MEDIA INFORMATION

27 February 2006

DOMINO'S PIZZA UK & IRL plc
PRELIMINARY RESULTS
FOR THE FIFTY-TWO WEEKS ENDED 1 JANUARY 2006

Domino's Pizza UK & IRL plc ("Domino's Pizza" or the "Company"), the UK and Ireland's leading pizza delivery company, announces its preliminary results for the fifty-two weeks ended 1 January 2006 ("2005").

Highlights

- System sales increased 15.1% to £200.7m (2004: £174.3m)
- Profit before tax increased 26.6% to £11.2m (2004: £8.8m)
- Earnings per share:
  - Basic earnings per share up 22.8% to 16.25p (2004: 13.23p)
  - Diluted earnings per share up 22.1% to 15.47p (2004: 12.67p)
- Total dividend increased 38.1% to 7.25p per share (2004: 5.25p)
- 50 new stores opened in the period (2004: 40 stores) resulting in a total of 407 stores at the period end (2004: 357 stores). No stores were closed in 2005 (2004: one)
- Like-for-like sales in 317 mature stores up 7.1% (2004: 6.6%). First 6 weeks in 2006 up 10.3% (2005: 6.6%)
- E-commerce sales up 69.5% to £13.9m (2004: £8.2m). E-commerce represented 10.4% of our delivered pizza sales in the UK in 2005 (2004: 5.2%)
- Cash at bank and in hand of £5.9m (2004: £4.8m) after returning £8.2m cash to shareholders from share buybacks (2004: £1.6m). £15.2m of cash has been returned to shareholders over the past two years via share buybacks of £9.8m and dividends of £5.4m

*Comparatives shown in brackets represent the 53 weeks ended 2 January 2005 ("2004")

Stephen Hemsley, Chief Executive of Domino's Pizza, commented:

"In 2005, Domino's Pizza broke through the £200m system sales barrier for the first time and extended its market leadership with the opening of 50 new stores and strong like-for-like sales growth, resulting in increased profits and excellent cash generation. We believe that this success results from a total focus on the development of the Domino's brand in the UK and Republic of Ireland. We are confident that this growth is sustainable into the long-term given the strong growth prospects of the market in which we operate. We look forward to another year of strong growth.

"Trading in the first six weeks of 2006 has got off to a good start with like-for-like sales up 10.3% (2005: 6.6%). E-commerce has continued to show robust growth with an increase of 59.5% in the same period (2005: 49.2%). Our store opening programme is also progressing in line with expectations and we are on track to achieve our target of 50 new store openings this year."

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Notes to editors:

Domino's Pizza UK & IRL plc is the parent company of Domino's Pizza Group Ltd ('DPG') which holds the exclusive master franchise to own, operate and franchise Domino's Pizza stores in the UK and Ireland. DPG is the leading player in the UK and Ireland's fast-growing pizza delivery market. The first UK store opened in 1985 and the first Irish store opened in 1991.

There are 407 stores in the UK and Ireland. Of these, 332 stores are in England, 29 are in Scotland, 13 are in Wales, 9 are in Northern Ireland and 24 are in the Republic of Ireland.

Founded in 1960, Domino's Pizza is the recognised world leader in pizza delivery. Through its primarily franchised system, Domino's Pizza operates a global network of more than 8,000 stores in more than 50 countries.

For photography visit www.dominos.uk.com/media or contact The Hogarth Partnership Limited on 020 7357 9477. High resolution images are also available for the media to review and download free of charge from **www.vismedia.co.uk**

Chairman's Statement

By all measures, 2005 was another outstanding year for Domino's Pizza. We opened 50 stores and are now more than 400 units strong. Our system wide sales topped £200 million, breaking 2004's record-setting total by more than £25 million. Though we have continued to add new stores in record numbers, our long-standing units have not faltered, continuing their unbroken record of year-on-year sales growth.

Our e-commerce sales also saw dynamic growth in 2005 totalling nearly £14 million – an increase of 69.5% over 2004. In other words – nearly one million Domino's Pizza orders went from "mouse to house" in less than 30 minutes. The beauty of these e-commerce sales is that they do not require special facilities, dedicated delivery systems or increased management costs. These web and interactive TV orders come directly into the store in the same way as a phone call does – only far less time-consuming and with 100% accuracy.

