

DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report for the half-year ended 31 December 2017

*This half-year report is provided to the Australian Stock Exchange (ASX) under ASX
Listing Rule 4.2A.3*

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APPENDIX 4D

Current Reporting Period: Half-year ended ended 31 December 2017

Previous Reporting Period: Half-year ended ended 1 January 2017

Section A: Results for announcement to the market

	Percentage change %		Amount \$'million	
Revenue and net profit				
Revenue for ordinary activities	Up	5.2%	to	567.6
Profit from ordinary activities after tax from continuing operations	Up	18.2%	to	59.8
Profit from ordinary activities after tax attributable to members	Up	17.3%	to	58.7
Net profit attributable to members	Up	17.3%	to	58.7

Distributions

	Amount per security (cents)	Franked percentage per security
Final dividend in respect of full year ended 2 July 2017 paid 6 September 2017	44.9	50%
Interim dividend in respect of half-year ended 31 December 2017	58.1	40%
Record date for determining entitlements to the dividend:	21 February 2018	

	31 December 2017	2 July 2017
Net tangible assets per security		
Net tangible asset per security	(3.75)	(3.09)

Section B: Commentary on results

For comments on trading performance during the half-year, refer to the media release.

The interim 40% franked dividend of 58.1 cents per share was approved by the Board of Directors on 13 February 2018. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the half-year financial report.



Section C: Half-year Financial Report

Directors' report

The Directors of Domino's Pizza Enterprises Limited (the company or DPE) submit herewith the condensed financial report for the consolidated entity (the company and its controlled entities) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the company during or since the end of the half-year are:

- Jack Cowin
- Ross Adler
- Grant Bourke
- Paul Cave
- Lynda O'Grady
- Don Meij

Review of operations

The following are the key operational highlights for the half-year.

Consolidated entity

The consolidated profit for the period from continuing operations is \$59.8 million (first half of 2016/17: \$50.6 million). This is 18.2% higher than the 2016/17 half-year, driven by Same Store Sales (SSS) growth, continued organic new store openings, integration of prior European acquisitions, a reduction in integration costs and successful product launches in all markets. This has contributed to an increase in revenue, with the first half achieving \$567.6 million compared with \$539.4 million in the first half of 2016/17. The effective tax rate (tax expense divided by profit before tax) is 30.6%, compared to 29.6% for the first half of 2016/17 and an interim partially franked dividend of 58.1 cents per share will be paid on 8 March 2018.

The consolidated entity's NPBT was impacted by one-off significant charges totalling \$6.3 million. In ANZ there was \$4.1 million related to professional fees associated with protecting our operational IP and advisory & compliance costs associated with the nationwide IR audit process. In Europe there was \$1.7 million of costs relating to the Hallo Pizza acquisition in Germany and conversion costs of Pizza Sprint to Domino's branded stores in France. In Japan there was \$0.5 million of costs relating to the acquisition of the non-controlling interest in Japan.

Cash from operating activities is \$81.9 million for the first half compared to \$49.3 million in the first half of 2016/17. This increase is mainly due to strong operating performance in ANZ and Europe, improvement to working capital movements and a reduction in the non-recurring acquisition & integration costs in comparison to the first half 2016/17.

The consolidated entity's overall risk management and governance strategies have not substantially changed since the last full year annual report.

Australia/New Zealand operations

ANZ EBITDA and revenue increased by 7.6% and 15.8% respectively for the period compared with the first half of 2016/17. Contributing to this growth is the SSS result of 3.7% for the period. ANZ continued to grow organically with 39 new stores added in the second half of 2016/17 and 25 added during the first half of 2017/18. There have also been successes with the new 16" New Yorker pizza range and Extreme Dessert offerings.

Europe operations

Europe EBITDA and revenue increased by 180.2% and 14.8% compared with the first half of 2016/17. The EBITDA increase was impacted by first half 2016/2017 non-recurring costs. The revenue growth is driven by the SSS result of 7.7% for the period and continued organic new stores expansion, with 42 new stores added in the second half of 2016/17 and 35 added during the first half of 2017/18. Additionally, there is a benefit from previous acquisitions (Joey's Pizza and Pizza Sprint) contributing towards to group's results for the half year ending 31 December 2017. Europe has continued its digital growth in all markets, with Germany set to grow significantly as a result of the completion of the Hallo Pizza acquisition on 5 January 2018.



