856	542	-	(823)	(259)	-	5,316
Software in progress	<u>1,299</u>	<u>275</u>	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,556</u>
	37,032	2,300	(3,610)	(828)	(207)	(6,921)	27,766
Accumulated amortisation							
Concessions, patents, licences, trademarks and similar	(2,533)	(345)	135	(51)	9	-	(2,785)
Goodwill	(681)	(932)	111	(840)	-	-	(2,342)
Software	(1,162)	(719)	2	139	(11)	-	(1,751)
Rights over leased assets	<u>(1,003)</u>	<u>(345)</u>	<u>-</u>	<u>429</u>	<u>100</u>	<u>-</u>	<u>(819)</u>
	(5,379)	(2,341)	248	(323)	98	-	(7,697)
Provisions							
Concessions, patents, licences, trademarks and similar	<u>(6,934)</u>	<u>(1,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,921</u>	<u>(1,281)</u>
	<u>24,719</u>	<u>(1,309)</u>	<u>(3,362)</u>	<u>(1,15)</u>	<u>(109)</u>	<u>-</u>	<u>18,788</u>

Other movement includes the conversion differences arising in 2001 in subsidiaries located in non-EMU countries.

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

Disposals of goodwill mainly include the effect of the sale of the master franchise of Telepizza France, S.A. (see note 6).

The Group has contracted certain assets through lease financing. Details of these assets and the most significant contracts signed are as follows:

	Thousands of Euros			Total
	Commercial premises	Machinery	Other intangible assets	
Cash value (cost)	3,454	1,763	99	5,316
Total value of purchase options	222	133	2	357
Duration of contracts (in years)	8-10	3-10	3-5	

A summary of the liabilities resulting from these operations at 31 December 2001 is as follows:

	Thousands of Euros
Total liability under the contracts	6,507
Payments made	
In prior years	(3,740)
During the year	<u>(688)</u>
Lease financing creditors	<u>2,079</u>

Details of these liabilities are as follows:

	Thousands of Euros
Long term (note 17)	1,587
Short term (note 18)	<u>492</u>
	<u>2,079</u>

It is Group policy to contract insurance policies to cover any risks that may arise on intangible assets.

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(6) Tangible Assets

Details in tangible assets and movement during 2001 are as follows:

	Thousands of Euros						Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	Transfers	Other movement	Vending Pizza no longer consolidated	
Cost							
Land and buildings	32,091	3,909	(144)	1,906	70	(661)	37,171
Plant and machinery	115,758	10,429	(11,845)	3,521	3,705	(869)	120,699
Other fixed assets	<u>49,055</u>	<u>15,415</u>	<u>(9,233)</u>	<u>(2,622)</u>	<u>782</u>	<u>(1,800)</u>	<u>51,597</u>
	196,904	29,753	(21,222)	2,805	4,557	(3,330)	209,467
Accumulated depreciation							
Buildings	(3,069)	(1,406)	42	-	(33)	-	(4,466)
Plant and machinery	(36,945)	(9,880)	3,944	(1,466)	(660)	-	(45,007)
Other fixed assets	<u>(22,541)</u>	<u>(6,094)</u>	<u>3,459</u>	<u>(283)</u>	<u>(298)</u>	<u>292</u>	<u>(25,465)</u>
	(62,555)	(17,380)	7,445	(1,749)	(991)	292	(74,938)
Provisions							
Plant and machinery	<u>(1,122)</u>	<u>(589)</u>	-	-	-	<u>678</u>	<u>(1,033)</u>
	<u>133,227</u>	<u>11,784</u>	<u>(13,777)</u>	<u>1,056</u>	<u>3,566</u>	<u>(2,360)</u>	<u>133,496</u>

Other movement includes the conversion differences arising in 2001 in subsidiaries located in non-EMU countries.

Additions mainly reflect the acquisition of land for the construction of a new logistics distribution platform and new Group head offices in San Sebastian de los Reyes (Madrid) which should be completed by September 2002 (see note 26). Additions also include investments in installations and machinery in new shops and as a result of a change in the format of existing shops.

