DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report
for the period ended 1 January 2017

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

CONTENTS

APPENDIX 4D

Current Reporting Period: Half-year ended 1 January 2017

Previous Corresponding Period: Half-year ended 3 January 2016

Section A: Results for announcement to the market

Revenue and net profit	Percentage change %	Amount $'million
Revenue from ordinary activities	up 21.14%	to 539.4
Profit from ordinary activities after tax from continuing operations	up 8.31%	to 50.6
Profit from ordinary activities after tax attributable to members	up 15.47%	to 50.0
Net profit attributable to members	up 15.47%	to 50.0

Dividends	Amount per security	Franked percentage per security
Final dividend in respect of full year ended 3 July 2016 paid 7 September 2016	38.8 cents	70%
Interim dividend in respect of half-year ended 1 January 2017	48.4 cents	50%
Record date for determining entitlements to the dividend:		22 February 2017

Net tangible assets per security	1 January 2017	3 July 2016
Net tangible assets per security	(3.08)	(3.46)

Section B: Commentary on results

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

The interim 50% franked dividend of 48.4 cents per share was approved by the Board of Directors on 14 February 2017. 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 1 January 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 $50.6 million (first half of 2015/16: $46.7 million). This is 8.3% higher than the 2015/16 half-year, driven by Same Store Sales (SSS) growth, particularly in ANZ and Europe, with Japan continuing to trade to expectations during this phase of investment. This has contributed to an increase in Revenue, with the first half achieving $539.4 million compared with $445.3 million in the first half of 2015/16. The effective tax rate (tax expense divided by profit before tax) is 29.6% which is consistent with the first half of 2015/16 and an interim partially franked dividend of 48.4 cents per share will be paid on 9 March 2017.

The consolidated entity's NPBT was impacted by one-off significant charges totalling $19.6 million relating to the conversion of Joey's Pizza and Pizza Sprint to Domino's branded stores. There was also $1.1 million relating to the relocation of the France Commissary.

Cash from operating activities is $49.3 million for the first half compared to $55.3 million in the first half of 2015/16. This decrease is mainly due to strong operating performances in each of the regions offset by working capital movements, and payment of non-recurring acquisition & integration costs of $18.0 million.

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 23.9% and 17.2% respectively for the period compared with the first half of 2015/16. Contributing to this growth is the SSS result of 17.4% for the period. This was largely driven by the continued success of the $5 Cheaper Every Day campaign and GPS Driver Tracker, along with the new 'Taste the Colour' menu offerings and further innovations such as 'On-Time Cooking'.

Europe operations

Europe EBITDA decreased by 3.45% to $11.8 million, while underlying EBITDA increased by $14.9 million and revenue grew by 50.3%, to $164.2 million compared with the first half of 2015/16. This growth is mainly due to SSS growth of 3.1%, the opening of 30 new stores and the benefit of Joey's Pizza and Pizza Sprint stores contributing towards to group's results for the half year ending 1 January 2017. Europe has continued its digital growth in all markets, with Germany having now successfully converted all Joey's stores to Domino's.

Directors' report (continued)

Review of operations (continued)

Japan operations

Japan EBITDA and revenue increased by 13.2% and 8.2% respectively, compared with the first half of 2015/16, driven by new store openings and store relocations. Franchised stores account for 33.9% of total store count, up from 27.5% at the end of the first half of 2015/16. For the half-year, 19 new stores were opened, 9 were relocated to carry out friendly locations and 4 store were remodelled.

EBITDA is a non IFRS performance measure and is defined in the glossary of the 2016 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.

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

Jack Cowin	Don Meij
Chairman	Managing Director/ Group Chief Executive Officer
Sydney, 14 February 2017.	Sydney, 14 February 2017.

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

Deloitte.

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14 February 2017

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 1 January 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

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

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

Deloitte.

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

Report on the Half-Year Financial Report

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 1 January 2017, and 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Domino's Pizza Enterprises Limited 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 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of Domino's Pizza Enterprises Limited 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 1 January 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.

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

Deloitte.

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.

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 the consolidated entity's financial position as at 1 January 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
Partner
Chartered Accountants
Brisbane, 14 February 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; and

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, 14 February 2017.

