

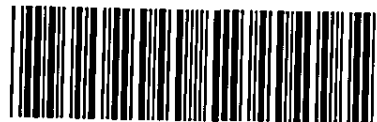
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Domino's Pizza Group Limited

Report and Financial Statements

30 December 2007

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COMPANIES HOUSE

Domino's Pizza Group Limited

Registered No 2882515

Directors

C Halpern (resigned 17/06/2008)
S G Hemsley
C H Moore
N Wray (resigned 17/6/2008)
L D Ginsberg
R Auld (appointed 7/8/2007)
A Emmerson (appointed 7/8/2007)
G Franks (appointed 7/8/2007)
J Kimberlin (appointed 7/8/2007)
P Thomas (appointed 7/8/2007)
A Batty (appointed 18/2/2008)
J M Campbell (appointed 31/3/2008)

Secretary

L D Ginsberg (resigned 18/2/2008)
A Batty (appointed 18/2/2008)

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

Barclays Bank Plc
669 Midsummer Boulevard
Central Milton Keynes
Buckinghamshire
MK9 3BQ

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 30 December 2007

Results and dividends

The profit before tax for the period amounted to £16,856,775 (31 December 2006 £12,962,153) Ordinary dividends of £14,500,000 (31 December 2006 £7,000,000) 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 2007, system sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 23.4% to £296.3m (2006 19.7%) Like-for-like sales in the 404 stores open for more than twelve months in both periods grew by 14.7% (2006 9.7% in 357 stores)

E-commerce continues to be our fastest-growing channel to market In 2007 total sales via these platforms, which includes online and SMS ordering, reached £32.2m (2006 £20.1m), an increase of 60.5% E-commerce accounts for almost 16% of our delivered pizzas sold in the UK Online ordering went live in the Republic of Ireland in February 2007 and is already delivering close to 5% of delivered sales

Turnover was 22.1% ahead of the prior financial period, due to the opening of 50 new stores (2006 46), 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 40.0% (2006 40.1%)

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 2007 50 new stores were opened (2006 46) bringing the year-end store count to 501 Whilst we continue to experience some inconsistency in planning decisions, this did not significantly hamper our expansion last year The aim of many local authorities appears to be the regeneration of secondary retail space and this has worked in our favour, with Domino's being recognised as a responsible and attractive occupant of previously redundant units

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

We constantly review the quality of our ingredients and have pioneered pizza innovation within our market During 2007 we were pleased to complete the removal of both hydrogenated fats and MSG (monosodium Glutamate) from all products on the menu in addition to our long-standing policy of not allowing any GMO (Genetically Modified Organisms) Our ongoing review of ingredients serves to maintain quality standards whilst also identifying opportunities to improve the nutrient profile of our food

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 2008

Directors' report

Directors

The directors who served throughout the period were as follows -

C Halpern
SG Hemsley
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 30 December 2007

During the year a further five directors were appointed. Since the year ended 30 December 2007 2 further directors have been appointed and C Halpern and N Wray have resigned as directors of Dominos Pizza Group Ltd. Details of these appointments and resignations are given on page 1

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 30 December 2007, the company had 31 days (31 December 2006 22 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

Directors' report

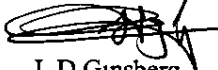
Disclosure of information to the auditors

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

24th June 2008

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 30 December 2007 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

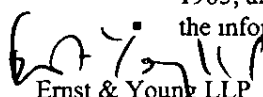
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 30 December 2007 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

21/7/08

Profit and Loss Account

for the year ended 30 December 2007

		<i>Year ended 30 December 2007</i>	<i>Year ended 31 December 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	92,017,774	75,333,389
Cost of sales		(55,269,234)	(45,124,435)
Gross profit		(36,748,540)	(30,208,954)
Distribution costs		(6,004,594)	(5,041,640)
Administrative expenses		(13,610,029)	(12,307,928)
Operating profit	3	17,133,917	12,859,386
(Loss) on disposal of assets		(540,862)	-
Interest receivable	6	678,098	513,200
Interest payable	7	(414,378)	(410,433)
		(277,142)	102,767
Profit on ordinary activities before taxation		16,856,775	12,962,153
Tax on profit on ordinary activities	8	(4,202,252)	(3,461,435)
Profit for the financial year		<u>12,654,523</u>	<u>9,500,718</u>