Disposals mainly reflect assets ceded from own shops converted into franchises, including the effect of the sale of the master franchise of Telepizza France, S.A. (see note 5).

Details of fully depreciated assets at 31 December 2001 are as follows:

	Thousands of Euros
Plant and machinery	7,976
Other fixed assets	<u>8,212</u>
	<u>16,188</u>

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Notes to the Annual Accounts

Investment in tangible assets outside Spain at 31 December 2001 is as follows:

	Thousands of Euros			Net value
	Cost	Accumulated depreciation	Provision	
Land and buildings	15,125	(2,023)	-	13,102
Plant and machinery	31,484	(6,347)	(422)	24,715
Other fixed assets	<u>14,639</u>	<u>(6,798)</u>	<u>(167)</u>	<u>7,674</u>
	<u>61,248</u>	<u>(15,168)</u>	<u>(589)</u>	<u>45,491</u>

Details of capital grants for an investment project in a factory of the Eysal sub-group are as follows:

	Thousands of Euros
Original grants	1,878
Less, recognised income	
In prior years	(618)
During the year	(146)
Cancellations	<u>(319)</u>
	<u>795</u>

The Group considers that the conditions originally established for the concession of these grants are complied with.

It is Group policy to contract insurance policies to cover any risks that may arise on tangible assets.

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(7) Investments

Investments at 31 December 2001 and movement during the year are as follows:

	Thousands of Euros			Balances at 31.12.01
	Balances at 31.12.00	Additions	Disposals	
Investments in equity accounted companies	1,197	2,384	(2,528)	1,053
Long-term investments	37	5,589	(33)	5,593
Other loans	2,172	338	(1,210)	1,300
Guarantee deposits	3,038	97	(484)	2,651
Credit for losses to be offset in the long term (note 20)	-	2,696	-	2,696
	<u>6,444</u>	<u>11,104</u>	<u>(4,255)</u>	<u>13,293</u>

Details by company of investments in equity accounted companies are as follows:

	Thousands of Euros				Balance at 31.12.01
	Balance at 31.12.00	Share capital increase	Share in 2001 profit/(loss)	Other movemen t	
Fasgel, S.A.	305	-	93	(97)	301
A Tu Hora, S.A.	903	2,291	(2,431)	-	763
Velázquez 25, S.A. (in liquidation)	(11)	-	-	-	(11)
	<u>1,197</u>	<u>2,291</u>	<u>(2,338)</u>	<u>(97)</u>	<u>1,053</u>

Long-term investments mainly comprise the investment of the Telepizza Mexico sub-group in new operating companies.

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(8) Own Shares

During 2001 the Parent company has maintained 7,775,000 own shares, without movement, in order to comply with the stock option plans for employees of the Company. The total nominal value amounts to Euros 233 thousand, representing 3.48% of the share capital at 31 December 2001. In accordance with article 79.3 of the Spanish Companies Act, the Company has created the corresponding mandatory non-distributable reserve (see note 13(e)).

The Parent company has made provision for the difference between the average acquisition cost of the aforementioned own shares and their listed price on the stock exchange at 31 December 2001. Movement is as follows:

	Thousands of Euros		
	Balances at 31.12.00	Additions	Balances at 31.12.01
Acquisition cost	35,263	-	35,263
Less, provisions	(15,705)	(6,029)	(21,734)
	<u>19,558</u>	<u>(6,029)</u>	<u>13,529</u>

Of the total number of own shares, 5,011,394 shares are assigned to Parent company stock option plans. The remaining 2,763,606 shares will cover new stock option plans, the terms and conditions of which will be proposed, when appropriate, by the board of directors of Tele Pizza, S.A. at the general shareholders meeting. The exercise price of the options will be higher than the net book value of the shares recorded in the balance sheet of the Parent company at 31 December 2001.

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(9) Goodwill on Consolidation

Details and movement are as follows:

	Thousands of Euros			Balances at 31.12.01
	Balances at 31.12.00	Additions	Other moveme nt	
Cost				
Eysal Group	7,216	-	(9)	7,207
Mixor, S.A.	6,763	-	(28)	6,735
Fawn, S.A.	6,764	-	-	6,764
Telepizza Insular Group	2,422	-	-	2,422
Sedes, S.A.	2,512	-	-	2,512
Telepizza Granada, S.A.	2,272	-	-	2,272
Telepizza Portugal Group	1,091	-	-	1,091
Others	<u>812</u>	<u>-</u>	<u>(127)</u>	<u>685</u>
	29,852	-	(164)	29,688
Accumulated amortisation				
Eysal Group	(521)	(360)	-	(881)
Mixor, S.A.	(1,409)	(337)	6	(1,740)
Fawn, S.A.	(676)	(338)	(1)	(1,015)
Telepizza Insular Group	(508)	(121)	-	(629)
Sedes, S.A.	(322)	(126)	-	(448)
Telepizza Granada, S.A.	(123)	(114)	-	(237)
Telepizza Portugal Group	(324)	(55)	-	(379)
Others	<u>(254)</u>	<u>(45)</u>	<u>152</u>	<u>(147)</u>
	<u>(4,137)</u>	<u>(1,496)</u>	<u>157</u>	<u>(5,476)</u>
	<u>25,715</u>	<u>(1,496)</u>	<u>(7)</u>	<u>24,212</u>

(10) Stocks

Details at 31 December 2001 are as follows:

	Thousands of Euros
Goods for resale	7,418
Raw materials and other materials consumed	<u>4,719</u>
	<u>12,137</u>

During 2001 the Group has reversed the provision of Euros 434 thousand for obsolescence.

Notes to the Annual Accounts

The total cost of materials consumed during 2001 was as follows:

	<u>Thousands of Euros</u>
Purchases	91,462
Change in stocks	<u>1,080</u>
	<u>92,542</u>

It is Group policy to contract insurance policies to cover any risks that may arise on stocks.

(11) Debtors

Details of debtors are as follows:

	<u>Thousands of Euros</u>	
	<u>Long term</u>	<u>Short term</u>
Trade debtors	12,381	23,692
Advances to creditors	-	1,531
Associated companies	-	213
Sundry debtors	-	11,396
Personnel	-	235
Public entities	<u>-</u>	<u>15,039</u>
	12,381	52,106
Less, provision for doubtful debts	<u>-</u>	<u>(3,081)</u>
	<u>12,381</u>	<u>49,025</u>

Long-term debtors mature as follows:

	<u>Thousands of Euros</u>
Two years	3,511
Three years	2,502
Four years	2,502
Five years	2,502
Thereafter	<u>1,364</u>
	<u>12,381</u>

Notes to the Annual Accounts

Debtor balances with public entities include the following:

	<u>Thousands of Euros</u>
With tax authorities	
Tax rebate	3,948
VAT	463
Withholdings and payments on account	1,161
Social Security authorities	21
Credit for losses to be offset in the short term (note 20)	<u>9,446</u>
	<u>15,039</u>

Movement in the provision for doubtful debts during 2001 is as follows:

	<u>Thousands of Euros</u>
Balance at 1 January	1,932
Charges	1,675
Reversals	(496)
Cancellations	<u>(30)</u>
Balance at 31 December	<u>3,081</u>

(12) Short-Term Investments

Details of short-term investments at 31 December 2001 are as follows:

	<u>Thousands of Euros</u>
Short-term investments	959
Loans to non-consolidated associated companies	645
Short-term investment securities	2,328
Other loans	301
Short-term guarantee deposits	<u>330</u>
	4,563
Provision for decline in value of investments	<u>(1,100)</u>
	<u>3,463</u>

The Group has classified as short-term certain investments which will be disposed in 2002.

Short-term investment securities mainly comprise investments of the Telepizza Chile sub-group which generate interest at local market rates.

