DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report
for the period ended 28 December 2014

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 28 December 2014

Previous Corresponding Period: Half-year ended 29 December 2013

Section A: Results for announcement to the market

Revenue and net profit	**Percentage change %**	**Amount $million**
Revenue from ordinary activities	Up 29.45%	343.6
Profit from ordinary activities after tax from continuing operations	Up 66.61%	31.1
Profit from ordinary activities after tax attributable to members	Up 66.75%	29.1
Net profit attributable to members	Up 66.75%	29.1
Dividends	**Amount per security**	**Franked amount per security**
Final dividend in respect of full year ended 29 June 2014 paid 12 September 2014	19.0 cents	100%
Interim dividend in respect of half-year ended 28 December 2014	24.6 cents	100%
Record date for determining entitlements to the dividend:		23 February 2015
Net tangible assets per security	**Half-year ended 28 December 2014**	**Half-year ended 29 December 2013**
Net tangible assets per security	(0.81)	(0.89)

Section B: Commentary on results

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

The interim fully franked dividend of 24.6 cents per share was approved by the directors on 10 February 2015. 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 condensed consolidated half-year financial statements.

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 28 December 2014. 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
- Barry Alty
- Grant Bourke
- Paul Cave
- Don Meij

Mr Barry Alty retired as a director on 28 October 2014. The remaining directors held office during and since the end of the half-year.

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 $31.1 million (first half of 2013/14: $18.6 million). This is 66.6% higher than the 2013/14 half-year, driven by Same Store Sales (SSS) growth, particularly in ANZ and Europe, record organic store count growth across the consolidated entity, no acquisition and integration related costs incurred in relation to DPJ, and 6 months of DPE ownership of the Japan business compared with only 4 months in the prior period. Same store sales for the half was 10.6% in ANZ, 7.5% in Europe and 1.2% in Japan. This has contributed to an increase in Revenue, with the first half achieving $343.6m compared with $265.4m in the first half of 2013/14. The Effective tax rate (Tax expense divided by profit before tax) is 32.1% compared with 33.0% in the first half of 2013/14 and an interim fully franked dividend of 24.6 cents per share will be paid on 10 March 2015.

Cash from operating activities is $56.5m for the first half compared to $33.0m in the first half of 2013/14. This increase is mainly due to strong operating performances in each of the regions, and has contributed to a cash position of $42.5m. We note that borrowings have not materially moved since the first half of 2013/14.

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 4.7% respectively for the period compared with the first half of 2013/14, with growth in both SSS and new store openings contributing to this. This growth can be attributed to the $4.95 Value campaign, launch of Pizza Mogul, opening 34 new stores in the first half (which is a record), increasing customer counts, and NZ stores outperforming the other regions for the second year. We note that revenue hasn't grown by the same percentage as EBITDA, and this is primarily due to the number of Corporate stores having reduced from 80 to 67.

Europe Operations

Europe EBITDA increased by $4.8m, to $7.2m and revenue grew by 24.6%, to $87.0m compared with the first half of 2013/14. This growth is mainly due to SSS of 7.5%, opening of 24 new stores (a record

Directors' report (continued)

Review of operations (continued)

number for first half new store openings), the effect of the DPE global online ordering system being implemented in The Netherlands and Belgium (with France to be finished in the middle of 2015),
operational initiatives particularly in the commissary, and restructured marketing teams delivering positive results.

Japan Operations

Japan EBITDA and revenue increased by 121.8% and 57.6% respectively, compared with the first half of 2013/14, driven by growth in new store openings and sales. It should also be noted that for the half-year, no acquisition and integration related costs were incurred, and there are 6 months of DPE ownership compared with 4 months in prior period. For the half-year, 34 new stores were opened, 18 corporate and 16 franchised, with stores now in in Okayama, Fukushima and Nara. Our store relocation program has continued, with 19 stores relocated to higher profile and pickup friendly locations.

EBITDA is a non IFRS performance measure and is defined in the glossary of the 2014 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.

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 Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order 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/Chief Executive Officer
Sydney, 10 February 2015.	Sydney, 10 February 2015.