What has fuelled this customer demand, which seems to grow so steadily year after year? At least some of the credit must go to our highly talented marketing team which has carefully gauged consumer tastes and trends. Our marketing is paid for by our stores, which contribute a portion of their sales directly to the National Advertising Fund. As new stores are opened and our units grow, so does the size of the fund. The cost of managing this fund however remains fairly constant allowing more and more to be spent on advertising which, in turn, drives sales.

It is not enough, however, to look a year or two ahead when planning the roadmap for long-term growth. Chief Executive Stephen Hemsley and I look not only at today's and tomorrow's needs but also at the Company's long-term requirements. This goes not only for planning growth strategies, but also for strengthening and enhancing the management team. Stephen, by example and guidance, has fashioned and elevated Domino's Pizza into a market leader. In addition, Chris Moore, formerly our Sales and Marketing Director, has been promoted to the newly-created position of Chief Operating Officer. Chris has been with the Company for more than 15 years and his vision of the brand, his passion and his ability to achieve excellence will be key in getting us to the 1,000 store mark. Chris has already been instrumental in enticing a very skilled veteran from Domino's in the USA, Patricia Thomas, to head up our expanded Operations Team.

In addition to our strong executive team, we have also been fortunate enough to attract an impressive team of non-executive Directors whose guidance and assistance we value highly. As we begin 2006, we are pleased to welcome two non-executives, Michael Shallow and Dianne Thompson. Michael joined our Board on 5 January 2006 and brings with him years of experience in the food and leisure industry and a wealth of large public-company expertise. Dianne, who joined our Board on 22 February 2006 also has wide plc experience together with the energy and drive to help position Domino's for the years ahead. Gerald Halpern, who retired from the Board last year, will continue to serve as a Director of our Republic of Ireland subsidiary. We thank him for his contribution over many years.

Although I could continue to commend to you our talented, wise and experienced Board of Directors and management team, our energetic and entrepreneurial franchisees and our terrific product at Domino’s Pizza - we know that our success would not be possible without the continued support of our shareholders. It is because of you we have the means to build this company for many years to come. It is you who deserve the recognition for your loyalty and for the confidence you have placed in us. For that I thank you most sincerely.

Colin Halpern
Chairman

Chief Executive's Statement

Introduction

In 2005, Domino's Pizza celebrated the 20th anniversary of our first UK store opening and another year of excellent progress. We believe that this success results from a total focus on the development of the Domino's brand in the UK and Republic of Ireland. This focus has extended our market leadership with the opening of 50 new stores and strong like-for-like sales growth. This has resulted in another year of robust system sales growth, increased profits and excellent cash generation.

We are confident that your Company's growth is sustainable into the long-term given the robust growth prospects of the market in which we operate. The combined effect of a growing number of households in the UK and Republic of Ireland, increased acceptance of home delivery and favourable demographic changes provides the opportunity for 800-1,000 Domino's Pizza stores in these territories. It has taken us 20 years to open the first 400 stores; we hope to reach our next target in a further ten years.

System Sales

In 2005, system sales, which are the sales of all stores in the Domino's system in the UK and Republic of Ireland, rose by 15.1% to £200.7m in 2005 (2004: 22.5%). Like-for-like sales in the 317 stores open for more than twelve months in both periods grew by 7.1% (2004: 6.6%).

In addition to the continued store roll-out, several other factors underpinned system sales growth in 2005. We launched a number of new pizzas in the year which were very well-received and gave us the opportunity to communicate something new to our customers. The combination of these new products, national TV and direct marketing proved a strong driver of system sales.

In the area of e-commerce, our first-mover advantage continues to pay dividends with sales increasing by 69.5% over the last year. E-commerce sales represented 10.4% all delivered pizza sales by Domino's Pizza in the UK. Orders made via our website (www.dominos.co.uk) account for 94% of e-commerce sales. The remaining 6% of orders are generated by our presence on two national interactive TV platforms.