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 30 December 2007

		<i>At 30 December 2007</i>	<i>At 31 December 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Fixed assets			
Intangible assets	10	425,830	374,951
Tangible assets	11	5,595,815	3,984,541
Investments	12	431,392	431,392
		<u>6,453,037</u>	<u>4,790,884</u>
Current assets			
Stocks	13	2,059,957	1,583,384
Debtors	14	14,020,513	18,546,863
Cash at bank		12,406,171	8,469,461
		<u>28,486,641</u>	<u>28,599,708</u>
Creditors: amounts falling due within one year	15	(30,912,771)	(27,968,918)
Net current (liabilities) / assets		<u>(2,426,130)</u>	<u>630,790</u>
Total assets less current (liabilities) / assets		<u>4,026,907</u>	<u>5,421,674</u>
Creditors: amounts falling due after more than one year	16	(17,561)	(31,271)
Provisions for liabilities and charges	18	(299,114)	(180,529)
		<u>3,710,232</u>	<u>5,209,874</u>
Capital and reserves			
Called up share capital	22	2,200,000	2,200,000
Profit and loss account	23	1,510,232	3,009,874
Equity shareholders' funds	23	<u>3,710,232</u>	<u>5,209,874</u>

The financial statements were approved by the Board on 24th June 2008 and were signed on its behalf by



L D Ginsberg

Director

Notes to the financial statements

at 30 December 2007

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 June 2008

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

Going concern

These financial statements have been prepared on a going concern basis

At 30 December 2007 the company had net current liabilities amounting to £2,426,130. Included in the current liabilities is a balance of £15,824,096 owing to group undertakings of which £13,720,860 is owing to the ultimate parent company, Domino's Pizza UK & IRL Plc.

Domino's Pizza UK & IRL Plc has confirmed that it will continue to support the company for a period of at least twelve months from the date the accounts are signed. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that might be necessary if Domino's Pizza UK & IRL Plc were not to provide further support.

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 30 December 2007

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

Notes to the financial statements

at 30 December 2007

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 30 December 2007

3. Operating profit

This is stated after charging/(crediting)

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Auditors' remuneration - audit of the financial statements	35,280	33,600
- other fees to auditors	34,490	2,427
	<u>69,770</u>	<u>36,027</u>
Depreciation of owned fixed assets	1,081,327	1,107,416
Depreciation of assets held under finance leases and hire purchase contracts	18,680	8,321
	<u>1,100,007</u>	<u>1,115,737</u>
Amortisation	50,576	39,524
	<u>1,150,583</u>	<u>1,155,261</u>
Operating lease rentals - Land and buildings	-	84,007
Operating lease rentals - plant and equipment	1,472,104	1,254,205
	<u>1,472,104</u>	<u>1,254,205</u>

4. Staff costs

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Wages and salaries	10,563,491	9,211,305
Social security costs	965,152	945,855
Other pension costs	278,733	214,552
	<u>11,807,376</u>	<u>10,371,712</u>

Included in wages and salaries is a total expense of share-based payments of £345,835 (2006 £190,000) 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 30 December 2007 No</i>	<i>Year ended 31 December 2006 No</i>
Production and distribution staff	171	140
Administrative staff	145	127
	<u>316</u>	<u>267</u>

Notes to the financial statements

at 30 December 2007

5. Directors' emoluments

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Emoluments	<u>2,077,262</u>	<u>1,696,387</u>
Company contributions paid to individual personal pension plan	<u>80,424</u>	<u>61,700</u>
	<i>Year ended 30 December 2007 No</i>	<i>Year ended 31 December 2006 No</i>
Members of money purchase pension schemes	<u>7</u>	<u>3</u>

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

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Emoluments	<u>515,000</u>	<u>436,000</u>
Company contributions paid to individual personal pension plan	<u>24,000</u>	<u>23,000</u>

6. Interest receivable

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Interest receivable from group undertakings	323,202	172,392
Interest receivable from franchisee loans	24,627	55,242
Bank interest receivable	270,714	280,334
Other interest receivable	<u>59,555</u>	<u>5,232</u>
	<u>678,098</u>	<u>513,200</u>

Notes to the financial statements

at 30 December 2007

7. Interest payable

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Bank interest payable	4,097	2,760
Interest payable to group undertakings	1,813	5,387
Interest payable on Employee Benefit Trust loan	404,795	397,687
Other interest payable	-	1,747
Finance charges payable under finance leases and hire purchase contracts	3,673	2,852
	<u>414,378</u>	<u>410,433</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 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
<i>Current tax</i>		
UK corporation tax	4,425,478	3,828,362
Tax overprovided in previous periods	(341,811)	(283,335)
Total current tax (note 8(b))	<u>4,083,667</u>	<u>3,545,027</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 8(c))	118,585	(83,592)
Tax on profit on ordinary activities	<u>4,202,252</u>	<u>3,461,435</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% (2006 – 30%) The differences are reconciled below