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10 February 2015

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 financial statements of Domino's Pizza Enterprises Limited for the half-year ended 28 December 2014, 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

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

We have reviewed the accompanying half-year financial report of Domino's Pizza Enterprises Limited, which comprises the condensed consolidated statement of financial position as at 28 December 2014, 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, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the 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 24.

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 Domino's Pizza Enterprises Limited's financial position as at 29 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Domino's Pizza Enterprises Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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 Domino's Pizza Enterprises Limited's financial position as at 28 December 2014 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, 10 February 2015

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/Chief Executive Officer

Sydney, 10 February 2015.

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 28 December 2014

	Half-year ended 28 December 2014 $'000	Half-year ended 29 December 2013 $'000
Continuing operations		
Revenue	268,051	203,916
Other revenue	75,520	61,487
Other gains and losses	1,862	2,061
Food and paper expenses	(105,238)	(75,974)
Employee benefits expense	(83,249)	(70,760)
Plant and equipment costs	(9,423)	(7,201)
Depreciation and amortisation expense	(13,074)	(9,738)
Occupancy expenses	(13,079)	(9,927)
Finance costs	(1,209)	(1,130)
Marketing expenses	(21,718)	(17,571)
Store related expenses	(8,337)	(6,783)
Communication expenses	(5,190)	(4,000)
Acquisition and integration related costs	-	(3,174)
Other expenses	(39,174)	(33,400)
Profit before tax	**45,742**	**27,806**
Income tax expense	(14,680)	(9,162)
Profit for the period from continuing operations	**31,062**	**18,644**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain on net investment hedge taken to equity	1,078	260
Exchange losses arising on translation of foreign operations	(2,174)	(6,866)
Gain on cash flow hedges	673	956
Income tax relating to components of other comprehensive income	(525)	(365)
Other	-	522
Other comprehensive loss	(948)	(5,493)
Total comprehensive income for the period	**30,114**	**13,151**
Profit attributable to:		
Owners of the parent	29,118	17,462
Non - controlling interests	1,944	1,182
	31,062	**18,644**
Total comprehensive income attributable to:		
Owners of the parent	29,271	11,969
Non - controlling interests	843	1,182
	30,114	**13,151**
Earnings per share from continuing operations		
Basic (cents per share)	33.8	21.4
Diluted (cents per share)	33.2	21.2

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 28 December 2014

	Note	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
Current assets			
Cash and cash equivalents		42,515	42,283
Trade and other receivables		46,671	36,567
Other financial assets		4,127	2,807
Inventories		16,747	11,707
Current tax assets		128	117
Other assets		10,888	9,663
Total current assets		**121,076**	**103,144**
Non-current assets			
Other financial assets		23,462	20,331
Investment in joint venture	13	1,310	-
Property, plant & equipment	2	113,705	93,263
Goodwill	9	279,227	278,113
Deferred tax assets		159	188
Other intangible assets		64,712	63,891
Other liabilities		75	78
Total non-current assets		**482,650**	**455,864**
Total assets		**603,726**	**559,008**
Current liabilities			
Trade and other payables		120,899	100,373
Borrowings		1,704	1,281
Other financial liabilities		2,724	2,327
Current tax liabilities		8,955	4,277
Provisions		4,305	4,339
Total current liabilities		**138,587**	**112,597**
Non-current liabilities			
Borrowings		119,425	118,629
Provisions		7,695	7,952
Deferred tax liabilities		9,522	8,801
Other financial liabilities		54,478	51,640
Total non-current liabilities		**191,120**	**187,022**
Total liabilities		**329,707**	**299,619**
Net assets		**274,019**	**259,389**
Equity			
Issued capital	3	195,959	194,193
Reserves		(14,679)	(14,752)
Retained earnings		92,739	79,948
Non-controlling interest		-	-
Total equity		**274,019**	**259,389**

