


Domino's Pizza Group Limited

Report and Financial Statements

(Amended)

2 January 2005

 **ERNST & YOUNG**



Domino's Pizza Group Limited

Registered No: 2882515

Directors

C Halpern
S G Hemsley
C H Moore
N Wray
A Mallows
L D Ginsberg (Appointed 1 November 2004)

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 2 January 2005.

Results and dividends

The profit for the year, after taxation, amounted to £6,292,369. Ordinary dividends of £5,637,565 were paid during the year.

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.

During the year, the company transferred the trade and assets of its Irish branch to its subsidiary company, DP Pizza Limited, for a consideration of 100 shares with a nominal value of €1 each

Directors

The directors at 2 January 2005 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.

Y Gottesman resigned as a director on 20 May 2004.

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 2 January 2005. A Mallows has an interest of 38,000 (2003:38,000) 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 29 December 2003</i>	<i>Exercised in the year</i>	<i>As at 2 January 2005</i>	<i>Date of expiry</i>
04.10.2001	55p	50,000	25,000	25,000	03.10.2011

In addition to the interest in options above, A Mallows holds reversionary interests over 375,000 Ordinary Shares in Domino's Pizza UK & IRL plc. 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.

During the year a further reversionary interest was granted to Andrew Mallows of 65,000 shares in Domino's Pizza UK and IRL plc. These 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.

Auditors

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

By order of the board



L D Ginsberg
Secretary

15 DECEMBER 2005

Statement of directors' responsibilities in respect of the financial statements

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 2 January 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 23. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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.

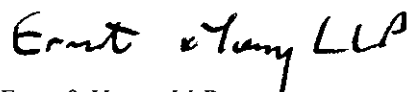
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements 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 of the state of affairs of the company as at 2 January 2005 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

 2005

Profit and loss account

for the year ended 2 January 2005

		<i>Year ended 2 January 2005</i>	<i>Year ended 28 December 2003</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Turnover	2	56,558,697	48,929,068
Cost of sales		34,911,901	30,533,436
Gross profit		21,646,796	18,395,632
Distribution costs		4,019,683	3,590,175
Administrative expenses		9,508,218	9,127,437
Administrative expenses – exceptional	3	–	532,456
Administrative expenses		9,508,218	9,659,893
Operating profit	3	8,118,895	5,145,564
Interest receivable	6	94,631	64,219
Interest payable	7	(312,616)	(221,506)
		(217,985)	(157,287)
Profit on ordinary activities before taxation		7,900,910	4,988,277
Tax on profit on ordinary activities	8	1,608,541	830,455
Profit on ordinary activities after taxation		6,292,369	4,157,822
Dividends:			
ordinary dividends on equity shares	9	5,637,565	7,070,638
Profit retained/(loss) for the financial year		654,804	(2,912,816)

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

Balance sheet

at 2 January 2005

	Notes	2 January 2005 £	28 December 2003 £
Fixed assets			
Intangible assets	10	256,934	297,219
Tangible assets	11	3,340,523	3,208,634
Investments	12	431,392	—
		<u>4,028,849</u>	<u>3,505,853</u>
Current assets			
Stocks	13	2,437,410	1,812,258
Debtors	14	20,511,564	21,154,216
Cash at bank		4,624,455	3,543,267
		<u>27,573,429</u>	<u>26,509,741</u>
Creditors: amounts falling due within one year	15	26,635,059	25,917,288
		<u>938,370</u>	<u>592,453</u>
Net current assets			
Total assets less current liabilities		<u>4,967,219</u>	<u>4,098,306</u>
Creditors: amounts falling due after more than one year	16	17,752	30,772
Provisions for liabilities and charges			
Deferred taxation	8	227,129	—
		<u>4,722,338</u>	<u>4,067,534</u>
Capital and reserves			
Called up share capital	21	2,200,000	2,200,000
Profit and loss account	22	2,522,338	1,867,534
Equity shareholders' funds	22	<u>4,722,338</u>	<u>4,067,534</u>



Director

15 DECEMBER 2005

Notes to the financial statements

at 2 January 2005

1. Accounting policies

Basis of preparation

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

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 subsidiary 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 parties 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
Motor vehicles	- over 3 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.

