

DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Half-year Financial Report for the Financial Half-year Ended 29 December 2013

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

CONTENTS

Section A: Results for announcement to the market	1
Section B: Commentary on results	1
Section C: Half-Year Financial Report.....	2
Directors' report	2
Independent Auditor's Review Report to the Members of Domino's Pizza Enterprises Limited	5
Directors' declaration	7
Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 29 December 2013	8
Condensed consolidated statement of financial position	9
Condensed consolidated statement of changes in equity	10
Condensed consolidated statement of cash flows	11
Notes to the condensed consolidated financial statements	12
1. Significant accounting policies	12
2. Non-current assets - property, plant and equipment.....	15
3. Issued capital	15
4. Contingent liabilities and contingent assets	16
5. Notes to the cash flow statement	17
6. Dividends.....	18
7. Segment information	18
8. Acquisition of stores	19
9. Goodwill.....	20
10. Key management personnel	20
11. Subsequent events	21
12. Acquisition of subsidiary.....	21
13. Financial Instruments	23
14. Borrowings	23



APPENDIX 4D

Current Reporting Period: Half-year ended 29 December 2013

Previous Corresponding Period: Half-year ended 30 December 2012

Section A: Results for announcement to the market

	Percentage change %	Amount \$million
Revenue and net profit		
Revenue from ordinary activities	Up 89.49%	265.4
Profit from ordinary activities after tax	Up 28.2%	18.6
Net Profit	Up 28.2%	18.6
Dividends	Amount per security	Franked amount per security
Final dividend in respect of full year ended 30 June 2013 Paid 13 September 2013	15.4 cents	100%
Interim dividend in respect of half-year ended 29 December 2013	17.7 cents	100%
Record date for determining entitlements to the dividend:		24 February 2014
Net tangible assets per security	Half-year ending 29 December 2013	Half-year ending 30 December 2012
Net tangible assets per security	(0.89)	0.68

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 17.7 cents per share was approved by the directors on 11 February 2014. 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 submit herewith the condensed financial report for the half-year ended 29 December 2013. 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:

- Ross Adler
- Barry Alty
- Grant Bourke
- Paul Cave
- Don Meij

The above-named directors held office during and since the end of the half-year.

Review of operations

The consolidated profit for the period from continuing operations was \$18.644 million (first half of 2012/13: \$14.543 million).

Net Profit After Tax for the half-year ended 29 December 2013 was 28.2% higher than the 2012/13 half-year, driven by Same Store Sales growth (SSS) supported by successful marketing promotions and the successful acquisition of Domino's Japan.

An interim fully franked dividend of 17.7 cents per share will be paid on 11 March 2014.

Australia/New Zealand Operations

- Revenue for the period increased by 11.86% on the first half of 2012/13 and EBITDA has increased by 21.29%. Growth in both SSS, new store openings, and a strengthening NZ dollar has driven the increase.
- Our 600th ANZ store opened in November 2013.
- We have opened 25 new stores in the first half, our best first half new store count since H1 2006.
- Australian online sales are now reaching levels of 57% of total sales.
- Various initiatives in Corporate stores have had a positive impact on store margins and profitability.

European Operations

- Reported revenue for the period is up 30.56% on the first half 2012/13 to \$69.8m. New store openings and increased mix of corporate stores, has driven this growth.
- As a result of the market not meeting expectations, we have restructured the senior management team which includes the appointment of Andrew Rennie into the role of CEO Europe and Jean-Marc Dayan as Chairman Domino's Pizza France.
- We have fully implemented the global point of sale and online ordering systems in The Netherlands.

Japan Operations

- Achieved SSS growth of 7.8%.
- Our television campaigns' in Tokyo and Osaka for the first time since 2006 have been a key driver of SSS growth.
- We have opened a record 21 new stores in the 4 months (September to December).
- A number of stores have been relocated into higher profile locations to drive sales.
- Launched our internal franchisee financing program for high performing store managers and opened first new store in December 2013.



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

Ross Adler

Chairman

Sydney, 11 February 2014.

Don Meij

Managing Director/Chief Executive Officer

Sydney, 11 February 2014.

11 February 2014

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 29 December 2013, 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



P G Forrester
Partner
Chartered Accountants

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 29 December 2013, 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 23.

