

The American Pizza Company Limited 2090645

Report and Financial Statements

1 January 2006



The American Pizza Company Limited

Registered No: 2090645

Directors

S G Hemsley

A Mallows (Resigned 30 June 2006)

C H R Moore

L D Ginsberg

Secretary

L D Ginsberg

Auditors

Ernst & Young LLP

400 Capability Green

Luton

LU1 3LU

Registered office

Domino's House

Lasborough Road

Kingston

Milton Keynes

MK10 0AB

Directors' report

The directors present their report and financial statements for the year ended 1 January 2006.

Results and dividends

The profit for the period amounted to £516,017. The directors do not recommend the payment of any dividends. Preference dividends were not paid nor are proposed.

Principal activities and review of the business

The company's principal activity during the year continued to be the operation and development of Domino's Pizza delivery stores. Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will continue to increase.

Directors

The directors at 1 January 2006 are listed on page 1.

The directors had no interest, as defined by the Companies Act 1985, in the share capital of the company at any time during the year.

S Hemsley, C Moore and L Ginsberg are also directors of Domino's Pizza UK & IRL plc, the immediate parent company and details of their interests therein are shown in the directors' report of that company for the year ended 1 January 2006.

A Mallows has an interest of 38,000 (2004: 38,000) Ordinary Shares, and has the following interest in share options over Ordinary Shares in Domino's Pizza UK & IRL plc:

<i>Date of grant</i>	<i>Exercise price per share</i>	<i>As at 2 January 2005</i>	<i>Exercised in the year</i>	<i>As at 1 January 2006</i>	<i>Date of expiry</i>
04.10.2001	55p	25,000	25,000	—	03.10.2011

In addition to the interest in options above, A Mallows holds reversionary interests over 300,000 Ordinary Shares in Domino's Pizza UK & IRL plc. 235,000 of these interests are capable of vesting between 31 December 2005 and 31 December 2007 if specific performance criteria are met. These interests were granted at a price of £1.35 per share.

The remaining 65,000 interests are capable of vesting between 31 December 2006 and 31 December 2009 if specific performance criteria are met. These interests were granted at a price of £2.00 per share.

Financial instruments

The company's principal financial instruments are cash and trade debtors.

The company has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts. The main risks arising from the company's financial instruments are cash flow interest risk, fair value interest rate risk and credit risk. In view of the low level of foreign currency transactions the Board does not consider there to be any significant foreign currency risks.

Due to the nature of customers who trade on credit terms, being predominantly franchisees, the franchisee selection process is sufficiently robust to ensure an appropriate credit verification procedure. In addition, balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Since the group trades only with franchisees that have been subject to the franchisee selection process there is no requirement for collateral.

Directors' report

Auditors

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

By order of the board



L D Ginsberg
Secretary

15 November 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of The American Pizza Company Limited

We have audited the company's financial statements for the year ended 1 January 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 January 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Luton
22 March 2006

Profit and loss account

for the year ended 1 January 2006

		<i>Year ended 1 January 2006</i>	<i>Year ended 2 January 2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	2,529,612	573,983
Cost of sales		925,287	209,788
Gross profit		1,604,325	364,195
Distribution costs		926,509	206,935
Administrative expenses		596,457	92,714
Operating profit	3	81,359	64,546
Profit on disposal of tangible fixed assets	4	429,739	—
		511,098	64,546
Bank interest receivable	6	4,927	—
Interest payable	7	(8)	—
Profit on ordinary activities before taxation		516,017	64,546
Tax on profit on ordinary activities	8	172,754	(93,371)
Profit for the financial year transferred to reserves		343,263	157,917

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

Balance sheet

at 1 January 2006

		<i>At 1 January</i>	<i>At 2 January</i>
		<i>2006</i>	<i>2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Fixed assets			
Intangible assets	9	105,468	2,921
Tangible assets	10	742,001	71,046
		<u>847,469</u>	<u>73,967</u>
Current assets			
Stocks	11	10,164	2,438
Debtors	12	1,199,522	7,595,091
Cash at bank		32,947	8,733
		<u>1,242,633</u>	<u>7,606,262</u>
Creditors: amounts falling due within one year	13	480,337	6,562,164
Net current assets		<u>762,296</u>	<u>1,044,098</u>
Total assets less current liabilities		<u>1,609,765</u>	<u>1,118,065</u>
Provisions for liabilities and charges		<u>159,038</u>	<u>10,601</u>
		<u>1,450,727</u>	<u>1,107,464</u>
Capital and reserves			
Called up share capital	15	1,717,073	1,717,073
Share premium account	16	337,212	337,212
Profit and loss account	16	(603,558)	(946,821)
Equity shareholders' funds		<u>1,450,727</u>	<u>1,107,464</u>

