



Domino's Pizza Enterprises Limited
1/485 Kingsford Smith Drive
Hamilton, QLD, Australia 4007
ACN: 010 489 326
www.dominos.com.au

23 February 2022

The Manager

Market Announcements Office

Australian Securities Exchange

4th Floor, 20 Bridge Street

SYDNEY NSW 2000

Dear Sir

Appendix 4D and financial statements for the half-year ended 02 January 2022

Please find attached for immediate release to the market the following documents in respect of the half-year ended 02 January 2022:

- (a) Appendix 4D
- (b) 2022 half-year financial statements

For further information, contact Nathan Scholz, Head of Investor Relations at investor.relations@dominos.com.au or on +61-419-243-517.

Authorised for lodgement by the Board.

Craig Ryan

Company Secretary

END

DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report for the half-year ended 02 January 2022

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

CONTENTS

Section A: Results for announcement to the market	1
Section B: Commentary on results	1
Directors' report	2
Auditor's independence declaration	6
Independent auditor's review report	7
Directors' declaration	9
Condensed consolidated statement of profit or loss and other comprehensive income	10
Condensed consolidated statement of financial position	11
Condensed consolidated statement of changes in equity	12
Condensed consolidated statement of cash flows	13
Notes to the condensed consolidated financial statements	14
1 Significant accounting policies	14
2 Segment information	15
3 Revenue	17
4 Dividends	18
5 Goodwill	18
6 Borrowings	19
7 Issued capital	19
8 Note to the condensed consolidated statement of cash flows	20
9 Acquisition of businesses	21
10 Contingent liabilities and contingent assets	23
11 Subsequent events	25
12 Financial instruments	25
13 Changes in accounting policies	27

APPENDIX 4D

DOMINO'S PIZZA ENTERPRISES LIMITED

Current reporting period:	Half-year ended 02 January 2022
Previous reporting period:	Half-year ended 27 December 2020

SECTION A: RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change %		Amount \$'million	
Revenue and net profit				
Revenue from ordinary activities	Up	10.2%	to	1,206.6
Profit from ordinary activities after tax from continuing operations	Down	6.3%	to	94.1
Profit from ordinary activities after tax attributable to members	Down	6.9%	to	89.1
Net profit attributable to members	Down	6.9%	to	89.1

Dividends

	Amount per security (cents)	Franked percentage per security
Final dividend in respect of full-year ended 27 June 2021 paid 09 September 2021	85.1	70%
Interim dividend payable in respect of half-year ended 02 January 2022	88.4	70%

Record date for determining entitlements to the dividend: 02 March 2022

	02 January 2022 \$	27 June 2021 \$
Net tangible assets per security		
Net tangible assets per security	(6.23)	(5.10)

SECTION B: COMMENTARY ON RESULTS

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

The interim dividend franked at 70%, of 88.4 cents per share was approved by the Board of Directors on 22 February 2022. 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.



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 02 January 2022. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The following persons held office as directors of Domino's Pizza Enterprises Limited during the half-year:

Jack Cowin
 Grant Bourke
 Lynda O'Grady
 Ursula Schreiber
 Doreen Huber
 Don Meij
 Tony Peake
 Ross Adler (resigned 3 November 2021)

REVIEW OF OPERATIONS

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

EXPLANATION OF STATUTORY PROFIT TO UNDERLYING PROFIT

Statutory Profit after tax is prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS).

Statutory Profit after tax of \$94.1 million includes a loss of \$2.2 million after tax treated as significant items. Excluding these items, the Underlying Profit after tax was \$96.2 million, 4.9% down on the prior corresponding period.

Underlying Profit after tax is reported to give information to shareholders that provides a greater understanding of the performance of the Company's operations. DPE believes Underlying Profit after tax is useful as it removes significant items thereby facilitating a more representative comparison of financial performance between financial periods. Underlying Profit is a non-IFRS measure which is not subject to audit or review.

The below provides a reconciliation of Statutory Profit to Underlying Profit including earnings before interest, and tax (EBIT), and earnings before interest, tax, depreciation and amortisation (EBITDA):

Half-year ended 02 January 2022							
	Statutory \$'000	Significant Items \$'000	Underlying \$'000	ANZ \$'000	Europe \$'000	Asia \$'000	Unallocated \$'000
Revenue	1,206,638	-	1,206,638	403,001	360,989	442,648	-
EBITDA	209,692	(3,087)	212,779	78,654	70,480	74,175	(10,530)
Depreciation and amortisation	(68,044)	-	(68,044)	(18,333)	(20,775)	(28,448)	(488)
EBIT	141,648	(3,087)	144,735	60,321	49,705	45,727	(11,018)
Net finance costs	(6,677)	-	(6,677)				
Net profit before tax	134,971	(3,087)	138,058				
Income tax expense	(40,890)	930	(41,820)				
Net profit after tax	94,081	(2,157)	96,238				
Profit is attributed to:							
Owners of the parent	89,135	(2,157)	91,292				
Non-controlling interests	4,946	-	4,946				



DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

EXPLANATION OF STATUTORY PROFIT TO UNDERLYING PROFIT (CONTINUED)

Half-year ended 27 December 2020 (Restated) ¹							
	Statutory \$'000	Significant Items \$'000	Underlying \$'000	ANZ \$'000	Europe \$'000	Asia \$'000	Unallocated \$'000
Revenue	1,095,111	-	1,095,111	382,982	324,840	387,289	-
EBITDA	217,147	(1,015)	218,162	82,390	63,816	82,134	(10,178)
Depreciation and amortisation	(64,734)	-	(64,734)	(18,170)	(19,233)	(26,871)	(460)
EBIT	152,413	(1,015)	153,428	64,220	44,583	55,263	(10,638)
Net finance costs	(7,188)	-	(7,188)				
Net profit before tax	145,225	(1,015)	146,240				
Income tax expense	(44,776)	305	(45,081)				
Net profit after tax	100,449	(710)	101,159				
Profit is attributed to:							
Owners of the parent	95,710	(710)	96,420				
Non-controlling interests	4,739	-	4,739				

¹ The comparative has been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13.