Expansion

In 2005 we opened 50 new stores (2004: 40 stores) to take the year-end store count to 407 stores (2004: 357). No stores were closed during the year (2004: one).

Mindful of the speed at which we are growing, and the fact that we must focus on the quality as well as the volume of new stores, we are increasingly selective about the franchisees whom we allow to expand. We must also build a system that can be effectively and cost-efficiently managed as we grow to 1,000 stores. Finally, we must provide the opportunity for our franchisee partners to build substantial and successful businesses. To this end we will focus more on assisting our existing franchisees to open as many of the new stores as possible, providing they meet our very rigorous standards. In 2005, 70% of new stores were opened by existing franchisees. New franchisees will be increasingly encouraged to acquire existing stores from franchisees wishing to leave the system.

Trading Results

Group turnover, which includes the sales generated by the Group from royalties, fees on new store openings, food sales, finance lease and rental income, as well as the turnover of corporately owned and operated stores, grew by 10.0% to £81.7m (2004: £74.2m). This rate of growth is slower than the system sales rate due to the disposal of the corporate stores during the year. Excluding the impact of lost revenue from these disposed stores, Group turnover would have increased by 19.3%.

Group operating profit, including our share of operating profit in joint ventures, but before the accelerated LTIP and exceptional items, was up 20.4% to £11.0m from £9.1m. As a result of the early vesting of the Long Term Incentive Plan (“LTIP”) outlined below, we have taken an accelerated £0.6m charge that would otherwise have been made in 2006 and 2007. This treatment follows the requirement of FRS20 which we have now adopted. After taking into account this charge, Group operating profits were up 13.6% to £10.4m.

As our Chairman stated we have significantly strengthened the resources we commit to our operations function. The key to our eventual growth to 1,000 stores will lie in our focus on the execution of the Domino’s system at store level. This additional investment in our operations team cost £0.5m in 2005.

During 2005, we also introduced a commissary rebate scheme which was designed to help our franchisees overcome a number of external cost pressures they were facing. This performance-related rebate enabled our franchisees to receive a reduction in the cost of food purchased from our commissaries, provided they achieve certain percentage sales increases. Franchisees benefited from a total rebate of £0.5m which was an increase of £0.4m over a more limited scheme that operated in 2004.

Profit on ordinary activities before interest and taxation grew by 23.8% to £11.3m (2004: £9.1m). This includes the profit of £0.9m on the sale of corporate stores as well as the accelerated LTIP charges as referred to above.

Net interest paid fell to £0.1m (2004: £0.3m) primarily due to stronger cash generation from operations during the year. Net interest costs are covered 122 times by operating profits (2004: 34 times).

The tax charge for the year was 26.2% (2004: 23.3%) and is lower than the statutory tax rate of 30% as a result of the relief available on the profit from the sale of the corporate stores under the substantial shareholding exemption and the exercise of employee share options. The increase in the tax rate from 2004 is due to substantially higher relief in the earlier year on the number of employee share options exercised.

Profit after tax and minority interests was up 22.6% to £8.3m (2004: £6.7m).

Earnings per Share and Dividend

Basic earnings per share were up 22.8% to 16.25 pence from 13.23 pence. Diluted earnings per share increased by 22.1% to 15.47 pence from 12.67 pence.

As a result of the ability of the business to generate strong cash flows, the Board is pleased to recommend a further significant increase in the dividend payment which, if approved by shareholders, will give a final dividend of 4.15 pence per share (2004: 3.05 pence per share). This would give a total dividend for the year of 7.25 pence per share, a 38.1% increase over the 5.25 pence per share declared for 2004. The proposed dividend is 2.2 times covered by profits after tax (2004: 2.5 times).

Subject to shareholders' approval the final dividend will be payable on 28 April 2006 to shareholders on the register on 7 April 2006.

Cash Flow and Balance Sheet

Net cash inflow from operating activities reached £12.7m, up from £9.9m in 2004. This increase was attributable mainly to the higher operating profit, before the accelerated LTIP charge, which was £1.8m up on 2004.