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 29 December 2013 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*.

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink that appears to read "P.G. Forrester".

P.G. Forrester

Partner

Chartered Accountants

Parramatta, 11 February 2014



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

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

Don Meij

Managing Director/Chief Executive Officer

Sydney, 11 February 2014.



Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 29 December 2013

	Consolidated	
	Half-year ended 29 December 2013	Half-year ended 30 December 2012
	\$'000	\$'000
Continuing operations		
Revenue	265,403	140,806
Other income	2,061	2,375
Food and paper expenses	(75,974)	(40,102)
Employee benefits expense	(70,760)	(36,187)
Plant and equipment expenses	(7,201)	(4,440)
Depreciation and amortisation expense	(9,738)	(5,953)
Occupancy expenses	(9,927)	(4,022)
Finance costs	(1,130)	(315)
Marketing expenses	(17,571)	(5,646)
Store related expenses	(6,783)	(3,405)
Communication expenses	(4,000)	(3,219)
Acquisition and integration related costs	(3,174)	-
Other expenses	(33,400)	(19,677)
Profit before tax	27,806	20,215
Income tax expense	(9,162)	(5,672)
Profit for the period from continuing operations	18,644	14,543
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/(loss) on net investment hedge relating to foreign operations	260	(282)
Exchange (losses)/gains arising on translation of foreign operations	(6,866)	1,362
Gain on cash flow hedges	956	-
Income tax on items	(365)	1,069
Other	522	255
Other comprehensive (loss)/income	(5,493)	2,404
Total comprehensive income for the period	13,151	16,947
Profit attributable to:		
Owners of the parent	17,462	14,543
Non - controlling interests	1,182	-
	18,644	14,543
Total comprehensive income attributable to:		
Owners of the parent	11,969	16,947
Non - controlling interests	1,182	-
	13,151	16,947
Earnings per share:		
From continuing operations		
Basic (cents per share)	21.6	20.8
Diluted (cents per share)	21.4	20.6

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



**Condensed consolidated statement of financial position
as at 29 December 2013**

		Consolidated	
	Note	Half-year ended 29 December 2013 \$'000	Full year ended 30 June 2013 \$'000
Current assets			
Cash and cash equivalents		35,783	18,691
Trade and other receivables		35,884	26,412
Other financial assets		3,199	1,286
Inventories		12,800	6,685
Current tax asset		1,283	191
Other		6,487	6,315
		95,436	59,580
Non-current assets held for sale		879	803
Total current assets		96,315	60,383
Non-current assets			
Other financial assets		16,371	4,415
Property, plant & equipment	2	89,419	49,693
Goodwill	9	274,206	57,113
Deferred tax assets		6,143	40
Other intangible assets		59,514	17,427
Other		81	680
		445,734	129,368
Total non-current assets		445,734	129,368
Total assets		542,049	189,751
Current liabilities			
Trade and other payables		80,123	38,055
Borrowings		6,574	7,082
Other financial liabilities	13	2,154	508
Current tax payables		3,303	2,550
Provisions		4,128	3,109
		96,282	51,304
Total current liabilities		96,282	51,304
Non-current liabilities			
Borrowings		133,213	32,589
Provisions		8,126	441
Deferred tax liabilities		976	2,395
Other financial liabilities	13	45,979	303
Other		149	137
		188,443	35,865
Total non-current liabilities		188,443	35,865
Total liabilities		284,725	87,169
Net assets		257,324	102,582
Equity			
Issued capital	3	193,829	40,855
Reserves		(8,002)	(1,985)
Retained earnings		70,315	63,712
Non-controlling interest		1,182	-
Total equity		257,324	102,582