Directors' report (continued)

Review of operations (continued)

Japan operations

Japan EBITDA and revenue decreased by -24.3% and -8.8% respectively, compared with the first half of 2016/17. Japan results were impacted by lower SSS due to seasonality of holiday trading period and a Christmas-only limited menu promotion which did not deliver positive sales growth as expected. In addition, the above results were impacted by a lower Yen vs AUD and lower number of corporate stores compared to first half 2016/2017.

EBITDA is a non IFRS performance measure and is defined in the glossary of the 2017 Annual Financial Report. This information is disclosed above as it represents a key measure used by management in describing and managing the performance of the business and operations for the year. Non IFRS measures have not been audited or reviewed in accordance with Australian Auditing Standards.

Developments during the period

During the period the Company has renewed the Master Franchise Agreement of the territories of Australia and New Zealand with Domino's Pizza Inc for a further 10 years from 2 February 2018 with no material changes.

Auditor's independence declaration

The auditor's independence declaration is set out on page 4 of the half-year condensed consolidated financial report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year condensed consolidated financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Jack Cowin'.

Jack Cowin
Chairman
Sydney, 13 February 2018

A handwritten signature in black ink, appearing to read 'Don Meij'.

Don Meij
Managing Director/ Group Chief Executive Officer
Sydney, 13 February 2018

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



Auditor's independence declaration
to the Directors of Domino's Pizza Enterprises Limited



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13 February 2018

The Directors
Domino's Pizza Enterprises Limited
Level 5, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

Dear Directors,

Domino's Pizza Enterprises Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Domino's Pizza Enterprises Limited.

As lead audit partner for the review of the consolidated financial report of Domino's Pizza Enterprises Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited



Independent auditor's review report
to the members of Domino's Pizza Enterprises Limited



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Independent Auditor's Review Report to the Members of Domino's Pizza Enterprises Limited

We have reviewed the accompanying half-year financial report of Domino's Pizza Enterprises Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Domino's Pizza Enterprises Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Member of Deloitte Touche Tohmatsu Limited



Independent auditor's review report
to the members of Domino's Pizza Enterprises Limited (Continued)



Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Domino's Pizza Enterprises Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Domino's Pizza Enterprises Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of Domino's Pizza Enterprises Limited's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 13 February 2018

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



Directors' declaration

The Directors declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Don Meij
Managing Director/ Group Chief Executive Officer
Sydney, 13 February 2018

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017

	31 December 2017 \$'000	1 January 2017 \$'000
Continuing operations		
Revenue	401,487	403,248
Other revenue	166,160	136,116
Other gains and losses	9,211	8,773
Food, equipment and packaging expenses	(189,655)	(177,667)
Employee benefits expense	(124,446)	(121,686)
Plant and equipment costs	(9,918)	(10,056)
Depreciation and amortisation expense	(25,791)	(23,567)
Occupancy expenses	(20,920)	(19,621)
Finance costs	(4,126)	(2,743)
Marketing expenses	(25,288)	(25,509)
Royalties expense	(28,694)	(26,106)
Store related expenses	(10,852)	(11,039)
Communication expenses	(9,028)	(8,993)
Acquisition, integration and other non-recurring costs	(6,335)	(18,050)
Other expenses	(35,636)	(31,278)
Profit before tax	86,169	71,822
Income tax expense	(26,350)	(21,229)
Profit for the period from continuing operations	59,819	50,593
Other comprehensive income		
Item that may be reclassified to profit or loss		
Gain/(loss) on net investment hedge taken to equity	(2,129)	5,556
Exchange differences arising on translation of foreign operations	(4,430)	(31,955)
Gain/(loss) on cash flow hedges taken to equity	244	4,877
Income tax relating to these items	1,680	(1,562)
Other comprehensive income for the period, net of tax	(4,635)	(23,084)
Total comprehensive income for the period	55,184	27,509
Profit is attributable to:		
Owners of Domino's Pizza Enterprises Limited	58,689	50,043
Non-controlling interests	1,130	550
	59,819	50,593
Total comprehensive income for the period is attributable to:		
Owners of the parent	52,499	34,213
Non-controlling interests	2,685	(6,704)
	55,184	27,509
Earnings per share from continuing operations		
Basic (cents per share)	66.5	56.6
Diluted (cents per share)	66.3	55.6

