

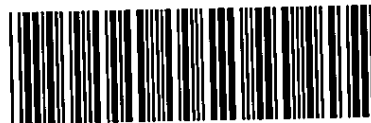
2882515

Domino's Pizza Group Limited

Report and Financial Statements

31 December 2006

SATURDAY



AD6DGU5L

A37

27/10/2007

442

COMPANIES HOUSE

Domino's Pizza Group Limited

Registered No 2882515

Directors

C Halpern
S G Hemsley
C H Moore
N Wray
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 31 December 2006

Results and dividends

The profit before tax for the period amounted to £12,962,153 (1 January 2006 £9,982,547) Ordinary dividends of £7,000,000 (1 January 2006 £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

In 2006, system sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 19.7% to £240.1m (2005 15.1%) Like-for-like sales in the 357 stores open for more than twelve months in both periods grew by 9.7% (2005 7.1% in 317 stores)

E-commerce continues to be our fastest-growing channel to market In 2006 total sales via these platforms reached £20.1m (2005 £13.9m), an increase of 43.8% E-commerce accounts for almost 13% of our delivered pizzas sold in the UK Online ordering went live in the Republic of Ireland in February 2007 and initial results are encouraging and highlight that this market has the potential to grow our online sales still further

Turnover was 20.1% ahead of the prior financial period, due to the opening of 46 new stores (2005 50), year on year increases in like-for-like sales and the launch of new products Gross margin remains broadly in line with prior financial periods at 40.1% (2005 40.3%)

Interest receivable in the profit and loss account is predominantly generated on loans to franchisees and cash surpluses placed on deposit This is offset against the interest charge in the profit and loss account, which relates to the Employee Benefit Trust

During 2006 46 new stores were opened (2005 50), whilst our ability to identify new sites has greatly improved as a result of a strengthened team, and demand for new stores from potential and existing franchisees remains very high, our expansion programme is often subject to inconsistent and lengthy planning decisions We are addressing this ongoing challenge by further investing in our property acquisitions team to ensure that we have sufficient properties in the pipeline to secure our store opening target

Food quality continues to be of prime importance to customers A cornerstone of the Domino's Pizza brand is the use of fresh ingredients and hand making our pizzas from fresh dough In 2006, the Food Standards Agency developed its nutrient profiling model, which aims to determine which foods are high in fats, salt and sugar (HFSS) This model was applied to our 36 best selling pizzas Based on our analysis, 18 of those pizzas are non-HFSS, reinforcing the very wide-ranging choice on offer in our stores The position of Domino's Pizza within the lifestyles of consumers remains as an occasional treat or meal replacement enjoyed approximately once every five weeks We continue to actively pursue healthier alternatives that meet our standards in both quality and taste

In the opinion of the directors, the size of the business and the staffing levels are sufficient to deal with the forecast volume of business for the following financial year

Both the level of business and the year end financial position were satisfactory, and the company looks forward to a promising year of further growth in 2007

Directors' report

Directors

The directors who served throughout the period were as follows -

C Halpern

SG Hemsley

A Mallows (Resigned 30 June 2006)

CHR Moore

N Wray

LD Ginsberg

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 ultimate parent company and details of their interests therein are shown in the directors' report of that company for the year ended 31 December 2006

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 31 December 2006, the company had 22 days (1 January 2006 36 days) purchases outstanding in trade creditors

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 franchises, the franchise 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 franchises that have been subject to the franchise selection process there is no requirement for collateral

Employees

Employees of Group companies are encouraged to participate in the success of the business through incentive and share option schemes. Progress is regularly communicated to the management of subsidiary companies and all management and staff are expected to communicate fully within their own area of responsibility

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the Group's policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware. There is no relevant

Directors' report

audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

24TH OCTOBER 2007

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 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 25. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

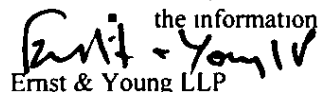
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP

Registered auditor

25 October 2007

Profit and Loss Account

for the year ended 31 December 2006

		<i>Year ended 31 December 2006</i>	<i>Year ended 1 January 2006 (restated)</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	75,333,389	62,725,302
Cost of sales		45,124,435	37,427,243
Gross profit		30,208,954	25,298,059
Distribution costs		5,041,640	4,611,873
Administrative expenses		12,307,928	10,784,483
Operating profit	3	12,859,386	9,901,703
Interest receivable	6	513,200	392,156
Interest payable	7	(410,433)	(311,312)
		102,767	80,844
Profit on ordinary activities before taxation		12,962,153	9,982,547
Tax on profit on ordinary activities	8	3,461,435	2,659,904
Profit for the financial year		9,500,718	7,322,643