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 29 December 2013**

	Issued capital \$'000	Hedging reserve \$'000	Foreign currency translatio n reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 July 2012	69,872	2,296	(12,842)	1,898	55,817	-	117,041
Profit for the period	-	-	-	-	14,543	-	14,543
Exchange differences arising on translation of foreign operations	-	-	1,362	-	-	-	1,362
Loss on net investment hedge relating to foreign operations	-	(282)	-	-	-	-	(282)
Income tax directly relating to components of comprehensive income	-	1,069	-	-	-	-	1,069
Other comprehensive income	-	-	-	255	-	-	255
Total comprehensive income for the period	-	787	1,362	255	14,543	-	16,947
Shares issued	1,026	-	-	-	-	-	1,026
Capital Return	(15,021)	-	-	-	-	-	(15,021)
Payment of dividends	-	-	-	-	(9,883)	-	(9,883)
Balance at 30 December 2012	55,876	3,083	(11,480)	2,153	60,477	-	110,109
Balance at 1 July 2013	40,855	2,334	(6,852)	2,533	63,712	-	102,582
Profit for the period	-	-	-	-	17,462	1,182	18,644
Exchange differences arising on translation of foreign operations	-	-	(6,866)	-	-	-	(6,866)
Gain/(loss) on cash flow hedges	-	956	-	-	-	-	956
Gain/(Loss) on net investment hedge relating to foreign operations	-	260	-	-	-	-	260
Income tax directly relating to components of comprehensive income	-	(365)	-	-	-	-	(365)
Other comprehensive income	-	-	-	522	-	-	522
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 DPJ (Note 12)	-	-	-	-	-	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

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 29 December 2013**

	Note	Consolidated	
		Half-year ended 29 December 2013 \$'000	Half-year ended 30 December 2012 \$'000
Cash flows from operating activities			
Receipts from customers		291,569	157,175
Payments to suppliers and employees		(250,337)	(138,445)
Interest received		323	698
Interest and other costs of finance paid		(1,130)	(315)
Income taxes paid		(7,416)	(6,231)
Net cash provided by operating activities	5	33,009	12,882
Cash flows from investing activities			
Loans (paid)/repaid from related parties, third parties and franchisees		(964)	996
Payment for intangibles		(4,230)	(4,507)
Payment for property, plant and equipment		(17,988)	(10,155)
Proceeds from sale of property, plant and equipment and intangibles		9,937	11,812
Payment for investment and business operations, net of cash and inventory acquired		(9,783)	(6,092)
Payment for investment in Domino's Pizza Japan		(232,596)	-
Net cash used in investing activities		(255,624)	(7,946)
Cash flows from financing activities			
Proceeds from issue of equity securities		157,597	1,025
Capital costs associated with the equity raising		(4,622)	-
Return of share capital		-	(15,021)
Proceeds from borrowings		111,472	16,525
Capital costs associated with the debt raising		(1,025)	-
Repayment of borrowings		(14,181)	(14,493)
Dividends paid		(10,859)	(9,883)
Net cash used in financing activities		238,382	(21,847)
Net increase/(decrease) in cash and cash equivalents held		15,767	(16,911)
Cash and cash equivalents at the beginning of the half-year		18,691	40,340
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,325	1,519
Cash and cash equivalents at the end of the half-year		35,783	24,948

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 as at and for the half-year ended 29 December 2013 comprises the condensed consolidated financial statement 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 30 June 2013 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 shall be read in conjunction with the annual financial report of the consolidated entity as at and for the year ended 30 June 2013.

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 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. 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 thereof and Interpretations effective for the current half-year that are relevant to the Consolidated entity include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'; and
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'.



Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee.

In accordance with these transitional provisions, the Consolidated entity has not made any new disclosures required by AASB 10 for the 2012 comparative period, the application of AASB 10 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 13

The Consolidated entity has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Consolidated entity has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

In the current year, the Consolidated entity has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets, and annual leave provisions. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. In regards to the annual leave provision, the changes required the estimation of the timing of future leave, and this is discounted back to present value.



In accordance with these transitional provisions, the Consolidated entity has not made any new disclosures required by AASB 119 for the 2012 comparative period, the application of AASB 119 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Consolidated entity has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Consolidated entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New Accounting Policy – Non-Controlling Interest

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The carrying amounts of the Consolidated entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

In accordance with AASB 10, we have applied the partial recognition of the non-controlling interest (equity method) method when accounting for the put option liability and non-controlling interest. This approach is appropriate given the company has no present ownership of the minority interest shares. While the non-controlling interest remains unexercised, the accounting is as follows:

- The non-controlling interest receives an allocation of the profit or loss for the period;
- A put option liability is recognised at fair value in accordance with IAS 39;
- The non-controlling interest is de-recognised at that date; and
- The difference between the recognising of the put option liability and de-recognising the non-controlling interest is recorded through equity in the parent company.

