DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report
for the period ended 3 January 2016

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 3 January 2016

Previous Corresponding Period: Half-year ended 28 December 2014

Section A: Results for announcement to the market

Revenue and net profit	**Percentage change %**	**Amount $million**
Revenue from ordinary activities	Up 29.60%	445.3
Profit from ordinary activities after tax from continuing operations	Up 50.38%	46.7
Profit from ordinary activities after tax attributable to members	Up 48.83%	43.3
Net profit attributable to members	Up 48.83%	43.3
Dividends	**Amount per security**	**Franked amount per security**
Final dividend in respect of full year ended 28 June 2015 paid 11 September 2015	27.2 cents	100%
Interim dividend in respect of half-year ended 3 January 2016	34.7 cents	70%
Record date for determining entitlements to the dividend:		29 February 2016
Net tangible assets per security	**Half-year ended 3 January 2016**	**Half-year ended 28 December 2014**
Net tangible assets per security	(0.24)	(0.81)

Section B: Commentary on results

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

The interim partially franked dividend of 34.7 cents per share was approved by the directors on 16 February 2016. 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 3 January 2016. 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 $46.7 million (first half of 2014/15: $31.1 million). This is 50.4% higher than the 2014/15 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 $445.3 million compared with $343.6 million in the first half of 2014/15. The effective tax rate (tax expense divided by profit before tax) is 29.7% compared with 32.1% in the first half of 2014/15 and an interim partially franked dividend of 34.7 cents per share will be paid on 15 March 2016.

Cash from operating activities is $55.3 million for the first half compared to $56.5 million in the first half of 2014/15. This decrease is mainly due to strong operating performances in each of the regions offset by working capital movements, and has contributed to a cash position of $57.2 million. We note that short-term borrowings have increased to fund the Japan working capital for the December peak trade.

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 27.0% and 25.2% respectively for the period compared with the first half of 2014/15. Contributing to this growth is the SSS result of 13.8% for the period, which was largely driven by the continued success of the $5 Cheaper Every Day campaign and GPS Driver Tracker.

Europe operations

Europe EBITDA increased by $5.1 million, to $12.3 million and revenue grew by 25.5%, to $109.2 million compared with the first half of 2014/15. This growth is mainly due to SSS of 8.5% and the opening of 17 new stores. Record digital growth was achieved in all three countries, with Netherlands leading the way with 63% online sales. EBITDA includes costs of $2.7 million relating to the acquisition of Pizza Sprint and Joey's Pizza, as disclosed in note 12.

Directors' report (continued)

Review of operations (continued)

Japan operations

Japan EBITDA and revenue increased by 54.8% and 34.8% respectively, compared with the first half of 2014/15, driven by record store openings and the inclusion of New Year's Day sales (New Year's Day in prior year included in second half). Franchised stores account for 28% of total store count, up from 17% at the time of the DPE acquisition (Sep 2013) and 24% at the end of the first half of 2014/15. For the half-year, 48 new stores were opened, 38 corporate and 10 franchised, with stores now in Sendai, Shiga and Tokushima. Our store relocation program has continued, with 27 stores relocated to pick-up friendly locations.

EBITDA is a non IFRS performance measure and is defined in the glossary of the 2015 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, 16 February 2016.	Sydney, 16 February 2016.

Auditor’s Independence Declaration to the Directors of Domino’s Pizza Enterprises Limited

Deloitte Touche Tohmatsu
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16 February 2016

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 3 January 2016, 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

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 3 January 2016, 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 21.

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 3 January 2016 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 consolidated entity's financial position as at 3 January 2016 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, 16 February 2016

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, 16 February 2016.