All activities relate to continuing operations

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

Balance sheet

at 31 December 2006

		<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Fixed assets			
Intangible assets	10	374,951	229,920
Tangible assets	11	3,984,541	3,555,156
Investments	12	431,392	431,392
		<u>4,790,884</u>	<u>4,216,468</u>
Current assets			
Stocks	13	1,583,384	1,771,791
Debtors	14	18,546,863	12,362,228
Cash at bank		8,469,461	5,728,203
		<u>28,599,708</u>	<u>19,862,222</u>
Creditors: amounts falling due within one year	15	<u>27,968,918</u>	<u>21,287,124</u>
Net current assets / (liabilities)		<u>630,790</u>	<u>(1,424,902)</u>
Total assets less current assets / (liabilities)		<u>5,421,674</u>	<u>2,791,566</u>
Creditors: amounts falling due after more than one year	16	31,271	8,289
Provisions for liabilities and charges	18	<u>180,529</u>	<u>264,121</u>
		<u>5,209,874</u>	<u>2,519,156</u>
Capital and reserves			
Called up share capital	22	2,200,000	2,200,000
Profit and loss account	23	3,009,874	319,156
Equity shareholders' funds	23	<u>5,209,874</u>	<u>2,519,156</u>

The financial statements were approved by the Board on 24TH OCTOBER 2007 and were signed on its behalf by



L D Ginsberg

Director

Notes to the financial statements

at 31 December 2006

1. Accounting policies

Basis of preparation

The financial statements of Domino's Pizza Group Limited were approved for issue by the Board of Directors on 24th October 2007

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

Changes in Accounting Policy

The accounting policies adopted are the same as the previous financial year except that the Company has adopted the following standards, which are applicable to the Company

FRS 20 – Share based payment

In preparing the financial statements for the current year, the group has adopted FRS 20 "Share based payments". The adoption of FRS 20 has resulted in a change in accounting policy for share based payment transactions. FRS 20 requires the fair value of options and share awards, which ultimately vest to be charged to the profit and loss account over the vesting or performance period.

For equity settled transactions the fair value is determined at the date of grant using an appropriate pricing model. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this. Previously, the company recognised only the intrinsic value or cost of the potential awards for the long-term incentive plans as an expense. The cost of these awards were accrued over the performance period of each plan based on the intrinsic value of the equity settled awards and an adjustment was made to the latter to reflect the actual costs incurred. Consequently, additional staff costs of £190,000 (2005 £177,000).

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.

Notes to the financial statements

at 31 December 2006

Stocks

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

Deferred taxation

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

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

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

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.

Share-based payment transactions

Employees (including directors) of the company receive an element of remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments.

The awards vest when certain performance and/or service conditions are met, see note 24 for the individual vesting conditions for the various schemes.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is

Notes to the financial statements

at 31 December 2006

taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The company has taken advantage of the transitional provisions in respect of equity settled awards and has applied FRS 20 only to awards granted after 7 November 2002 that had not vested at 3 January 2005.

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 franchise system in the United Kingdom and Republic of Ireland.

Notes to the financial statements

at 31 December 2006

3. Operating profit

This is stated after charging/(crediting)

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Auditors' remuneration - audit of the financial statements	33,600	32,000
- other fees to auditors	2,427	51,000
	<u>36,027</u>	<u>83,000</u>
Depreciation of owned fixed assets	1,107,416	973,600
Depreciation of assets held under finance leases and hire purchase contracts	8,321	9,796
	<u>1,115,737</u>	<u>983,396</u>
Amortisation	39,524	39,524
	<u>1,155,261</u>	<u>1,022,920</u>
Operating lease rentals - Land and buildings	84,007	32,500
Operating lease rentals – plant and equipment	1,254,205	1,217,755

4. Staff costs

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Wages and salaries	9,211,305	7,932,211
Social security costs	945,855	785,367
Other pension costs	214,552	276,813
	<u>10,371,712</u>	<u>8,994,391</u>

