Global Brands S.A.

Annual Report 2006

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GLOBAL BRANDS S.A.

ANNUAL REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2006

COMPANY INFORMATION

Global Brands S.A. is a company incorporated under the laws of Luxembourg on July 6, 1999 by a notary act prepared by Maitre Alex Weber, notary residing in Luxembourg. The act was published in the legal gazette, the Mémorial C N° 723 of 29 September 1999. A branch has been opened in Zurich, Switzerland, through which it carries on its principal trading activity.

Directors:	Yossi Moldawsky,	*Executive Chairman*
	Dov Lachovitz,	*Chief Executive Officer*
	Juerg Keller,	*Chief Financial Officer*
	Mr Christopher Bodker	*Non-executive Director*
	Mr Amir Raveh	*Non-executive Director*

Registered number RCS Luxembourg B 70673

Registered office:
24 rue Jean l'Aveugle
L - 1148 Luxembourg
Postal Box 864, L - 2018

Branch Registered Address:
Schaffhauserstrasse 34
8006 Zurich
Switzerland

AIM Nominated Adviser
Ruegg & Co Limited
39 Cheval Place
London SW7 1EW

Independent Auditors:
PKF Luxembourg
6, Place de Nancy
L-2212 Luxembourg

Registrars in the UK:
Computershare Investor Services Plc
P O Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Registrar in Luxembourg:
International Corporate Services sàrl
24 rue Jean l' Aveugle
L 1148 Luxembourg
Postal Box 864, L 2018

CHAIRMAN'S STATEMENT

Global Brands S.A. ("Global Brands" or the "Company") is the exclusive master franchisee of Domino's Pizza in Switzerland, Luxembourg and Liechtenstein. Domino's Pizza Inc. ("Domino's") was founded in the United States of America in 1960 and is the world's leading pizza delivery brand with over 8,000 stores in more than 50 countries.

2006 was a difficult and challenging year for Global Brands. The Company entered the year with nine Company operated Domino's Pizza stores: three stores located in Geneva, two in Zurich, one in Lausanne, one in Neuchâtel, one in Winterthur and one in Luzern. During the year the company opened two additional Company operated stores: one in Biel/Bienne and a second store in Lausanne (Renens).

By the end of 2006 the Company, with its eleven Company operated stores, remains the only pizza delivery chain with a national presence in Switzerland and the only international pizza delivery brand in Switzerland.

The Company's manufacturing and distribution centre (the "Commissary"), is located in Lausanne and the Company's head office is located in Zurich.

During 2006 the Company continued to improve its standard of service to customers with approximately 96% receiving their orders in less than 30 minutes (20% less lates vs. last year). The Company has continued to be innovative and unique, with the introduction, during 2006, of the 'salami-passion' and 'mediterranean' pizzas, cheesy bread and salad roquette.

During the second half of 2006 the new online ordering platform was launched and online orders accounted for 5.8% of the total orders, by value, for the year (an increase of 20% over last year). The number of online orders impressively increased by 77% over the previous year. We believe that a better shopping experience as well as targeted marketing were the driver for this increase.

Total revenue rose by 33% to CHF10.5m in 2006 (2005: CHF 7.85m, 7.4%). Same stores sales (sales generated by those stores that have been operational for more than a year) has increased by 10.2% to CHF8.7m (2005: CHF7.55m, 2.85%). During the month of December 2006 the Company's sales exceeded CHF 1,000,000 for the first time.

The Company increased its gross profit by 31.6% to CHF8.2m (2005: CHF6.23m, 7.2%).

Loss from operations before depreciation was CHF1,171,782 (2005: profit CHF321,472). The loss was mainly due to the under-performance of the new stores combined with heavy investment in marketing and PR. During the year the Company invested CHF1,188,151 in marketing, an increase of over 57% compared to last year, in order to generate sales in the short term as well as create brand awareness for the mid term.

Loss on ordinary activities was CHF1,607,188 (2005: profit CHF77,207).

According to IFRS accounting standards, store pre-opening costs are treated as an expense and therefore presented as "charges in relation with the extension of the business". Pre-opening costs of the three newly opened stores (including Luzern – opened during the last days of 2005) amounted to CHF291,330 (2005: CHF209,050). A deferred tax asset was created to recognise the future benefits of tax losses, it amounts to CHF584,698 for the year. The inclusion of these costs means a loss of CHF1,313,820 (2005: CHF131,843).

The Company's cash position remains strong, with net cash of over CHF4.3m as at the end of the period, with no loan facilities, enabling the Company to execute its development plan for Domino's Pizza in the territory.

During 2007 the Directors intend to continue the opening and development of new stores in selective locations to increase the Company’s presence in Switzerland.

The Board continues to review new business development opportunities for the Company in the territory.

Current trading and outlook

Same stores (eight stores) continue to make further progress with sales up 6.1% during the first seven weeks of 2007 over the same period in 2006. Online ordering continues to increase; during the first seven weeks of 2007 online ordering increased by 140% over the same period last year and now accounts for 8.58% of the total orders and 11.31% of total turnover.