SIGNIFICANT ITEMS

Significant items in the current and comparative periods include external legal and acquisition costs that relate to discrete matters and costs relating to structural changes in the business.

Statutory Profit after tax was \$94.1 million this included the following significant costs excluded from Underlying Profit after tax as outlined below:

CURRENT PERIOD

ANZ

- External legal costs of \$1.1 million pertaining to the Fast Food Industry Award class action.
- Acquisition and integration costs of \$1.0 million relating to acquisition of Domino's Taiwan

ASIA

- Acquisition and integration costs of \$0.1 million relating to Domino's Taiwan

PRIOR CORRESPONDING PERIOD

ANZ

- External legal costs of \$0.7 million pertaining to the Fast Food Industry Award class action.

Underlying Profit after tax was \$96.2 million, down 4.9% from the prior period. A description of the contributing factors is disclosed below.

CONSOLIDATED ENTITY

The Group's revenue was \$1,206.6 million compared with \$1,095.1 million in the first half of 2020/21. The revenue growth was driven by Same Store Sales (SSS) growth of 2.75% and continued new store openings of 129 for the period.

Cash from operating activities is \$92.8 million for the first half compared to \$161.8 million in the first half of 2020/21. Operating cash flows have been impacted by unfavourable working capital of \$57.2 million, due to timing of payments. Income tax paid has increased by \$12.6m compared to the first half of 2020/21, due to higher income tax instalment rates.



DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

CONSOLIDATED ENTITY (CONTINUED)

When COVID-19 first affected the Company's communities and operations, management made a strategic decision to invest in growth, particularly through expanding the store footprint to maximise the Company's strength in safe, fast-food delivery. Throughout the societal changes brought by the pandemic, this approach has been maintained, to the long-term benefit of customers and shareholders, ensuring the Company is stronger and more resilient, with the store network 24.3% larger than pre-pandemic, 2 years ago. Domino's is well positioned to approach the next phase for the quick service restaurant (QSR) industry.

Management's view is this next phase is the 'Age of Delivery' - with significant growth in total customers for delivered QSR, retail and 'immediacy grocers'. A shortage of available delivery experts is an anticipated long-term trend; accordingly, those companies able to profitably navigate these challenges will be the most efficient, with the most penetrated delivery network. The Company is well positioned for this future, with a motivated franchisee base with the appetite to expand their store networks, delivering more meals to more customers.

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

Revenue increased by \$20.0 million for the period compared with the first half of 2020/21. The revenue growth was driven by positive SSS for the period and 3 new store openings. ANZ's Underlying EBIT decreased \$3.9 million, reflecting a temporary closure in New Zealand (EBIT impact c NZ\$1.9m) and the reinvestment in the franchisee base through Project Ignite (\$6m during H1). The latter investment is planned to accelerate the pace of franchisee expansion in ANZ, first through the re-franchising of corporate stores to franchisees and existing store managers, then through increasing organic store openings.

EUROPE OPERATIONS

Europe's revenue increased by \$36.1 million, which was driven by both strong SSS growth and 39 new stores additions for the period. Europe Underlying EBIT increased by \$5.1 million with Network Sales and store openings growing across the region. Carry-out sales remain lower than pre-COVID-19 as the pandemic (through societal restrictions and self-isolation measures) continues to affect typical carry-out customers and occasions. The Company has grown sales largely through increased delivery, retaining new customers through reduced delivery times.

ASIA OPERATIONS

Asia's Underlying EBIT decreased by \$9.5 million, whilst revenue increased \$55.4 million, compared with the first half of 2020/21. Japan's sales re-based, following the lifting of a Government-imposed State of Emergency in Q2. Management and franchisees are aligned on the long-term value of the Company's strategy in Japan, which has expanded the network from 642 stores pre-pandemic (two years ago), to 882 stores. Menu and operational changes have underpinned this growth and allowed Domino's to reach new customers on more occasions. The acquired Taiwan business (+156 stores) is performing above expectations, with +5 new stores opened in this market, which has significant long-term potential.



DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 6 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

Jack Cowin
Non-Executive Chairman
22 February 2022

Don Meij
Managing Director/ Group Chief Executive Officer
22 February 2022



**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF DOMINO'S PIZZA ENTERPRISES LIMITED**



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

Conclusion

We have reviewed the half-year financial report of Domino's Pizza Enterprises Limited, (the "Entity"), which comprises the condensed consolidated statement of financial position as at 2 January 2022, the condensed consolidated income statement, the condensed consolidated statement of 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 2 to 30.

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 the Entity is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Entity's financial position as at 2 January 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

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.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED**




Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Entity's financial position as at 2 January 2022 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*.

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.


DELOITTE TOUCHE TOHMATSU


Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 22 February 2022



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED (CONTINUED)

Deloitte.