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 1 January 2017

	1 January 2017 $'000	3 January 2016 $'000
Continuing operations		
Revenue	410,439	342,972
Other revenue	128,926	102,285
Other gains and losses	8,773	4,623
Food and packaging expenses	(177,629)	(138,085)
Employee benefits expense	(121,686)	(104,600)
Plant and equipment costs	(10,056)	(9,648)
Depreciation and amortisation expense	(23,868)	(16,618)
Occupancy expenses	(19,621)	(16,677)
Finance costs	(2,443)	(1,259)
Marketing expenses	(25,509)	(25,566)
Royalties expense	(26,106)	(26,051)
Store related expenses	(11,039)	(9,657)
Communication expenses	(8,993)	(7,820)
Acquisition and integration related costs	(18,050)	(2,710)
Other expenses	(31,316)	(24,791)
Profit before tax	**71,822**	**66,398**
Income tax expense	(21,229)	(19,687)
Profit for the period from continuing operations	**50,593**	**46,711**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/(loss) on net investment hedge taken to equity	5,556	(5,174)
Exchange differences arising on translation of foreign operations	(31,955)	20,591
Gain/(loss) on cash flow hedges taken to equity	4,877	(1,619)
income	(1,562)	2,038
Other comprehensive gain/(loss) for the period (net of tax)	(23,084)	15,836
Total comprehensive income for the period	**27,509**	**62,547**
Profit attributable to:		
Owners of the parent	50,043	43,338
Non-controlling interests	550	3,373
	50,593	**46,711**
Total comprehensive income attributable to:		
Owners of the parent	34,213	54,435
Non-controlling interests	(6,704)	8,112
	27,509	**62,547**
Earnings per share from continuing operations		
Basic (cents per share)	56.6	49.8
Diluted (cents per share)	55.6	48.9

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.

Condensed consolidated statement of financial position as at 1 January 2017

	Note	1 January 2017 $'000	3 July 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		67,378	60,334
Trade and other receivables		77,626	72,143
Other financial assets		14,793	13,117
Inventories		23,318	16,675
Current tax assets		2,967	592
Other assets		26,557	21,374
Total current assets		**212,639**	**184,235**
Non-current assets			
Other financial assets		48,952	40,400
Investment in joint venture		2,786	2,405
Property, plant and equipment	4	186,799	188,050
Deferred tax assets		7,902	14,754
Goodwill	5	385,481	408,211
Other intangible assets		288,393	289,927
Other assets		46	50
Total non-current assets		**920,359**	**943,797**
Total assets		**1,132,998**	**1,128,033**
Liabilities			
Current liabilities			
Trade and other payables		147,876	146,988
Borrowings	7	25,540	36,285
Other financial liabilities		56,152	55,893
Current tax liabilities		10,197	13,133
Provisions		14,530	13,951
Total current liabilities		**254,295**	**266,250**
Non-current liabilities			
Borrowings	7	307,334	285,507
Other financial liabilities		115,793	121,018
Provisions		9,224	10,971
Deferred tax liabilities		46,053	49,741
Total non-current liabilities		**478,404**	**467,237**
Total liabilities		**732,699**	**733,487**
Net assets		**400,299**	**394,546**
Equity			
Issued capital	6	337,681	248,554
Reserves		(88,151)	11,194
Retained earnings		150,769	134,798
Total equity		**400,299**	**394,546**

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 1 January 2017

	Issued capital $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Other reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total $'000
Balance at 28 June 2015	**198,291**	**4,517**	**(17,694)**	**13,567**	**106,375**	**-**	**305,056**
Profit for the period	-	-	-	-	43,338	3,373	46,711
Other comprehensive income	-	(4,755)	15,852	-	-	4,739	15,836
Total comprehensive income for the period	-	(4,755)	15,852	-	43,338	8,112	62,547
Issue of share capital under employee share option plan	41,433	-	-	-	-	-	41,433
Recognition of share based payments	-	-	-	(20,016)	-	-	(20,016)
Non-controlling interest put option	-	-	-	3,379	-	(8,112)	(4,733)
Payment of dividends	-	-	-	-	(23,590)	-	(23,590)
Balance at 3 January 2016	**239,724**	**(238)**	**(1,842)**	**(3,070)**	**126,123**	**-**	**360,697**
Balance at 4 July 2016	**248,554**	**(8,781)**	**28,861**	**(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 for the period	-	7,805	(23,635)	-	50,043	(6,704)	27,509
Issue of share capital under employee share option plan	89,127	-	-	-	-	-	89,127
Share options trust	-	-	-	(71,017)	-	-	(71,017)
Recognition of 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)
Balance at 1 January 2017	**337,681**	**(976)**	**5,226**	**(92,402)**	**150,769**	**-**	**400,299**