The Board has decided to cease operation of the Company's owned store in Luzern by the end of the first quarter. This is a result of substantially low sales of the store (50% below budget) and in order to avoid further losses.

The Board will continue to closely monitor the development of the remaining new stores and accordingly take the needed actions.

In line with the Board's strategic decision to focus future store openings in cities in which the Company is already active and enjoys brand recognition, the Company has recently signed a new lease agreement for a third location in Zurich and has applied for construction permits The Company plans to shift the equipment from the store in Luzern to the new store in Zurich. The Company is negotiating additional potential locations for further openings.

I extend the gratitude of the Board to all our shareholders and employees for your support.

I look forward to reporting on further progress during the current financial year.

Yossi Moldawsky

Chairman

27 February 2007

DIRECTORS' REPORT

The Directors are pleased to submit their annual report and audited financial statements for the year ended 31st December 2006.

For the purpose of filing with AIM, financial statements have been prepared and presented using International Financial Reporting Standards ("IFRS"). Statutory annual accounts presented in accordance with Luxembourg law are also drawn up and these are available at the registered office and the Registrar of Commerce and Societies in Luxembourg. The statutory annual accounts are presented in accordance with Luxembourg law which has adopted the EU Fourth Directive on the presentation and content of annual accounts and are drawn up in accordance with Luxembourg generally accepted accounting policies. The principal differences between IFRS financial statements and Luxembourg statutory annual accounts are:

- IFRS permits the recognition of a deferred tax asset in respect of expected foreseeable benefits arising from tax losses. Luxembourg law does not allow the recognition of unrealized gains.
- pre-opening costs are charged directly to profit and loss account under IFRS, but they may be amortized over 5 years under Luxembourg law.
- prior year adjustments are charged to equity under IFRS, but are taken to exceptional charges/ income under Luxembourg law.

Principal activity

The principal activity of the Company is the development of Domino's Pizza products in Switzerland.

The Company's registered office is in Luxembourg but trading is carried out through its main head office branch in Zurich.

A review of the business is contained in the Chairman's statement.

Appropriation of results

The Company's policy is to pay dividends from available profits and when future cash flows allow distributions and after setting aside working capital needs.

The Directors do not propose the payment of a dividend for the year 2006.

The Directors propose to carry forward the net loss for the year 2006.

Share capital and working capital

The Company's share capital was increased during 2005 to its current level of CHF 10,128,006 by the conversion of existing shareholders' loans and issue of new shares by public placement. These financial measures have provided the Company with adequate working capital to manage the business in an orderly fashion.

Liquidity

Cash at bank amounted to CHF 4,358,814 at 31 December 2006. This will permit us to pursue our development of new stores and growth plans. Management exercises a tight budgetary control over cash flows to ensure that sufficient funds are available and to settle payments to suppliers as they become due.

Fixed Assets

Details of intangible and tangible assets are set out in notes 13 and 14 of these financial statements.

Investments in new stores, equipment and vehicles were made for CHF 1,237,163 (2005 CHF 1,200,104), financed by the proceeds from the capital increase.

Post year end events

There are no events, claims or losses since 31 December 2006 which would have a material effect on the financial position and results of the Company.

Directors

The members of the Board of Directors who served during the year were:

		Appointed	
Yossi Moldawsky	Executive Chairman	6.7.1999	
Dov Lachovitz	Managing Director	14.5.2001	
Andreas Brunner	Operations Director	20.5.2005	(until December 2006)
Juerg Keller	Financial Director	20.5.2005	
Christopher Bodker	Non Executive Director	19.8.2005	
Amir Raveh	Non Executive Director	19.8.2005	

Director's interests

The beneficial interests of the Directors, their families and companies controlled by them in the shares of the Company were as follows:

	Number of shares	
	At 31 December	
	2006	2005
Director		
Yossi Moldawsky (1)	679,575	679,575
Dov Lachovitz(2)	179,756	179,756

(1) Of the shares held by Yossi Moldawsky, 17,919 shares are registered in the name of Beitar Investments B.V., a company in which Yossi Moldawsky is the beneficial owner of 45% of the issued share capital.

(2) Dov Lachovitz is also the beneficial owner of 10 % of the issued share capital of Beitar Investments BV, which holds 17,919 Shares in the Company.

Share option scheme

In order to assist in the retention and motivation of high quality directors and employees, the shareholders of the Company approved a Share Option Plan. Under the Share Option Plan, the Company may grant options up to 10% of its issued share capital from time to time. The Company has issued options exercisable into new Ordinary Shares as set out below.