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes which form an integral part of the half-year condensed consolidated financial statements.

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



Condensed consolidated statement of financial position as at 31 December 2017

	Note	31 December 2017 \$'000	2 July 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		54,703	50,454
Trade and other receivables		83,137	72,615
Other financial assets		25,260	18,784
Inventories		25,801	21,098
Current tax assets		131	470
Other assets		32,952	24,404
Total current assets		221,984	187,825
Non-current assets			
Other financial assets		67,590	53,181
Investment in joint venture		2,762	3,231
Property, plant and equipment	4	195,897	198,674
Goodwill	5	382,798	387,111
Other intangible assets		303,723	302,745
Other assets		26	26
Total non-current assets		952,796	944,968
Total assets		1,174,780	1,132,793
Liabilities			
Current liabilities			
Trade and other payables		152,255	136,376
Borrowings	7	3,459	17,910
Other financial liabilities		7,234	54,598
Current tax liabilities		12,128	9,339
Provisions		10,423	11,923
Total current liabilities		185,499	230,146
Non-current liabilities			
Borrowings	7	446,960	311,330
Other financial liabilities		119,684	120,287
Provisions		8,132	7,851
Deferred tax liabilities		56,436	48,115
Total non-current liabilities		631,212	487,583
Total liabilities		816,711	717,729
Net assets		358,069	415,064
Equity			
Issued capital	6	282,381	340,040
Reserves		(103,665)	(85,545)
Retained earnings		179,353	160,569
Total equity		358,069	415,064

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes which form an integral part of the half-year condensed consolidated financial statements.



**Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2017**

	Issued capital \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 4 July 2016	248,554	(8,781)	28,862	(8,887)	134,798	-	394,546
Profit for the period	-	-	-	-	50,043	550	50,593
Other comprehensive income	-	7,805	(23,635)	-	-	(7,254)	(23,084)
Total comprehensive income	-	7,805	(23,635)	-	50,043	(6,704)	27,509
Issue of employee share options	89,127	-	-	-	-	-	89,127
Share options trust	-	-	-	(71,017)	-	-	(71,017)
Share based payments	-	-	-	5,069	-	-	5,069
Non-controlling interest put option	-	-	-	(17,567)	-	6,704	(10,863)
Payment of dividends	-	-	-	-	(34,072)	-	(34,072)
	89,127	-	-	(83,515)	(34,072)	6,704	(21,756)
Balance at 1 January 2017	337,681	(976)	5,227	(92,402)	150,769	-	400,299
Balance at 3 July 2017	340,040	(158)	2,725	(88,112)	160,569	-	415,064
Profit for the period	-	-	-	-	58,689	1,130	59,819
Other comprehensive income	-	(732)	(5,458)	-	-	1,555	(4,635)
Total comprehensive income	-	(732)	(5,458)	-	58,689	2,685	55,184
Non-controlling interests	-	-	-	-	-	(2,889)	(2,889)
Share buy-back	(87,068)	-	-	-	-	-	(87,068)
Issue of employee share options	29,333	-	-	-	-	-	29,333
Issue of share capital under employee share acquisition plan	76	-	-	-	-	-	76
Share options trust	-	-	-	(17,144)	-	-	(17,144)
Share based payments	-	-	-	4,683	-	-	4,683
Non-controlling interest put option	-	-	-	531	-	204	735
Payment of dividends	-	-	-	-	(39,905)	-	(39,905)
	(57,659)	-	-	(11,930)	(39,905)	(2,685)	(112,179)
Balance at 31 December 2017	282,381	(890)	(2,733)	(100,042)	179,353	-	358,069

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes which form an integral part of the half-year condensed consolidated financial statements.