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22 February 2022

The Directors
Domino's Pizza Enterprises Limited
Level 1, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

Dear Directors

Auditor's Independence Declaration to 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 half year financial report of Domino's Pizza Enterprises Limited for the half year ended 2 January 2022, 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 audit review.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Matthew Donaldson
Partner
Chartered Accountants

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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

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

Don Meij

Managing Director/ Group Chief Executive Officer

22 February 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 02 JANUARY 2022

	Note	02 January 2022 \$'000	27 December 2020 Restated ¹ \$'000
Continuing operations			
Revenue	3	1,206,638	1,095,111
Other gains and losses		14,203	12,930
Finance income		2,641	2,392
Food, equipment and packaging expenses		(518,226)	(454,234)
Employee benefits expense		(207,145)	(196,078)
Plant and equipment costs		(14,393)	(11,511)
Depreciation and amortisation expense		(68,044)	(64,734)
Occupancy expenses		(2,248)	(2,308)
Finance costs		(9,318)	(9,580)
Marketing expenses		(122,996)	(107,053)
Royalties expense		(51,990)	(45,018)
Store related expenses		(15,555)	(14,707)
Communication expenses		(22,731)	(18,349)
Integration, conversion and legal costs		(3,087)	(1,015)
Other expenses		(52,778)	(40,621)
Profit before tax		134,971	145,225
Income tax expense		(40,890)	(44,776)
Profit for the period from continuing operations		94,081	100,449
Other comprehensive income			
Item that may be reclassified to profit or loss			
Gain/(loss) on net investment hedge taken to equity		957	1,798
Exchange differences arising on translation of foreign operations		1,021	(20,754)
Gain/(loss) on cash flow hedges taken to equity		2,186	(615)
Income tax relating to components of other comprehensive income		(931)	(321)
Other comprehensive (loss)/income for the period, net of tax		3,233	(19,892)
Total comprehensive income for the period		97,314	80,557
Profit is attributable to:			
Owners of Domino's Pizza Enterprises Limited		89,135	95,710
Non-controlling interests		4,946	4,739
Total profit for the period		94,081	100,449
Total comprehensive income for the period is attributable to:			
Owners of the parent		93,007	76,434
Non-controlling interests		4,307	4,123
Total comprehensive income for the period		97,314	80,557
		Cents	Cents
Earnings per share from continuing operations			
Basic (cents per share)		103.0	110.7
Diluted (cents per share)		102.5	110.5

¹The comparative has been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13 for details.
The above Statement should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 02 JANUARY 2022

	Note	02 January 2022 \$'000	27 June 2021 Restated ¹ \$'000
Assets			
Current assets			
Cash and cash equivalents		107,575	174,689
Trade and other receivables		157,183	145,751
Other financial assets		12,673	14,391
Inventories		43,348	25,955
Current tax assets		2,781	1,285
Other assets		40,744	35,142
Investment in lease assets		64,116	57,541
Total current assets		428,420	454,754
Non-current assets			
Other financial assets		102,043	82,476
Investment in joint venture		2,168	1,937
Property, plant and equipment		282,362	274,130
Deferred tax assets		6,659	7,810
Goodwill	5	504,456	456,091
Intangible assets		444,860	380,044
Right of use assets		344,975	344,911
Investment in lease assets		362,372	350,256
Total non-current assets		2,049,895	1,897,655
Total assets		2,478,315	2,352,409
Liabilities			
Current liabilities			
Trade and other payables		337,633	353,511
Contract liabilities		3,067	3,105
Lease liabilities		118,703	109,433
Other financial liabilities		200,928	29,697
Current tax liabilities		27,430	28,988
Provisions		14,854	14,088
Total current liabilities		702,615	538,822
Non-current liabilities			
Contract liabilities		15,664	16,066
Lease liabilities		660,832	651,492
Borrowings	6	594,199	507,375
Other financial liabilities		1,730	167,089
Deferred tax liabilities		83,986	67,320
Provisions		8,800	9,108
Total non-current liabilities		1,365,211	1,418,450
Total liabilities		2,067,826	1,957,272
Net assets		410,489	395,137
Equity			
Issued capital	7	264,212	259,500
Reserves		(155,249)	(150,387)
Retained earnings		301,526	286,024
Total equity		410,489	395,137

¹ The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13 for details.
The above Statement should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 02 JANUARY 2022

Restated ¹	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 29 June 2020	235,420	(6,224)	49,740	(113,532)	227,969	-	393,373
Changes in accounting policies	-	-	-	-	(4,438)	(97)	(4,535)
Balance at 29 June 2020 Restated	235,420	(6,224)	49,740	(113,532)	223,531	(97)	388,838
Restated Profit for the period ¹	-	-	-	-	95,710	4,739	100,449
Other comprehensive income	-	862	(20,138)	-	-	(616)	(19,892)
Total comprehensive income	-	862	(20,138)	-	95,710	4,123	80,557
Non-controlling interests	-	-	-	-	-	4,277	4,277
Issue of employee share options	24,080	-	-	-	-	-	24,080
Share options trust	-	-	-	1,399	-	-	1,399
Non-controlling interest put option	-	-	-	(41,011)	-	(8,303)	(49,314)
Recognition of share-based payments	-	-	-	(1,442)	-	-	(1,442)
Payment of dividends	-	-	-	-	(45,498)	-	(45,498)
Restated balance at 27 December 2020	259,500	(5,362)	29,602	(154,586)	273,743	-	402,897
Balance at 27 June 2021 Restated	259,500	(1,364)	7,754	(156,777)	286,024	-	395,137
Profit for the period	-	-	-	-	89,135	4,946	94,081
Other comprehensive income	-	2,212	1,661	-	-	(640)	3,233
Total comprehensive income	-	2,212	1,661	-	89,135	4,306	97,314
Non-controlling interests	-	-	-	-	-	(461)	(461)
Share options trust	-	-	-	(1,899)	-	-	(1,899)
Issue of employee share options	4,712	-	-	-	-	-	4,712
Non-controlling interest put option	-	-	-	(4,985)	-	(3,845)	(8,830)
Payment of dividends	-	-	-	-	(73,633)	-	(73,633)
Recognition of share-based payments	-	-	-	(1,851)	-	-	(1,851)
Balance at 02 January 2022	264,212	848	9,415	(165,512)	301,526	-	410,489

¹ The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13.