	Number of options		Exercise
	2006	2005	price
Director			
Yossi Moldawsky	144,686	144,686	185p
Dov Lachovitz	144,686	144,686	185p
Andreas Brunner*	32,504	72,343	185p
Juerg Keller	24,114	24,114	185p
Christopher Bodker	21,411	21,411	185p
Amir Raveh	21,411	21,411	185p
Itamar Sadeh	48,229	-	115p

*Options issued to Andreas Brunner were adjusted on 31 December 2006.

No options were exercised during the year.

Shareholders

As at the date of this report the following persons and companies have an interest of 3% or more in the issued share capital of the Company:

	Number of shares	% of share capital
Dolce Holland B.V.	694,031	14.3
Boaz Moldawsky	661,656	13.7
Etai Moldawsky	290,842	6.0
The Bank of New York (Nominees) Limited	312,000	6.5
Pershing International Nominees Limited	252,715	5.2
Pershing Keen Nominees Limited	224,285	5.8
Euroclear Nominees Limited	218,108	4.7
Vidacos Nominees Limited	205,009	4.5
Nortrust Nominees Limited	278,897	4.3

Corporate Governance

The Directors acknowledge their responsibility for good corporate governance as set out in the Combined Code and support its main provisions in so far as they are appropriate to a company of the size of Global Brands SA at its stage of development.

Directors

The Directors accept their duty of an effective Board leading and controlling the Company. The Board consists of five directors (six until 31.12.2006), two of whom are non-executive.
The role of the Board is to determine the Company's long term direction and strategy and monitor performance and achievement of its business objectives. The Board meets four times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic and operational matters.

The Non-Executive Directors are considered by the Board to be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. Directors have the facility to take external independent advice in furtherance of their duties at the Company's expense.

The Board delegates certain of its responsibilities to the Audit and Remuneration Committees of the Board. These Committees operate within clearly defined terms of reference.

Accountability and Audit

1. Directors' Responsibilities

The Directors are required to prepare financial statements, which give a true and fair view of the state of the Company's financial position as at the end of the period and of the Company's profit/loss for the year. The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Company. They have a duty of care and general responsibility to implement internal controls to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Appropriate accounting policies, which follow generally accepted accounting practice and are explained in the notes to the accounts, have been applied consistently and applicable accounting standards have been followed. In addition reasonable and prudent judgments and estimates have been used in the preparation of the financial statements.

2. Going Concern

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the ''going concern'' basis for preparing the financial statements.

3. Audit Committee and Auditors

The Audit Committee, composed entirely of Non-Executive Directors, assists the Board in meeting its responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the external audit. It also considers the cost effectiveness, independence and objectivity of the auditors taking account of any non-audit services provided by them.

4. Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors. It meets at least twice a year and has a primary responsibility to review the performance of executive directors and senior employees and set the scale and structure of their remuneration having due regard to the interests of shareholders.

5. Internal Controls

The Directors are responsible for maintaining a sound and effective system of internal financial and operational controls. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to provide reasonable assurance that significant errors and irregularities are identified on a timely basis and dealt with appropriately.

In carrying out their responsibility, the Directors have put in place a framework of financial budgetary controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible.

The Board, subject to delegated authority, reviews capital investment, sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

Corporate Social Responsibility

Global Brands is committed to delivering the highest standards of product and service to its customers. We make every effort to be an equal opportunities employer and are committed to investing in our team members through market-leading remuneration, training and development and health and safety.

Auditors

The annual meeting of shareholders held on June 1st, 2006 approved the Board's proposal to replace the auditor Grant Thornton Révision et Conseils S.A. by the firm of PKF Luxembourg, independent auditors.

Annual General Meeting

Notice to shareholders of the Company's annual general meeting to be held on June 1st, 2007 in Luxembourg will be sent to registered shareholders.

On Behalf of the Board

27 February 2007

Yossi Moldawsky
Chairman

REPORT OF THE AUDITOR

Report on the financial statements of Global Brands S.a. as of December 31, 2006

Following our appointment, we have audited the accompanying financial statements of Global Brands S.a., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the financial statements
The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards [*as adopted by the EU*]. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Global Brands S.a. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards [*as adopted by the European Union*].

Report on other legal and regulatory requirements
The management report, which is the responsibility of the board of directors, is in accordance with the financial statements.

Tom Pfeiffer Partner	Carlo Reding Partner

PKF Luxembourg
Réviseurs d'entreprises

STATEMENT OF INCOME

(Expressed in Swiss francs)		**2006**	**2005**
	Notes	CHF	CHF
Revenue from sales	6	10,499,573	7,851,083
Cost of sales		(2,300,387)	(1,621,500)
Gross profit		8,199,186	6,229,583
Staff costs	8	(5,545,081)	(3,805,481)
Administrative expenses	9	(3,825,887)	(2,102,630)
(Loss) / profit from operations before depreciation & amortisation		**(1,171,782)**	**321,472**
Depreciation and amortisation		(557,373)	(397,231)
(Loss) / Profit from operations before financial result		(1,729,155)	(75,759)
Interest and financial income	10	157,317	185,310
Finance costs	11	(35,350)	(32,344)
(Loss) / Profit on ordinary activities	6	(1,607,188)	77,207
Charges in relation with extension of the business		(291,330)	(209,050)
Deferred tax credit	12	584,698	-
Loss for the year		**(1,313,820)**	**(131,843)**
Basic earnings / (loss) per share	*7*	*(0.272)*	*(0.08)*