This results in the changes in the put option liability being recognised through equity.

New Accounting Policy – Business Combination

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis.



2. *Non-current assets - property, plant and equipment*

	Consolidated	
	Half-year ended 29 December 2013 \$'000	Full year ended 30 June 2013 \$'000
Plant and equipment, at cost	117,710	72,310
Less accumulated depreciation	(28,357)	(22,697)
Net plant and equipment	89,353	49,613
Leased plant and equipment	142	142
Less accumulated depreciation	(76)	(62)
Net leased plant and equipment	66	80
Total net property, plant and equipment	89,419	49,693

3. *Issued capital*

	Consolidated	
	Half-year ended 29 December 2013 \$'000	Full year ended 30 June 2013 \$'000
85,915,713 fully paid ordinary shares (2013: 70,192,674)	193,829	40,855
	193,829	40,855

	Note	Consolidated			
		Half-year ended 29 December 2013		Full year ended 30 June 2013	
		No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares					
Balance at beginning of financial year		70,193	40,855	69,900	69,872
Issue of shares under executive share option plan	(a)	396	1,260	293	1,025
Issue of shares related to Japan equity raising	12	15,327	156,336	-	-
Capital costs associated with the equity raising		-	(4,622)		
Capital Return		-	-	-	(30,042)
Balance at end of financial period		85,916	193,829	70,193	40,855



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 29 December 2013, a total of 1,056,667 share options over ordinary shares were issued under the ESOP. 600,000 of these share options had a fair value at grant date of \$3.14 per share option while the remaining 456,667 had a fair value at grant date of \$3.23. These options vest once conditions are met, which are based on results from the following 3 financial years.

During the half-year ended 29 December 2013, a total of 396,000 options were exercised.

4. Contingent liabilities and contingent assets

	Consolidated	
	Half-year ended 29 December 2013 \$'000	Full year ended 30 June 2013 \$'000
Guarantees - Franchise Loans and Leases	7,876	10,010

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 upon disposal of the stores.

	Parent	
	Half-year ended 29 December 2013 \$'000	Full year ended 30 June 2013 \$'000
Guarantees - parent entity guarantee over subsidiary borrowings	7,712	7,047

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

Set out below are details of claims against the Consolidated entity. 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.

There are various separate French legal proceedings by a competitor, Speed Rabbit Pizza (SRP) and its franchisees against subsidiary, Domino's Pizza France (DPF) and its franchisees. The allegations are that DPF and its franchisees breached French laws governing payment time limitations and lending, thereby giving DPF franchisees an unfair competitive advantage. SRP claims significant damages for impediment of the development of its franchise network, lost royalty income from SRP franchisees and harm to SRP's image. DPF is vigorously defending the claims.

5. Notes to the cash flow statement

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

	Consolidated	
	Half-year ended 29 December 2013 \$'000	Half-year ended 30 December 2012 \$'000
Profit for the period	18,644	14,543
Profit on sale of non-current assets	(1,953)	(1,854)
Equity settled share-based payments	522	255
Depreciation and amortisation	9,738	5,953
Other	1,519	(280)
Net cash provided by operating activities before change in assets and liabilities	28,470	18,617
Change in assets and liabilities during the half- year:		
(Increase)/decrease in other current assets	1,531	(1,619)
(Increase)/decrease in current receivables	(1,940)	(444)
(Increase)/decrease in inventory	(2,977)	(1,299)
(Increase)/decrease in current tax asset	-	(91)
(Decrease)/increase in current payables	7,620	(1,008)
(Decrease)/increase in current tax liabilities	330	(1,165)
(Decrease)/increase in deferred tax balances	(525)	(372)
(Decrease)/increase in provisions	500	263
Net cash from operating activities	33,009	12,882



6. Dividends

	Consolidated	
	Half-year ended 29 December 2013 \$'000	Half-year ended 30 December 2012 \$'000
Recognised amounts		
Final fully franked dividend for full year ended 30 June 2013: 15.4 cents (1 July 2012: 14.1 cents)	10,859	9,883
Unrecognised amounts		
Interim franked dividend for half-year ended 29 December 2013: 17.7 cents (30 December 2012: 15.5 cents)	15,207	10,880
	26,066	20,763