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;

Notes to the financial statements

at 2 January 2005

1. Accounting policies (continued)

Deferred taxation (continued)

- 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 franchise system in the United Kingdom and Republic of Ireland

Notes to the financial statements

at 2 January 2005

3. Operating profit

This is stated after charging/(crediting):

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Auditors' remuneration - audit services	30,000	34,000
- non-audit services	154,000	232,000
	<u>184,000</u>	<u>266,000</u>
Depreciation of owned fixed assets	817,211	662,168
Depreciation of assets held under finance leases and hire purchase contracts	56,990	58,319
	<u>874,201</u>	<u>720,487</u>
Amortisation	40,285	39,524
	<u>914,486</u>	<u>760,011</u>
Profit on disposal of fixed assets	-	(5,210)
Operating lease rentals - plant and machinery	1,057,448	1,121,119

Exceptional items

In 2003 the company incurred expenses on behalf of the Group of £532,456 in setting up the Employee Benefit Trust and making a Tender Offer to shareholders to buy-in shares. This was settled in cash.

4. Staff costs

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Wages and salaries	6,654,842	6,409,806
Social security costs	701,278	680,256
Other pension costs	320,109	311,329
	<u>7,676,229</u>	<u>7,401,391</u>

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

	<i>Year ended 2 January 2005 No.</i>	<i>Year ended 28 December 2003 No.</i>
Production and distribution staff	136	112
Administrative staff	109	94
	<u>245</u>	<u>206</u>

Notes to the financial statements

at 2 January 2005

5. Directors' emoluments

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Emoluments	1,055,000	979,000
Company contributions paid to individual personal pension plan	239,000	237,000
	<i>Year ended 2 January 2005 No.</i>	<i>Year ended 28 December 2003 No.</i>
Members of money purchase pension schemes	3	3

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

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Emoluments	359,000	333,000
Company contributions paid to individual personal pension plan	20,000	19,000

6. Interest receivable

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Bank interest receivable	94,631	64,219

7. Interest payable

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Bank interest payable	306,265	215,712
Finance charges payable under finance leases and hire purchase contracts	6,351	5,794
	<u>312,616</u>	<u>221,506</u>

Notes to the financial statements

at 2 January 2005

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
<i>Current tax:</i>		
UK corporation tax	1,582,496	787,627
Tax (over)/under provided in previous years	(210,703)	328
Total current tax (note 9(b))	<u>1,371,793</u>	<u>787,955</u>

Deferred tax:

Origination and reversal of timing differences	236,748	42,500
Tax on profit on ordinary activities	<u>1,608,541</u>	<u>830,455</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% (2003 - 30%). The differences are reconciled below:

	<i>Year ended 2 January 2005 £</i>	<i>Year ended 28 December 2003 £</i>
Profit on ordinary activities before taxation	<u>7,900,910</u>	<u>4,988,277</u>
Profit on ordinary activities at the standard rate of tax	2,370,273	1,496,483
Non-qualifying depreciation	37,737	43,229
Other non-qualifying expenditure	242,086	192,728
Short term timing differences	—	47,208
Decelerated / (Accelerated) capital allowances	4,942	(55,191)
Share option exercise deduction	(1,072,542)	—
Group relief	—	(936,830)
Adjustment in respect of prior year	(210,703)	328
Total current tax (note 9(a))	<u>1,371,793</u>	<u>787,955</u>

Notes to the financial statements

at 2 January 2005

8. Tax (continued)

(c) Deferred tax

	<i>2 January 2005</i>	<i>28 December 2003</i>
	£	£
Capital allowances in advance of depreciation	(227,129)	(207,231)
Other timing differences	—	216,850
Provision for deferred taxation	<u>(227,129)</u>	<u>9,619</u>
		£
At 29 December 2003		9,619
Profit and loss account movement arising during the year		<u>(236,748)</u>
At 2 January 2005		<u>(227,129)</u>

9. Dividends

	<i>Year ended 2 January 2005</i>	<i>Year ended 28 December 2003</i>
	£	£
Equity dividends on ordinary shares:		
Interim paid	<u>5,637,565</u>	<u>7,070,638</u>

10. Intangible fixed assets

	<i>Master franchise fee £</i>
Cost:	
At 29 December 2003 and 2 January 2005	<u>729,730</u>
Amortisation:	
At 29 December 2003	432,511
Transfers	40,285
At 2 January 2005	<u>472,796</u>
Net book value:	
At 2 January 2005	<u>256,934</u>
At 29 December 2003	<u>297,219</u>

Notes to the financial statements

at 2 January 2005

11. Tangible fixed assets

	<i>Plant & equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 29 December 2003	5,755,198	14,276	5,769,474
Additions	1,254,082	—	1,254,082
Disposals	(356,316)	(14,276)	(370,592)
At 2 January 2005	<u>6,652,964</u>	<u>—</u>	<u>6,652,964</u>
Depreciation:			
At 29 December 2003	2,546,564	14,276	2,560,840
Provided during the year	874,201	—	874,201
Disposals	(108,324)	(14,276)	(122,600)
At 2 January 2005	<u>3,312,441</u>	<u>—</u>	<u>3,312,441</u>
Net book value:			
At 2 January 2005	<u>3,340,523</u>	<u>—</u>	<u>3,340,523</u>
At 29 December 2003	<u>3,208,634</u>	<u>—</u>	<u>3,208,634</u>

The net book value of assets above includes an amount of £187,526 (2003 - £244,516) in respect of assets held under finance leases and hire purchase contracts.