Condensed consolidated statement of cash flows
For the half-year ended 31 December 2017

	Note	31 December 2017 \$'000	1 January 2017 \$'000
Cash flows from operating activities			
Receipts from customers		628,805	584,444
Payments to suppliers and employees		(526,021)	(511,854)
Interest received		1,598	902
Interest and other finance costs		(3,600)	(2,443)
Income taxes paid		(18,905)	(21,796)
Net cash generated from operating activities	8	81,877	49,253
Cash flows from investing activities			
Proceeds from/(loans to) related parties and franchisees		2,458	4,979
Payments for intangible assets		(12,709)	(15,703)
Payments for property, plant and equipment		(27,229)	(27,687)
Proceeds from sale of non-current assets		8,010	12,287
Acquisition of stores net of cash and inventory		(7,064)	(12,769)
Acquisition of subsidiaries and non-controlling interests		(42,368)	-
Net cash inflow/(outflow) on investment in joint ventures		580	(381)
Net cash used in investing activities		(78,322)	(39,274)
Cash flows from financing activities			
Proceeds from issues of equity securities		16,058	16,380
Payments for shares bought back		(87,068)	-
Payments of finance leases		(4,002)	(1,270)
Proceeds from borrowings		270,287	29,274
Repayment of borrowings		(150,426)	(14,425)
Payments for establishment of borrowings		(3,207)	-
Payment of financial liabilities		(1,159)	-
Dividends paid		(39,905)	(34,072)
Net cash generated from (used in) financing activities		578	(4,113)
Net increase in cash and cash equivalents		4,133	5,866
Cash and cash equivalents at the beginning of the period		50,454	60,334
Effects of exchange rate changes on cash held in foreign currencies		116	1,178
Cash and cash equivalents at the end of the period		54,703	67,378

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes which form an integral part of the half-year condensed consolidated financial statements.



Notes to the condensed consolidated financial statements

1. Significant accounting policies

Domino's Pizza Enterprises Limited ("the company") is a company domiciled in Australia. The financial report for the half-year ending 31 December 2017 comprises the condensed consolidated financial statements of the company and its controlled entities (together referred to as the "consolidated entity" or "group"). The annual financial report of the consolidated entity as at and for the year ended 2 July 2017 is available on request from the company's registered office at Level 5, KSD1 485 Kingsford Smith Drive, Hamilton Qld 4007 or at www.dominos.com.au.

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of the consolidated entity for the financial year ended 2 July 2017 and public announcements made by the company.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year condensed consolidated financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's 2017 annual financial report for the financial year ended 2 July 2017, except for the impact of the Standards and Interpretations described below and any new accounting policies adopted by the consolidated entity during the period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended standards adopted by the group

The group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 Materiality - This standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of these amendments did not have a material impact on the disclosures or amounts recognised in the group's consolidated financial statements.

Comparative information

Comparative amounts have, where necessary, been reclassified so as to be consistent with prior year disclosures. This resulted in an immaterial reclassification from revenue to other revenue, food, equipment and packaging expenses to other expenses and depreciation and amortisation expenses to finance costs. The reclassifications have occurred to more accurately reflect the nature of the underlying revenue and expenses.

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



2. Segment information

The consolidated entity has identified its operating segments on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the consolidated entity's Chief Executive Officer for the purpose of resource allocation and assessment of performance is specifically focused on the geographical location the consolidated entity operates in. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

- Australia/New Zealand ("ANZ")
- Europe
- Japan

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies. The following is an analysis of the revenue and results by reportable operating segment for the periods under review:

	Half-year ended 31 December 2017			
	ANZ \$'000	Europe \$'000	Japan \$'000	Total \$'000
Continuing operations				
Revenue	173,871	188,524	205,252	567,647
EBITDA	59,391	33,153	23,542	116,086
Depreciation & Amortisation	(10,519)	(6,511)	(8,761)	(25,791)
EBIT	48,872	26,642	14,781	90,295
Interest				(4,126)
Net profit before tax				86,169