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 1 January 2017

	Note	1 January 2017 $'000	3 January 2016 $'000
Cash flows from operating activities			
Receipts from customers		584,444	477,267
Payments to suppliers and employees		(511,854)	(403,740)
Interest received		902	611
Interest and other finance costs		(2,443)	(1,259)
Income taxes paid		(21,796)	(17,573)
Net cash generated from operating activities	8	**49,253**	**55,306**
Cash flows from investing activities			
Proceed from/(loans to) related parties, third parties and franchisees		4,979	2,143
Payments for intangible assets		(15,703)	(10,358)
Payments for property, plant and equipment		(28,957)	(42,230)
Proceeds from sale of businesses and other non-current assets		12,287	15,941
Payment for investment and business operations, net of cash and inventory acquired		(12,769)	(8,077)
Net cash outflow on investment in joint ventures		(381)	(41)
Net cash used in investing activities		**(40,544)**	**(42,622)**
Cash flows from financing activities			
Proceeds from issue of equity securities		16,380	7,870
Proceeds from borrowings		29,274	26,040
Repayment of borrowings		(14,425)	(7,666)
Dividends paid		(34,072)	(23,590)
Net cash generated from/(used in) financing activities		**(2,843)**	**2,654**
Net increase in cash and cash equivalents held		**5,866**	**15,338**
Cash and cash equivalents at the beginning of the period		**60,334**	**43,174**
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,178	(1,345)
Cash and cash equivalents at the end of the period		**67,378**	**57,167**

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 1 January 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 3 July 2016 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 3 July 2016 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 2016 annual financial report for the financial year ended 3 July 2016, 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 consolidated entity will continue as a going concern. The consolidated entity has a net current liability position of $41.7 million at (3 July 2016: $82.0 million) which is primarily due to the Japan non-controlling interest put / call liability of $50.5 million being classified as current and a short term working capital facility of $25.5 million being drawn as at 1 January 2017. The consolidated entity will extend existing debt facilities and or enter into new debt facilities to extinguish these liabilities as and when they fall due.

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.

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 1 January 2017			
	ANZ $'000	**Europe $'000**	**Japan $'000**	**Total $'000**
Continuing operations				
Revenue	150,093	164,176	225,096	539,365
EBITDA	55,195	11,833	31,105	98,133
Depreciation & Amortisation	(7,609)	(7,223)	(9,036)	(23,868)
EBIT	47,586	4,610	22,069	74,265
Interest				(2,443)
Net profit before tax				**71,822**

	Half-year ended 3 January 2016			
	ANZ $'000	**Europe $'000**	**Japan $'000**	**Total $'000**
Continuing operations				
Revenue	128,035	109,249	207,973	445,257
EBITDA	44,545	12,255	27,475	84,275
Depreciation & Amortisation	(6,196)	(3,894)	(6,528)	(16,618)
EBIT	38,349	8,361	20,947	67,657
Interest				(1,259)
Net profit before tax				**66,398**

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.

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

	1 January 2017 $'000	3 July 2016 $'000
Continuing operations		
Australia/New Zealand	219,128	191,611
Europe	415,975	422,533
Japan	497,895	513,889
Total segment assets	**1,132,998**	**1,128,033**
Unallocated assets	-	-
Total assets	**1,132,998**	**1,128,033**

3. Dividends

	1 January 2017 $'000	3 January 2016 $'000
Recognised amounts		
Partially franked dividend for full year ended (2015: Fully franked) 3 July 2016: 38.8 cents (28 June 2015: 27.2 cents)	34,072	23,590
Unrecognised amounts		
Interim partially franked dividend for half-year ended 1 January 2017: 48.4 cents (3 January 2016: 34.7 cents)	42,994	30,414

4. Property, plant and equipment

	1 January 2017 $'000	3 July 2016 $'000
Property, plant and equipment, at cost	220,317	223,282
Less accumulated depreciation	(49,636)	(46,145)
Net property, plant and equipment	**170,681**	**177,137**
Leased property, plant and equipment, at cost	24,187	17,875
Less accumulated depreciation	(8,069)	(6,962)
Net leased property, plant and equipment	**16,118**	**10,913**
Total net property, plant and equipment	**186,799**	**188,050**

5. Goodwill

	1 January 2017 $'000	3 July 2016 $'000
Gross carrying amount		
Balance at the beginning of the period	408,211	283,497
Additional amounts recognised from business combinations occurring during the period	9,774	13,338
Acquired through subsidiaries	-	68,783
Amounts disposed of during the period	(5,760)	(9,503)
Effects of foreign currency exchange differences	(26,744)	51,716
Other	-	380
Balance at the end of the period	**385,481**	**408,211**
Accumulated impairment losses	-	-
Net book value		
At the beginning of the period	408,211	283,497
At the end of the period	**385,481**	**408,211**