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 28 December 2014

	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 30 June 2013	**40,855**	**2,334**	**(6,852)**	**2,533**	**63,712**	**-**	**102,582**
Profit for the period	-	-	-	-	17,462	1,182	18,644
Other comprehensive income	-	851	(6,866)	522	-	-	(5,493)
Total comprehensive income for the period	-	851	(6,866)	522	17,462	1,182	13,151
Shares issued under executive share option plan	1,260	-	-	-	-	-	1,260
Shares issued related to Japan equity raising	156,336	-	-	-	-	-	156,336
Non-controlling interest arising from acquisition of Domino's Pizza Japan	-	-	-	-	-	45,267	45,267
Capital costs associated with equity raising	(4,622)	-	-	-	-	-	(4,622)
Non-controlling interest put option adjustment	-	-	-	(524)	-	(45,267)	(45,791)
Payment of dividends	-	-	-	-	(10,859)	-	(10,859)
Balance at 29 December 2013	**193,829**	**3,185**	**(13,718)**	**2,531**	**70,315**	**1,182**	**257,324**
Balance at 29 June 2014	**194,193**	**4,094**	**(18,015)**	**(831)**	**79,948**	**-**	**259,389**
Profit for the period	-	-	-	-	29,118	1,944	31,062
Other comprehensive income	-	1,226	(1,073)	-	-	(1,101)	(948)
Total comprehensive income for the period	-	1,226	(1,073)	-	29,118	843	30,114
Shares issued under executive share option plan	1,236	-	-	-	-	-	1,236
Recognition of share based payments	-	-	-	1,210	-	-	1,210
Capital costs associated with equity raising	530	-	-	-	-	-	530
Non-controlling interest put option adjustment	-	-	-	(1,290)	-	(843)	(2,133)
Payment of dividends	-	-	-	-	(16,327)	-	(16,327)
Balance at 28 December 2014	**195,959**	**5,320**	**(19,088)**	**(911)**	**92,739**	**-**	**274,019**

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 28 December 2014

	Note	Half-year ended 28 December 2014 $'000	Half-year ended 29 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		374,770	291,569
Payments to suppliers and employees		(308,699)	(250,337)
Interest received		360	323
Interest and other finance costs		(1,209)	(1,130)
Income taxes paid		(8,732)	(7,416)
Net cash flows from operating activities	5	**56,490**	**33,009**
Cash flows from investing activities			
Loans to related parties, third parties and franchisees		(1,029)	(964)
Payment for intangibles		(6,654)	(4,230)
Payment for property, plant and equipment		(32,150)	(17,988)
Proceeds from sale of businesses and other non-current assets		9,328	9,937
Payment for investment and business operations, net of cash and inventory acquired		(10,383)	(9,783)
Payment for investment in Domino's Pizza Japan		-	(232,596)
Net cash used in investing activities		**(40,888)**	**(255,624)**
Cash flows from financing activities			
Proceeds from issue of equity securities		1,236	157,597
Capital costs associated with the equity raising		-	(4,622)
Proceeds from borrowings		13,831	111,472
Capital costs associated with the debt raising		-	(1,025)
Repayment of borrowings		(13,831)	(14,181)
Dividends paid		(16,327)	(10,859)
Net cash used in financing activities		**(15,091)**	**238,382**
Net increase in cash and cash equivalents held		**511**	**15,767**
Cash and cash equivalents at the beginning of the period		**42,283**	**18,691**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(279)	1,325
Cash and cash equivalents at the end of the period		**42,515**	**35,783**

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 half-year financial report of the company for the half-year ended 28 December 2014 comprises the condensed consolidated financial statements of the company and its subsidiaries (together referred to as the "consolidated entity").

The annual financial report of the consolidated entity as at and for the year ended 29 June 2014 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 29 June 2014 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 Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order 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 company's 2014 annual financial report for the financial year ended 29 June 2014, 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.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. New and revised standards and amendments and Interpretations effective for the current half-year that are relevant to the consolidated entity include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
    - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
    - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
    - Part C: 'Materiality'

1. Significant accounting policies (continued)

Basis of preparation (continued)

Impact of the application of AASB 1031 'Materiality' (2013)

The revised *AASB 1031 Materiality* is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The consolidated entity has applied the amendments to *AASB 132 Financial Instruments: Presentation* for the first time in the current period. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the consolidated entity does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated entity's condensed consolidated financial statements.

Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The consolidated entity has applied the amendments to *AASB 136 Impairment of Assets* for the first time in the current period. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by *AASB 13 Fair Value Measurements*. The application of these amendments does not have any material impact on the disclosures in the consolidated entity's condensed consolidated financial statements.

Impact of the application of AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'

The consolidated entity has applied the amendments to *AASB 139 Financial Instruments: Recognition and Measurement* for the first time in the current year. The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the consolidated entity does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the consolidated entity's condensed consolidated financial statements.

1. Significant accounting policies (continued)

Basis of preparation (continued)

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to *AASB 1031 Materiality*, at the same time it makes various editorial corrections to Australian Accounting Standards as well.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'

Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to *AASB 2 Share-based Payment* (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to *AASB 3 Business Combinations* clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to *AASB 8 Operating Segments* (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of *AASB 13 Fair Value Measurement* clarify that the issue of *AASB 13 Fair Value Measurement* and consequential amendments to *AASB 139 Financial instruments: recognition and measurement* and *AASB 9 Financial Instruments* did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to *AASB 116 Property, Plant and Equipment* and *AASB 138 Intangible Assets* remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to *AASB 124 Related Party Disclosures* clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

1. Significant accounting policies (continued)

Basis of preparation (continued)

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below.

The amendments to *AASB 3 Business Combinations* clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to *AASB 13 Fair Value Measurement* clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, *AASB 139 Financial instruments: recognition and measurement* or *AASB 9 Financial Instruments*, even if those contracts do not meet the definitions of financial assets or financial liabilities within *AASB 132 Financial instruments: Presentation.*

The amendments to *AASB 140 Investment Property* clarify that AASB 140 and *AASB 3 Business Combinations* are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of AASB 140; and
(b) the transaction meets the definition of a business combination under AASB 3.

Part B: 'Defined Benefit Plans Employee Contributions (Amendments to AASB 119)'

The amendments to *AASB 119 Employee Benefits* clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

Part C – 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard, as noted in Parts A, B and C, does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's condensed consolidated financial statements.

Note that AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14' is not applicable to the consolidated entity as the consolidated entity is not a first-time adopter of Australian Accounting Standards.

New Accounting Policy – Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting, except when the investment, or a portion

1. Significant accounting policies (continued)

Basis of preparation (continued)

thereof, is classified as held for sale, in which case it is accounted for in accordance with *AASB 5 non-current assets held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the consolidated entity's share of the profit or loss and other comprehensive income of the joint venture. When the consolidated entity's share of losses of a joint venture exceeds the consolidated entity's interest in that joint venture (which includes any long-term interests that, in substance, form part of the consolidated entity's net investment in the joint venture), the consolidated entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the consolidated entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the consolidated entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the consolidated entity's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The consolidated entity discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the consolidated entity retains an interest in the former joint venture and the retained interest is a financial asset, the consolidated entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the consolidated entity accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the consolidated entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The consolidated entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the consolidated entity reduces its ownership interest in joint venture but the consolidated entity continues to use the equity method, the consolidated entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a consolidated entity entity transacts with a joint venture of the group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated entity's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

2. *Property, plant and equipment*

	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
Property, plant and equipment, at cost	145,712	120,983
Less accumulated depreciation	(37,657)	(32,032)
Net property, plant and equipment	**108,055**	**88,951**
Leased property, plant and equipment, at cost	7,547	5,480
Less accumulated depreciation	(1,897)	(1,168)
Net leased property, plant and equipment	**5,650**	**4,312**
Total net property, plant and equipment	**113,705**	**93,263**

3. *Issued capital*

	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
86,160,773 fully paid ordinary shares (29 June 2014: 85,933,273)	195,959	194,193
	195,959	**194,193**