	<i>Year ended 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Profit on ordinary activities before tax	<u>16,856,775</u>	<u>12,962,153</u>
Profit on ordinary activities at the standard rate of tax	5,057,033	3,888,646
Non-qualifying depreciation	38,314	28,784
Other non-qualifying expenditure	489,998	291,767
Accelerated capital allowances	(91,731)	19,539
Share option exercise deduction	(779,736)	(400,374)
Group relief	(288,400)	-
Adjustment in respect of prior year	(341,811)	(283,335)
Total current tax (note 8(a))	<u>4,083,667</u>	<u>3,545,027</u>

Notes to the financial statements

at 30 December 2007

8. Tax on profit on ordinary activities (continued)

(c) Deferred tax

	<i>30 December 2007</i>	<i>31 December 2006</i>
	£	£
Capital allowances in advance of depreciation	(299,114)	(180,529)
Provision for deferred taxation (note 18)	<u>(299,114)</u>	<u>(180,529)</u>
		£
At 31 December 2006		(180,529)
Profit and loss account movement arising during the year		(118,585)
At 30 December 2007		<u>(299,114)</u>

9. Dividends

	<i>Year ended 30 December 2007</i>	<i>Year ended 31 December 2006</i>
	£	£
Equity dividends on ordinary shares		
Interim paid	<u>14,500,000</u>	<u>7,000,000</u>

10. Intangible fixed assets

	<i>Master franchise fee £</i>
Cost	
At 31 December 2006	926,795
Additions	101,457
At 30 December 2007	<u>1,028,252</u>
Amortisation	
At 31 December 2006	551,844
Provided during the year	50,578
At 30 December 2007	<u>602,422</u>
Net book value	
At 30 December 2007	<u>425,830</u>
At 31 December 2006	<u>374,951</u>

Notes to the financial statements

at 30 December 2007

11. Tangible fixed assets

	<i>Plant & equipment</i> £
Cost	
At 31 December 2006	9,341,267
Additions	2,759,168
Disposals	(98,042)
At 30 December 2007	<u>12,002,394</u>
Depreciation	
At 31 December 2006	5,356,726
Provided during the period	1,147,895
Disposals	(98,042)
At 30 December 2007	<u>6,406,579</u>
Net book value	
At 30 December 2007	<u>5,595,815</u>
At 31 December 2006	<u>3,984,541</u>

The net book value of assets above includes an amount of £26,800 (2006 - £45,480) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which was £18,680 (2006 - £8,321)

12. Investments

	<i>Shares in group companies brought forward</i> £
Cost	
As at 1 January 2007	431,392
Additions	668,000
Disposals	(668,000)
As at 30 December 2007	<u>431,392</u>

During the year the company acquired 100% of the share capital of another group undertaking, DP Newcastle & Sunderland Limited for £668,000 consideration. The company was sold on 27th June 2007 for £1.5m realising a loss on disposal of £540,862.

Notes to the financial statements

at 30 December 2007

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

13. Stocks

	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Raw materials and goods for resale	<u>2,059,957</u>	<u>1,583,384</u>

14. Debtors

	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Trade debtors	3,709,302	2,562,028
Amounts owed by group undertakings	-	-
Amounts owed by joint venture undertakings	161,042	332,436
Amounts owed by other group undertakings	6,950,142	12,128,988
Other debtors	1,850,881	2,549,289
Prepayments and accrued income	1,349,146	974,122
	<u>14,020,513</u>	<u>18,546,863</u>

Included within trade debtors is £112,834 (31 December 2006 £75,000) due after more than one year

Included within amounts owed by group undertakings is £NIL (31 December 2006 £1,223,707) due after more than one year

15. Creditors: amounts falling due within one year

	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Obligations under finance leases and hire purchase contracts (note 17)	10,362	13,351
Trade creditors	5,394,205	3,693,928
Amounts owed to group undertakings	15,824,096	15,950,661
Corporation tax	2,164,515	1,888,933
Other taxation and social security	1,487,306	1,309,259
Other creditors	1,753,964	1,497,756
Accruals and deferred income	4,278,323	3,615,030
	<u>30,912,771</u>	<u>27,968,918</u>