6. Issued capital

	1 January 2017 $'000	3 July 2016 $'000
88,831,492 fully paid ordinary shares (3 July 2016: 87,648,158)	337,681	248,554

	Note	1 January 2017 Number of shares '000	1 January 2017 Share capital $'000	3 July 2016 Number of shares '000	3 July 2016 Share capital $'000
Fully paid ordinary shares					
Balance at beginning of the period		87,648	248,554	86,561	198,291
Shares issued:					
Issue of shares under executive share option plan	(a)	1,183	89,127	939	41,433
Issue of shares related to Joey's Pizza Acquisition		-	-	148	8,830
Balance at the end of the period		**88,831**	**337,681**	**87,648**	**248,554**

(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.

6. Issued capital (cont'd)

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 1 January 2017, a total of 1,303,250 share options over ordinary shares were issued under the ESOP. 400,000 of these share options had a fair value at grant date of $17.00 per share option, 703,250 had a fair value at grant date of $16.80. per share option while the remaining 200,000 had a fair value at grant date of $16.50 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 1 January 2017, a total of 1,183,334 options were exercised, increasing share capital by $89.1 million.

7. Borrowings

	1 January 2017 $'000	3 July 2016 $'000
Unsecured		
Loans from other entities	21,585	20,546
	21,585	**20,546**
Secured		
Finance lease liabilities	17,780	10,913
Euro loan	163,179	150,202
Japan acquisition - Australian Dollar loan	50,662	50,627
Japan acquisition - Japanese Yen loan	53,539	58,916
Other Bank Loans	26,128	30,588
	311,289	**301,246**
Current	25,540	36,285
Non-current	307,334	285,507
	332,874	**321,792**

8. Note to the condensed consolidated statement of cash flows

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

	1 January 2017 $'000	3 January 2016 $'000
Profit for the period	**50,594**	**46,711**
Profit on sale of non-current assets	(8,522)	(4,575)
Equity settled share-based payments	5,069	2,890
Depreciation and amortisation	23,868	16,618
Other	(2,142)	1,382
Net cash provided by operating activities before changes in assets and liabilities	68,867	63,026
Movement in working capital		
(Increase)/decrease in assets:		
Trade and other receivables	(8,129)	(12,027)
Inventory	(7,374)	(4,524)
Other current assets	(6,157)	(2,581)
Increase/(decrease) in liabilities:		
Trade and other payables	5,934	10,679
Provisions	(96)	(1,239)
Current tax liabilities	(6,977)	(7,533)
Deferred tax balances	3,185	9,505
Net cash from operating activities	**49,253**	**55,306**

Included in the movement of other financial assets are non-cash transactions of $18.2 million relating to loans to franchisees.

9. Acquisition of stores

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition $'000
Acquisition of stores				
During the half-year ended 1 January 2017:				
11 stores in aggregate in Australia	Pizza stores	July - Dec 16	100%	7,149
3 stores in aggregate in New Zealand	Pizza stores	July - Dec 16	100%	1,275
8 stores in aggregate in Europe	Pizza stores	July - Dec 16	100%	4,118
2 stores in aggregate in Japan	Pizza stores	July - Dec 16	100%	312
Total store acquisitions during the half-year ended 1 January 2017				12,854

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:

	1 January 2017		
Net assets acquired	**Book Value $'000**	**Fair value adjustment $'000**	**Fair value on acquisition $'000**
Current assets			
Cash and cash equivalents	5	-	5
Inventories	81	-	81
	86	-	86
Non-current assets			
Plant and equipment	2,994	-	2,994
	2,994	-	2,994
Net assets	**3,080**	-	**3,080**
Goodwill on acquisition			9,774
Total store acquisitions during the half-year ended 1 January 2017			**12,854**

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

	Consolidated	
	1 January 2017	**3 July 2016**
	$'000	**$'000**
Guarantees - Franchisee Loans and Leases	5,766	5,463

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.

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 has filed an appeal to these decisions which is scheduled to be heard on 20 September 2017 (postponed from February 2017). The two remaining local claims have yet to be heard at first instance.

11. Acquisition of subsidiaries

Acquisition of Pizza Sprint

On the 26 January 2016, the consolidated entity acquired 100% interest of Pizza Sprint. Pizza Sprint is a chain of 89 pizza stores in France, comprising 12 corporate stores and 77 franchise stores.

