

PAPA JOHNS INTERNATIONAL INC
Form 11-K
June 27, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

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**Annual report pursuant to Section 15(d) of the Securities Exchange Act of
1934**

For the fiscal year ended December 31, 2002

OR

o **Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 0-21660

A. Full title of the plan:

PAPA JOHN S INTERNATIONAL, INC. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PAPA JOHN S INTERNATIONAL, INC.

2002 Papa John s Boulevard
Louisville, Kentucky 40299-2334
(502) 261-7272

Papa John's International, Inc. 401(k) Plan

Financial Statements and Schedule

Years ended December 31, 2002 and 2001

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Report of Independent Auditors

401(k) Plan Committee

Papa John's International, Inc.

We have audited the accompanying statements of net assets available for benefits of the Papa John's International, Inc. 401(k) Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

June 6, 2003
Louisville, Kentucky

Papa John's International, Inc. 401(k) Plan

Statements of Net Assets Available for Benefits

| | December 31 | |
|--|----------------------|----------------------|
| | 2002 | 2001 |
| Assets | | |
| Investments at fair value: | | |
| Papa John's International, Inc. common stock | \$ 482,268 | \$ 425,801 |
| Mutual funds | 8,950,394 | 8,948,916 |
| Interest bearing cash | 20,404 | 18,341 |
| Participant loans | 664,367 | 633,935 |
| Investments at contract value: | | |
| Guaranteed investment contract | 1,988,092 | 1,235,567 |
| Total investments | 12,105,525 | 11,262,560 |
| Receivables: | | |
| Contributions: | | |
| Participants | 43,551 | 48,103 |
| Employer | 444,840 | 477,984 |
| Loan payments | 5,355 | |
| Interest | 849 | 992 |
| Total receivables | 494,595 | 527,079 |
| Net assets available for benefits | \$ 12,600,120 | \$ 11,789,639 |

See accompanying notes.

Papa John's International, Inc. 401(k) Plan

Statements of Changes in Net Assets Available for Benefits

| | December 31 | |
|--|----------------|----------------|
| | 2002 | 2001 |
| Changes in net assets attributable to: | | |
| Investment loss: | | |
| Net depreciation in fair value of investments | \$ (1,829,071) | \$ (1,365,634) |
| Interest and dividend income | 163,626 | 138,894 |
| Net investment loss | (1,665,445) | (1,226,740) |
| Contributions: | | |
| Participants | 2,896,825 | 2,971,152 |
| Rollover | 408,699 | 327,076 |
| Employer | 427,746 | 477,984 |
| Total contributions | 3,733,270 | 3,776,212 |
| Benefits paid to participants | (1,238,294) | (1,426,045) |
| Administrative fees | (19,050) | (19,050) |
| Net increase | 810,481 | 1,104,377 |
| Net assets available for benefits at beginning of year | 11,789,639 | 10,685,262 |
| Net assets available for benefits at end of year | \$ 12,600,120 | \$ 11,789,639 |

See accompanying notes.

Papa John's International, Inc. 401(k) Plan

Notes to Financial Statements

December 31, 2002

1. Description of Plan

Papa John's International, Inc. (the Company) established the Papa John's International, Inc. 401(k) Plan (the Plan) on October 1, 1995. The Plan is a defined contribution plan available to all employees of the Company and its subsidiaries, who have attained the age of twenty-one, completed one year of service and who work at least 1,000 hours annually. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may voluntarily elect to contribute from 1 to 20 percent of their annual eligible wages to their account within the Plan. The Company may, at its discretion, make matching or profit sharing contributions to the Plan. During 2002 and 2001, the Company contributed, to participants actively employed on the last day of each plan year, an amount equal to 25 percent of the pretax contributions made by participants during such plan year up to 6 percent of eligible compensation.

The contributions are allocated at the direction of the participant among selected investments. Each fund's investment income or loss, less any investment management fee, is allocated to participant accounts based on their proportionate interest in the fund. The value of participant accounts will fluctuate with the market value of the securities in which the fund is invested. Participant contributions and the earnings on those contributions are immediately vested to the participant. Company discretionary contributions vest subject to a five-year graded vesting schedule. In order to receive vesting credit in a Plan year, participants must have had at least 1,000 hours of service in the Plan year. Vested contributions are payable upon retirement, death or disability, termination of employment, or earlier for hardship reasons. Participants may also borrow from their account through participant loans. Forfeited balances of terminated participants' non-vested accounts are used to reduce future Company contributions. The Summary Plan Description provides a more complete description of the Plan's provisions.

Certain Plan administrative expenses are paid directly by the Company.

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

2. Significant Accounting Policies

Investments

Papa John's International, Inc. common stock is stated at fair value as determined by the last reported sales price on the last business day of the plan year. Mutual funds are stated at fair value as determined by quoted market prices. Outstanding participant loan balances are stated at cost which approximates fair value.