The financial statements were approved by the Board on
by

2006 and were signed on its behalf



L D Ginsberg
Director

15 November 2006

Notes to the financial statements

at 1 January 2006

1. Accounting policies

Basis of preparation

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related party transactions

The company is a wholly owned subsidiary of Domino's Pizza UK & IRL plc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with group companies.

Intangible fixed assets

Franchise fees are amounts paid to the franchisor. Amortisation is provided on a straight line basis over 20 years which aims to write off the cost of the asset over its expected useful life.

Goodwill represents the excess of purchase price over fair value on the acquisition of a store and will be amortised over 20 years being the estimated useful life.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- over the life of the lease term
Fixtures, fittings and equipment	- over 5 - 10 years
Cars and mopeds	- over 18 months to 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs are determined on the average cost basis.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 1 January 2006

2. Turnover

Turnover, which is stated net of VAT, represents amounts receivable in respect of goods sold and management fees receivable.

Turnover is attributable to one continuing activity, that of the operation and development of Domino's Pizza delivery stores in the United Kingdom.

3. Operating profit

This is stated after charging:

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Auditors' remuneration - audit services	<u>11,000</u>	<u>10,000</u>
Depreciation of owned fixed assets	110,048	14,489
Amortisation	<u>12,343</u>	<u>7,566</u>
	<u>122,391</u>	<u>22,055</u>

4. Exceptional items

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Profit on disposal of fixed assets	<u>429,739</u>	<u>-</u>

During the year, the company sold eight of its stores for a total consideration of £1,536,000. The sales resulted in a total profit on disposal net of costs of £429,739.

5. Staff costs

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Wages and salaries	792,536	155,716
Social security costs	44,792	8,138
Other pension costs	<u>1,239</u>	<u>43</u>
	<u>838,567</u>	<u>163,897</u>

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

	<i>Year ended 1 January 2006 No.</i>	<i>Year ended 2 January 2005 No.</i>
Store operations	119	23
Administrative staff	<u>1</u>	<u>1</u>
	<u>120</u>	<u>24</u>

Notes to the financial statements

at 1 January 2006

6. Interest receivable

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Bank interest receivable	<u>4,927</u>	<u>-</u>

7. Interest payable

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Bank interest payable	<u>8</u>	<u>-</u>

8. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
<i>Current tax:</i>		
UK corporation tax	165,326	53,182
Tax overprovided in previous periods	(31,821)	(136,608)
Total current tax (note 8(b))	<u>133,505</u>	<u>(83,426)</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	39,249	(9,945)
Tax on profit on ordinary activities	<u>172,754</u>	<u>(93,371)</u>

Notes to the financial statements

at 1 January 2006

8. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge/(credit)

The differences are reconciled below:

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Profit on ordinary activities before tax	516,017	64,546
Profit on ordinary activities at standard rate of tax	154,805	19,364
Non-qualifying depreciation	23,425	2,550
Loss on sale of non-qualifying assets	—	—
Decelerated capital allowances	29,436	647
Tax (over)/under provided in prior years	(31,821)	(136,608)
Expenses not deductible for tax purposes	(43,219)	45,000
Group claim	—	(14,739)
Other	879	—
Total current tax (note 8(a))	133,505	(83,426)

(c) Deferred tax

	<i>At 1 January 2006 £</i>	<i>At 2 January 2005 £</i>
Capital allowances in advance of depreciation	(159,038)	(10,601)
Provision for deferred taxation	(159,038)	(10,601)
		£
At 2 January 2005		(10,601)
Profit and loss account movement arising during the year		(39,249)
Arising on acquisition of stores from other group companies		(109,188)
At 1 January 2006		(159,038)