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 3 January 2016

	3 January 2016 $'000	28 December 2014 $'000
Continuing operations		
Revenue	342,972	268,051
Other revenue	102,285	75,520
Other gains and losses	4,623	1,862
Food and packaging expenses	(138,085)	(105,238)
Employee benefits expense	(104,600)	(83,249)
Plant and equipment costs	(9,648)	(9,423)
Depreciation and amortisation expense	(16,618)	(13,074)
Occupancy expenses	(16,677)	(13,079)
Finance costs	(1,259)	(1,209)
Marketing expenses	(25,566)	(21,718)
Royalties expense	(26,051)	(18,911)
Store related expenses	(9,657)	(8,337)
Communication expenses	(7,820)	(5,190)
Acquisition and integration related costs	(2,710)	-
Other expenses	(24,791)	(20,263)
Profit before tax	**66,398**	**45,742**
Income tax expense	(19,687)	(14,680)
Profit for the period from continuing operations	**46,711**	**31,062**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
(Loss)/gain on net investment hedge taken to equity	(5,174)	1,078
Exchange differences arising on translation of foreign operations	20,591	(2,174)
(Loss)/gain on cash flow hedges taken to equity	(1,619)	673
Income tax relating to components of other comprehensive income	2,038	(525)
Other comprehensive gain/(loss) for the period (net of tax)	15,836	(948)
Total comprehensive income for the period	**62,547**	**30,114**
Profit attributable to:		
Owners of the parent	43,338	29,118
Non-controlling interests	3,373	1,944
	46,711	**31,062**
Total comprehensive income attributable to:		
Owners of the parent	54,435	29,271
Non-controlling interests	8,112	843
	62,547	**30,114**
Earnings per share from continuing operations		
Basic (cents per share)	49.8	33.8
Diluted (cents per share)	48.9	33.2

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 3 January 2016

	Note	3 January 2016 $'000	28 June 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		57,167	43,174
Trade and other receivables		57,283	43,883
Other financial assets		7,638	6,812
Inventories		17,184	12,282
Current tax assets		572	295
Other assets		12,900	10,101
Total current assets		**152,744**	**116,547**
Non-current assets			
Other financial assets		35,536	31,265
Investment in joint venture	11	1,668	1,626
Property, plant and equipment	4	147,787	121,612
Goodwill	5	303,697	283,496
Deferred tax assets		10,218	7,255
Other intangible assets		77,767	68,740
Other assets		63	59
Total non-current assets		**576,736**	**514,053**
Total assets		**729,480**	**630,600**
Liabilities			
Current liabilities			
Trade and other payables		124,982	108,826
Borrowings	7	18,462	1,920
Other financial liabilities		3,945	3,262
Current tax liabilities		6,022	12,765
Provisions		4,384	4,358
Total current liabilities		**157,795**	**131,131**
Non-current liabilities			
Borrowings	7	130,982	122,912
Other financial liabilities		61,301	54,048
Provisions		9,192	9,655
Deferred tax liabilities		9,513	7,798
Total non-current liabilities		**210,988**	**194,413**
Total liabilities		**368,783**	**325,544**
Net assets		**360,697**	**305,056**
Equity			
Issued capital	6	239,724	198,291
Reserves		(5,150)	390
Retained earnings		126,123	106,375
Total equity		**360,697**	**305,056**

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 3 January 2016

	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 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
Other shares issued	1,236	-	-	-	-	-	1,236
Recognition of share based payments	-	-	-	1,210	-	-	1,210
Capital costs related to Japan acquisition	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**
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
Other shares issued	41,433	-	-	-	-	-	41,433
Recognition of share based payments	-	-	-	(20,016)	-	-	(20,016)
Non-controlling interest put option adjustment	-	-	-	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**

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 3 January 2016

	Note	3 January 2016 $'000	28 December 2014 $'000
Cash flows from operating activities			
Receipts from customers		477,267	374,770
Payments to suppliers and employees		(403,740)	(308,699)
Interest received		611	360
Interest and other finance costs		(1,259)	(1,209)
Income taxes paid		(17,573)	(8,732)
Net cash generated from operating activities	8	**55,306**	**56,490**
Cash flows from investing activities			
Proceed from/(loans to) related parties, third parties and franchisees		2,143	(1,029)
Payments for intangible assets		(10,358)	(6,654)
Payments for property, plant and equipment		(42,230)	(32,150)
Proceeds from sale of businesses and other non-current assets		15,941	9,328
Payment for investment and business operations, net of cash and inventory acquired		(8,077)	(10,383)
Net cash outflow on investment in joint ventures		(41)	-
Net cash used in investing activities		**(42,622)**	**(40,888)**
Cash flows from financing activities			
Proceeds from issue of equity securities		7,870	1,236
Proceeds from borrowings		26,040	13,831
Repayment of borrowings		(7,666)	(13,831)
Dividends paid		(23,590)	(16,327)
Net cash generated from/(used in) financing activities		**2,654**	**(15,091)**
Net increase in cash and cash equivalents held		**15,338**	**511**
Cash and cash equivalents at the beginning of the period		**43,174**	**42,283**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,345)	(279)
Cash and cash equivalents at the end of the period		**57,167**	**42,515**