TELE PIZZA, S.A. AND SUBSIDIARIES

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Movement during 2001 in the provision for decline in value of investments is as follows:

	<u>Thousands of Euros</u>
Balance at 1 January	224
Charge	<u>876</u>
Balance at 31 December	<u>1,100</u>

(13) Shareholders' Equity

Details of consolidated shareholders' equity and movement during 2001 are shown in accompanying Appendix II, which forms an integral part of this note.

(a) Share capital

At 31 December 2001 share capital of the Parent company consists of 223,597,400 registered shares of Euros 0.03 par value each, fully subscribed and paid. All shares have the same voting and profit sharing rights, except own shares (see note 8), the voting and profit sharing rights of which are suspended. At 31 December 2001 no shareholder has an interest of over 10% of the share capital.

All shares are quoted on the stock exchange.

(b) Share premium

The share premium is subject to the same restrictions and may be used for the same purposes as the voluntary reserves of the Parent company, including conversion into share capital.

(c) Legal reserve

Companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital.

(d) Voluntary reserves

Voluntary reserves are freely distributable, except for Euros 9,525 thousand corresponding to establishment costs and goodwill of the Parent company pending amortisation at 31 December 2001.

(e) Reserve for own shares

As required by article 79 of the Spanish Companies Act, the Parent company has provided an amount for own shares in special situations (see note 8). This reserve is not distributable unless the shares are disposed of or redeemed by the Parent company.

Notes to the Annual Accounts

(f) Other Parent company reserves

These reserves are generated as a result of consolidation adjustments which affect the Parent company.

(g) Fully consolidated company reserves

Details are as follows:

	<u>Thousands of Euros</u>
Telepizza Insular Group	1,363
Telepizza Chile Group	2,866
Telepizza Portugal Group	3,405
Telepizza Mexico Group	(4,713)
Mixor, S.A.	3,669
Fawn, S.A.	3,087
Sedes, S.A.	2,248
Telepizza France, S.A.	(4,219)
Telepizza UK, Plc	(1,554)
Eysal Group	2,445
Others	<u>779</u>
	<u>9,376</u>

(h) Equity accounted company reserves

Details are as follows:

	<u>Thousands of Euros</u>
Fasgel, S.A.	194
A Tu Hora, S.A.	(397)
	<u>(203)</u>

(i) Conversion differences

Details are as follows:

	<u>Thousands of Euros</u>
Telepizza Chile Group	(296)
Telepizza Poland Sp. Z o.o.	1,004
Telepizza Mexico Group	3,945
Telepizza UK, Plc.	170
Telepizza Maroc, S.A.	<u>10</u>
	<u>4,833</u>

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(14) Minority Interests

Details of minority interests and movement during 2001 are as follows:

	Thousands of Euros				Balances at 31.12.01
	Balances at 31.12.00	Share in 2001 profit/(loss)	No longer consolidated	Dividends	
Telepizza Insular Group	2,027	(274)	-	(328)	1,425
Telepizza Chile Group	690	116	-	-	806
Telepizza Algeciras, S.A.	233	64	-	(49)	248
Telepizza Fuenlabrada, S.A	110	29	-	(25)	114
Eysal Group	(64)	1	-	-	(63)
Vending Universe, S.L.	<u>29</u>	<u>-</u>	<u>(29)</u>	<u>-</u>	<u>-</u>
	<u>3,025</u>	<u>(64)</u>	<u>(29)</u>	<u>(402)</u>	<u>2,530</u>

(15) Negative Consolidation Differences

Details at 31 December 2001 are as follows:

	Thousands of Euros
Telepizza Poland Sp. Z o.o.	102
Telepizza Chile Group	<u>306</u>
	<u>408</u>

There has been no movement in this caption during 2001.

