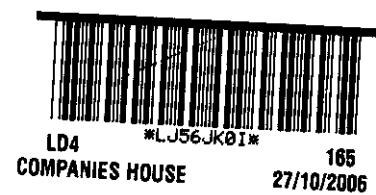


Domino's Pizza Group Limited

Report and Financial Statements

1 January 2006



Domino's Pizza Group Limited

Registered No: 2882515

Directors

C Halpern
S G Hemsley
C H Moore
N Wray
A Mallows (resigned 30 June 2006)
L D Ginsberg

Secretary

L D Ginsberg

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Beds
LU1 3LU

Bankers

National Westminster Bank Plc
501 Silbury Boulevard
Saxon Gate East
Milton Keynes
Bucks
MK9 3ER

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 £10,159,547. Ordinary dividends of £9,702,825 were paid during the period.

Principal activities and review of the business

The principal activity of the company during the year was the development of the Domino's franchise system in the United Kingdom and Republic of Ireland. 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 Halpern, C Moore, N Wray 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.

Creditor payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that trading terms and conditions have been complied with. At 1 January 2006, the company had 36 days (2004: 41 days) purchases outstanding in trade creditors.

Directors' report

Financial instruments

The company's principal financial instruments are finance leases and trade creditors.

The financial instruments are principally in place to finance equipment leased to customers.

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.

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

24 OCTOBER 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 Domino's Pizza Group 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 24. 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.

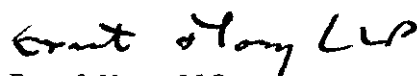
Basis of audit opinion

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
Registered Auditor
Luton

26 Oct 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	62,725,302	56,558,697
Cost of sales		37,427,243	34,911,901
Gross profit		25,298,059	21,646,796
Distribution costs		4,611,873	4,019,683
Administrative expenses		10,607,483	9,508,218
Operating profit	3	10,078,703	8,118,895
Interest receivable	6	392,156	94,631
Interest payable	7	(311,312)	(312,616)
		80,844	(217,985)
Profit on ordinary activities before taxation		10,159,547	7,900,910
Tax on profit on ordinary activities	8	2,659,904	1,608,541
Profit for the financial year		7,499,643	6,292,369

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

Details of dividends paid during the year are set out in note 9 of the financial statements.

Balance sheet

at 1 January 2006

	Notes	At 1 January 2006 £	At 2 January 2005 £
Fixed assets			
Intangible assets	10	229,920	256,934
Tangible assets	11	3,555,156	3,340,523
Investments	12	431,392	431,392
		<u>4,216,468</u>	<u>4,028,849</u>
Current assets			
Stocks	13	1,771,791	2,437,410
Debtors	14	12,362,228	20,511,564
Cash at bank		5,728,203	4,624,455
		<u>19,862,222</u>	<u>27,573,429</u>
Creditors: amounts falling due within one year	15	21,287,124	26,635,059
Net current (liabilities)/assets		<u>(1,424,902)</u>	<u>938,370</u>
Total assets less current (liabilities)/assets		<u>2,791,566</u>	<u>4,967,219</u>
Creditors: amounts falling due after more than one year	16	8,289	17,752
Provisions for liabilities and charges	18	264,121	227,129
		<u>2,519,156</u>	<u>4,722,338</u>
Capital and reserves			
Called up share capital	22	2,200,000	2,200,000
Profit and loss account	23	319,156	2,522,338
Equity shareholders' funds	23	<u>2,519,156</u>	<u>4,722,338</u>

The financial statements were approved by the Board on **24 OCTOBER** 2006 and were signed on its behalf by



L D Ginsberg

Director

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.

The financial statements have been prepared on a going concern basis as the ultimate controlling undertaking and fellow group undertaking have confirmed that they will provide financial support to enable the company to meet its financial obligations as they fall due.

Group accounts

Group accounts are not submitted as the company is exempt under Section 228 (1) of the Companies Act 1985. The results of the company are dealt with in the consolidated accounts of Domino's Pizza UK & IRL plc.

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.

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:

Plant & equipment - over 2 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Notes to the financial statements

at 1 January 2006

1. Accounting policies (continued)

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.

Foreign currencies

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

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

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Pensions

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

2. Turnover

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

Turnover is attributable to one continuing activity, that of the development of the Domino's Pizza Franchise System in the United Kingdom and Republic of Ireland.