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2006

(Expressed in Swiss francs)	Notes	2006 CHF	2005 CHF
ASSETS			
Non-current assets			
Intangible assets	13	210,685	212,441
Property, plant and equipment	14	2,903,158	2,188,834
Financial assets	15	94,315	90,802
Deferred tax asset	16	733,000	148,302
Total non-current assets		3,941,158	2,640,379
Current assets			
Stocks	17	214,974	155,987
Trade and other receivables	18	124,855	257,276
Cash at banks and in hand		4,358,814	6,229,456
Total current assets		4,698,643	6,642,719
Total assets		**8,639,801**	9,283,098
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	19	10,128,006	10,128,006
Share premium	19	1,959,535	1,959,535
Accumulated losses		(5,925,178)	(4,611,358)
Equity shareholders' funds (deficit)		**6,162,363**	7,476,183
Non-current liabilities			
Obligations under finance leases	20	61,037	110,956
Total non-current liabilities		61,037	110,956
Current liabilities			
Due to banks		0	593
Trade and other payables	21	2,363,630	1,614,030
Obligations under finance leases	20	52,771	81,336
Total current liabilities		2,416,401	1,695,959
Total equity and liabilities		**8,639,801**	9,283,098

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(Expressed in Swiss francs)		**2006**	**2005**
	Notes	CHF	CHF
OPERATING ACTIVITIES			
Net cash flows applied to operations	27	(630,117)	(102,746)
INVESTING ACTIVITIES			
Payments to acquire fixtures, equipment motor vehicles and software		(1,269,941)	(1,084,862)
Deposits (made) repaid		(3,513)	1,716
Net cash flows (outflows) from investing activities		(1,273,454)	(1,083,146)
FINANCING ACTIVITIES			
Payments under finance lease obligations		(78,484)	(117,594)
Interest (paid) received		112,006	152,967
Proceeds from capital increase		-	7,155,671
Net cash flows (outflows) from financing activities		33,522	7,191,044
Increase (decrease) in cash & cash equivalents during the year		**(1,870,049)**	**6,005,152**
Cash and cash equivalents:			
- net balance at beginning of the year		6,228,863	223,711
- net balance at end of the year		4,358,814	6,228,863
Increase (decrease) in cash & cash equivalents during the year		**(1,870,049)**	**6,005,152**
Cash and cash equivalents at the end of the year are represented by :			
Cash at banks and in hand		4,358,814	6,229,456
Due to banks		-	(593)
Net cash and cash equivalents at end of the year		4,358,814	6,228,863

STATEMENT OF MOVEMENT IN SHAREHOLDERS' EQUITY

(Expressed in Swiss francs)	Called up share capital CHF	Share premium CHF	Accumulated losses CHF	Total CHF
Balance at 1st January 2005	13,250	-	(4,642,860)	(4,629,610)
Movements during the year :				
Cancellation of shares	(13,250)	-	-	(13,250)
New share capital issue	10,128,006	4,348,500	-	14,476,506
Capital issue costs		(2,388,965)	-	(2,388,965)
Prior year adjustments		-	163,345	163,345
Loss for the year 31 December 2005		-	(131,843)	(131,843)
Balance at 31 December 2005	10,128,006	1,959,535	(4,611,358)	7,476,183
Loss for the year 31 December 2006	-	-	(1,313,820)	(1,313,820)
Balance at 31 December 2006	**10,128,006**	**1,959,535**	**(5,925,178)**	**6,162,363**

NOTES TO THE FINANCIAL STATEMENTS

1 Statutory information

Global Brands S.A. (the " Company") was incorporated under the laws of Luxembourg on July 6, 1999 by notary act prepared by Maitre Alex Weber, notary residing in Luxembourg. The act was published in the legal gazette, the Mémorial C N° 723 of 29 September 1999. The Company is registered under the number B 70673 at the Register of Commerce and Societies in Luxembourg (Registre de Commerce et des Sociétés (R.C.S.) The registered office is in Luxembourg. A branch has been opened in Switzerland where it carries on its principal trading activity.

2 Activities

Global Brands S.A. (the « Company ») has acquired the Domino's franchise licences, concessions and rights for Switzerland, Lichtenstein and Luxembourg. Its current activities consist of the promotion, manufacture and sale of Domino's Pizza.

3 Directors' responsibility

The annual report and financial statements drawn up under IFRS were approved by the Board of Directors on 27 February 2007. They may be changed only by the Board of Directors and are not subject to approval by shareholders.
The statutory annual accounts for the year ended 31 December 2006 drawn up in accordance with Luxembourg law will be submitted to shareholders for approval of shareholders at the annual meeting on 1st June 2007. Statutory annual accounts for the year ended 31 December 2005 have been approved by shareholders and have been filed at the R.C.S. in Luxembourg.