The above Statement should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 02 JANUARY 2022

	Note	02 January 2022 \$'000	27 December 2020 Restated ¹ \$'000
Cash flows from operating activities			
Receipts from customers		1,321,083	1,178,580
Payments to suppliers and employees		(1,186,541)	(986,752)
Interest received		4,977	4,677
Interest and other finance costs		(8,458)	(9,052)
Income taxes paid		(38,248)	(25,660)
Net cash generated from operating activities	8	92,813	161,793
Cash flows from investing activities			
Proceeds from franchisee loans		22,023	21,077
Payments for intangible assets		(26,133)	(13,963)
Payments for property, plant and equipment		(59,655)	(44,906)
Proceeds from sale of non-current assets		15,865	10,394
Acquisition of stores net of cash		(18,235)	(9,490)
Acquisition of subsidiaries		(79,600)	(1,001)
Net cash inflow/(outflow) on investment in joint ventures		-	483
Net cash used in investing activities		(145,735)	(37,406)
Cash flows from financing activities			
Proceeds from issues of equity securities		1,286	20,923
Proceeds from borrowings		680,752	62,000
Repayment of borrowings		(589,263)	(192,799)
Payments for establishment of borrowings		(4,154)	(170)
Lease principal payments		(61,598)	(55,178)
Receipts from subleases		30,465	25,610
Dividends paid		(73,633)	(45,498)
Net cash used from financing activities		(16,145)	(185,112)
Net (decrease)/increase in cash and cash equivalents		(69,067)	(60,725)
Cash and cash equivalents at the beginning of the period		174,689	245,678
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,953	(7,611)
Cash and cash equivalents at the end of the period		107,575	177,342

¹ The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13 for details. The above Statement should be read in conjunction with the accompanying notes.



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 ended 02 January 2022 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 27 June 2021 is available on request from the Company's registered office at Level 1, 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 27 June 2021 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 2021 annual financial report for the financial year ended 27 June 2021, 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.

BASIS OF GOING CONCERN

The financial statements have been prepared on the basis that the Group will continue as a going concern. The Group has a net current liability position of \$274.2 million at 02 January 2022 (27 June 2021: net current liability position \$84.1 million). Contributing to this position is the reclassification of the call option over non-controlling interest of \$172.1 million to current as at 02 January 2022 as it has become exercisable within 12 months.

As at 02 January 2022 the Group had unrestricted cash and cash equivalents of \$107.6 million and generated net operating cash flows including net lease payments of \$61.7 million. The Group's capital structures is sustainable with sufficient liquidity, including undrawn committed borrowings of \$292.7 million. The Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate, and that assets are likely to be realised, and liabilities are likely to be discharged, at the amounts recognised in the financial statements in the ordinary course of business.



1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 27 June 2021, except for the adoption of new standards effective as of 28 June 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

AASB 2014-10 Amendments to AAAs - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

When applying this amendment, the definition of a business as recently revised by AASB 2018-6 Amendments to AASs - Definition of a Business must be applied.

These amendments are effective for annual reporting period beginning on or after 1 January 2022 and are applied prospectively.

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
- Asia¹

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 02 January 2022				
	ANZ \$'000	Europe \$'000	Asia ¹ \$'000	Unallocated ² \$'000	Total \$'000
Continuing operations					
Revenue	403,001	360,989	442,648	-	1,206,638
EBITDA	75,642	70,480	74,100	(10,530)	209,692
Depreciation & amortisation	(18,333)	(20,775)	(28,448)	(488)	(68,044)
EBIT	57,309	49,705	45,652	(11,018)	141,648
Net finance costs					(6,677)
Net profit before tax					134,971



2 SEGMENT INFORMATION (CONTINUED)

	Half-year ended 27 December 2020				
	Restated ³				
	ANZ \$'000	Europe \$'000	Asia ¹ \$'000	Unallocated ² \$'000	Total \$'000
Continuing operations					
Revenue	382,982	324,840	387,289	-	1,095,111
EBITDA	81,375	63,816	82,134	(10,178)	217,147
Depreciation & amortisation	(18,170)	(19,233)	(26,871)	(460)	(64,734)
EBIT	63,205	44,583	55,263	(10,638)	152,413
Net finance costs					(7,188)
Net profit before tax					145,225

¹ On 31 August 2021, the Group completed the acquisition of PizzaVest Company Limited (Domino's Taiwan). Following the completion, the reporting segment "Japan" has been renamed "Asia". The aggregate financial results of Domino's Taiwan and Domino's Japan have been reported in the renamed "Asia" segment.

² The Unallocated segment represents corporate costs associated with the management and oversight of global functions which are shared by all the jurisdictions in which the Group operates.

³ The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 13.

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.



2 SEGMENT INFORMATION (CONTINUED)

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

	02 January 2022 \$'000	27 June 2021 Restated \$'000
Continuing operations		
ANZ	605,510	590,034
Europe	825,321	842,885
Asia	1,039,536	918,754
Total segment assets	2,470,367	2,351,673
Unallocated assets	7,948	736
Total assets	2,478,315	2,352,409

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

	02 January 2022 \$'000	27 June 2021 Restated \$'000
Continuing operations		
ANZ	(853,751)	(759,774)
Europe	(550,932)	(565,306)
Asia	(660,766)	(630,050)
Total segment liabilities	(2,065,449)	(1,955,130)
Unallocated liabilities	(2,377)	(2,142)
Total liabilities	(2,067,826)	(1,957,272)

3 REVENUE

Revenue is recognised when performance obligations under the relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time.

In the following table, revenue is disaggregated by type and timing of revenue recognition. No single customer amounts to 10% or more of the Group's total external revenue.

The below table provides the timing of revenue recognition:

	Half-year ended 02 January 2022			
	ANZ \$'000	Europe \$'000	Asia \$'000	Total \$'000
Revenue type				
Revenue from the sale of goods	290,295	258,093	383,081	931,469
Revenue from rendering of services ¹	111,483	102,724	58,626	272,833
Interest revenue	1,223	172	941	2,336
Total	403,001	360,989	442,648	1,206,638
Timing of revenue recognition				
At a point in time	301,223	266,075	390,760	958,058
Over time	101,778	94,914	51,888	248,580
Total	403,001	360,989	442,648	1,206,638

¹Revenue for the rendering of services relates to franchise royalties, franchise service fees and supplier fees.