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 3 January 2016 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 28 June 2015 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 28 June 2015 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 group's 2015 annual financial report for the financial year ended 28 June 2015, except for the impact of the Standards and Interpretations described below and any new accounting policies adopted by the consolidated entity during the period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended standards adopted by the group

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

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

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
- 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 3 January 2016				Half-year ended 28 December 2014			
	Australia/ New Zealand $'000	**Europe $'000**	**Japan $'000**	**Total $'000**	**Australia/ New Zealand $'000**	**Europe $'000**	**Japan $'000**	**Total $'000**
Continuing operations								
Revenue	128,035	109,249	207,973	445,257	102,238	87,022	154,311	343,571
EBITDA	44,545	12,255	27,475	84,275	35,083	7,190	17,752	60,025
Depreciation	(6,196)	(3,894)	(6,528)	(16,618)	(5,768)	(3,417)	(3,889)	(13,074)
EBIT	38,349	8,361	20,947	67,657	29,315	3,773	13,863	46,951
Interest				(1,259)				(1,209)
Net profit before tax				**66,398**				**45,742**

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:

	3 January 2016 $'000	**28 June 2015 $'000**
Continuing operations		
Australia/New Zealand	173,422	147,357
Europe	104,096	95,515
Japan	451,962	387,728
Total segment assets	**729,480**	**630,600**
Unallocated assets	-	-
Total assets	**729,480**	**630,600**

3. Dividends

	3 January 2016 $'000	28 December 2014 $'000
Recognised amounts		
Final fully franked dividend for full year ended 28 June 2015: 27.2 cents (29 June 2014: 19.0 cents)	23,590	16,327
Unrecognised amounts		
Interim partially franked dividend for half-year ended 3 January 2016: 34.7 cents (28 December 2014: 24.6 cents)	30,414	21,196

4. Property, plant and equipment

	3 January 2016 $'000	28 June 2015 $'000
Property, plant and equipment, at cost	180,134	153,573
Less accumulated depreciation	(39,711)	(37,647)
Net property, plant and equipment	**140,423**	**115,926**
Leased property, plant and equipment, at cost	11,724	8,656
Less accumulated depreciation	(4,360)	(2,970)
Net leased property, plant and equipment	**7,364**	**5,686**
Total net property, plant and equipment	**147,787**	**121,612**

5. Goodwill

	3 January 2016 $'000	28 June 2015 $'000
Gross carrying amount		
Balance at the beginning of the period	283,496	278,113
Additional amounts recognised from business combinations occurring during the period (note 9)	6,471	8,854
Amounts disposed of during the period	(5,372)	(4,953)
Effects of foreign currency exchange differences	18,930	1,209
Other	172	273
Balance at the end of the period	**303,697**	**283,496**
Net book value		
At the beginning of the period	283,496	278,113
At the end of the period	**303,697**	**283,496**

6. Issued capital

	3 January 2016 $'000	28 June 2015 $'000
87,499,952 fully paid ordinary shares (28 June 2015: 86,560,773)	239,724	198,291

	Note	3 January 2016 No. '000	3 January 2016 $'000	28 June 2015 No. '000	28 June 2015 $'000
Fully paid ordinary shares					
Balance at beginning of the period		86,561	198,291	85,933	194,193
Issue of shares under executive share option plan	(a)	939	41,433	628	3,568
Capital costs associated with the equity raising		-	-	-	530
Balance at the end of the period		**87,500**	**239,724**	**86,561**	**198,291**

(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 3 January 2016, a total of 1,070,750 share options over ordinary shares were issued under the ESOP. 300,000 of these share options had a fair value at grant date of $8.20 per share option, 620,750 had a fair value at grant date of $8.18 per share option while the remaining 150,000 had a fair value at grant date of $8.57 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 3 January 2016, a total of 939,000 options were exercised, increasing share capital by $41.4 million.