	Half-year ended 1 January 2017			
	ANZ \$'000	Europe \$'000	Japan \$'000	Total \$'000
Continuing operations				
Revenue	150,093	164,176	225,096	539,365
EBITDA	55,194	11,833	31,105	98,132
Depreciation & Amortisation	(7,549)	(7,223)	(8,795)	(23,567)
EBIT	47,645	4,610	22,310	74,565
Interest				(2,743)
Net profit before tax				71,822

The revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period.

Segment net profit before tax represents the profit earned by each segment using the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



2. Segment information (continued)

The following is an analysis of the consolidated entity's assets by reportable operating segment:

	31 December 2017 \$'000	2 July 2017 \$'000
Continuing operations		
Australia/New Zealand	236,194	225,964
Europe	446,693	433,991
Japan	491,893	472,838
Total segment assets	1,174,780	1,132,793
Unallocated assets	-	-
Total assets	1,174,780	1,132,793

The following is an analysis of the consolidated entity's liabilities by reportable operating segment:

	31 December 2017 \$'000	2 July 2017 \$'000
Continuing operations		
Australia/New Zealand	(224,084)	(209,716)
Europe	(328,753)	(302,228)
Japan	(263,874)	(205,785)
Total segment liabilities	(816,711)	(717,729)
Unallocated liabilities	-	-
Total liabilities	(816,711)	(717,729)

3. Dividends

	31 December 2017 \$'000	1 January 2017 \$'000
Recognised amounts		
Partially franked dividend for full year ended 2 July 2017: 44.9 cents (3 July 2016: 38.8 cents)	39,905	34,072
Unrecognised amounts		
Interim partially franked dividend for the half-year ended 31 December 2017: 58.1 cents (1 January 2017: 48.4 cents)	50,888	42,994

On 13 February 2018, the directors declared a partially franked interim dividend of 58.1 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 01 July 2018, to be paid to shareholders on 08 March 2018. The dividend will be paid to all shareholders on the Register of Members on 21 February 2018. The total estimated dividend to be paid is \$50.9 million.

Domino's Pizza Enterprises Limited
Financial report for the half-year ended 31 December 2017



4. Property, plant and equipment

	31 December 2017 \$'000	2 July 2017 \$'000
Property, plant and equipment, at cost	243,328	239,747
Less accumulated depreciation	(62,021)	(55,941)
Net property, plant and equipment	181,307	183,806
Leased property, plant and equipment, at cost	27,601	25,776
Less accumulated depreciation	(13,011)	(10,908)
Net leased property, plant and equipment	14,590	14,868
Total net property, plant and equipment	195,897	198,674

5. Goodwill

	31 December 2017 \$'000	2 July 2017 \$'000
Gross carrying amount		
Balance at the beginning of the period	387,111	408,211
Additional amounts recognised from business combinations occurring during the period	4,328	12,735
Acquired through subsidiaries	-	9,336
Amounts disposed of during the period	(6,784)	(12,186)
Effects of foreign currency exchange differences	(2,121)	(31,744)
Other	264	759
Balance at the end of the period	382,798	387,111
Accumulated impairment losses	-	-
Net book value		
At the beginning of the period	387,111	408,211
At the end of the period	382,798	387,111

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6. Issued capital

	31 December 2017 \$'000	2 July 2017 \$'000
87,587,215 fully paid ordinary shares (2 July 2017: 88,873,775)	282,381	340,040

	31 December 2017		2 July 2017	
	Number of shares '000	Share capital \$'000	Number of shares '000	Share capital \$'000
Fully paid ordinary shares				
Balance at beginning of the period	88,873	340,040	87,648	248,554
Shares issued:				
Issue of shares under executive share option plan	680	29,333	1,223	91,351
Issue of shares under employee share plan	2	77	2	136
Capital costs associated with share issue	-	(1)	-	(1)
Share buy-back	(1,968)	(87,068)	-	-
Balance at the end of the period	87,587	282,381	88,873	340,040

(a) Options

The company approved the establishment of the Executive Share and Option Plan ("ESOP") to assist in the recruitment, reward and retention of its directors and executives. The company will not apply for quotation of the options on the ASX.