3 REVENUE (CONTINUED)

	Half-year ended 27 December 2020 (Restated)			
	ANZ \$'000	Europe \$'000	Asia \$'000	Total \$'000
Revenue type				
Revenue from the sale of goods	273,538	233,281	343,205	850,024
Revenue from rendering of services ¹	108,078	91,438	43,286	242,802
Interest revenue	1,366	121	798	2,285
Total	382,982	324,840	387,289	1,095,111
Timing of revenue recognition				
At a point in time	287,337	239,582	345,740	872,659
Over time	95,645	85,258	41,549	222,452
Total	382,982	324,840	387,289	1,095,111

¹Revenue for the rendering of services relates to franchise royalties, franchise service fees and supplier fees.

4 DIVIDENDS

	02 January 2022 \$'000	27 December 2020 \$'000
Recognised amounts		
Partially franked at 70% dividend for full-year ended 27 June 2021: 85.1 cents (28 June 2020: fully franked 52.6 cents)	73,633	45,498
Unrecognised amounts		
Interim partially franked at 70% dividend for the half-year ended 02 January 2022: 88.4 cents (27 December 2020: partially franked at 50% 88.4 cents)	76,514	76,486

On 22 February 2022, the directors declared a partially franked at 70% interim dividend of 88.4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ending 03 July 2022, to be paid to shareholders on 17 March 2022. The dividend will be paid to all shareholders on the Register of Members on 02 March 2022. The total estimated dividend to be paid is \$76.5 million.

5 GOODWILL

	02 January 2022 \$'000	27 June 2021 Restated \$'000
Gross carrying amount		
Cost	504,456	456,091
Accumulated amortisation and impairment	-	-
Net carrying amount	504,456	456,091
Movement		
Net carrying amount at the beginning of the year	456,091	492,549
Acquisitions of Domino's Pizza stores and other businesses	14,463	16,770
Acquisitions through business combinations (see note 9)	38,269	-
Disposals	(5,529)	(13,344)
Other including foreign exchange movement	1,162	(39,884)
Net carrying amount at the end of the period	504,456	456,091



6 BORROWINGS

	02 January 2022 \$'000	27 June 2021 Restated \$'000
Loans from other entities		
Loans from other entities ¹	20,278	24,371
Total loans from other entities	20,278	24,371
Uncommitted		
Total uncommitted borrowings	-	-
Committed		
Bank loans	573,921	483,004
Total committed borrowings	573,921	483,004
Non-current	594,199	507,375

¹Relates to loans from Domino's Pizza Group plc relating to the German joint venture.

7 ISSUED CAPITAL

	02 January 2022 \$'000	27 June 2021 \$'000
86,553,914 fully paid ordinary shares (27 June 2021: 86,523,365)	264,212	259,500

	02 January 2022		27 June 2021	
	Number of shares '000	Share capital \$'000	Number of shares '000	Share capital \$'000
Fully paid ordinary shares				
Balance at beginning of financial period	86,523	259,500	86,238	235,420
Shares issued:				
Issue of shares under executive share option plan	31	4,712	285	24,080
Balance at the end of the period	86,554	264,212	86,523	259,500

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 02 January 2022, a total of 30,549 options were exercised, increasing share capital by \$4.7 million.



8 NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	02 January 2022 \$'000	27 December 2020 Restated \$'000
Profit for the period		94,081	100,449
Profit on sale of non-current assets		(13,344)	(13,247)
Equity settled share-based payments		1,574	1,714
Depreciation and amortisation		68,044	64,734
Share of joint venture entities net (profit)/loss		(103)	(85)
Amortisation of loan establishment costs		678	528
Other		(1,942)	4,209
Net cash provided by operating activities before changes in working capital		148,988	158,302
Movement in working capital			
(Increase)/decrease in assets:			
Trade and other receivables		(5,901)	(33,919)
Inventories		(15,410)	(13,292)
Other current assets		(6,608)	2,294
Increase/(decrease) in liabilities:			
Trade and other payables		(29,243)	33,195
Provisions		(767)	1,023
Current tax assets and liabilities		(3,990)	9,873
Deferred tax balances		5,744	4,317
Net cash from operating activities		92,813	161,793

Included in the movement of other financial assets are non-cash transactions of \$33.6 million (27 December 2020: \$27.0 million) relating to loans to franchisees.



9 ACQUISITION OF BUSINESSES

PizzaVest Company Limited (Domino's Taiwan)

On 31 August 2021, the Group acquired through its 100% controlled subsidiary Taiwan Domino's Pizza Co., Ltd, 100% of the issued share capital of PizzaVest Company Limited ("PizzaVest"). PizzaVest holds the franchise rights of Domino's in Taiwan and also operates corporate stores in Taiwan. The acquisition is expected to expand the Group's markets across Asia. The acquisition was funded through debt raising.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Fair value \$'000
Assets	
Cash and cash equivalents	6,188
Trade and other receivables	7,035
Inventories	2,101
Other assets	661
Property, plant and equipment	1,867
Other intangible assets	54,589
Right of use assets	3,509
Total identifiable assets	75,950
Liabilities	
Trade and other payables	12,799
Current tax liabilities	1,074
Borrowings	10
Lease liabilities	3,627
Provisions	308
Deferred tax liabilities	10,771
Total identifiable liabilities	28,589
Total identifiable net assets at fair value	47,361
Total consideration	85,630
Less identifiable net assets at fair value	(47,361)
Goodwill	38,269
Net cash outflow arising on acquisition	
Total consideration - cash	85,630
Less: Cash and cash equivalents	(6,188)
	79,442

The initial accounting for the acquisition of PizzaVest has only been provisionally determined at the end of the reporting period. At the date of the finalisation of the consolidated financial statements, the necessary market valuations and other calculations had not been finalised (as well as associated tax impacts) and have therefore only been provisionally determined based on the director's best estimate of the likely fair value.