(16) Provisions for Liabilities and Charges

Provisions for liabilities and charges mainly comprise the estimated amounts needed to cover contingencies for liabilities that could arise, directly or indirectly, from the Group's activities. Movement in 2001 is as follows:

	Thousands of Euros
Balance at 1 January	5,579
Transfers to short term	86
Reversals	<u>(2.807)</u>
Balance at 31 December	<u>2.858</u>

Notes to the Annual Accounts

(17) Long-Term Creditors

Details are as follows:

	<u>Thousands of Euros</u>
Loans	67,098
Other creditors	<u>1,401</u>
	<u>68,499</u>

Details of long-term loans are as follows:

<u>Type</u>	<u>Final maturity</u>	<u>Thousands of Euros</u>	
		<u>Original amount</u>	<u>Balance at 31.12.01</u>
Syndicated loan	20.07.2005	96,162	85,477
Others			1,404
Less, short-term maturities (note 18)			<u>(21,370)</u>
			65,511
Lease finance creditors (note 5)			<u>1,587</u>
			<u>67,098</u>

The syndicated loan bears interest at market rates.

Details of the maturities of the syndicated loan are as follows:

<u>Maturity</u>	<u>Thousands of Euros</u>
One year	21,370
Two years	21,370
Three years	21,369
Four years	<u>21,368</u>
	<u>85,477</u>

Details of other long-term creditors are as follows:

	<u>Thousands of Euros</u>
Deferred tax liability (note 20)	595
Bills payable	280
Deposits received	339
Other creditors	<u>187</u>
	<u>1,401</u>

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(18) Short-Term Loans

Details of this caption at 31 December 2001 are as follows:

	Thousands of Euros	
	Limit	Drawn down
Credit facilities	51,383	48,522
Short-term syndicated loan (note 17)		21,370
Accrued interest		558
Other lines of financing		1,774
Lease finance creditors (note 5)		<u>492</u>
		<u>72.716</u>

Credit facilities bear interest at market rates and, maybe extended on maturity if required.

(19) Other Creditors

Details are as follows:

	Thousands of Euros
Public entities	9,900
Salaries payable	2,690
Other debts	<u>1,837</u>
	<u>14,427</u>

Credit balances with public entities are as follows:

	Thousands of Euros
With tax authorities	
Withholdings	1,898
VAT payable	1,802
Social Security	2,127
Deferred tax liabilities (note 20)	1,642
Income tax payable (note 20)	<u>2,431</u>
	<u>9,900</u>

Notes to the Annual Accounts

(20) Taxation

As indicated in note 3 (m), Group companies file individual tax returns. The profits generated by each Group company, determined in accordance with prevailing tax legislation in Spain and the country where each foreign subsidiary is located, are subject to tax, which may be reduced by certain credits.

Due to the treatment permitted by fiscal legislation for certain transactions, the consolidated accounting profit differs from the profit for fiscal purposes. A reconciliation of consolidated accounting profit for the year with the taxable income that each Group company expects to declare after approval of the individual annual accounts is as follows:

	<u>Thousands of Euros</u>
Consolidated profit, before tax	5,430
Consolidation adjustments	<u>(13,064)</u>
Combined accounting income, before tax	(7,634)
<i>Permanent differences</i>	
Application of provision for Vending Pizza, S.A.	(14,525)
Provision for own shares of the parent company	6,029
Provision for liabilities and charges	3,898
Other non-deductible expenses	<u>2,921</u>
Aggregated taxable accounting income	(9,311)
<i>Timing differences</i>	
Offset of prior years' loss carryforwards	(14,038)
Other differences	<u>1,763</u>
Aggregated taxable income	(21,586)
Less, aggregated tax loss	<u>30,299</u>
Total aggregated taxable income	<u>8,713</u>
Total income tax	2,933
Deductions and allowances	<u>(502)</u>
Income tax payable (note 19)	<u>2,431</u>

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

The Group income tax expense and income for the year is calculated as follows:

	<u>Thousands of Euros</u>
Expenses	
Taxable accounting income of companies with taxable income	<u>21,991</u>
Taxable accounting income at tax rate	7,852
Less, deductions	<u>(502)</u>
Income tax expense	<u>7,350</u>
Income	
Taxable accounting income of companies incurring tax losses on recognition tax credit	<u>(20,055)</u>
Taxable income at tax rate and tax income	<u>(6,984)</u>
Net expense	<u>366</u>

The Group has recognised a tax credit of Euros 6,841 thousand for losses incurred during the year. Euros 2,696 thousand have been recorded in the long term and Euros 4,145 thousand have been disclosed under short term, based on the respective periods in which these losses are expected to be offset.