Subject to any adjustment in the event of a bonus issue, rights issue or reconstruction of capital, each option is convertible into one ordinary share.

Terms and conditions of the ESOP

The company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other consolidated entity employee incentive scheme would exceed 7.5% of the total number of shares on issue on a fully diluted basis at the time of the proposed issue or grant.

Fully diluted basis means the number of shares which would be on issue if all those securities of the company which are capable of being converted into shares, were converted into shares. If the number of shares into which the securities are capable of being converted cannot be calculated at the relevant time, those shares will be disregarded.

During the half-year ended 31 December 2017, a total of 220,000 share options over ordinary shares were issued under the ESOP, which had a fair value at grant date of \$11.22 per share option. These options vest once conditions are met, which are based on results of the following 3 financial years.

During the half-year ended 31 December 2017, a total of 679,750 options were exercised, increasing share capital by \$29.3 million.



7. Borrowings

	31 December 2017 \$'000	2 July 2017 \$'000
Unsecured		
Bank loans	412,865	272,265
Loans from other entities	22,716	22,041
Finance lease liabilities	14,838	16,078
Other bank loans	-	18,856
	450,419	329,240
Current	3,459	17,910
Non-current	446,960	311,330
	450,419	329,240

8. Note to the condensed consolidated statement of cash flows

Reconciliation of profit for the period to net cash flows from operating activities:

	Note	31 December 2017 \$'000	1 January 2017 \$'000
Profit for the period		59,819	50,593
Profit on sale of non-current assets		(9,423)	(8,522)
Equity settled share-based payments		4,690	5,069
Depreciation and amortisation		25,792	23,868
Share of associate entities net profit/(loss)		(83)	-
Other		(537)	(2,141)
Net cash provided by operating activities before changes in assets and liabilities		80,258	68,867
Movement in working capital			
(Increase)/decrease in assets:			
Trade and other receivables		(9,856)	(8,129)
Inventory		(4,605)	(7,374)
Other current assets		(8,199)	(6,157)
Increase/(decrease) in liabilities:			
Trade and other payables		15,421	5,934
Provisions		(1,541)	(96)
Current tax liabilities		3,219	(6,977)
Deferred tax balances		7,180	3,185
Net cash from operating activities		81,877	49,253

Included in the movement of other financial assets are non-cash transactions of \$25.0 million (1 January 2017: \$18.2 million) relating to loans to franchisees.



9. Acquisition of stores

Name of business acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
Acquisition of stores				
During the half-year ended 31 December 2017				
8 stores in aggregate in Australia	Pizza stores	July - Dec17	100%	3,772
2 stores in aggregate in New Zealand	Pizza stores	July - Dec17	100%	989
10 stores in aggregate in Japan	Pizza stores	July - Dec17	100%	1,768
4 stores in aggregate in Europe	Pizza stores	July - Dec17	100%	1,140
Total store acquisitions during the half-year ended 31 December 2017				7,669

The cost of acquisition comprises cash paid for all of the acquisitions. For each acquisition, the consolidated entity has paid a premium over the net assets for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations. Aggregate financial information has been disclosed due to the individual acquisitions being immaterial.

The net assets acquired and the goodwill arising are as follows:

	Book Value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000
Net assets acquired			
Current assets			
Cash and cash equivalents	5	-	5
Inventories	73	-	73
	<u>78</u>	<u>-</u>	<u>78</u>
Non-current assets			
Plant and equipment	3,263	-	3,263
	<u>3,263</u>	<u>-</u>	<u>3,263</u>
Net assets	3,341	-	3,341
Goodwill on acquisition			<u>4,328</u>
Total store acquisitions during the half-year ended 31 December 2017	3,341	-	7,669

The amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the half-year has not been disclosed as it is immaterial to the group's half-year result.