Notes to the financial statements

at 1 January 2006

3. Operating profit

This is stated after charging/(crediting):

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Auditors' remuneration - audit services	32,000	30,000
- non-audit services	51,000	154,000
	<u>83,000</u>	<u>184,000</u>
Depreciation of owned fixed assets	973,600	817,211
Depreciation of assets held under finance leases and hire purchase contracts	9,796	56,990
	<u>983,396</u>	<u>874,201</u>
Amortisation	39,524	40,285
	<u>1,022,920</u>	<u>914,486</u>
Land and buildings	32,500	—
Operating lease rentals	<u>1,217,755</u>	<u>1,057,448</u>

4. Staff costs

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Wages and salaries	7,755,211	6,654,842
Social security costs	785,367	701,278
Other pension costs	276,813	320,109
	<u>8,817,391</u>	<u>7,676,229</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>
Production and distribution staff	129	136
Administrative staff	117	109
	<u>246</u>	<u>245</u>

Notes to the financial statements

at 1 January 2006

5. Directors' emoluments

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Emoluments	<u>1,171,000</u>	<u>1,055,000</u>
Company contributions paid to individual personal pension plan	<u>156,000</u>	<u>239,000</u>
	<i>Year ended 1 January 2006 No.</i>	<i>Year ended 2 January 2005 No.</i>
Members of money purchase pension schemes	<u>3</u>	<u>4</u>

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

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Emoluments	<u>359,000</u>	<u>332,000</u>
Company contributions paid to individual personal pension plan	<u>21,000</u>	<u>100,000</u>

6. Interest receivable

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Bank interest receivable	<u>392,156</u>	<u>94,631</u>

7. Interest payable

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Bank interest payable	307,423	306,265
Finance charges payable under finance leases and hire purchase contracts	3,889	6,351
	<u>311,312</u>	<u>312,616</u>

Notes to the financial statements

at 1 January 2006

8. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge 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	2,762,912	1,582,496
Tax overprovided in previous periods	(140,000)	(210,703)
Total current tax (note 8(b))	<u>2,622,912</u>	<u>1,371,793</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 8(c))	36,992	236,748
Tax on profit on ordinary activities	<u>2,659,904</u>	<u>1,608,541</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 – 30%). 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	<u>10,159,547</u>	<u>7,900,910</u>
Profit on ordinary activities at the standard rate of tax	3,047,864	2,370,273
Non-qualifying depreciation	11,957	37,737
Other non-qualifying expenditure	185,906	242,086
(Accelerated)/decelerated capital allowances	(18,253)	4,942
Share option exercise deduction	(409,534)	(1,072,542)
Group relief	(55,028)	–
Adjustment in respect of prior year	(140,000)	(210,703)
Total current tax (note 8(a))	<u>2,622,912</u>	<u>1,371,793</u>

Notes to the financial statements

at 1 January 2006

8. Tax on profit on ordinary activities (continued)

(c) Deferred tax

	<i>1 January 2006 £</i>	<i>2 January 2005 £</i>
Capital allowances in advance of depreciation	(264,121)	(227,129)
Provision for deferred taxation (note 18)	<u>(264,121)</u>	<u>(227,129)</u>
		£
At 2 January 2005		(227,129)
Profit and loss account movement arising during the year		<u>(36,992)</u>
At 1 January 2006		<u>(264,121)</u>

9. Dividends

	<i>Year ended 1 January 2006 £</i>	<i>Year ended 2 January 2005 £</i>
Equity dividends on ordinary shares:		
Interim paid	<u>9,702,825</u>	<u>5,637,565</u>

10. Intangible fixed assets

	<i>Master franchise fee £</i>
Cost:	
At 2 January 2005	729,730
Additions	<u>12,510</u>
At 1 January 2006	<u>742,240</u>
Amortisation:	
At 2 January 2005	472,796
Provided during the year	<u>39,524</u>
At 1 January 2006	<u>512,320</u>
Net book value:	
At 1 January 2006	<u>229,920</u>
At 2 January 2005	<u>256,934</u>

Notes to the financial statements

at 1 January 2006

11. Tangible fixed assets

	<i>Plant & equipment</i>
	<i>£</i>
Cost:	
At 2 January 2005	6,652,964
Additions	1,198,029
Disposals	(2,133)
At 1 January 2006	<u>7,848,860</u>
Depreciation:	
At 2 January 2005	3,312,441
Provided during the period	983,396
Disposals	(2,133)
At 1 January 2006	<u>4,293,704</u>
Net book value:	
At 1 January 2006	<u>3,555,156</u>
At 2 January 2005	<u>3,340,523</u>

The net book value of assets above includes an amount of £22,723 (2004 - £187,526) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which was £9,796 (2004 - £56,990).