4 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention using accounting policies on a basis consistent with those adopted for the prior year, and on a going concern basis.

The Company prepared its first set of IFRS compliance financial statements for the year ended 31 December 2004. The date of transition to IFRS was thus 1st January 2004. Adjustments have been made to the numbers presented in the local statutory annual accounts for the years ended 31 December 2006 and 2005 to comply with IFRS. The adjustments relate to accounting for :

· deferred tax asset which was created to recognise the future benefits of tax losses, but is not allowed under Luxembourg law;

· capital issue costs are charged against the share premium account, whereas local accounting policy is to capitalize and amortise these costs over 5 years.

The financial statements are stated in Swiss Francs ('CHF') which is the currency of the issued share capital of the Company and the Company's functional currency.

Use of estimates

Accounting estimates and assumptions are used in the preparation of these financial statements, notably in respect of depreciation and amortisation of fixed assets, provisions for uncollectible amounts, valuation of stocks and provisions for charges. These estimates are based on the directors' best knowledge of current events and actions, although actual results may ultimately differ from those estimates.

Going concern

The financial information has been prepared on the basis that the Company will continue as a going concern for the foreseeable future. In forming this opinion, the directors have prepared the Company's budgets for 2007 to 2010 and formulated its medium term plans.

5 Summary of significant accounting policies

Revenue recognition

Sales revenue is the amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rate applied.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their expected useful lives. Land is not depreciated.

The expected useful lives generally applicable are:

Fixtures, fittings and stores equipment: 6 to 10 years / over the life of the lease

Furniture and office equipment: 3 to 4 years

Motor vehicles: 3 to 7 years

Fixtures, fittings and stores equipment were depreciated initially over the primary life of the lease of 5 years. In 2005, the Directors changed this period to 10 years since the Company has exercised its option under the respective leases to extend the lease contracts by a further 5 years.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially the economic ownership of the asset to the lessee. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. They are capitalised at their fair value at the date of acquisition, or if lower, at the present value of the minimum lease payments. The interest element of leasing payments representing a constant proportion of the capital balance outstanding is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the term of the lease.

Intangible assets

Intangible assets acquired are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged on a straight-line basis over the estimated useful economic life and charged from the date the asset is available for use. The useful lives are estimated as follows:

Licences: 15 years, being the period of the operating franchise licence

Software: 2 to 3 years

The carrying values are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement

Financial assets

Financial assets held by the Company representing bank deposits are stated at fair values.

Deferred taxation

Deferred tax payable is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information tables. The principal temporary differences arise from depreciation of property, plant and equipment, tax losses carried forward and on the difference between the fair values of the net assets acquired and their tax base. Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be sufficient and available against which the tax losses can be utilised. Deferred tax assets are reviewed at each balance sheet date to determine the expected timing of their realisation.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost of raw materials, finished goods and consumables comprises the invoiced value of the goods.

Debtors and receivables

Debtors and receivables are stated at their nominal value, less provision for estimated irrecoverable amounts.

Financial instruments

The Company's financial instruments consist of long term bank deposits, cash, bank current accounts, short term bank deposits, trade receivables, other receivables, accrued income, trade payables, obligations under finance lease contracts, loans, other accounts payable and accrued liabilities. The fair value of the financial instruments approximates their carrying values.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank guarantee deposits are considered to be investing activities; bank borrowings are considered to be financing activities.
Liquid funds assets are placed with recognised banks in Switzerland and Luxembourg and the balances represent their fair value. Short term bank overdrafts are obtained to meet working capital needs.

Trade payables

Trade payables are stated at their nominal amounts.

Borrowings

Loans and bank overdrafts are recorded at the proceeds amount. Interest and financial charges, including premiums payable on repayment, are accounted for on an accrual basis and are added to the amount of the debt.
Interest expense is accrued on a time basis by reference to the principal outstanding and the interest rate applied.

Pension schemes

The Company makes contributions to the personal pension plans of certain employees. Contributions are charged to the profit and loss account. The Company does not operate a defined pension contribution scheme or defined pension benefit scheme for its employees and directors

6 Revenues and results

Business segment

Turnover, operations, profits and net assets are attributable entirely to continuing activities from its single business segment of selling pizzas. The Company's turnover and trading results arise entirely in Switzerland.

Geographical segment:

Turnover and results are attributable primarily to Switzerland. There are no trading revenue in Luxembourg.

The loss on ordinary activities before taxation is stated after charging or crediting:

	2006	2005
Included in administration expenses are:	CHF	CHF
Depreciation of:		
Property, plant and equipment owned	430,439	254,600
Property, plant and equipment under finance leases	92,400	110,152
Amortisation of intangible fixed assets	34,534	32,479
Operating lease rentals	379,244	276,475
Auditors' remuneration:		
Audit services	38,640	43,200
Non-audit services	-	-
Foreign currency gains	45,311	154,479
Pre-opening costs of newly opened stores	291,330	209,050

Auditors' remuneration for the year 2005 included audit services in connection with the AIM placement.