Included in wages and salaries is a total expense of share-based payments of £190,000 (2005 £177,000) which arises from transactions, accounted for as equity-settled share-based payment transactions

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

	<i>Year ended 31 December 2006 No</i>	<i>Year ended 1 January 2006 No</i>
Production and distribution staff	140	129
Administrative staff	127	117
	<u>267</u>	<u>246</u>

Notes to the financial statements

at 31 December 2006

5. Directors' emoluments

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Emoluments	<u>1,696,387</u>	<u>1,171,000</u>
Company contributions paid to individual personal pension plan	<u>61,700</u>	<u>156,000</u>
	<i>Year ended 31 December 2006 No</i>	<i>Year ended 1 January 2006 No</i>
Members of money purchase pension schemes	<u>3</u>	<u>3</u>

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

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Emoluments	<u>436,000</u>	<u>359,000</u>
Company contributions paid to individual personal pension plan	<u>23,000</u>	<u>21,000</u>

6. Interest receivable

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Interest receivable from group undertakings	172,392	153,514
Interest receivable from franchisee loans	55,242	57,284
Bank interest receivable	280,334	177,279
Other interest receivable	<u>5,232</u>	<u>4,079</u>
	<u>513,200</u>	<u>392,156</u>

Notes to the financial statements

at 31 December 2006

7. Interest payable

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Bank interest payable	2,760	34,883
Interest payable to group undertakings	5,387	-
Interest payable on Employee Benefit Trust loan	397,687	272,540
Other interest payable	1,747	-
Finance charges payable under finance leases and hire purchase contracts	2,852	3,889
	<u>410,433</u>	<u>311,312</u>

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 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
<i>Current tax</i>		
UK corporation tax	3,828,362	2,762,912
Tax overprovided in previous periods	(283,335)	(140,000)
Total current tax (note 8(b))	<u>3,545,027</u>	<u>2,622,912</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 8(c))	(83,592)	36,992
Tax on profit on ordinary activities	<u>3,461,435</u>	<u>2,659,904</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% (2005 – 30%) The differences are reconciled below

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Profit on ordinary activities before tax	<u>12,962,153</u>	<u>9,982,547</u>
Profit on ordinary activities at the standard rate of tax	3,888,646	2,994,764
Non-qualifying depreciation	28,784	11,957
Other non-qualifying expenditure	291,767	239,006
Accelerated capital allowances	19,539	(18,253)
Share option exercise deduction	(400,374)	(409,534)
Group relief	-	(55,028)
Adjustment in respect of prior year	(283,335)	(140,000)
Total current tax (note 8(a))	<u>3,545,027</u>	<u>2,622,912</u>

Notes to the financial statements

at 31 December 2006

8. Tax on profit on ordinary activities (continued)

(c) Deferred tax

	<i>31 December 2006 £</i>	<i>1 January 2006 £</i>
Capital allowances in advance of depreciation	<u>(180,529)</u>	<u>(264,121)</u>
Provision for deferred taxation (note 18)	<u>(180,529)</u>	<u>(264,121)</u>
		£
At 1 January 2006		(264,121)
Profit and loss account movement arising during the year		<u>83,592</u>
At 31 December 2006		<u>(180,529)</u>

9. Dividends

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Equity dividends on ordinary shares		
Interim paid	<u>7,000,000</u>	<u>9,702,825</u>

10. Intangible fixed assets

	<i>Master franchise fee £</i>
Cost	
At 1 January 2006	742,240
Additions	<u>184,555</u>
At 31 December 2006	<u>926,795</u>
Amortisation	
At 1 January 2006	512,320
Provided during the year	<u>39,524</u>
At 31 December 2006	<u>551,844</u>
Net book value	
At 31 December 2006	<u>374,951</u>
At 1 January 2006	<u>229,920</u>

Notes to the financial statements

at 31 December 2006

11. Tangible fixed assets

	<i>Plant & equipment</i>
	£
Cost	
At 1 January 2006	7,848,860
Additions	1,554,065
Disposals	(61,658)
At 31 December 2006	<u>9,341,267</u>
Depreciation	
At 1 January 2006	4,293,704
Provided during the period	1,115,737
Disposals	(52,715)
At 31 December 2006	<u>5,356,726</u>
Net book value	
At 31 December 2006	<u>3,984,541</u>
At 1 January 2006	<u>3,555,156</u>