7. Borrowings

	3 January 2016 $'000	28 June 2015 $'000
Secured		
Finance lease liabilities	7,267	5,582
Euro loan	19,156	18,559
Japan acquisition - Australian Dollar loan	50,776	50,436
Japan acquisition - Japanese Yen loan	51,513	47,256
Other Bank Loans	20,732	3,000
	149,444	**124,832**
Current	18,462	1,920
Non-current	130,982	122,912
	149,444	**124,832**

Short-term borrowings increased at the half-year ended 3 January 2016, predominately due to borrowings of $15.9m (included in other bank loans) to fund the Japan working capital for the December peak trade.

8. Note to the condensed consolidated statement of cash flows

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

	3 January 2016 $'000	28 December 2014 $'000
Profit for the period	**46,711**	**31,062**
Profit on sale of non-current assets	(4,575)	(1,905)
Equity settled share-based payments	2,890	1,207
Depreciation and amortisation	16,618	13,074
Other	1,382	2,837
Net cash provided by operating activities before changes in assets and liabilities	63,026	46,275
Movement in working capital		
(Increase)/decrease in assets:		
Trade and other receivables receivables	(12,027)	(9,641)
Inventory	(4,524)	(4,942)
Other current assets	(2,581)	(1,147)
Increase/(decrease) in liabilities:		
Trade and other payables	10,679	20,489
Provisions	(1,239)	(132)
Current tax liabilities	(7,533)	4,723
Deferred tax balances	9,505	865
Net cash from operating activities	**55,306**	**56,490**

Included in the movement of other financial assets are non-cash transactions of $9.3 million for 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 3 January 2016:				
Individually significant acquisitions:				
4 Europe stores	Pizza stores	July - Sep 15	100%	2,919
Other acquisitions:				
4 stores in aggregate in Australia	Pizza stores	July - Dec 15	100%	1,943
2 stores in aggregate in New Zealand	Pizza stores	July - Dec 15	100%	1,102
7 stores in aggregate in Europe	Pizza stores	July - Dec 15	100%	2,152
Total store acquisitions during the half-year ended 3 January 2016				**8,116**

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:

	3 January 2016		
Net assets acquired	**Book Value $'000**	**Fair value adjustment $'000**	**Fair value on acquisition $'000**
Current assets			
Cash and cash equivalents	3	-	3
Inventories	36	-	36
	39	**-**	**39**
Non-current assets			
Plant and equipment	1,606	-	1,606
	1,606	**-**	**1,606**
Net assets	**1,645**	**-**	**1,645**
Goodwill on acquisition			6,471
Total store acquisitions during the half-year ended 3 January 2016			**8,116**

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

	3 January 2016 $'000	28 June 2015 $'000
Guarantees - Franchisee Loans and Leases	5,754	5,984

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.

	3 January 2016 $'000	28 June 2015 $'000
Guarantees - parent entity guarantee over subsidiary borrowings	7,483	7,250

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

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 which is scheduled to be heard on 8 February 2017. The two remaining local claims have yet to be heard at first instance.

11. 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. On the 30th March 2015, the consolidated entity acquired 50% equity of a joint venture called Triumphant Pizza Pty Ltd/Hot Cell Partnership. The result has not been separately presented in the consolidated statement of profit or loss and other comprehensive income due to it being below materiality.

12. Subsequent events

(a) Dividends

On 16 February 2016, the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the half-year ended 3 January 2016. The total amount of dividend is $30.4 million, which represents a partially franked dividend of 34.7 cents per share. The dividend has not been recognised as a liability in the condensed consolidated financial statements for the half-year ended 3 January 2016.

(b) Acquisition of Pizza Sprint, France

On 14 October 2015, the group announced that it had entered into a share purchase agreement to acquire the "Pizza Sprint" chain of 89 stores in France.

The purchase price comprised an initial payment of €31.5 million ($48.5 million[1]) on completion, with up to a further €3.5 million ($5.4 million[1]) payable progressively over 18 months, conditional on certain criteria being satisfied. The purchase price was funded through a combination of the group's existing and additional debt facilities. The group expects that the majority of the conditional criteria will ultimately be satisfied and most, if not all, of the €3.5 million ($5.4 million[1]) contingent consideration will become payable.

The transaction completed on 26 January 2016.

(c) Acquisition of Joey's Pizza, Germany

On 16 December 2015, the group announced that it had entered into binding agreements for a two-thirds equity interest in a newly formed joint venture ("JV") by partnering with UK-listed Domino's Pizza Group plc ("DPG"), the existing holder of the Domino's Pizza Master Franchise Agreement for Germany, to acquire the "Joey's Pizza" chain of 212 stores in Germany for an amount of up to €79 million ($121.2 million[1]). This will provide the group with substantial growth in to the future through the expansion into the German market.