At 3 July 2016, the fair value of assets acquired and liabilities assumed were recognised on a provisional basis. In the current financial period, the fair value of assets acquired and liabilities assumed has been finalised and the effect on the financial statements has been summarised below:

11. Acquisition of subsidiaries (cont'd)

	Provisional fair value $'000	Purchase price adjustment $'000	Final fair value on acquisition $'000
Cash and cash equivalents	4,700	-	4,700
Trade and other receivables	2,800	-	2,800
Other current assets	882	1,893	2,775
Property, plant & equipment	945	-	945
Other intangible assets	47,437	-	47,437
Other non-current financial assets	99	-	99
Trade and other payables	(4,048)	-	(4,048)
Provisions	-	(9,388)	(9,388)
Non-current borrowings	(1,101)	-	(1,101)
Deferred tax liabilities	(15,117)	3,129	(11,988)
Total identifiable assets	**36,597**	**(4,366)**	**32,231**
Total consideration	55,663	(3,847)	51,816
Less fair value of net identifiable assets	(36,595)	4,366	(32,229)
Goodwill	**19,068**	**519**	**19,587**
Total consideration			
Cash	51,816	-	51,816
Contingent consideration	3,847	(3,847)	-
Total consideration	**55,663**	**(3,847)**	**51,816**

The purchase price adjustments are the result of a legal matter being brought against Fra-Ma Pizz SAS, the Pizza Sprint entity. The consolidated entity has assessed that the legal matter relates to alleged practices predating the acquisition and has accordingly adjusted the purchase price accounting to recognise a contingent liability and asset related to the matter. In addition, contingent consideration payable has been revised to reflect additional information and conditions prevailing as at acquisition date.

Acquisition of Joey's Pizza
There has been no changes to the provisional acquisition accounting of Joey's Pizza which was disclosed in the financial report for the year ending 3 July 2016.

12. Subsequent events

(a) Dividends
On 14 February 2017, the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the half-year ended 1 January 2017. The total amount of dividend is $43.0 million, which represents a partially franked dividend of 48.4 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 1 January 2017.

(b) Acquisition of a Subsidiary
On 20 January 2017, the consolidated entity successfully completed the acquisition of Interforms Printing Group Pty Ltd ('IPG') a business which specialises in printing and digital media solutions.

The purchase price of IPG comprised initial consideration of $10.4million, with $8.6 million payable on completion and a further, $1.8 million over the next 3 years and an earn out of up to a further $3.5 million payable up-to and over a 30-month period which is conditional on certain criteria being satisfied.

The acquisition did not complete during the half year ending 1 January 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 ending 1 January 2017. 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.

13. Financial instruments

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

Fair value of the consolidated entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the consolidated entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 1 January 2017 $'000	Fair value as at 03 July 2016 $'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest Rate and Cross Currency Swaps	Current asset $1,421, non current liability of $4,999, and current liability $1,122 (As recognised in other financial assets and financial liabilities)	Current asset $1,435, non current liability of $9,224, current liability $903 and non current liability $3,091 (As recognised in other financial assets and financial liabilities)	Level 2	Discounted cash flow. 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.	N/A	N/A
2) Forward foreign exchange contracts	Current liability of $960 (As recognised in other financial assets).	Current liability of $3,288 (As recognised in other financial assets).	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Put option over non-controlling interest	Liability - $79,453 (Europe) and $50,486 (Japan) (As recognised in other financial non current liabilities) The movement in the put option has been recognised in the statement of other comphensive income.	Liability - $75,598 (Europe) and $43,734 (Japan) (As recognised in other financial non current liabilities)	Level 3	Estimating future put obligation taking into account future earnings.	Adjusted unlevered price/earnings multiple rates. The earnings used are based on management's experience and knowledge of market conditions of the industry.	The higher the earnings, the higher the fair value.
					The Put option is exercisable after 3 years from the the acquisition date.	The shorter the time period, the lower the fair value.
4) Market Access Right	Liability - $31,156 (As recognised in other financial non current liabilities).	Liability - $31,619 (As recognised in other financial non current liabilities)	Level 3	Income approach in this approach the discounted cash flows was used to capture the future cost of the asset.	Adjusted unlevered price/earnings multiple rates. The earnings used are based on management's experience and knowledge of market conditions of the industry.	The higher the earnings, the higher the fair value.

13. Financial instruments (continued)

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

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

The opening balance for the put option liabilities was $119.3 million and has a value at half-year end of $129.9 million with the movement recorded in other reserves. No reasonable possible change in the key inputs would result in a material change to this value.