Goodwill arose on acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PizzaVest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria of identifiable intangible assets.

In determining the fair value of assets arising from the acquisition of PizzaVest, judgements and estimates are required to be applied. These estimates and judgements are detailed in the Group's Annual Financial Report.

Acquisition related costs of \$1.3 million have been included as an expense in the consolidated statement of profit and loss. The revenue and results from continuing operations have been included in the Asia segment in note 2.



9 ACQUISITION OF BUSINESSES (CONTINUED)

Acquisitions of Domino's Pizza stores

During the year the Group acquired a number of Domino's pizza branded stores from former and current franchisees. The below provides a summary of these acquisitions during the year by segment which, have been accounted for on a provisional basis:

	ANZ	Europe	Asia	Total
Number of stores acquired	21	11	1	33
	ANZ \$'000	Europe \$'000	Asia \$'000	Total \$'000
Fair value on acquisition				
Inventories	150	-	-	150
Property, plant & equipment	2,019	1,422	180	3,621
Total identifiable assets	2,169	1,422	180	3,771
Cash consideration	13,211	4,844	180	18,235
Less fair value of net identifiable assets	(2,170)	(1,422)	(180)	(3,772)
Goodwill	11,041	3,422	-	14,463



10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	02 January 2022 \$'000	27 June 2021 \$'000
Guarantees - Franchisee Loans and Leases	9,505	9,434
Total guarantees	9,505	9,434

Included above are guarantees provided to third party financial institutions in relation to franchisee loans and leases. 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 upon, 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 subsidiaries.

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 have denied liability and are vigorously defending the claims.

On 7 July 2014 the Court at first instance 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 SRP's appeal in the main claim on 25 October 2017 and the appeal of SRP and/or SRP franchisees in five local claims on 12 December 2018. SRP then filed an appeal from the decision in the main claim and in 2 local claims to the Cour de Cassation i.e. France's highest court.

In the main claim, the Cour de Cassation handed down its judgement on 15 January 2020 which found errors of law in the Court of Appeal decision and set aside parts of the Court of Appeal's decision. On 20 December 2020, SRP filed a fresh appeal in the Court of Appeal and on 22 January 2021 provided DPF with a brief of evidence including new claims for compensation of €232 million. The referring appeal was heard on 5 January 2022 and the Appeal Court and is expected to hand down its decision in March 2022.

In the two local claims appealed to the Cour de Cassation, judgements were handed down on 7 July 2020 and 30 September 2020 which found errors of law and cancelled the Court of Appeal decisions. The current status of these 2 claims ruled on by the Cour de Cassation is that the first instance decisions in favour of DPF stand and SRP is entitled to file a fresh appeal of those 2 decisions to the Court of Appeal. SRP has not yet filed such appeals.

For the sixth local claim, the Court found in favour of DPF at first instance on 27 September 2016, and SRP filed an appeal from this decision to the Court of Appeal. On 30 January 2018, the Court of Appeal dismissed SRP's appeal. The two SRP franchisees then appealed to the Cour de Cassation which dismissed their appeal on 29 January 2020.

The seventh local claim was heard by the Commercial Court of Nanterre at first instance on 15 January 2021. On 12 April 2021, the First President of the Court of Appeal of Versailles handed down a decision transferring the case to the Commercial Court of Versailles, on the request of the President of the Commercial Court of Nanterre. The case will have to be heard again at first instance before the Commercial Court of Versailles. No hearing date has been set.

DPE denies all claims made and is vigorously defending the proceedings brought against it. DPE is confident of its legal position. Accordingly, no provision has been recognised as at 2 January 2022.



10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

OTHER (CONTINUED)

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 (Relevant Pizza Sprint Franchisees) whom allege a significant imbalance in the rights and obligations by the franchisor (Franchisees' Proceedings). 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 the Relevant Pizza Sprint Franchisees have been settled on a commercial basis.

The French Ministry for the Economy and Finance (Ministry) also brought proceedings (Ministry Proceedings) involving the same facts against Fra-Ma Pizz SAS, Pizza Center France SAS and Domino's Pizza France SAS (collectively, DPF Companies). The Ministry Proceedings are being defended by the DPF Companies. The Relevant Pizza Sprint Franchisees sought to join the Franchisees' Proceedings to the Ministry Proceedings. The request was rejected by the court on 15 February 2018.

On 24 June 2019 the Franchisees' Proceedings and Ministry Proceedings were heard separately. On 22 October 2019, a decision was made in relation to the Ministry Proceedings which did not result in any fine or financial charges against any of the DPF Companies. The Ministry has appealed the decision and the Relevant Pizza Sprint Franchisees have also filed an appeal in support. The appeal has been heard on 15 September 2021 and the Appeal court handed down its decision on 5 January 2022. Fra-Ma Pizz, Pizza Center France and Domino's Pizza France were ordered to pay a €500k fine to the French Ministry for the Economy and Finance, €60k to six former Sprint franchisees and €20k in procedural costs. Fra-Ma Pizz, Pizza Center France and Domino's Pizza France filed an appeal to the Cour de Cassation.

Five decisions in the Franchisees' Proceedings were handed down on 3 December 2019 and the remaining four decisions were handed down on 31 January 2020. Fra-Ma Pizz SAS and Domino's Pizza France SAS were ordered to pay a total amount of €3 million to certain Relevant Pizza Sprint Franchisees. Various appeals have been filed by the DPF Companies, on the one hand, and separately by some of the Relevant Pizza Sprint Franchisees, on the other, with the Paris Court of Appeal. The appeals are not expected to be heard before September 2022.