Details of timing differences in the recognition of income and expense for accounting and tax purposes and the corresponding accumulated deferred tax assets and liabilities are as follows:

	<u>Thousands of Euros</u>	
	<u>Timing differences</u>	<u>Tax effect</u>
Deferred tax assets		
Credit for losses available for offset in the long term (note 7)	7,703	2,696
Credit for losses available for offset in the short term (note 11)	<u>26,988</u>	<u>9,446</u>
	<u>34,691</u>	<u>12,142</u>
Deferred tax liabilities (notes 17 and 19)		
Fiscal plan for accelerated depreciation	1,989	696
Fiscal plan reinvestment of capital gains	4,043	1,415
Lease financing operations	<u>360</u>	<u>126</u>
	<u>6,392</u>	<u>2,237</u>

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period has elapsed. At 31 December 2001 the Spanish Group and other less relevant companies have open to inspection by the tax authorities all applicable taxes corresponding to the last 4 years, except Eysal, which have open to inspection all applicable taxes from 1998 to 2000 (both inclusive).

Based on the tax declarations filed by the Group companies in recent years, and those expected to be declared for 2001, the Group has loss carryforwards of Euros 58,397 thousand to be offset against future profits.

In accordance with the prevailing legislation in each country, if, on application of accounting principles, losses are declared, these may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed within the periods established by applicable legislation, without prejudice to the tax authorities' power of inspection.

The Group has credits for investment in fixed assets, job creation, training and derived from export activities amounting to Euros 3,220 thousand, applicable until 2011.

(21) Net Sales

Distribution of net sales by geographical markets is as follows:

	<u>Thousands of Euros</u>
Domestic market	235,082
Exports	<u>93,134</u>
	<u><u>328,216</u></u>

TELE PIZZA, S.A. AND SUBSIDIARIES

Notes to the Annual Accounts

(22) Personnel Expenses

Details are as follows:

	<u>Thousands of Euros</u>
Wages and salaries	84,809
Social Security	22,133
Other social charges	<u>3,038</u>
	<u>109,980</u>

The average number of equivalent full time employees, distributed by category, is as follows:

Management	55
Shop managers	555
Other personnel	<u>8,750</u>
	<u>9,360</u>

The average headcount in 2001 for full and part time employees is 17,818.

(23) Consolidated Profit

Details of consolidated profits at 31 December 2001, considering the individual profit/loss of the Group companies and consolidation adjustments, are as follows:

	<u>Thousands of Euros</u>			
	<u>Individual profit/(loss)</u>	<u>Consolidation adjustments</u>	Minori ty interest s (note 14)	<u>Total</u>
Tele Pizza, S.A.	(8,169)	13,314	-	5,145
Fully consolidated companies	169	2,088	64	2,321
Associated companies	-	<u>(2,338)</u>	-	<u>(2,338)</u>
	<u>(8,000)</u>	<u>13,064</u>	<u>64</u>	<u>5,128</u>

(24) Remuneration of and Balances with Directors

During the year ended 31 December 2001 the directors of the Parent company earned remuneration at Group level of Euros 769 thousand in respect of allowances, salaries and other items.

At 31 December 2001 the Group has no advances or loans with directors and has no pensions or insurance premiums commitments with members of the board of directors of the Parent company.

Notes to the Annual Accounts

(25) Guarantees to Third Parties and Other Contingent Liabilities

At 31 December 2001 the Group has obtained bank guarantees of approximately Euros 4,003 thousand.

(26) Subsequent Events

On 18 January 2002 the Parent company entered into a contract whereby it undertook to sell the building under construction to which the Parent company, as lessee, will transfer its new headquarters. This contract establishes that the Parent company will be responsible for continuing construction work and will deliver the building on completion.