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 (Refer to note 12)

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 29 December 2013				Half-year ended 30 December 2012		
	Australia/ New Zealand \$'000	Europe \$'000	Japan \$'000	Consolidated \$'000	Australia/ New Zealand \$'000	Europe \$'000	Consolidated \$'000
Continuing operations							
Revenue	97,672	69,837	97,894	265,403	87,316	53,490	140,806
EBITDA	28,306	2,365	8,003	38,674	23,337	3,146	26,483
Depreciation	(4,488)	(3,322)	(1,928)	(9,738)	(3,843)	(2,110)	(5,953)
EBIT	23,818	(957)	6,075	28,936	19,494	1,036	20,530
Interest				(1,130)			(315)
Net profit before tax				27,806			20,215

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 29 December \$'000	Full year ended 30 June 2013 \$'000
Continuing operations		
Australia / New Zealand	115,397	111,170
Europe	82,184	78,581
Japan	344,468	-
Total segment assets	542,049	189,751
Unallocated assets	-	-
Total assets	542,049	189,751

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 half-year ended 29 December 2013:				
<i>Individually significant acquisitions:</i>				
2 Australian Stores	Pizza stores	July 2013	100%	1,145
1 Australian Store	Pizza stores	July 2013	100%	1,100
4 Australian Stores	Pizza stores	July 2013	100%	1,376
3 Australian Stores	Pizza stores	August 2013	100%	1,035
2 Australian Stores	Pizza stores	October 2013	100%	987
9 New Zealand stores	Pizza stores	December 2013	100%	1,395
<i>Other acquisitions:</i>				
5 stores in aggregate in Australia	Pizza stores	July - December 2013	100%	2,288
2 stores in aggregate in Europe	Pizza stores	July - December 2013	100%	241
2 stores in aggregate in Japan	Pizza stores	July - December 2013	100%	215
Total store acquisitions during half-year ended 29 December 2013				9,783

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:

	29 December 2013		
	Book Value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000
Net assets acquired			
Current assets			
Cash and cash equivalents	10	-	10
Inventories	48	-	48
	58	-	58
Non-current assets			
Plant & equipment	3,196	-	3,196
	3,196	-	3,196
Net assets	3,254	-	3,254
Goodwill on acquisition			6,529
			9,783

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

	Consolidated	
	Half-year 29 December \$'000	Year ended 30 June 2013 \$'000
Gross carrying amount		
Balance at beginning of financial year	57,113	46,927
Additional amounts recognised from business combinations occurring during the period (note 8)	6,529	13,853
Acquisition of subsidiary (note 12)	223,159	-
Amounts disposed of during the period	(2,565)	(6,275)
Effects of foreign currency exchange differences	(9,914)	2,183
Other	(116)	425
Balance at end of financial year	274,206	57,113
Net book value		
At the beginning of the financial year	57,113	46,927
At the end of the financial year	274,206	57,113

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 \$107,000 was paid to key management personnel in line with the bonus scheme. In December 2013, Andrew Megson was replaced by Andrew Rennie as the CEO of Domino's Europe and France. Andrew Megson will return to Australia in 2014 and it is proposed to take up the role of CEO Australia and New Zealand.



11. Subsequent events

On 11 February 2014, the directors of Domino's Pizza Enterprises Limited declared an interim dividend on fully paid ordinary shares in respect of the December 2013 half-year. The total amount of dividend is \$15.207 million, which represents a fully franked dividend of 17.7 cents per share. The dividend has not been provided for in the 29 December 2013 half-year financial statements.