12. Investments

	<i>Shares in group companies</i>
	<i>£</i>
Cost:	
At 2 January 2005 & 1 January 2006	<u>431,392</u>

13. Stocks

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	<i>£</i>	<i>£</i>
Raw materials and goods for resale	<u>1,771,791</u>	<u>2,437,410</u>

Notes to the financial statements

at 1 January 2006

14. Debtors

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Trade debtors	3,358,302	2,620,009
Amounts owed by group undertakings	5,001,914	11,171,509
Other debtors (note 19)	2,631,453	5,999,543
Prepayments and accrued income	1,370,559	720,503
	<u>12,362,228</u>	<u>20,511,564</u>

Included within trade debtors is £156,670 (2004: £238,000) due after more than one year. Included within amounts owed by group undertakings is £1,223,707 (2004: £1,191,636) due after more than one year.

15. Creditors: amounts falling due within one year

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Obligations under finance leases and hire purchase contracts (note 17)	17,240	17,240
Trade creditors	3,613,070	3,968,069
Amounts owed to group undertakings	11,736,946	17,871,050
Corporation tax	1,863,007	147,349
Other taxation and social security	853,053	1,073,930
Other creditors	1,104,240	1,504,280
Accruals and deferred income	2,099,568	2,053,141
	<u>21,287,124</u>	<u>26,635,059</u>

16. Creditors: amounts falling due after more than one year

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Obligations under finance leases and hire purchase contracts (note 17)	<u>8,289</u>	<u>17,752</u>

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Amounts payable:		
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 15)	17,240	17,240
Non-current obligations (note 16)	8,289	17,752
	<u>25,529</u>	<u>34,992</u>

Notes to the financial statements

at 1 January 2006

18. Provisions for liabilities and charges

	<i>Deferred tax</i> £
At 2 January 2005	227,129
Profit and loss account movement arising during the year	36,992
At 1 January 2006 (note 8(c))	<u>264,121</u>

19. Commitments under operating leases

At 1 January 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Assets other than land and buildings</i>	
	<i>At 1 January 2006</i>	<i>At 2 January 2005</i>
	£	£
Operating leases which expire:		
Within one year	59,952	139,391
In two to five years	879,965	872,481
Over five years	208,800	—
	<u>1,148,717</u>	<u>1,011,872</u>

20. 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.

21. Related party transactions

The company has relied on the exemption under FRS 8 from disclosing transactions with group companies on the basis that the company is a wholly owned subsidiary and the immediate parent company produces consolidated accounts which are publicly available.

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

	<i>Year ended 1 January 2006</i>	<i>Year ended 2 January 2005</i>
	£	£
Current account:		
Opening debt due to IFS	—	183,891
Costs incurred by Domino's Pizza Group Ltd on behalf of IFS	365,000	40,417
Costs incurred by IFS on behalf of Domino's Pizza Group Ltd	—	(8,532)
Transfer of funds (from) / to IFS	(125,000)	15,887
Management charges from IFS	(240,000)	(231,663)
Closing debt due to IFS	<u>—</u>	<u>—</u>

Notes to the financial statements

at 1 January 2006

22. Share capital

	<i>At 1 January 2006</i>	<i>Authorised At 2 January 2005</i>
	£	£
Ordinary shares of £0.05 each	2,200,000	2,200,000

	<i>At 1 January 2006</i>	<i>Allotted, called up and fully paid At 1 January 2006</i>	<i>At 2 January 2005</i>	<i>Allotted, called up and fully paid At 2 January 2005</i>
	No.	£	No.	£
Ordinary shares of £0.05 each	44,000,000	2,200,000	44,000,000	2,200,000

23. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
At 29 December 2003	2,200,000	1,867,534	4,067,534
Profit for the year	—	6,292,369	6,292,369
Dividends	—	(5,637,565)	(5,637,565)
At 2 January 2005	2,200,000	2,522,338	4,722,338
Profit for the year	—	7,499,643	7,571,608
Dividends	—	(9,702,825)	(9,702,825)
At 1 January 2006	2,200,000	319,156	2,591,121

24. 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 plc may be obtained from its registered office: Domino's House, Lasborough Road, Kingston, Milton Keynes, MK10 0AB.