The directors of the Parent company estimate that no loss will be incurred on the aforementioned sale commitment.

TELE PIZZA, S.A. AND SUBSIDIARIES

2001 Consolidated Directors' Report

(Translation from the original in Spanish)

1. Company's position and Business performance

In 2001 the TelePizza Group incurred a net consolidated profit of Euros 5.13 million, which is 1.7% up on the Euros 5.04 million obtained in 2000.

This figure has been reduced by extraordinary losses of Euros 18.79 million, primarily to cover the close of Group operations in United Kingdom and Morocco, as well as a provision to cover the decline in value of own shares.

The Group has obtained this profit after generating income of Euros 342.85 million, reflecting a slight drop of 0.73% compared to the Euros 345.36 million achieved in 2000.

Throughout 2001, Tele Pizza has reorganised its international activities, continuing development in Portugal, Poland and Chile, franchising activities in France, redefining its activity in Mexico through a joint venture with the Pollo Campero Group, and commencing operations with this same Group in Central America.

Tele Pizza, S.A. has continued to pursue its development strategy as a franchise business. This year the Group has introduced a new support structure for franchisees, leading to significant improvements in the quality of the advisory services provided, which have been recognised in the award to the Company from the Spanish Association for the Development and Defence of Franchisees (AEDET).

In 2001 Tele Pizza, S.A. began development of a new concept, *La Piazza*, focusing on pizza consumption outside the home and especially for shopping centres.

Plans to expand in towns of less than 30,000 inhabitants have continued with 21 franchises operational at the end of 2001. A further 20 franchises are currently being opened.

Tele Pizza closed 2001 with a total of 867 operational outlets, compared to 848 at the 2000 close.

2. R&D

Research and development policies have continued along the same lines as in prior years.

3. Own shares

At 31 December 2001 the Parent company has 7,775,000 own shares with a total nominal value of Euros 233 thousand, representing 3.48% of share capital. In accordance with article 79.3 of the Spanish Companies Act, Tele Pizza, S.A. has provided for the mandatory non-distributable reserve.

4. Significant subsequent events

On 18 January 2002 the Group has formally undertaken to sell the building under construction to which the Parent company, as lessee, will transfer its new head offices in 2002.

The contract will be executed in public deed once construction of the building has been completed by the Group.

The Consolidated Annual Accounts and the Director's Report , which are included on pages above, were prepared by the Board of Directors of Tele Pizza, S.A., during its meeting held on 21 March 2002. In this same meeting, the Chairman and Secretary of the Board signed the aforementioned pages in representation of the other Board members.

Pedro Ballvé Lantero
Chairman

José Carlos Olcese Santonja
Vice-Chairman

Aldo Olcese Santonja
Board Member

Alfonso Martínez de Irujo Fitz-James Stuart
Board Member

Rainiero Vanni D'Archirafi
Board Member

Joaquín Cayuela Vergés
Board Member

Antonio Catalán Díaz
Board Member

Claudio Boada Palleres
Board Member

Rafael Hernández García
Board Member

Guillermo de la Dehesa Romero
Board Member

Fernando Zapater Marques
Board Member

Javier Gaspar Pardo de Andrade
Non Board Member Secretary

TELE PIZZA, S.A. AND SUBSIDIARIES
Details of Investments in Group Companies

31 December 2001

(Expressed in thousands of Euros)
(Translation from the original in Spanish)