10. Contingent liabilities and contingent assets

	31 December 2017 \$'000	2 July 2017 \$'000
Guarantees - Franchisee Loans and Leases	<u>6,642</u>	6,003

Included above are guarantees provided to third party financial institutions in relation to franchisee loans. This is a contingent liability representing the amounts guaranteed in respect of franchisees that would not, without the guarantee, have been granted the loans. The Directors believe that if the guarantees are ever called on, the company will be able to recover the amounts paid on disposal of the stores.

Included above are guarantees provided by the company to third party financial institutions in relation to borrowings of the European subsidiary.



10. Contingent liabilities and contingent assets (continued)

Other

Speed Rabbit Pizza

There are various separate French legal proceedings by a competitor, Speed Rabbit Pizza (SRP) against subsidiary, Domino's Pizza France (DPF) (the main claim) and seven SRP franchisees against DPF and the relevant DPF franchisees (the local claims). The allegations are that DPF and its franchisees breached French laws governing payment time limitations and lending, thereby giving DPF and its franchisees an unfair competitive advantage. SRP claimed significant damages for impediment of the development of its franchise network, lost royalty income from SRP franchisees and harm to SRP's image. DPF and its franchisees denied liability and vigorously defended the claims. On 7 July 2014 the Court handed down its decision in the main claim, as well as in five of the local claims. All of the claims of SRP and the relevant SRP franchisees were dismissed. SRP filed an appeal to these decisions in the Court of Appeal, which dismissed the appeal of SRP in the main claim on 25 October 2017. SRP has filed an appeal from that decision to the Court de Cassation. It is not yet clear when a decision will be handed by the Court de Cassation in the main claim, but it is expected to be by April 2019. The appeal to the Court of Appeal for the five local claims has not been heard yet, and is not expected to be heard before September 2018. For the sixth local claim, the Court found in favour of DPF at first instance in September 2016, and SRP filed an appeal from this decision to the Court of Appeal. On 30 January 2018, the Court of Appeal dismissed the appeal of SRP in the sixth local claim. The seventh local claim has yet to be heard by the Court at first instance.

Pizza Sprint

In May 2016, proceedings were brought against Fra-Ma Pizz SAS and Pizza Center France SAS, the Pizza Sprint entities, by a number of former and current franchisees whom allege a significant imbalance in the rights and obligations by the franchisor. The alleged practices predated the acquisition of Pizza Sprint by the company, accordingly during the re-measurement period the company has adjusted the purchase price accounting to recognise a contingent liability and asset in relation to the above matter. A number of the claims by franchisees have been settled on a commercial basis.

The French Ministry for the Economy and Finance has also brought proceedings involving the same facts against Fra-Ma Pizza SAS, Pizza Center France SAS and Domino's Pizza France SAS. The claims are being defended. The franchisees have sought to have their proceedings joined to the proceedings brought by the Ministry, which DPF, Fra-Ma-Pizz SAS and Pizza Center France SAS have opposed, and a decision is due to be handed down on this matter on 15 February 2018. No date has been set for the hearing of the claims at first instance.

Precision Tracking

DPE is currently involved in legal action with Precision Tracking Pty Ltd, Delivery Command Pty Ltd (a related party), and the three directors of those two companies (collectively "PT"). In essence, DPE has filed claims against PT for: (1) relief from unjustified threats pursuant to the Patents Act 1990 (Cth); (2) declarations of invalidity and revocation of innovation patents; (3) relief from various acts of misleading and deceptive conduct; and (4) misuse of confidential information. PT has filed a cross-claim against DPE for breach of contractual and equitable obligations of confidence and infringement of innovation patents. PT has also joined Navman Wireless Australia Pty Ltd as a respondent to its cross-claim. The trial of the proceeding commenced in November 2017, however, the trial was subsequently adjourned due to the late discovery of new information from PT obtained just prior to and during the hearing. The trial has been rescheduled to commence in October 2018.