CLASSACTION

On 24 June 2019, Riley Gall, as the lead applicant, commenced a representative proceeding (class action) against the Company in the Federal Court of Australia on behalf of an alleged group comprising some Australian franchisee employees who were employed as delivery drivers or in-store workers between 24 June 2013 and 23 January 2018.

The statement of claim alleges that the Company misled certain of its franchisees who, in reliance on the Company's representations and conduct, paid their delivery drivers and in-store workers in accordance with a number of industrial instruments rather than under the Fast Food Industry Award 2010.

The Company rejects the allegations and has been defending the action vigorously. A defence denying the allegations was filed and an application to have the statement of claim (or parts thereof) struck out was heard on 9 June 2020. On 13 April 2021, the Federal Court dismissed that application, and at that time the parties were engaged in a referral before a Registrar of the Federal Court regarding discovery. As a result of that referral process the parties amended their pleadings which were filed in August and September 2021. The matter is listed for trial in November 2022, with mediation to occur by May 2022.

The statement of claim does not quantify any loss by the lead applicant or the alleged group and at this stage of the proceeding it is not possible for the Company to determine with accuracy or reliability any potential obligation or financial impact arising from the alleged damages claimed in the proceeding.



10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

OTHER (CONTINUED)

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 the period ended 02 January 2022 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

DIVIDENDS

On 22 February 2022 the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the year ended 03 July 2022. The total dividend amount is estimated to be \$76.5 million, which represents a partially franked at 70% dividend of 88.4 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 02 January 2022.

12 FINANCIAL INSTRUMENTS

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the Group's assets and liabilities measured and recognised as at fair value at 02 January 2022.

02 January 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Financial assets				
Foreign exchange contracts	-	3,620	-	3,620
Total financial assets	-	3,620	-	3,620
Financial liabilities				
Interest rate swaps	-	677	-	677
Put/call option over non-controlling interest	-	-	172,062	172,062
Contingent consideration	-	-	136	136
Total financial liabilities	-	677	172,198	172,875
27 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Financial assets				
Foreign exchange contracts	-	2,157	-	2,157
Total financial assets	-	2,157	-	2,157
Financial liabilities				
Interest rate swaps	-	955	-	955
Foreign exchange contracts	-	723	-	723
Put/call option over non-controlling interest	-	-	164,444	164,444
Market access right	-	-	17,594	17,594
Contingent consideration	-	-	293	293
Total financial liabilities	-	1,678	182,331	184,009

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 as well as contingent consideration relating to previous acquisitions.

The opening balance for the put/call option liabilities was \$164.4 million and has a closing balance of \$172.1 million.



12 FINANCIAL INSTRUMENTS (CONTINUED)

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

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/CALL OPTION OVER NON-CONTROLLING INTEREST

The valuation technique is specified in the related joint venture agreement and is based on the unlevered earnings multiple of the German operations which requires future earnings to be estimated. The significant unobservable inputs therefore include the unlevered earnings multiple. The valuation is based on the put/call option being exercisable in January 2023 and, as such, at 2 January 2022 the related financial liability has been reclassified to current. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry.

MARKET ACCESS RIGHT

As at 27 June 2021, the valuation technique used is the income approach. In this approach the discounted cash flows were 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.



13 CHANGES IN ACCOUNTING POLICIES

In April 2021 the IFRS Interpretations Committee (IFRIC) published its decision clarifying how an entity should account for configuration and customisation costs incurred in implementation of a specific part of cloud technology, Software as a Service (SaaS). IFRIC concluded that these costs should be expensed, unless the criteria for recognising a separate asset is met.

Based on the observation made in IFRIC's agenda decision, the Group concluded costs an organisation incurs in relation to the configuration and customisation of SaaS platforms does not meet the criteria for recognition as intangible assets, as the supplier of the software and not the organisation, controls the software. As a result, these costs should be immediately expensed as incurred.

Under the Group's previous accounting policy, these costs were capitalised and amortised on a straight line basis over the length of time the benefits were expected to be received (refer to note 11 in the Group's annual financial report). The Group has updated its accounting policy to comply with the IFRIC agenda decision, and applied AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to reflect this change.

The Group has retrospectively changed its accounting policy in respect to SaaS arrangements previously recorded as intangible assets, on the basis that these do not meet the recognition criteria in AASB 138 Intangible Assets.

The Group's revised accounting policy is outlined below:

IT Development and Software

Costs incurred in developing systems and acquiring software that will contribute future benefits and which the Group controls are capitalised until the software is capable of operating in the manner intended by management. These include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Configuration and customisation costs related to Software as a Service that does not meet the recognition criteria of an intangible assets and are expensed as incurred.

In applying the Group's accounting policy, the directors have made the following key judgements that may have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of configuration and customisation costs in SaaS arrangements

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to existing on-premise software to enable connection with the cloud-based software applications (referred to as bridging modules or APIs). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 *Intangible Assets*.

Determining whether configuration and customisation services are distinct from the SaaS access

Costs incurred to configure or customise the cloud providers applicable software is expensed when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the directors have applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e upfront), or over the SaaS contract term. Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant.

The following table summarises the impact of this change in accounting policy on the Consolidated Financial Statements.