	Registered offices	% direct ownership	Shareholders' equity				Total
			Capital	Reserves	Result	Interim dividend	
<u>Direct investments in fully consolidated companies</u>							
Fawn, S.A. (1)	Bilbao	100.00%	331	3,887	1,109	-	5,322
Telepizza Insular Group (2)	Las Palmas	51.00%	108	3,363	(716)	(322)	2,433
Telepizza Córdoba, S.A. (1)	Madrid	100.00%	123	671	(124)	-	670
Eysal Group (2)	Madrid	100.00%	5,128	12,837	7,911	-	25,877
Telepizza Fuenlabrada, S.A. (3)	Madrid	70.00%	96	186	96	-	378
Telepizza Algeciras, S.A. (3)	Madrid	51.00%	78	297	131	-	506
Mixor, S.A. (1)	Madrid	100.00%	3,215	2,158	(1,031)	-	4,342
Círcol, S.A. (4)	Madrid	100.00%	1,085	238	8	-	1,331
Telepizza Granada, S.A. (1)	Madrid	100.00%	108	336	107	-	551
Sedes, S.A. (1)	San Sebastián	100.00%	150	2,925	714	-	3,789
Lubasto Holding Group (4)	Amsterdam	100.00%	27	1,277	(395)	-	909
Telepizza Maroc, S.A. (3)	Casablanca	99.90%	59	(249)	(478)	-	(668)
Telepizza Portugal Group (2)	Lisbon	100.00%	1,893	3,608	2,045	-	7,546
Telepizza UK, Plc (1)	London	100.00%	2,787	(1,384)	(4,633)	-	(3,230)
Telepizza México Group (2)	Fed. dist. of Mexico	100.00%	44,452	(768)	(31)	-	43,653
Telepizza France, S.A. (1)	Paris	81.95%	6,484	2,132	(4,540)	-	4,076
Telepizza Chile Group (2)	Santiago de Chile	88.00%	3,933	1,683	978	-	6,594
Telepizza Poland Sp. Z o.o. (1)	Warsaw	100.00%	8,193	854	(392)	-	8,655
<u>Direct investments in equity accounted companies</u>							
Fasgel, S.A. (4)	Santander	25.01%	60	711	371	(192)	950

(1) Audited

(2) Main companies of subgroup audited

(3) Limited review

(4) Unaudited

The shareholders' equities shown in this Appendix have been taken from the annual accounts for 2001 and do not reflect adjustments resulting from the consolidation of companies, the subgroup or the parent company.

Indirect participations have been consolidated using the same full consolidation and equity accounting criteria as for direct investments detailed above.

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2001, in conjunction with which it should be read.

TELE PIZZA, S.A. AND SUBSIDIARIES

Details of Movement in Consolidated Shareholders' Equity
for the year ended
31 December 2001(Expressed in thousands of Euros)
(Translation from the original in Spanish)

	Parent company reserves										Profit attributable to Parent company		
	Non-distributable reserves					Distributable reserves							
	Share capital	Legal reserve	Own share reserves	Merger reserve	Other Parent company reserves	Share premium	Voluntary reserves	Total Parent company reserves	Reserves in fully consolidated companies	Reserves in equity accounted companies		Conversion differences	Total reserves in consolidated companies
Balance at 31.12.00	6,71	1,290	19,5	13	4,227	11,369	30,990	67,44	6,053	190	2,605	8,852	5,044
Distribution of 2000 profit Parent company reserves	-	-	-	-	11,436	-	6,229	17,66	-	-	-	-	(17,665)
Reserves in fully consolidated companies Reserves in equity accounted companies	-	-	-	-	-	-	-	-	(12,324)	(297)	-	(12,324) (297)	12,324 297
Conversion differences	-	-	-	-	-	-	-	-	-	-	2,671	2,671	-
Vending Pizza, S.A. no longer consolidated	-	-	-	-	(14,850)	-	-	(14,8	11,985	-	-	11,985	-
Adjustment to reserve for own shares	-	-	(6,0	-	-	-	6,029	-	-	-	-	-	-
Reclassifications and other movements	-	-	-	-	(2,987)	-	-	(2,98	3,662	(96)	(447)	3,119	-
Consolidated profit for 2001	-	-	-	-	-	-	-	-	-	-	-	-	5,128
Balance at 31.12.01	6,71	1,290	13,5	13	(2,174)	11,369	43,248	67,27	9,376	(203)	4,833	14,006	5,128

This appendix forms an integral part of note 13 to the consolidated annual accounts for 2001, in conjunction with which it should be read.