Cash flows were also stronger as cash interest was £0.2m lower, taxation paid was £0.5m lower, and capital expenditure £1.5m lower. Proceeds of £3.7m from the sale of subsidiary undertakings and £0.5m from the sales of fixed assets of corporate stores were partially offset by an increase in dividend payments of £0.9m.

Overall, net cash inflow before financing was £7.2m higher than last year, up from £1.8m to £9.0m. This strong cash generation has allowed us to return a further £8.2m to shareholders through share buybacks during the year. We have now returned £15.2m of cash to shareholders over the past two years via share buybacks of £9.8m and dividends of £5.4m.

In the year, options over 0.7m shares were exercised generating an inflow of £0.5m (2004: £1.1m). The Employee Benefit Trust ("EBT") borrowed an additional £1.1m taking its total borrowings to £7.5m (2004: £6.4m). This additional loan was used to purchase further shares in the Company, over which an LTIP award was granted.

During the year DP Capital continued to provide leasing support to franchisees for the fit-out of new stores and the refit of existing stores, with new advances of £1.2m. (2004: 0.9m). After repayments, the balance outstanding at the year end on these leases was £2.9m (2004: £2.9m). These facilities are financed by a limited recourse loan facility and the amount drawn down at the end of the year stood at £2.5m (2004: £2.6m).

At the year end, the Group had cash at hand of £5.9m (2004: £4.8m) and consolidated debt of £10.0m (2004: £9.0m) all of which related to the EBT and DP Capital loans. Net borrowings at the year end therefore stood at £4.1m (2004: £4.2m) representing 34.5% (2004: 28.4%) of shareholders' funds.

Although adoption of IFRS will only be mandatory for AIM listed companies from 2007, a preliminary assessment has highlighted that that the adoption of IFRS is not expected to have any significant on the Group's reported results.

Corporate Stores

During 2005, we disposed of 14 corporate stores, acquired one and opened two new stores, leaving just five. It is our intention to dispose of these remaining stores as the opportunities arise. Since the year-end, one of these stores has been sold and terms have been agreed on three others. These disposals effectively complete our exit from own-store operation. This has been achieved at a significant capital profit and the stores are now being operated successfully by franchisees.

During the year, two stores were transferred into subsidiary companies in which our partners have a 20% equity stake. We hope that the combination of our partners' entrepreneurial skill in operating the stores, combined with our strategic direction and capital, will provide an attractive return for our shareholders.

In total, we now have an equity interest in five ventures which are not 100% owned and operate in a total of 26 stores. Our total equity investment in these enterprises is £565,000 (2004: £205,000) and they contributed £166,000 to operating profits in 2005 (2004: £105,000).

The Market

According to Mintel's 2004 Home Delivery Report, the home-delivered food market was estimated to be worth around £1.36bn in 2005 with pizza takeaway/delivery being the largest component at 48%. Current purchasing habits indicate that there is an enormous growth opportunity in the pizza delivery sector. Mintel also states that just 23% of adults have ever ordered a delivered pizza, and only 6% of the population had ordered from Domino's. When compared to the more mature US market, where 75% of adults have ordered a delivered pizza, and 50% of those have had a pizza delivered from Domino's, these figures suggest that the scope for growth lies not only in the expansion of the system into virgin territory but also in attracting more new customers to our existing stores.

Furthermore, a report by The Future Foundation forecasts growth of 91% in the pizza segment of the home delivery market by 2015. This report also underlines how your Company is well-placed to maximise future opportunities in the market arising from changing eating habits, the increasing spend on in-home leisure as well as the continuance of the cash-rich, time-poor society.

People

At Domino's Pizza, we believe that encouraging longevity of service is a key part of our success. To this end, we seek to foster long-term loyalty from our people and offer them market-leading rewards. During the year we introduced a Save As You Earn scheme giving team members an option to acquire shares in your Company. This offer was extremely well-subscribed. We have also reinforced previous schemes with the granting of a further round of share options to all team members, excluding the executive directors, further demonstrating the commitment and strong partnership between our people and the Company.

Long Term Incentive Plan and Employee Benefit Trust

As a result of the rapid growth in profitability and earnings per share over the last three years, the performance targets included in the 2003 LTIP award have been achieved. The early vesting of these awards necessitates the acceleration of the 2006 and 2007 charge as referred to above.