7 Earnings (loss) per share (EPS)

The calculation of the basic earnings per share is determined on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The elements used in the calculation are:

	2006	2005
Number of issued shares of CHF 2.10 each	4,822,860	4,822,860
The weighted average number of shares in circulation during the year was :	4,822,860	1,629,884
	CHF	CHF
Loss for the year	(1,313,820)	(131,843)
Basic earnings (loss) per share	(0.27)	(0.08)

The directors consider that there is no dilutive effect of share options issued because the market price of the shares is substantially lower than the exercise price so that it is most improbable that the options would be exercised at their exercise price of £ 1.85/£1.15

8 Staff costs

	2006	2005
	CHF	CHF
Wages and salaries	4,993,538	3,501,697
Social security and state pension costs	498,577	271,119
Other staff costs	52,966	32,665
	5,545,081	**3,805,481**

Social security costs comprise the Company's legal obligations to contribute to the Swiss State national health and pension funds and private pension plans of certain employees.

	2006	2005
Remuneration in respect of directors included therein amounted to:	CHF	CHF
Emoluments	509,304	123,150
Social security and pension contributions	-	-
	509,304	123,150

There is no Company pension scheme in force for the directors.

Remuneration to key members of management amounted to	280,612	249,000

The average number of employees by category was:	**N°**	**N°**
Production and sales distribution	289	227
Administration	6	5
	295	**232**

9 Administrative expenses

	2006	2005
	CHF	CHF
Marketing costs and royalties	1,188,151	753,347
Administration and general expenses	2,637,736	1,349,283
	3,825,887	**2,102,630**

10 Interest and financial income

	2006	2005
	CHF	CHF
Bank interest income	112,006	30,831
Foreign currency gains	45,311	154,479
	157,317	**185,310**

11 Finance costs

	2006	2005
	CHF	CHF
Interest on bank loans and overdrafts	-	703
Finance lease interest	7,783	10,675
Other financial charges	27,567	20,966
	35,350	**32,344**

12 Income tax expense

The Company is fully taxable in Luxembourg and Switzerland on profits realised from its operations. There were no taxable profits attributable to Luxembourg during the above years.

There is no taxation charge because the Company has incurred tax losses.

	2006	**2005**
	CHF	CHF
Loss for the year before tax	(1,313,820)	(131,843)
Swiss tax rate	25%	25%
Expected tax expense	-	
The effective tax rates on profits are:		
Luxembourg	30.38%	30.38%
Switzerland	25.00%	25.00%

13 Intangible fixed assets

	Software	Licences	Total
	CHF	CHF	CHF
Year 2005			
Gross carrying amount at 01/01/2005	58,487	353,901	412,388
Additions	-	-	-
Gross carrying amount at 31/12/2005	58,487	353,901	412,388
Less accumulated amortisation brought forward	(50,487)	(116,981)	(167,468)
Amortisation charge for the year	(7,999)	(24,480)	(32,479)
Accumulated amortisation at 31/12/2005	(58,486)	(141,461)	(199,947)
Net book value at 31/12/2005	**1**	**212,440**	**212,441**
Year 2006			
Gross carrying amount at 01/01/2006	58,487	353,901	412,388
Additions	32,778	-	32,778
Gross carrying amount at 31/12/2006	91,265	353,901	445,166
Accumulated amortisation brought forward	(58,486)	(141,461)	(199,947)
Amortisation charge for the year	(9,381)	(25,153)	(34,534)
Accumulated amortisation at 31/12/2006	(67,867)	(166,614)	(234,481)
Net book value at 31/12/2006	**23,398**	**187,287**	**210,685**

Licences include an initial payment of CHF 328,901 to acquire ‘‘Dominos pizza’’ operating franchise licence for a period of 15 years in Luxembourg, Liechtenstein and Switzerland. At 31st December 2006, the licence has a remaining life of 8 years.