The net book value of assets above includes an amount of £45,480 (2005 - £22,723) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which was £8,321 (2005 - £9,796)

12. Investments

	<i>Shares in group companies brought forward</i>
	£
Cost	
At 1 January 2006 and 31 December 2006	<u>431,392</u>

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	Holding	Proportion of voting rights and shares held	Nature of Business
D P Pizza Ltd	Ordinary shares	100%	Operation of commissary

Notes to the financial statements

at 31 December 2006

13. Stocks

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Raw materials and goods for resale	<u>1,583,384</u>	<u>1,771,791</u>

14. Debtors

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Trade debtors	2,562,028	3,358,302
Amounts owed by group undertakings	-	-
Amounts owed by joint venture undertakings	332,436	-
Amounts owed by other group undertakings	12,128,988	-
Other debtors	2,549,289	7,633,367
Prepayments and accrued income	974,122	1,370,559
	<u>18,546,863</u>	<u>12,362,228</u>

Included within trade debtors is £75,000 (1 January 2006 £156,670) due after more than one year

Included within amounts owed by group undertakings is £1,223,707 (1 January 2006 £1,223,707) due after more than one year

15. Creditors: amounts falling due within one year

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Obligations under finance leases and hire purchase contracts (note 17)	13,351	17,240
Trade creditors	3,693,928	3,613,070
Amounts owed to group undertakings	15,950,661	11,736,946
Corporation tax	1,888,933	1,863,007
Other taxation and social security	1,309,259	853,053
Other creditors	1,497,756	1,104,240
Accruals and deferred income	3,615,030	2,099,568
	<u>27,968,918</u>	<u>21,287,124</u>

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

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Obligations under finance leases and hire purchase contracts (note 17)	<u>31,271</u>	<u>8,289</u>

Notes to the financial statements

at 31 December 2006

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	<i>At 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Amounts payable		
Finance leases and hire purchase contracts are analysed as follows		
Current obligations (note 15)	13,351	17,240
Non-current obligations (note 16)	31,271	8,289
	<u>44,622</u>	<u>25,529</u>

18. Provisions for liabilities and charges

	<i>Deferred tax £</i>
At 1 January 2006	264,121
Profit and loss account movement arising during the year	(83,592)
At 31 December 2006 (note 8(c))	<u>180,529</u>

19. Commitments under operating leases

At 31 December 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 31 December 2006 £</i>	<i>At 1 January 2006 £</i>
Operating leases which expire		
Within one year	150,932	59,952
In two to five years	771,144	879,965
Over five years	174,000	208,800
	<u>1,096,076</u>	<u>1,148,717</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 31 December 2006 the balance due under these facilities was £7,500,000 (1 January 2005 £7,500,000). The loans bear interest at 0.625 % (1 January 2005 0.625%) over base.

Notes to the financial statements

at 31 December 2006

21. Related party transactions

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 31 December 2006 £</i>	<i>Year ended 1 January 2006 £</i>
Current account		
Opening debt due to IFS	-	-
Costs incurred by Domino's Pizza Group Ltd on behalf of IFS	320,896	365,000
Costs incurred by IFS on behalf of Domino's Pizza Group Ltd	-	-
Transfer of funds to IFS	(91,151)	(125,000)
Management charges from IFS	(429,745)	(240,000)
Closing debt due to IFS	<u>(200,000)</u>	<u>-</u>

During the year the group entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 December 2006, are as follows

<i>Related party</i>	<i>Sales to related party £000</i>	<i>Amounts owed from related party £000</i>
Full House Restaurants Ltd		
2006	2,843	82
2005	1,898	62
Dominoid Ltd		
2006	1,244	18
2005	1,057	19

Notes to the financial statements

at 31 December 2006

22. Share capital

	<i>At 31 December 2006</i>	<i>Authorised At 1 January 2006</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £0.05 each	<u>2,200,000</u>	<u>2,200,000</u>

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

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>
	<i>£</i>	<i>£</i>	<i>£</i>
At 2 January 2005	2,200,000	2,522,338	4,722,338
Profit for the year	–	7,322,643	7,322,643
Dividends	–	(9,702,825)	(9,702,825)
Share Based Payment charge	–	177,000	177,000
At 1 January 2006	<u>2,200,000</u>	<u>319,156</u>	<u>2,519,156</u>
Profit for the year	–	9,500,718	9,500,718
Dividends	–	(7,000,000)	(7,000,000)
Share Based Payment charge	–	190,000	190,000
At 31 December 2006	<u>2,200,000</u>	<u>3,009,874</u>	<u>5,209,874</u>

Notes to the financial statements

at 31 December 2006

24. Share-based payment plans

The expense recognised for share-based payments in respect of employee services received during the year to 31 December 2006 is £190,000 (2005 £177,000). This all arises on equity settled share-based payment transactions.