Based on the closing share price on 24 February 2006 of 416.5 pence, the beneficiaries of the LTIP are now entitled to the growth in value of the LTIP which will be satisfied by the transfer of 1,909,334 shares to the beneficiaries. During the year, the EBT purchased a further 375,000 shares, over which an LTIP interest was granted. Following these movements, the EBT owns 2,065,587 shares, of which 975,000 are subject to an outstanding LTIP interest.

Current Trading and Outlook

Trading in the first six weeks of 2006 has got off to an excellent start with like-for-like sales up 10.3% (2005: 6.6%). E-commerce has continued to show robust growth with an increase of 59.5% in the same period (2005: 49.2%). E-commerce in the first six weeks accounted for 11.8% of all UK delivered pizza sales. Our store opening programme is also progressing in line with expectations and we are on track to achieve our target of 50 new store openings this year.

Cash flow remains strong and it is the Directors' intention to return cash not needed to expand our business to shareholders by further share buybacks and a progressive dividend policy. The Company is once again well-positioned for another year of strong growth.

Conclusion

On behalf of the Domino's Pizza team in the UK and Ireland, I should like to thank our customers for their loyalty and continued support of Domino's Pizza. Finally, to all of our franchisees and team members, I thank you sincerely for your tireless dedication at every level of the business and for contributing to another successful year.

Stephen Hemsley
Chief Executive

Group profit and loss account

	Notes	52 weeks ended 1 January 2006 £000	53 weeks ended 2 January 2005 £000
Turnover			
Turnover: group and share of joint ventures' turnover		85,004	77,254
Less: share of joint ventures' turnover		(3,344)	(3,039)
Group turnover		81,660	74,215
Cost of sales		(48,778)	(43,815)
Gross profit		32,882	30,400
Distribution costs		(8,538)	(8,404)
Administrative expenses		(13,504)	(12,963)
Accelerated LTIP charge	2	(626)	-
Administrative expenses		(14,130)	(12,963)
Group operating profit		10,214	9,033
Share of operating profit in joint ventures		179	120
Amortisation of goodwill in joint ventures		(15)	(15)
		164	105
Total operating profit: group and share of joint venture		10,378	9,138
Profit/(loss) on sale of fixed assets	3	206	(47)
Profit on sale of subsidiaries	3	670	-
Profit on ordinary activities before interest and taxation		11,254	9,091
Interest receivable		273	100
Interest payable and similar charges		(358)	(370)
Profit on ordinary activities before taxation		11,169	8,821
Tax on profit on ordinary activities		(2,922)	(2,058)
Profit on ordinary activities after taxation		8,247	6,763
Minority interests		8	(32)
Profit for the financial year attributable to members of the parent company		8,255	6,731
Earnings per share - basic	5	16.25p	13.23p
- diluted	5	15.47p	12.67p

There are no recognised gains and losses other than the profit reported above.

Group balance sheet

	Notes	At 1 January 2006 £000	At 2 January 2005 £000 (Restated)
Fixed assets			
Intangible assets		1,326	1,520
Tangible assets		13,593	14,595
Investments in joint venture:			
Share of gross assets		1,477	1,449
Share of gross liabilities		(1,026)	(1,066)
		451	383
Total fixed assets		15,370	16,498
Current assets			
Stocks		2,186	2,700
Debtors:			
amounts falling due within one year		10,753	10,735
amounts falling due after more than one year		2,168	2,721
		12,921	13,456
Cash at bank and in hand		5,885	4,824
Total current assets		20,992	20,980
Creditors: amounts falling due within one year		(13,742)	(13,590)
Net current assets		7,250	7,390
Total assets less current liabilities		22,620	23,888
Creditors: amounts falling due after more than one year		(9,085)	(8,102)
Provision for liabilities and charges		(1,447)	(857)
		12,088	14,929
Capital and reserves			
Called up share capital	7	2,645	2,740
Share premium account	7	4,677	4,241
Capital redemption reserve	7	171	40
Treasury shares held by Employee Benefit Trust	7	(7,500)	(6,360)
Profit and loss account	7	12,013	14,186
Equity shareholders' funds		12,006	14,847
Minority interest		82	82
		12,088	14,929