13 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

ADJUSTMENTS TO COMPARATIVE INFORMATION

Statement of Financial Position

Statement of Financial Position (Extract) as at 27 June 2021	27 June 2021 Prior year \$'000	Increase/ (Decrease) \$'000	27 June 2021 Restated \$'000
Assets			
Total Current Assets	454,754	-	454,754
Deferred tax assets	7,818	(8)	7,810
Intangible assets	385,797	(5,753)	380,044
Total non-current assets	1,903,416	(5,761)	1,897,655
Total assets	2,358,170	(5,761)	2,352,409
Liabilities			
Total Current Liabilities	538,822	-	538,822
Deferred tax liabilities	69,051	(1,731)	67,320
Total non-current liabilities	1,420,181	(1,731)	1,418,450
Total liabilities	1,959,003	(1,731)	1,957,272
Net Assets	399,167	(4,030)	395,137
Equity			
Reserves	(150,329)	(58)	(150,387)
Retained Earnings	289,996	(3,972)	286,024
Total Equity	399,167	(4,030)	395,137

Statement of Financial Position (Extract) as at 28 June 2020	28 June 2020 Prior Year \$'000	Increase/ Decrease \$'000	28 June 2020 Restated \$'000
Assets			
Total Current Assets	522,399	-	522,399
Deferred Tax Assets	6,005	(8)	5,997
Intangible Assets	386,705	(6,425)	380,280
Total Non-Current Assets	1,948,706	(6,433)	1,942,273
Total Assets	2,471,105	(6,433)	2,464,672
Liabilities			
Total Current Liabilities	535,659	-	535,659
Deferred Tax Liabilities	65,022	(1,898)	63,124
Total Non-Current Liabilities	1,542,073	(1,898)	1,540,175
Total Liabilities	2,077,732	(1,898)	2,075,834
Net Assets	393,373	(4,535)	388,838
Equity			
Reserves	(70,016)	(97)	(70,113)
Retained Earnings	227,969	(4,438)	223,531
Total Equity	393,373	(4,535)	388,838



13 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Statement of Profit and Loss and Other Comprehensive Income

	27 December 2020 Prior year \$'000	Impact \$'000	27 December 2020 Restated \$'000
Statement of Profit and Loss and Other Comprehensive Income (Extract) for the period ending 27 December 2020			
Employee benefits expense	(195,682)	(396)	(196,078)
Depreciation and amortisation expense	(65,639)	905	(64,734)
Communication expenses	(18,231)	(118)	(18,349)
Profit before tax	144,834	391	145,225
Income tax expense	(44,666)	(110)	(44,776)
Profit for the period from continuing operations	100,168	281	100,449
Profit is attributable to:			
Owners of the parent	95,448	262	95,710
Non-controlling interest	4,720	19	4,739
Total profit for the period	100,168	281	100,449
Total comprehensive income for the period is attributable to:			
Owners of the parent	76,172	262	76,434
Non-controlling interest	4,104	19	4,123
Total comprehensive income for the period	80,276	281	80,557
	27 December 2020 Prior Cents	Increase/ (Decrease) Cents	27 December 2020 Restated Cents
Earnings per share			
Basic (cents per share)	110.4	0.3	110.7
Diluted (cents per share)	110.2	0.3	110.5

	27 June 2021 Prior period \$'000	Impact \$'000	27 June 2021 Restated \$'000
Statement of Profit and Loss and Other Comprehensive Income (Extract) for the period ending 27 June 2021			
Employee benefits expense	(398,317)	(1,014)	(399,331)
Depreciation and amortisation expense	(131,849)	1,831	(130,018)
Communication expenses	(32,831)	(145)	(32,976)
Profit before tax	272,937	672	273,609
Income tax expense	(79,794)	(167)	(79,961)
Profit from the period from continuing operations	193,143	505	193,648
Profit is attributable to:			
Owners of the parent	184,011	466	184,477
Non-controlling interest	9,132	39	9,171
Total profit for the period	193,143	505	193,648
Total comprehensive income for the period is attributable to:			
Owners of the parent	146,327	466	146,793
Non-controlling interest	6,282	39	6,321
Total comprehensive income for the period	152,609	505	153,114
	27 June 2021 Cents	Increase/ (Decrease) Cents	27 June 2021 Restated Cents
Earnings per share			
Basic (cents per share)	212.8	0.5	213.3
Diluted (cents per share)	211.9	0.6	212.5



13 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

	27 December 2020 Prior \$'000	Impact \$'000	27 December 2020 Restated \$'000
Statement of Cash Flows (Extract) for the period ending 27 December 2021			
Payments to suppliers and employees	(986,238)	(514)	(986,752)
Net cash generated from operating activities	162,307	(514)	161,793
Payments for intangible assets	(14,477)	514	(13,963)
Net cash used in investing activities	(37,920)	514	(37,406)
Net cash used from financing activities	(185,112)	-	(185,112)
Net (decrease)/increase in cash and cash equivalents	(60,725)	-	(60,725)

	27 June 2021 \$'000	Impact \$'000	27 June 2021 Restated \$'000
Statement of Cash Flows (Extract) for the period ending 27 June 2021			
Payments to suppliers and employees	(1,974,645)	(1,159)	(1,975,804)
Net cash generated from operating activities	374,410	(1,159)	373,251
Payments for intangible assets	(45,431)	1,159	(44,272)
Net cash used in investing activities	(98,615)	1,159	(97,456)
Net cash used from financing activities	(329,904)	-	(329,904)
Net (decrease)/increase in cash and cash equivalents	(54,109)	-	(54,109)

	27 June 2021 Prior year \$'000	Impact \$'000	27 June 2021 Restated \$'000
Consolidation Statement of Changes in Equity (Extract)			
Total equity at 29 June 2020	393,373	(4,535)	388,838
Profit for the period	193,143	505	193,648
Total Comprehensive income	152,609	505	153,114
Total equity at 27 June 2021	399,167	(4,030)	395,137

	27 December 2020 Prior year \$'000	Impact \$'000	27 December 2020 Restated \$'000
Statement in Changes in Equity (Extract)			
Balance at 29 June 2020	393,373	(4,535)	388,838
Profit for the period	100,168	281	100,449
Total Comprehensive income	80,276	281	80,557
Balance at 27 December 2020	407,151	(4,254)	402,897