Long Term Senior Executive Incentive Plan

Reversionary interests over assets held in the Domino's Pizza UK & IRL plc employee benefit trust are approved and granted, at the discretion of the trustees, to senior executives. The interests are capable of vesting within a five year period should certain performance targets be achieved by the Group.

The following table lists the performance criteria attached to the reversionary interests granted and not vested.

Grant date	Grant price per interest	Diluted earnings per share	Net profit before tax	No. of interests granted
16 December 2004	200 0p	24 0p	£17,000,000	65,000
27 February 2006	416 5p	30 9p	£22,300,000	150,000
16 May 2006	470 3p	30 9p	£22,300,000	100,000
				<hr/> 315,000 <hr/>

The contractual life of each interest is 5 years and all awards are equity settled.

The fair value of reversionary interests, which will be equity-settled, is estimated as at the date of granting using a Black Scholes model, taking into account the terms and conditions upon which they were granted. The following table lists the inputs to the model used for the valuations in 2005 and 2006.

	2006	2005
Dividend yield (%)	3.8	3.3
Expected volatility (%)	17.0	17.0
Historical volatility – 250 day (%)	27.3	28.7
Risk-free interest rate (%)	4.4 – 4.8	4.3
Expected life of reversionary interests (years)	3.9 – 4.1	4.4
Weighted average exercise price (pence)	416.5 – 485.0	200.0
Weighted average share price (pence)	416.5 – 485.0	200.0

The expected life of the reversionary interests is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Notes to the financial statements

at 31 December 2006

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value.

Employee Share-option

All employees are eligible for grants of options, which are approved by the Board.

The options vest over a 3 year period and are exercisable subject to the condition that the growth in basic earnings per share in any financial year between grant and vesting exceeds the growth in the Retail Price Index in the previous financial year by at least 5%.

The contractual life of each option granted is 10 years. There are no cash settlement alternatives and all awards are equity settled.

The fair value of equity-settled share options granted, for the EMI and Domino's Pizza (unapproved) schemes, is estimated as at the date of granting using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the valuations for the EMI and Domino's Pizza (unapproved) schemes in 2005.

	<u>2005</u>
Dividend yield (%)	3.75
Expected volatility (%)	17.0
Historical volatility – 250 day (%)	28.1
Risk-free interest rate (%)	4.3
Expected life of options (years)	4.0
Weighted average exercise price (pence)	340.8
Weighted average share price (pence)	340.8

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value.

There were no options granted in the year. The weighted average fair value of each option granted in 2005 was 44.0p.

Sharesave scheme

During 2005 the Group introduced a Sharesave scheme giving employees the option to acquire shares in the Company. Employees have the option to save an amount per month up to a maximum of £250 and at the end of three years they will have the option to purchase shares in the Company or to take their savings in cash.

The contractual life of the scheme is 3 years. The fair value of equity-settled options granted, is estimated as at the date of granting using a Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the valuations for the Sharesave scheme in 2005.

Notes to the financial statements

at 31 December 2006

24. Share-based payment plans (continued)

	<u>2005</u>
Dividend yield (%)	3.75
Expected volatility (%)	17.0
Historical volatility – 250 day (%)	28.1
Risk-free interest rate (%)	4.3
Expected life of options (years)	3.3
Weighted average exercise price (pence)	242.8
Weighted average share price (pence)	242.8

The expected life of the options is based on an average of the exercise period, which is between 3 – 3.5 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value.

There were no options granted in the year. The weighted average fair value of each option granted in 2005 was 66.0p.

25. Ultimate parent company and controlling party

In the opinion of the directors the immediate parent company and controlling party is DPG Holdings Limited, a company incorporated in the United Kingdom, which is a wholly owned subsidiary of Domino's Pizza UK & IRL plc, the ultimate parent undertaking and controlling party.

The smallest and largest group and for which group financial statements are drawn up, and of which the company is a member, 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.