DPE denies all claims made by PT and is vigorously defending the proceedings brought against it by PT. DPE is confident of its legal and commercial position. Accordingly, no provision has been recognised as at 31 December 2017.

General Contingencies

As a global business, from time to time DPE is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of DPE have considered such matters which are or may be subject to claims or litigation at 31 December 2017 and unless specific provisions have been made are of the opinion that no material contingent liability for such claims of litigation exist. The group had no other material contingent assets or liabilities.



11. Subsequent events

(a) Dividends

On 13 February 2018 the Directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the half-year ended 31 December 2017. The total amount of dividend is \$50.9 million, which represents a partially franked dividend of 58.1 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 31 December 2017.

(b) Acquisition of a Subsidiary

On 5 January 2018, the consolidated entity successfully completed the acquisition of Hallo Pizza chain of pizza stores in Germany ("Hallo Pizza") through its majority owned German Joint Venture.

The purchase price of Hallo Pizza was for €32 million on a 100% basis. The acquisition did not complete during the half year ending 31 December 2017 therefore no amounts have been recognised in relation to identifiable assets acquired and liabilities assumed in the transactions described above for the half-year period. Due to the limited time between the completion date and the date the half year financial report has been authorized for issue, certain disclosures required by AASB 3 Business Combinations have not been made.

12. Financial instruments

This note provides information about how the consolidated entity determines fair values of various financial assets and financial liabilities.

(a) Fair value of financial assets and liabilities

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2017.

At 31 December 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Financial liabilities				
Cross currency interest rate swaps	-	167	-	167
Forward foreign exchange contracts	-	320	-	320
Put option over non-controlling interest	-	-	88,327	88,327
Market access right	-	-	26,824	26,824
Contingent consideration	-	-	3,500	3,500
Total financial liabilities	-	487	118,651	119,138
At 2 July 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Financial assets				
Cross currency interest rate swaps	-	1,362	-	1,362
Total financial assets	-	1,362	-	1,362
Financial liabilities				
Cross currency interest rate swaps	-	4,061	-	4,061
Forward foreign exchange contracts	-	496	-	496
Put option over non-controlling interest	-	-	81,432	81,432
Market access right	-	-	31,389	31,389
Contingent consideration	-	-	3,500	3,500
Total financial liabilities	-	4,557	116,321	120,878



12. Financial instruments (continued)

There have been no transfers between Level 1 and Level 2.

The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent the fair value of the put option and market access right relating to the acquisition of Domino's Pizza Germany. No gain or loss for the half-year relating to these liabilities have been recognised in profit or loss.

The opening balance for the put option liabilities was \$127.8 million (represented by \$81.4 million classified as a Level 3 financial liability and \$46.4 million recognised in current financial liabilities) and has a closing balance at half-year end of \$88.3 million. The movement of the put liability relates to a payment of \$41.8 million to acquire the non-controlling interest of Domino's Pizza Japan and the remaining movement recorded in reserves.

No gain or loss for the half-year relating to level 3 liabilities have been recognised in profit or loss.

(b) Valuation techniques used to derive level 2 and 3 fair values

The fair values of the financial assets and financial liabilities included in the level 2 and 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and long term revenue and profit growth rates.

The level 2 financial instruments have been valued using the discounted cash flow technique. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Specific valuation techniques used to value level 3 financial instruments include:

Put option over non-controlling interest

The valuation technique used is the unlevered price/earnings multiple which requests future earnings to be estimated. The significant unobservable inputs include adjusted unlevered price/earnings multiple and the put option is exercisable 3 years from the acquisition date. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry, with the higher the earnings the higher the fair value and the shorter the time period the lower the fair value.

Market Access Right

The valuation technique used is the income approach. In this approach the discounted cash flows was used to capture the future cost of the asset. The significant unobservable inputs include adjusted unlevered price/earnings multiple. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry, with the higher the earnings the higher the fair value.

Contingent consideration in a business combination

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. The significant unobservable inputs include the projected gross margin based on management's experience and knowledge of market and industry conditions. Significant increase (decrease) in the gross profit would result in a higher (lower) fair value of the contingent consideration liability.