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. Acquisition of subsidiary

On 3rd September 2013, the Consolidated entity (DPE) acquired 75% of the issued share capital of Domino's Pizza Enterprises Japan (DPEJ), obtaining control of Domino's Pizza Japan (DPJ). DPJ is the Domino's Pizza Master Franchisee for Japan and is the third largest pizza delivery chain in Japan. This will provide the Consolidated entity with substantial growth into the future. 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 amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Book value	Fair value adjustment	Fair value on acquisition
	\$'000	\$'000	\$'000
Cash and cash equivalents	18,306	-	18,306
Trade and other receivables	6,712	-	6,712
Other assets	15,403	-	15,403
Property, plant & equipment	29,170	-	29,170
Deferred tax assets	6,736	-	6,736
Identifiable intangible assets	2,975	39,300	42,275
Trade and other payables	(35,916)	-	(35,916)
Other liabilities	(9,676)	-	(9,676)
Total identifiable assets	33,710	39,300	73,010
Total consideration - DPE			250,902
Total consideration - Minority Interest			45,267
Less identifiable assets			(73,010)
Goodwill			223,159
Total consideration:			
Cash			250,902
Total consideration transferred			250,902
Net cash outflow arising on acquisition			
Cash consideration			250,902
Less: cash and cash equivalent balances acquired			(18,306)
			232,596



12. Acquisition of Subsidiary (continued)

The initial accounting for the acquisition of DPEJ has only been provisionally determined at the end of the reporting period, with the intangible assets to be confirmed. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised and have therefore only been provisionally determined based on the directors' best estimate of the likely fair values.

Acquisition-related costs to date amount to \$2.5 million and have been included as an expense in profit or loss in the half-year within the acquisition and integration related costs. In the prior year, \$1.4 million was expensed in relation to acquisition costs, to total \$3.9 million. The borrowing costs to date (including prior year) related to the debt raising totals to \$1.1 million and costs associated with equity raising totals \$4.6 million. The acquisition-related costs for this period have been included in the Japan segment in note 7.

The fair value of receivables is the same as the carrying amount, and there were no uncollectible amounts recorded.

Goodwill arising on acquisition

The residual goodwill of \$223.2 million is based on the fair value of the identifiable intangible assets and other assets and liabilities, and consists of the workforce, established network and network projected growth. None of the goodwill is expected to be deductible for income tax purposes. The investment in DPEJ is recorded in a foreign currency (Yen) and translated at closing foreign exchange rates each reporting period.

Non-Controlling Interest

The non-controlling interest (25%) in DPEJ at the acquisition date was measured by reference to the fair value amount of the non-controlling interest (NCI) invested in the company (DPEJ is a newly formed entity), which amounted to \$45.1M. The NCI is subject to a put and call option, in which Bain Capital Domino Hong Kong Limited are able to exercise its put option after a minimum of 3 years, and DPE is able to exercise its call option after a minimum of 5 years. A liability of \$45.8M is recognised in other noncurrent liabilities for this put option. It has been valued by estimating the future put obligation.

Impact of acquisition on the results on the Consolidated entity

For DPJ's contribution to the revenue and profit of the Consolidated entity, please refer to note 7.

If the acquisition of DPJ had been completed on the first day of the financial period, Consolidated entity revenues for the period would have been \$312.7 million and Consolidated entity profit would have been \$20.1 million. The subsidiary itself would have had revenue of \$145.2 million and a profit of \$3.7 million (Includes the acquisition costs as referred to previously). The directors of the Consolidated entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Consolidated entity on a half-year basis and to provide a reference point for comparison in future periods. Some of the assumptions used in determining these numbers are:

- Results for the period before acquisition are based on actual results;
- Borrowing costs are based on the funding levels, credit ratings and debt/equity position of the Consolidated entity after the business combination; and
- Depreciation and amortisation costs are based on the Consolidated entity methodology after the business combination.



13. Financial Instruments

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

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

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	29/12/2013	30/12/2012				
	\$'000	\$'000				
1) Interest Rate and Cross Currency Swaps	Assets - 2,278 (As recognised in other financial assets)	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Put option over non-controlling interest	Liability - 45,790 (As recognised in other financial non current liabilities)	Nil	Level 2	Estimating future put obligation.	N/A	N/A

There were no transfers between Level 1 and 2 in the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements are approximately at fair values.

14. Borrowings

During the half-year, the Consolidated entity obtained new external bank loans to the amount of \$111.5 million (Denominated on drawdown in the following currencies - ¥5,476 million and \$50.8 million, which was swapped into Yen). The loans bear interest at variable market rates and are long-term, however the consolidated entity has entered into hedging arrangements to fix the interest rates (Note 13). The proceeds from the loans have been used to fund the acquisitions and operations of the purchase of DPEJ (Note 12).