12. Investments

	<i>Shares in subsidiary company</i> £
Cost:	
Additions	431,392
At 2 January 2005	<u>431,392</u>

During the year, the company acquired for €1, DP Pizza Limited, a company incorporated in the Republic of Ireland. The principle activity of this company is the principal activity of the company is the operation of commissary functions. The transfer of fixed assets and trade of £431,391 was transferred to DP Pizza Limited for a consideration of 100 shares with a nominal value of €1 each.

13. Stocks

	<i>2 January 2005</i> £	<i>28 December 2003</i> £
Raw materials and goods for resale	<u>2,437,410</u>	<u>1,812,258</u>

Notes to the financial statements

at 2 January 2005

14. Debtors

	2 January 2005	28 December 2003
	£	£
Trade debtors	2,620,009	2,545,459
Amounts owed by group undertakings	11,171,509	14,463,978
Other debtors	5,999,543	3,611,941
Prepayments and accrued income	720,503	523,219
Deferred taxation (note 8)	—	9,619
	<u>20,511,564</u>	<u>21,154,216</u>

Included within trade debtors is £238,000 (2003: £153,775) due after more than one year. Included within amounts owed by group undertakings is £1,191,636 (2003: £1,026,636) due after more than one year.

15. Creditors: amounts falling due within one year

	2 January 2005	28 December 2003
	£	£
Obligations under finance leases and hire purchase contracts (note 17)	17,240	25,177
Trade creditors	3,968,069	3,233,131
Amounts owed to group undertakings	17,871,050	17,673,355
Corporation tax	147,349	51,421
Other taxation and social security	1,073,930	1,444,546
Other creditors	1,504,280	789,364
Accruals and deferred income	2,053,141	2,700,294
	<u>26,635,059</u>	<u>25,917,288</u>

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

	2 January 2005	28 December 2003
	£	£
Obligations under finance leases and hire purchase contracts (note 17)	<u>17,752</u>	<u>30,772</u>

17. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2 January 2005	28 December 2003
	£	£
Amounts payable:		
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 15)	17,240	25,177
Non-current obligations (note 16)	17,752	30,772
	<u>34,992</u>	<u>55,949</u>

Notes to the financial statements

at 2 January 2005

18. Commitments under operating leases

At 2 January 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Assets other than land and buildings</i>	
	<i>2 January 2005</i>	<i>28 December 2003</i>
	£	£
Operating leases which expire:		
Within one year	139,391	177,855
In two to five years	872,481	883,992
	<u>1,011,872</u>	<u>1,061,847</u>

19. 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 2 January 2005 the balance due under these facilities was £6,360,000 (2003: £1,098,000). The loans will bear interest at 1.1% over base.

20. Related parties 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 2 January 2005</i>	<i>Year ended 28 December 2003</i>
	£	£
Current account:		
Opening debt due to IFS	183,891	—
Costs incurred by Domino's Pizza Group Ltd on behalf of IFS	40,417	436,556
Costs incurred by IFS on behalf of Domino's Pizza Group Ltd	(8,532)	(990)
Transfer of funds to / (from) IFS	15,887	(31,887)
Management charges from IFS	(231,663)	(219,788)
	<u>—</u>	<u>183,891</u>
Closing debt due to IFS	—	183,891

Notes to the financial statements

at 2 January 2005

21. Share capital

	<i>Authorised</i>	
	<i>2 January 2005</i>	<i>28 December 2003</i>
	£	£
Ordinary shares of £0.05 each	2,200,000	2,200,000

	<i>Allotted, called up and fully paid</i>	
	<i>2 January 2005</i>	<i>28 December 2003</i>
	No. £	No. £
Ordinary shares of £0.05 each	44,000,000 2,200,000	44,000,000 2,200,000

22. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 29 December 2002	2,200,000	4,780,350	6,980,350
Profit for the year	—	4,157,822	4,157,822
Dividends	—	(7,070,638)	(7,070,638)
At 28 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

23. 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.