	Note	Half-year ended 28 December 2014 No. '000	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 No. '000	Full year ended 29 June 2014 $'000
Fully paid ordinary shares					
Balance at beginning of the period		85,933	194,193	70,193	40,855
Issue of shares under executive share option plan	(a)	228	1,236	396	1,261
Issue of shares related to Japan equity raising		-	-	15,327	156,336
Capital costs associated with the equity raising		-	530	-	(4,622)
Other		-	-	17	363
Balance at the end of period		**86,161**	**195,959**	**85,933**	**194,193**

3. Issued capital (continued)

(a) Options

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

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

Terms and conditions of the ESOP

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

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

During the half-year ended 28 December 2014, a total of 644,000 share options over ordinary shares were issued under the ESOP. 300,000 of these share options had a fair value at grant date of $7.16 per share option while the remaining 344,000 had a fair value at grant date of $7.39 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 28 December 2014, a total of 227,500 options were exercised, increasing share capital by $1.236 million.

4. Contingent liabilities and contingent assets

	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
Guarantees - Franchise Loans and Leases	6,321	5,901

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.

	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
Guarantees - parent entity guarantee over subsidiary borrowings	7,503	7,219

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

4. *Contingent liabilities and contingent assets (continued)*

Other

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 but it is not known at this time when the appeals will be heard. The two remaining local claims have yet to be heard at first instance.

The company believes that no provision is required as it is not probable that a future sacrifice of future economic benefit will be required or the amount is not capable of reliable measurement.

5. *Note to the condensed consolidated statement of cash flows*

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

	Half-year ended 28 December 2014 $'000	Half-year ended 29 December 2013 $'000
Profit for the period	**31,062**	**18,644**
Profit on sale of non-current assets	(1,905)	(1,953)
Equity settled share-based payments	1,207	522
Depreciation and amortisation	13,074	9,738
Other	2,837	1,519
Net cash provided by operating activities before change in assets and liabilities	46,275	28,470
Change in assets and liabilities during the half-year:		
(Increase)/decrease in other current assets	(1,147)	1,531
(Increase)/decrease in current receivables	(9,641)	(1,940)
(Increase)/decrease in inventory	(4,942)	(2,977)
(Decrease)/increase in current payables	20,489	7,620
(Decrease)/increase in current tax balances	4,723	330
(Decrease)/increase in deferred tax balances	865	(525)
(Decrease)/increase in provisions	(132)	500
Net cash from operating activities	**56,490**	**33,009**

6. Dividends

	Half-year ended 28 December 2014 $'000	Half-year ended 29 December 2013 $'000
Recognised amounts		
Final fully franked dividend for full year ended 29 June 2014: 19.0 cents (30 June 2013: 15.4 cents)	16,327	10,859
Unrecognised amounts		
Interim franked dividend for half-year ended 28 December 2014: 24.6 cents (29 December 2013: 17.7 cents)	21,196	15,207
	37,523	**26,066**

7. 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
- 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 28 December 2014				Half-year ended 29 December 2013			
	Australia/ New Zealand $'000	Europe $'000	Japan $'000	Consolidated $'000	Australia/ New Zealand $'000	Europe $'000	Japan $'000	Consolidated $'000
Continuing operations								
Revenue	102,238	87,022	154,311	343,571	97,672	69,837	97,894	265,403
EBITDA	35,083	7,190	17,752	60,025	28,306	2,365	8,003	38,674
Depreciation	(5,768)	(3,417)	(3,889)	(13,074)	(4,488)	(3,322)	(1,928)	(9,738)
EBIT	29,315	3,773	13,863	46,951	23,818	(957)	6,075	28,936
Interest				(1,209)				(1,130)
Net profit before tax				**45,742**				**27,806**

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

7. *Segment information (continued)*

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:

	Half-year ended 28 December 2014 $'000	Full year ended 29 June 2014 $'000
Continuing operations		
Australia / New Zealand	133,227	123,193
Europe	94,519	79,562
Japan	375,980	356,253
Total segment assets	**603,726**	**559,008**
Unallocated assets	-	-
Total assets	**603,726**	**559,008**

8. *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 28 December 2014:				
Individually significant acquisitions:				
6 Europe stores	Pizza stores	July 2014	100%	5,113
Other acquisitions:				
5 stores in aggregate in Australia	Pizza stores	July - December 2014	100%	2,260
4 stores in aggregate in New Zealand	Pizza stores	July - December 2014	100%	1,717
2 stores in aggregate in Japan	Pizza stores	July - December 2014	100%	119
Total store acquisitions during the half-year ended 28 December 2014				**9,209**

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.