Notes to the financial statements

at 30 December 2007

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

	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Obligations under finance leases and hire purchase contracts (note 17)	<u>17,561</u>	<u>31,271</u>

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Amounts payable		
Finance leases and hire purchase contracts are analysed as follows		
Current obligations (note 15)	10,362	13,351
Non-current obligations (note 16)	<u>17,561</u>	<u>31,271</u>
	<u>27,923</u>	<u>44,622</u>

18. Provisions for liabilities and charges

	<i>Deferred tax £</i>
At 31 December 2006	180,529
Profit and loss account movement arising during the year	<u>118,585</u>
At 30 December 2007 (note 8(c))	<u>299,114</u>

19. Commitments under operating leases

At 30 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<i>Assets other than land and buildings</i>	
	<i>At 30 December 2007 £</i>	<i>At 31 December 2006 £</i>
Operating leases which expire		
Within one year	170,477	150,932
In two to five years	994,266	771,144
Over five years	238,920	174,000
	<u>1,403,664</u>	<u>1,096,076</u>

Notes to the financial statements

at 30 December 2007

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 30 December 2007 the balance due under these facilities was £7,720,892 (31 December 2006 £7,500,000). During the financial year, the terms of this loan were renegotiated and transferred from National Westminster Bank plc to Barclays Bank plc. The loan bears interest at 0.50% (31 December 2006 0.625% above National Westminster Bank plc base rate) over LIBOR.

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 30 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>
Current account		
Opening debt due to IFS	(200,000)	-
Costs incurred by Domino's Pizza Group Ltd on behalf of IFS	488,414	320,896
Costs incurred by IFS on behalf of Domino's Pizza Group Ltd	-	-
Transfer of funds to IFS	(115,414)	(91,151)
Management charges from IFS	(273,000)	(429,745)
Closing debt due to IFS	<u>(100,000)</u>	<u>(200,000)</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 30 December 2007, 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		
2007	2,628	156
2006	2,843	82
Dominoid Ltd		
2007	1,153	46
2006	1,244	18

Notes to the financial statements

at 30 December 2007

22. Share capital

	<i>Authorised</i>	
	<i>At 30 December 2007</i>	<i>At 31 December 2006</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £0.05 each	<u>2,200,000</u>	<u>2,200,000</u>

	<i>Alotted, called up and fully paid</i>			
	<i>At 30 December 2007</i>		<i>At 31 December 2006</i>	
	<i>No</i>	<i>£</i>	<i>No</i>	<i>£</i>
Ordinary shares of £0.05 each	<u>44,000,000</u>	<u>2,200,000</u>	<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 1 January 2006	2,200,000	319,156	2,519,156
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>
Profit for the year	—	12,654,523	12,654,523
Dividends	—	(14,500,000)	(14,500,000)
Share Based Payment charge	—	345,835	345,835
At 30 December 2007	<u>2,200,000</u>	<u>1,510,232</u>	<u>3,710,232</u>

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at 30 December 2007

24. Share-based payment plans

The expense recognised for share-based payments in respect of employee services received during the year to 30 December 2007 is £345,835 (2006 £190,000). 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
27 February 2006	130.16p	9.66p	£22,300,000	480,000
16 May 2006	146.97p	9.66p	£22,300,000	320,000
6 March 2007	210.00p	12.50p	£28,600,000	2,080,000
				<u>2,880,000</u>

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 2006 and 2007.

	<u>2007</u>	<u>2006</u>
Dividend yield (%)	3.8	3.8
Expected volatility (%)	15.0 – 20.0	17.0
Historical volatility - 250 day (%)	18.8 – 24.1	27.3
Risk-free interest rate (%)	5.3 – 5.8	4.4 – 4.8
Expected life of reversionary interests (years)	4.0	3.9 – 4.1
Weighted average exercise price (pence)	210.00p	130.16 – 151.56
Weighted average share price (pence)	210.00p	130.16 – 151.56

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The expected life of the reversionary interests 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

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 2007

	<u>2007</u>
Dividend yield (%)	3.8
Expected volatility (%)	20.0
Historical volatility – 250 day (%)	26.7
Risk-free interest rate (%)	5.3
Expected life of options (years)	4.0
Weighted average exercise price (pence)	210.0
Weighted average share price (pence)	210.0

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 1,090,536 granted in the year. The weighted average fair value of each option granted in 2007 was 28.1p

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

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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 (%)	4.2
Expected life of options (years)	3.3
Weighted average exercise price (pence)	75.88
Weighted average share price (pence)	75.88

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 20.6p.

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.