The purchase price for Joey's Pizza comprised initial consideration of €45 million ($69.0 million[1]) on completion with subsequent tiered payments of up to €34 million ($52.2 million[1]) subject to earn-out criteria which will be assessed progressively over up to 36 months following completion. The JV expects that the majority of the earn-out criteria will ultimately be satisfied and most, if not all, of the full amount of €79 million ($121.2 million[1]) may be payable. The group expects that the JV will fund the earn-out payment.

In addition to the initial purchase price, the JV will also acquire selected Domino's Pizza stores currently operated in Germany by DPG for a total cash consideration of €2 million to €3 million. ($3.1 million to $4.6 million[1]).

Consideration for the group's aggregate share is €39 million ($59.8 million[1]), being the initial portion of the purchase price, its share of brand conversion costs and payment for DPG stores. €34 million ($52.2 million[1]) was settled in cash from new debt facilities at the completion date of the transaction post period end. The vendors of Joey's Pizza have elected that the remaining amount of €5 million ($7.7 million[1]) is to be settled through the issue of 148,206 new DPE shares and for these shares to be subject to a twelve month voluntary escrow.

Furthermore, the group will make payments to DPG of up to €25 million ($38.3 million[1]) in return for transferring to the JV access rights to the German market and the existing franchise system, with such payments determined annually over up to six years contingent on profits exceeding certain thresholds.

The group will have Board, management and operational control of the joint venture, with DPG holding minority protection rights in respect of its shareholding interest.

1 Spot rate at completion date, for disclosure purposes

12. Subsequent events (continued)

The JV agreements provide DPE with a pathway to full ownership of the business at a future date, as well as providing DPG with clearly defined exit rights. In particular:

- DPG is to hold a put option over its interest to DPE, which is exercisable any time after 31 December 2019;
- DPE is to hold a call option over DPG's interest, which is exercisable any time after 31 December 2021; and
- The price paid on exercise of either option is equivalent and based on an enterprise valuation, determined from capitalisation of future adjusted EBITDA at a multiple of between 10 and 12 times.

The transaction completed on 1 February 2016.

As the acquisitions of Pizza Sprint and Joey's Pizza did not complete and the group did not gain control until after 3 January 2016, no amounts have been recognised in relation to identifiable assets acquired and liabilities assumed in the transactions described above for the half-year period ended 3 January 2016. Due to the limited time between the completion dates of the Pizza Sprint and Joey's Pizza transactions and the date these financial statements have been authorised for issue, certain disclosures required by AASB3 *Business Combinations* could not yet be made.

Acquisition-related costs of $2.7 million have been included as an expense in profit or loss in the half-year period ended 3 January 2016. The acquisition-related costs have been included in the European segment in note 2.

(d) Additional borrowings to fund acquisitions

Subsequent to the half-year period ended 3 January 2016, the group refinanced part of its existing debt facilities through new and existing lenders whilst simultaneously increasing its debt facilities to fund the acquisition of Pizza Sprint and Joey's Pizza. As a result, the group's total used and unused financing facilities are $329.8 million at the date of this report (28 June 2015: $199.9 million). The Group expects to meet covenant requirements at year-end.

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).

1 Spot rate at completion date, for disclosure purposes

13. Financial instruments (continued)

Financial assets/financial liabilities	Fair value as at 3/01/2016 $'000	28/06/2015 $'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 $1,600, current liability $737 and non-current liability $3,760 (As recognised in other financial assets and other financial liabilities)	Current asset $1,707, non-current assets $2,868, current liability $925 and non-current liability $1,188 (As recognised in other financial assets and other financial liabilities)	Level 2	Discounted cash flows. 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 $103 and non-current asset $98 (As recognised in other financial assets).	Current asset $1,341 and non-current asset $3 (As recognised in other financial assets).	Level 2	Discounted cash flows. 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 - $56,020 (As recognised in other financial non-current liabilities)	Liability - $51,290 (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 of 3 September 2013.	The shorter the time period, the lower the fair value.

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 $51.3 million and has a value at half-year end of $56.0 million 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.