14 Property, plant and equipment

	Fixtures, fittings & store equipment	Office equipment & furniture	Motor vehicles	Total
	CHF	CHF	CHF	CHF
Year 2005				
Gross carrying amount at cost at 01/01/2005	1,763,368	163,520	554,633	2,481,521
Additions	865,066	125,257	209,781	1,200,104
Disposals/prior years restatement	(16,205)	-	(118,782)	(134,987)
Gross carrying amount at 31/12/2005	2,612,229	288,777	645,632	3,546,638
Less accumulated depreciation brought forward	(987,627)	(119,820)	(193,245)	(1,300,692)
Depreciation charge for the year	(222,202)	(46,567)	(95,983)	(364,752)
Write-back of depreciation	341,144	-	-	341,144
Prior year restatement	-	-	(33,504)	(33,504)
Accumulated depreciation at 31/12/2005	(868,685)	(166,387)	(322,732)	(1,357,804)
Net book value at 31/12/2005	1,743,544	122,390	322,900	2,188,834
Year 2006				
Gross carrying amount at cost at 01/01/2006	2,612,229	288,777	645,632	3,546,638
Additions	1,094,902	48,700	93,561	1,237,163
Gross carrying amount at 31/12/2006	3,707,131	337,477	739,193	4,783,801
Less accumulated depreciation brought forward	(868,685)	(166,387)	(322,732)	(1,357,804)
Depreciation charge for the year	(336,085)	(63,292)	(123,462)	(522,839)
Accumulated depreciation at 31/12/2006	(1,204,770)	(229,679)	(446,194)	(1,880,643)
Net book value at 31/12/2006	**2,502,361**	**107,798**	**292,999**	**2,903,158**

During the year, the Company acquired the freehold property of its new store in Lausanne.

Fixtures, fittings and stores equipment were depreciated initially over the primary life of the lease of 5 years. In 2005, the directors have changed this period to 10 years since the Company has exercised its option under the respective leases to extend the lease contracts by a further 5 years. Changes in the lease period of stores has resulted in changes to accounting estimates of depreciation of fixtures and fittings, resulting in a prior year adjustment in 2005 of CHF 341,144 which was taken to retained earnings. Other prior year restatements in 2005 relating to lease agreements taken to retained earnings amount to CHF 177,799.

The net carrying amount of assets held under finance leases amounted to:	**2006**	**2005**
	CHF	CHF
Equipment	100,174	128,038
Motor vehicles	145,304	209,600
Total	**245,478**	**337,638**

15 Financial assets

	2006	2005
	CHF	CHF
Bank guarantee deposits	**94,315**	**90,802**

Deposits are made with the Company's bankers as guarantees for lease of premises, stores and vehicles and are stated at fair values.

16 Deferred tax asset

	2006	2005
	CHF	CHF
Balance at beginning of year	148,302	148,302
Deferred tax credit (charge) for the year	584,698	-
Balance at end of year	**733,000**	**148,302**

The Directors have resolved to continue to recognise the deferred tax asset created in prior years since they are confident that, based on budgets and forecasts over the years 2007-2009, sufficient profits will be generated during those years to allow Swiss tax losses to be offset against them. A deferred tax asset in respect of current year Swiss tax losses has not been constituted until a tax assessment confirming the amount of the losses is received. Tax losses incurred in respect of Luxembourg operations have not been used to constitute a deferred tax asset since it is uncertain when those losses may be utilised.

Tax losses available to set off against future profits amount to:	2006	2005
	CHF	CHF
Swiss tax losses available to offset against future taxable profits	2,932,000	593,207
Deferred tax asset thereon (at a tax rate of 25%)	733,000	148,302
Luxembourg tax losses	338,293	172,180

17 Stocks

	2006	2005
	CHF	CHF
Raw materials – foods and beverages	144,374	101,544
Other consumables	70,600	54,443
	214,974	**155,987**

All stocks are stated at cost which approximates their fair values. There are no write-downs in value.

18 Trade and other receivables

	2006	2005
Amounts falling due within one year:	CHF	CHF
Trade debtors	27,779	2,768
Other debtors, prepayments and accrued income	97,076	254,508
	124,854	**257,276**

19 Capital and reserves

Share capital	2006 CHF	2005 CHF
Allotted, issued and fully paid up	**10,128,006**	**10,128,006**
Number of shares of CHF 2.10 each	*4,822,860*	*4,822,860*

The Company has one class of share which carries equal voting rights and rights to distributions of dividends from available retained earnings.

On 4th May 2005 the existing 53,000 shares of CHF 10 were cancelled and replaced by the issue of 1,892,000 shares of a par value of CHF 2.10 each. A capital increase of CHF 5,209,306 was made by the issue 2,480,622 new shares of CHF 2.10 each, fully paid up, increasing the subscribed capital to CHF 5,262,306 represented by 2,505,860 shares of CHF 2.10 each. The new shares were subscribed by conversion of debt of shareholders and related parties for an amount of CHF 5,209,306 at an exchange parity of 1 share of CHF 2.10 for CHF 2.10 of debt.

On 8th August 2005 the Company increased its capital by CHF 1,338,750 by the issue of 425,000 shares of CHF 2.10 each and the payment of a share premium of CHF 446,250.

On 21st October 2005 the share capital was increased by CHF 7,875,450 by the issue of 1,892,000 shares of CHF 2.10 each, fully paid up, to set the share capital at CHF 10,128,006 together with a share premium of CHF 3,902,250.

At 31 December 2006 the number of shares in circulation was 4,822,860 shares of CHF 2.10 each, giving a total subscribed and fully paid up share capital of CHF 10,128,006.