Notes to the financial statements at 1 January 2006

9. Intangible fixed assets

	<i>Goodwill</i> £	<i>Franchise fees</i> £	<i>Total</i> £
Cost:			
At 2 January 2005	123,003	7,046	130,049
Additions	336,889	73,557	410,446
Disposals	(403,007)	(29,178)	(432,185)
At 1 January 2006	<u>56,885</u>	<u>51,425</u>	<u>108,310</u>
Amortisation:			
At 2 January 2005	123,003	4,125	127,128
Charge for the period	10,950	1,393	12,343
Disposals	(132,222)	(4,407)	(136,629)
At 1 January 2006	<u>1,731</u>	<u>1,111</u>	<u>2,842</u>
Net book value:			
At 1 January 2006	<u>55,154</u>	<u>50,314</u>	<u>105,468</u>
At 2 January 2005	<u>—</u>	<u>2,921</u>	<u>2,921</u>

10. Tangible fixed assets

	<i>Leasehold improvements</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Total</i> £
Cost:			
At 2 January 2005	21,945	133,833	155,778
Additions	778,908	795,462	1,574,370
Disposals	(393,042)	(525,994)	(919,036)
At 1 January 2006	<u>407,811</u>	<u>403,301</u>	<u>811,112</u>
Depreciation:			
At 2 January 2005	2,742	81,990	84,732
Provided during the period	11,815	98,233	110,048
Disposals	(5,988)	(119,681)	(125,669)
At 1 January 2006	<u>8,569</u>	<u>60,542</u>	<u>69,111</u>
Net book value:			
At 1 January 2006	<u>399,242</u>	<u>342,759</u>	<u>742,001</u>
At 2 January 2005	<u>19,203</u>	<u>51,843</u>	<u>71,046</u>

Notes to the financial statements

at 1 January 2006

11. Stocks

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Raw materials and consumables	<u>10,164</u>	<u>2,438</u>

12. Debtors

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Amounts owed to group undertakings	997,835	7,435,666
Other debtors	12,566	4,404
Prepayments and accrued income	<u>189,121</u>	<u>155,021</u>
	<u>1,199,522</u>	<u>7,595,091</u>

13. Creditors: amounts falling due within one year

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Trade creditors	22,200	3,876
Amounts owed to group undertakings	99,006	6,465,018
Corporation tax	133,505	53,182
Other taxation and social security	109,534	—
Other creditors	66,719	11,909
Accruals and deferred income	<u>49,373</u>	<u>28,179</u>
	<u>480,337</u>	<u>6,562,164</u>

14. Contingent liability

The Group has entered into an agreement to obtain bank loans and mortgage facilities. These are secured by a fixed and floating charge over the Group's assets. At 1 January 2006 the balance due under these facilities was £7,500,000 (2004: £6,360,000). The loans bear interest at 0.625% (2004: 0.625%) over base.

Notes to the financial statements

at 1 January 2006

15. Share capital

	<i>Authorised</i>	
	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Ordinary shares of £1 each	10,000	10,000
Redeemable Preference shares of £1 each	2,000,000	2,000,000
	<u>2,010,000</u>	<u>2,010,000</u>

	<i>Allotted, called up and fully paid</i>			
	<i>At 1 January 2006</i>		<i>At 2 January 2005</i>	
	<i>No.</i>	£	<i>No.</i>	£
Ordinary shares of £1 each	1,536	1,536	1,536	1,536
Redeemable Preference shares of £1 each	1,715,537	1,715,537	1,715,537	1,715,537
	<u>1,717,073</u>	<u>1,717,073</u>	<u>1,717,073</u>	<u>1,717,073</u>

The preference shares may be redeemed at par at the discretion of the company at any time from the dates below:

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

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£
At 29 December 2003	1,717,073	337,212	(1,104,738)	949,547
Profit for the period	—	—	157,917	157,917
At 2 January 2005	1,717,073	337,212	(946,821)	1,107,464
Profit for the period	—	—	343,263	343,263
At 1 January 2006	<u>1,717,073</u>	<u>337,212</u>	<u>(603,558)</u>	<u>1,450,727</u>

17. Ultimate parent company and controlling party

In the opinion of the directors the immediate parent company and controlling party is Domino's Pizza UK & IRL plc, a company incorporated in the United Kingdom. Copies of the financial statements of Domino's Pizza UK & IRL may be obtained from its registered office: Domino's House, Lasborough Road, Kingston, Milton Keynes, MK10 0AB.