8. Acquisition of Stores (continued)

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

	28 December 2014		
Net assets acquired	**Book Value $'000**	**Fair value adjustment $'000**	**Fair value on acquisition $'000**
Current assets			
Cash and cash equivalents	4	-	4
Inventories	47	-	47
	51	**-**	**51**
Non-current assets			
Plant & equipment	2,446	-	2,446
	2,446	**-**	**2,446**
Net assets	**2,497**	**-**	**2,497**
Goodwill on acquisition			6,712
			9,209

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 impracticable to do so given the number of acquisitions during the half-year.

9. Goodwill

	Half-year 28 December 2014 $'000	Year ended 29 June 2014 $'000
Gross carrying amount		
Balance at beginning of the period	278,113	57,113
Additional amounts recognised from business combinations occurring during the period (note 8)	6,712	7,841
Acquired through Domino's Pizza Japan acquisition	-	237,766
Amounts disposed of during the period	(2,369)	(7,263)
Effects of foreign currency exchange differences	(3,515)	(17,407)
Other	286	63
Balance at end of the period	**279,227**	**278,113**
Net book value		
At the beginning of the period	278,113	57,113
At the end of the period	279,227	278,113

10. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half-year, a cash bonus of $145,250 was paid to key management personnel in line with the bonus scheme.

11. Subsequent events

On 10 February 2015, the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the half-year ended 28 December 2014. The total amount of dividend is $21.196 million, which represents a fully franked dividend of 24.6 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 28 December 2014.

In the opinion of the directors, no item, transaction or event of a material or unusual nature has arisen in the interval between the end of the half year and the date of this report, that affects significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

12. 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 28/12/2014 $'000	Fair value as at 29/06/2014 $'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 $1,794, non current assets $3,928, current liability $593 and non current liability $1,516 (As recognised in other financial assets and financial liabilities)	Current asset $1,825, non current assets $2,301, current liability $580 and non current liability $751 (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 contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Forward foreign exchange contracts	Current asset $1,589 and non current asset $66 (As recognised in other financial assets).	NA	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 - $51,400 (As recognised in other financial non current liabilities)	Liability - $49,270 (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 Japanese Pizza Industry.	The higher the earnings, the higher the fair value.
					The Put option is exercisable after 3 years from the acquisition date.	The shorter the time period, the lower the fair value.

12. 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.

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. No gain or loss for the year relating to this contingent consideration has been recognised in profit or loss.

The opening balance for this put option liability was $49.2m and has a value at half-year end of $51.4m with the movement recorded in other reserves. No reasonably possible change in the key inputs would result in a material change of this value.

The carrying amounts of financial assets and liabilities recognised in the condensed consolidated financial statements approximate their fair values.

13. Investment in Joint Venture

On the 24th November 2014, the consolidated entity acquired 50% equity of a joint venture called Stuart Preston Pty Ltd as Trustee for the Preston Holdings Family Trust / Hot Cell Pty Ltd Partnership. The result has not been separately presented in the condensed consolidated statement of profit or loss and other comprehensive income due to it being below materiality.

14. Acquisition of subsidiary

On 3 September 2013, the Consolidated entity acquired 75% of the issued share capital of DPE Japan Co. Ltd. (DPEJ), obtaining control of Domino's Pizza Japan Inc. (DPJ). DPJ is the Domino's Pizza Master Franchisee for Japan and is the third largest pizza delivery chain in Japan. The remaining 25% of DPEJ is owned by Bain Capital Domino's Hong Kong Limited and is subject to a put and call option. The acquisition was funded through both debt and capital raising.

The accounting for the acquisition of DPEJ as reported as provisionally determined in the 2014 financial year, and has now been finalised. There were no significant adjustments to the provisional values determined.