The Plan's investment options include a guaranteed investment contract with MetLife, which is a benefit-responsive investment contract. MetLife maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The average yield and crediting interest rate on such investments was 5.0% in 2002 and 6.35% in 2001. The crediting interest rate changes annually and is based on an agreed upon formula with the issuer. The contract is included in the accompanying financial statements at contract value as reported to the Plan by MetLife. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

Contributions

Contributions from participants are recorded when the Company makes payroll deductions. Discretionary employer contributions are determined, funded and recorded annually. Contributions receivable represent amounts not yet deposited into the participants' individual accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plan's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

3. Investments

The Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in fair value during the years as follows:

| | 2002 | 2001 |
|--------------------------------|----------------|----------------|
| Common stock | \$ 4,712 | \$ 80,555 |
| Mutual funds | (1,913,280) | (1,510,006) |
| Guaranteed investment contract | 79,497 | 63,817 |
| | \$ (1,829,071) | \$ (1,365,634) |

Individual investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

| | December 31 | |
|---|--------------|--------------|
| | 2002 | 2001 |
| Mutual funds: | | |
| Janus Adviser Aggressive Growth Retirement Fund | \$ 1,257,392 | \$ 1,506,891 |
| Fidelity Advisor Growth & Income Fund | 1,650,180 | 1,949,354 |
| CDC Nvest Star Advisers Fund | 757,233 | 918,887 |
| Janus Adviser Balanced Retirement Fund | 760,403 | 1,078,418 |
| CDC Nvest Bond Income Fund | 1,739,788 | 1,141,767 |
| Henssler Equity Fund | 729,587 | 765,347 |
| Janus Adviser Worldwide Growth Retirement Fund | 629,631 | 679,131 |
| State Street Research Aurora Fund | 696,024 | 371,124 |
| Participant Loans | 664,367 | 633,935 |
| Investment at contract value: | | |
| MetLife Guaranteed Investment Contract | 1,988,092 | 1,235,567 |

4. Tax Status

MetLife, the Plan's record keeper, received an opinion letter from the Internal Revenue Service stating that the form of the prototype non-standardized profit sharing plan is acceptable under Section 401 of the Internal Revenue Code (IRC) for use by employers for the benefit of their employees. The Company has adopted this prototype non-standardized profit sharing plan and is therefore relying on the letter issued to MetLife with respect to the Plan's qualification under 401(a) of the IRC. The Company believes the Plan is being operated in compliance with the applicable requirements of the IRC, and therefore, the Plan is qualified and the related trust is tax exempt.

Schedule

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Papa John's International, Inc. 401(k) Plan

EIN: 61-1203323, Plan Number: 001

Schedule H, Line 4i-Schedule of Assets

(Held At End of Year)

December 31, 2002

| Identity of Issue or Borrower | Description of Investment, Including Shares Held or Rate of Interest | Current Value |
|---|--|---------------|
| Common Stock: | | |
| * Papa John's International, Inc. | 17,298 shares | \$ 482,268 |
| Mutual Funds: | | |
| Janus Adviser Aggressive Growth Retirement Fund | 81,174 shares | 1,257,392 |
| Fidelity Advisor Growth & Income Fund | 126,548 shares | 1,650,180 |
| CDC Nvest Star Advisers Fund | 60,969 shares | 757,233 |
| Janus Adviser Balanced Retirement Fund | 36,210 shares | 760,403 |
| CDC Nvest Bond Income Fund | 154,237 shares | 1,739,788 |
| Henssler Equity Fund | 70,356 shares | 729,587 |
| Janus Adviser Worldwide Growth Retirement Fund | 29,136 shares | 629,631 |
| State Street Research Aurora Fund | 26,978 shares | 696,024 |
| Janus Adviser Growth Retirement Fund | 16,713 shares | 254,200 |
| American Century Ultra Fund | 10,713 shares | 225,195 |
| Fidelity Advisor High Yield Fund | 20,532 shares | 150,703 |
| Other | 12,827 shares | 100,058 |
| | | 8,950,394 |
| Investment Contract: | | |
| *MetLife Guaranteed Investment Contract | 175,569 shares | 1,988,092 |
| Interest Bearing Cash | | |
| | 20,404 shares | 20,404 |
| Participant Loans | | |
| | 5.25 % to 10.50 % per annum | 664,367 |
| | | \$ 12,105,525 |

* Represents party-in-interest to the Plan.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

PAPA JOHN S INTERNATIONAL, INC. 401(k) PLAN

Date: June 27, 2003

By:

/s/ J. David Flanery

J. David Flanery

Senior Vice President of
Finance (Principal Accounting
Officer)

EXHIBIT INDEX

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| Exhibit Number | Description |
|---------------------------|--|
| 23 | Consent of Ernst & Young LLP. |
| 99.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |