

APPENDIX 4E

DOMINO'S PIZZA ENTERPRISES LIMITED

Current Reporting Period: Financial Year Ended 29 June 2014

Previous Corresponding Period: Financial Year Ended 30 June 2013

Section A: Results for announcement to the market

	Percentage change %	Amount change \$'000
Revenue and net profit		
Revenue from ordinary activities	up 99.62%	to 588,673
Profit from ordinary activities after tax from continuing operations	up 58.06%	to 45,296
Profit from ordinary activities after tax attributable to members	up 47.62%	to 42,303
Net Profit attributable to members	up 47.62%	to 42,303
	Amount per security	Franked amount per security
Dividends		
Final dividend in respect of full year ended 29 June 2014:	19.0 cents	100%
• Payable 12 September 2014		
Record date for determining entitlements to the final dividend:		
• 26 August 2014		
Interim dividend in respect of half-year ended 29 December 2013:	17.7 cents	100%
• Paid 11 March 2014		
	Year ended 29 June 2014	Year ended 30 June 2013
Net tangible assets per security		
Net tangible assets per security	(0.96)	0.39

Section B: Commentary on results

Brief explanation of revenue, net profit and dividends (distributions)

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

The final fully franked dividend of 19.0 cents per share was approved by the Board of Directors on 11 August 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 full year financial statements.

Additional Information

This report is based on accounts which have been audited. The audit report, which was unqualified, is included within the Annual Financial Report which accompanies this Appendix 4E. Additional Appendix 4E disclosure requirements can be found in the Annual Financial Report.

DOMINO'S PIZZA ENTERPRISES LIMITED

ACN 010 489 326

Annual Financial Report
for the financial year ended 29 June 2014

Annual financial report for the financial year ended 29 June 2014

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Corporate Governance Statement

OVERVIEW

Corporate Governance is an important matter to Domino's Pizza Enterprises Limited ("DPE Limited" or the "Company") and the Board of Directors (the "Board"). The Board endorses the 2nd edition of the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments ("ASX Principles") originally issued by the ASX Corporate Governance Council in August 2007.

Set out below is a table describing the various ASX Principles and statements as to the Company's compliance or otherwise with them. Terms used in the table have the meanings given to them in the ASX Principles unless otherwise defined.

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose these functions.	Refer to page 2	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	Refer to page 9 and 15	Not applicable
1.3	Provide the information in the Guide to reporting on Principle 1.	Refer to page 2 & 15	Not applicable
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Refer to page 3	Not applicable
2.2	The Chair should be an independent director.	Refer to page 3	Refer to page 3
2.3	The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.	Refer to page 3	Not applicable
2.4	The Board should establish a nomination committee.	Refer to page 4	Not applicable
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Refer to page 9	Not applicable
2.6	Provide the information in the Guide to reporting on Principle 2.	Refer to page 3, 4 & 9	Not applicable
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish a code of conduct and disclose the code or summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Refer to page 5	Not applicable
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Refer to page 6	Not applicable
3.3	Disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	Refer to page 6	Not applicable
3.4	Disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Refer to page 6	Not applicable
3.5	Provide the information in the Guide to reporting on Principle 3.	Refer to page 5 & 6	Not applicable
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Refer to page 4	Not applicable
4.2	The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent Chair, who is not Chair of the Board - has at least three members.	Refer to page 4 & 5	Not applicable
4.3	The audit committee should have a formal Charter.	Refer to page 4 & 5	Not applicable
4.4	Provide the information in the Guide to reporting on Principle 4.	Refer to page 4 & 5	Not applicable
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Refer to page 7	Not applicable

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
5.2	Provide the information in the Guide to reporting on Principle 5.	Refer to page 7	Not applicable
Principle 6 – Respect the rights of shareholders			
6.1	Design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Refer to page 8	Not applicable
6.2	Provide the information in the Guide to reporting on Principle 6.	Refer to page 8	Not applicable
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Refer to page 9	Not applicable
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Refer to page 9	Not applicable
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received the declaration	Not applicable
7.4	Provide the information in the Guide to reporting on Principle 7.	Refer to page 9	Not applicable
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Refer to page 4	Not applicable
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> - consists of a majority of independent directors - is chaired by an independent Chair - has at least three members. 	Refer to page 4, 15 & 16	Not applicable
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Refer to page 15 & 16	Not applicable
8.4	Provide the information in the Guide to reporting on Principle 8.	Refer to page 4, 15 & 16	Not applicable

The Board has adopted a Corporate Governance Charter, a Code of Conduct for Directors and Officers, a comprehensive set of Board policies regarding: Independence and Conflicts of Interest, Risk Management, Board Performance Evaluation, Chief Executive Officer Performance Evaluation, Continuous Disclosure, Diversity, External Communications and Securities Trading and an Audit Committee Charter to assist in the discharge of its Corporate Governance responsibilities. Copies are available from the Company's registered office or may be downloaded from the Company's website under the investor section.

The Board has in place Corporate Governance practices that it considers to be the most appropriate for DPE Limited. The Board also recognises that Corporate Governance is not a static matter, and needs reviewing regularly as DPE Limited evolves. This statement describes the main Corporate Governance practices in place during the year.

ROLE OF THE BOARD

The Board is responsible for guiding and monitoring DPE Limited on behalf of shareholders. While at all times the Board retains full responsibility, in discharging its stewardship it makes use of committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board seeks to identify the expectations of shareholders, as well as other regulatory obligations. In addition, the Board is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board is responsible, and primarily accountable to the shareholders, for the effective Corporate Governance of the Company. The Board is responsible for directing management to optimise the Company's performance and increase shareholder wealth by:

- providing strategic direction and approving the annual operating budget;
- appointing and appraising the Managing Director/Chief Executive Officer, ensuring that there are adequate plans and procedures for succession planning;
- ensuring a clear relationship between performance and executive directors' and executives' compensation;

- ensuring that the performance of senior executives (including executive directors) is monitored and evaluated;
- approving and monitoring major capital expenditure programs;
- monitoring the operating and financial performance of the Company;
- overseeing the Company and developing key Company policies, including its control and accountability systems;
- ensuring compliance with laws, regulations, appropriate accounting standards and corporate policies (including the Code of Conduct);
- ensuring that the market and shareholders are fully informed of material developments; and
- recognising the legitimate interests of stakeholders.

Those matters not specifically reserved for the Board are the responsibility of management, but are subject to oversight by the Board. The Corporate Governance of the Company is carried out through delegation of appropriate authority to the Chief Executive Officer and, through the Chief Executive Officer, to management of the Company.

Letters of appointment

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment. The Managing Director/Chief Executive Officer's responsibilities and terms of employment, including termination entitlements, are also set out in an executive service agreement. Executive service agreements are also prepared for the key management personnel, covering duties, time commitments, induction and the Corporate Governance Framework.

Board Meetings

The Board held 17 formal meetings during the year. Attendance at the 2014 Board and Committee meetings is detailed on page 14 of the Annual Report.

CRITERIA FOR BOARD MEMBERSHIP

For directors appointed by the Board, the Board will consider the range of skills and experience required in light of:

- the strategic direction and progress of the Company;
- the current composition of the Board; and
- the need for independence.

A director appointed by the Board must stand for election at the next Annual General Meeting ("AGM"). Apart from the Managing Director, all directors are subject to re-election by rotation at least once every three years.

STRUCTURE OF THE BOARD

At the date of this report the Board comprises six directors and includes:

- four independent non-executive directors,
- one non-executive director (Chairman), and
- one executive director.

Chairman of the Board is Mr Jack Cowin and DPE Limited's Managing Director/Chief Executive Officer is Mr Don Meij. Board members' respective qualifications, skills, experience and dates of appointment are detailed on the Corporate Directory page of the Annual Report. The compensation paid to DPE Limited's directors for the year ended 29 June 2014 is set out in the Remuneration Report on pages 15 to 24.

Independence of Directors

The Board comprises a majority of independent non-executive directors who, together with the executive director, have extensive commercial experience and bring independence, accountability and judgement to the Board's deliberations to ensure maximum benefit to shareholders and employees.

At each Board meeting the Board requires each independent director to disclose any new information which could, or could reasonably be perceived to, impair the director's independence. In devising its policy on independence, the Board's emphasis is to encourage independent judgement amongst all directors, at all times, irrespective of their background. Nonetheless, the Board in its nominations capacity will assess annually the 'independence' of each director in light of the ASX Principles.

Mr Cowin does not satisfy one of the criteria under the ASX Principles to be considered independent because of his relationship with the major shareholder, Somad Holdings Pty Ltd, which is the trustee of a trust for the benefit of Mr Cowin's adult children. Mr Cowin does not control the trust, however, the family relationship with the ultimate trust beneficiaries may be perceived as impacting on Mr Cowin's independence.

The Board (excluding Mr Cowin due to his personal interest) unanimously considers that the benefits of Mr Cowin's involvement as a director and Chairman, significantly outweighs non-compliance with this aspect of the ASX Principles. Mr Cowin has extensive food retailing and corporate governance experience and makes an invaluable contribution to the Company.