Group statement of cash flows

	Notes	52 weeks ended 1 January 2006 £000	53 weeks ended 2 January 2005 £000
Net cash inflow from operating activities	6(a)	12,674	9,943
Returns on investments and servicing of finance			
Interest received		273	100
Interest paid		(307)	(307)
Interest element of finance lease payments		(4)	(7)
		(38)	(214)
Taxation			
Corporation tax paid		(1,549)	(2,021)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(395)	(200)
Payments to acquire tangible fixed assets		(2,246)	(3,905)
Receipts from sales of tangible and intangible fixed assets		576	421
Receipts from repayment of joint venture loan		60	108
Payments to acquire finance lease assets and advance of franchisee loans		(1,166)	(946)
Receipts from repayment of finance leases and franchisee loans		1,172	1,098
		(1,999)	(3,424)
Acquisitions and disposals			
Sale of subsidiary undertakings		3,354	-
Utilisation of provision related to disposal of subsidiary undertakings		(309)	-
Cash balances disposed of with subsidiary undertakings		(5)	-
Purchase of subsidiary undertaking and minority share interest		8	(280)
		3,048	(280)
Equity dividends paid	4	(3,169)	(2,240)
Net cash inflow before financing		8,967	1,764
Financing			
Issue of ordinary share capital		472	1,071
New long-term loans		2,146	3,299
Repayments of long-term loans		(1,146)	(2,198)
Repayment of capital element of finance leases & hire purchase contracts		(16)	(23)
Purchase of shares by Employee Benefit Trust		(1,140)	(1,200)
Purchase of own shares		(8,222)	(1,610)
		(7,906)	(661)
Increase in cash	6(b)	1,061	1,103

Notes to the accounts
At 1 January 2006

1. Accounting Policies

Basis of preparation
This preliminary announcement has been prepared on the basis of the accounting policies set out in the Group's financial statements for the fifty-three weeks ended 2 January 2005 with the following exceptions:

FRS 20 – Share based payment

FRS 21 – Events after the balance sheet date

FRS 22 – Earnings per share

FRS 25* – Financial instruments disclosure and presentation

FRS 28 – Corresponding amounts

FRS 20 – Share based payment

The effect of the revised accounting policy has an insignificant impact on the charge in the current year (except for the accelerated LTIP charge in note 2) and it also has an insignificant impact on retained earnings. This standard has been adopted in advance of the effective date.

FRS 21 – Events after the balance sheet date

These required dividends, which are proposed after the balance sheet date to be disclosed and not recognised as a liability. As a result of adopting this accounting standard, retained earnings have been increased by £1,083,000 as at 28 December 2003 and increased by £1,531,000 as at 2 January 2005. Liabilities have been decreased by £1,531,000 as at 2 January 2005. There has been no effect on current or previous years results from adopting this standard.

FRS 22, FRS 25 and FRS 28 have not resulted in the restatement of retained earnings and have had no impact on the results or net assets for the current or prior year.

* The Group has only adopted the presentation required of this standard, as it does not have to comply with the disclosure requirement in this year.

Notes to the accounts (continued)

2. Accelerated LTIP Charge

During the year the Company has accelerated the charge relating to reversionary interests granted in 2003, as the performance targets set will be achieved earlier than expected. This resulted in an additional charge of £626,000 during 2005. This charge is not deductible for corporation tax purposes and has no impact on the cash flow of the Group during the year.