Stock option plan

On 1st August 2005, the general meeting of shareholders of the Company approved a stock option plan for the benefit of the directors and key employees. Options for 428,651 shares of CHF 2.10 each were issued at an exercise price of GBP 1.85 each. 39,839 options expired during the year and 48,229 new options at a price of £1.15 were issued. None of the options has been exercised. At 31 December 2006 there were in circulation 388,812 options at £1.85 and 48,299 options at £1.15.

Share premium	2006 CHF	2005 CHF
Premium on issue of new shares	4,348,500	4,348,500
Less charges of raising finance	(2,388,965)	(2,388,965)
Share premium balance at end of year	**1,959,535**	**1,959,535**

Legal reserve

The Company is obliged to make a transfer of at least 5% of its annual net profits to a legal reserve. Retained losses are deducted in determining the amount of the annual transfer. This transfer ceases when the legal reserve is equal to 10% of the subscribed share capital, but recommences if it falls below this level. The legal reserve is not available for distribution, except on dissolution.

A legal reserve is not required since the Company has accumulated losses.

20 Non-current liabilities

	2006	2005
	CHF	CHF
Obligations under finance leases and hire purchase contracts	61,037	110,956

Obligations under finance leases in respect of equipment and vehicles are for periods of two to five years and are recorded as liabilities in the balance sheet. The lease contracts bear interest at rates of between 5% and 5.7% and are repayable in fixed monthly instalments of principle and interest over the period of the lease. In the event that lease obligations are not fulfilled, the lessor has a right to recover the asset.

The leases to which these amounts relate expire as follows:	2006	2005
	CHF	CHF
In one year or less (classified as a current liability)	52,771	81,336
Between one and five years (classified as a non-current liability)	61,037	110,956
In five years or more (classified as a non-current liability)	-	-
	113,808	**192,292**
Aggregate minimum lease payments due under the contracts inclusive of finance charges amount	113,808	192,292
The finance charges therein amount to	6,566	17,456

21 Trade and other payables

	2006	2005
Amounts falling due within one year	CHF	CHF
Trade creditors	1,386,198	911,795
Other taxes and social security	326,864	72,810
Other creditors, accruals and deferred income	650,568	629,425
	2,363,630	**1,614,030**

22 Capital and contractual commitments

Under a franchise agreement with Domino's Pizza International Inc. USA, the Company has a commitment to pay US$10,000 on the opening of every new store from the ninth store onwards. In addition the Company has to pay a royalty fee to Domino's Pizza International Inc. based on its sales and is required to set aside a percentage of its sales revenue for advertising and marketing.

Under contractual commitments, the Company is obligated to pay performance remuneration to directors which are conditional on the Company achieving performance targets. Provisions for these charges have not been made in these accounts until those targets are met.

23 Leasing commitments

Operating leases

The Company has commitments under several short-term and long-term operating leases in respect of its offices, stores and related parking. The offices and stores leases are for periods of 5 years, renewable, and with cancellation notice periods of six months before the expiry of the contract. In the event of cancellation before the expiry of the term of the lease, penalty cancellation charges are payable.

	2006	2005
	CHF	CHF
Charge for operating leases for the year	379,244	276,475

The future minimum payments under these leases expire as follows:		
In one year or less	363,526	292,840
Between one and five years	913,348	480,430
In five years or more	-	5,840
	1,276,874	779,110

24 Contingent assets / liabilities

There are two claims against the Company by former employees. The Directors contest the claims but cannot forecast the outcome, but as a matter of prudence provision has been made in these accounts.

25 Financial risk management

The Company's turnover is dependent on a single product, being the production and sale of pizzas; sales are mainly carried out in cash and management has implemented controls to monitor the cash collections; exposure to credit risk is limited to the amount of trade receivables and other receivables from card processing companies. The receivables are stated net of provisions for doubtful debts estimated by management based on collections and economic conditions. The Company is not dependent on key customers and has no significant risk associated to any one customer. The directors consider that the carrying values of trade and other receivables approximate their fair value. Liquid funds assets are placed with regulated banks in Switzerland and Luxembourg and the balances represent their fair value. Short term bank overdrafts are obtained to meet working capital needs.

26 Related parties

The Company is controlled by its directors and members of the Moldawsky family and the Moldawsky group which has its registered office in Israel.

27 Reconciliation of net cash flows from operating activities

	2006	2005
	CHF	CHF
Loss on ordinary activities before taxation	(1,313,820)	(131,843)
Adjustments for :		
Depreciation and amortisation	557,373	397,231
Deferred tax credit	(584,698)	-
Financial interest result	(112,006)	(152,967)
Operating cash flows before movements in working capital	(1,453,151)	112,421
Decrease/(increase) in stocks	(58,987)	(13,744)
Decrease/(increase) in debtors	132,421	(194,855)
Increase/(decrease) in creditors	749,600	(6,568)
Net cash inflow (outflow) from operations	**(630,117)**	**(102,746)**