3. Exceptional Items

Recognised below operating profit

During the year the Group sold two subsidiary undertakings, DPGS Limited and Triple A Pizza Limited (which included 12 corporate stores at the date of the transaction). The main elements of the transaction were as follows:

	52 weeks ended 1 January 2006	***53 weeks ended 2 January 2005***
	£000	*£000*
Cash consideration received	3,650,000	-
Net assets disposed of	(1,495,000)	-
Sale costs	(296,000)	-
Provisions	(1,189,000)	-
Profit on disposal	670,000	-
As part of the above transaction, a further corporate store was sold for a cash consideration of £350,000 resulting in profit on sale of	144,000	-
Sale of one corporate store resulting in a profit of	62,000	(56,000)
Group's share of Profit on disposal of joint venture store	-	9,000
	206,000	(47,000)

4. Dividends paid and proposed

	52 weeks ended 1 January 2006	***53 weeks ended 2 January 2005***
	£000	*£000*
Declared and paid during the year:		
Final dividend for 2004 3.05p (2003: 2.18p)	1,531	1,083
Interim dividend for 2005 3.10p (2004: 2.20p)	1,638	1,157
	3,169	2,240
Proposed for approval at AGM (not recognised as a liability as at 1 January 2006 and at 2 January 2005)		
Final dividend for 2005 4.15p (2004: 3.05p)	2,031	1,531

Notes to the accounts (continued)

5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on earnings of £8,255,000 (2004: £6,731,000) and on 50,810,785 (2004: 50,883,095) ordinary shares.

The diluted earnings per share is based on earnings of £8,255,000 (2004: £6,731,000) and on 53,368,778 (2004: 53,108,892) ordinary shares. The difference relates to share options, which takes into account theoretical ordinary shares that would have been issued, based on average market value of all outstanding options likely to be exercised and the impact of reversionary interests where the performance conditions have been met.

Reconciliation of basic and diluted earnings per share

	2005	2004
Ordinary shares - basic earnings per share	50,810,785	50,883,095
Unexercised share options – average market value	832,056	2,225,797
Reversionary interests	1,725,937	-
Ordinary shares - diluted earnings per share	53,368,778	53,108,892

Reversionary interests have been granted over 3,800,000 shares, which have not yet vested at 1 January 2006. For 2,825,000 of these interests, the number of shares which would have vested based on the share price at the year end of 347p, have been included in the diluted earnings per share calculation as the performance conditions have been met.

6. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 1 January 2006	***53 weeks ended 2 January 2005***
	£000	*£000*
Operating profit	10,214	9,033
Depreciation charge	1,508	1,386
Amortisation charge	131	133
Share option and accelerated LTIP charge	963	333
Decrease/(increase) in stocks	489	(857)
Decrease/(increase) in debtors	337	(1,505)
(Decrease)/increase in creditors	(968)	1,420
	12,674	9,943

Notes to the accounts (continued)

6. Notes to the statement of cash flows cont.

(b) Reconciliation of net cash flow to movement in net debt

	52 weeks ended 1 January 2006	*53 weeks ended 2 January 2005*
	£000	*£000*
(Decrease)/increase in cash before sale of subsidiaries	(2,589)	1,103
Proceeds from the sale of subsidiaries	3,650	-
Increase in cash including sale of subsidiaries	1,061	1,103
Cash inflow from increase in loans	(2,146)	(3,278)
Repayment of long-term loans	1,146	2,177
Repayments of capital element of finance leases and hire purchase contracts	16	23
Movement in net debt	77	25
Net debt at 2 January 2005	(4,218)	(4,243)
Net debt at 1 January 2006	(4,141)	(4,218)

7. Reconciliation of Shareholders Funds and Movement on Reserves

	Share Capital	Share Premium Account	Capital Redemption Reserve	Treasury Shares held by EBT	Profit & Loss Account	Total Shareholders' Funds
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 2 January 2005	2,740	4,241	40	(6,360)	14,186	14,847
Proceeds from share issue	36	436	-	-	-	472
Share buy back	(131)	-	131	-	(8,222)	(8,222)
Treasury shares held by EBT	-	-	-	(1,140)	-	(1,140)
Profit for the year	-	-	-	-	8,255	8,255
Share option and LTIP charge	-	-	-	-	963	963
Dividends	-	-	-	-	(3,169)	(3,169)
At 1 January 2006	2,645	4,677	171	(7,500)	12,013	12,006

8. Financial Information

The financial information set out in the announcement does not constitute the Company's statutory accounts for the 52 weeks ending I January 2006. The financial information for the 53 weeks ended 2 January 2005 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for the 52 weeks ended 1 January 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.