Independent Advice

To enable DPE Limited's Board and its committees to fulfil their roles, it is considered appropriate that independent experts' advice may be obtained at DPE Limited's expense, after first indicating to the Chairman the nature of the advice to be sought and the party from whom the advice is to be sought. The Chairman will ensure that the party from whom the advice is to be sought has no conflict with DPE Limited in providing that advice.

Re-election of Directors

In accordance with DPE Limited's Constitution, at each AGM of DPE Limited, one third of the directors (excluding the Managing Director) must stand for re-election. If their number is not three or a multiple of three, then the number nearest but not exceeding one third must stand for re-election. The directors to retire in every year are those who have been longest in office since their last election and, as between directors appointed on the same day, must (unless otherwise agreed between themselves) be determined by lot. In addition, no director other than the Managing Director may hold office for more than three years without standing for re-election, and any director appointed by the Board since the last AGM must stand for re-election at the next AGM. All retiring directors are eligible for re-election.

Board Committees

The Board has established a number of committees to assist in the execution of its responsibilities. The following committees were in place at the date of this report:

- Nomination and Remuneration Committee, and
- Audit Committee.

Details of these committees are discussed below.

NOMINATION AND REMUNERATION COMMITTEE

The Board has established the Nomination and Remuneration Committee, which comprises the entire Board. From 1 July 2014, the CEO is no longer a member of this committee.

The principal responsibilities of the Committee are:

- advising the Board on directorship appointments, with particular attention to the mix of skills, experience and independence;
- ensuring fulfilment of the Board's policies on Board composition;
- developing Board succession plans;
- reviewing and making recommendations on the appropriate compensation of directors;
- ensuring that equity-based executive compensation is paid in accordance with thresholds set in plans approved by shareholders; and
- ensuring disclosure of the information required in each Annual Report of the Company.

The Company's compensation policy links the nature and amount of executive directors' and key management personnel's emoluments to the Company's financial and operational performance.

Further details of the Nomination and Remuneration Committee are included in the Remuneration Report on pages 15 to 24.

Membership of and attendance at the 2014 Committee meetings are detailed in the Directors' Report on page 14.

AUDIT COMMITTEE

DPE Limited has a Board convened Audit Committee which:

- is comprised entirely of non-executive independent directors of DPE Limited; and
- has a Chairman, who is not Chairman of the Board of DPE Limited.

Committee Charter

The Committee has a Charter to govern its operations. The Charter is reviewed every two years, and, if appropriate, updated by the Board on recommendation from the Audit Committee.

Membership of the Committee

Committee members are appointed by the Board. Under the Committee's Charter, members will have a range of diverse and yet complementary skills and will be financially literate.

Purpose of the Committee

The role of the Audit Committee is to assist the Board in discharging its obligations with respect to ensuring:

- accurate and reliable financial information prepared for use by the Board; and
- the integrity of the Company's internal controls affecting the preparation and provision of that financial information in determining policies or for inclusion in the financial statements.

In carrying out these functions, the Committee maintains unobstructed lines of communication between the Committee, the internal auditors, the external auditors, and DPE Limited's management.

Duties and Responsibilities of the Committee

The Committee advises the Board on all aspects of internal and external audit, the adequacy of accounting and risk management procedures, systems, control and financial reporting. Specific responsibilities include:

- recommending to the Board the appointment, re-appointment and removal of external auditors;
- monitoring the independence of the external auditors;
- recommending and supervising the engagement of the external auditors and monitoring auditor performance;
- reviewing the effectiveness of management information and other systems of internal control;
- reviewing all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- reviewing significant transactions that are not a normal part of the Company's business;
- monitoring the internal controls and accounting compliance with the Corporations Act 2001, ASX Listing Rules, reviewing external audit reports and ensuring prompt remedial action; and
- reviewing the Company's full year ASX Appendix 4E, Annual Report and half-year Appendix 4D, prior to submission to the Board.

Rotation of the External Audit Engagement Partners

The Corporations Act 2001 has introduced a five year rotation requirement for audit partners. DPE Limited's external auditor, Deloitte Touche Tohmatsu has an internal policy which is consistent with this requirement.

Independence of the external auditors

The Committee will consider annually any non-audit services provided by the external auditors to determine whether the provision of those non-audit services is compatible with the independence of the external auditors. Policies are in place to restrict the type of non-audit services which can be provided by the external auditors.

Internal audit

Ernst & Young has been engaged to undertake, on a periodic basis, an independent and objective internal audit review function charged with evaluating, testing and reporting on the adequacy and effectiveness of management's control of operational risk. The internal auditors provide reports to the Audit Committee.

Chief Executive Officer and Chief Financial Officer sign-off to the Board in respect of DPE Limited's financial statements

The sign-off required from the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that DPE Limited's financial statements present a true and fair view, in all material respects, of DPE Limited's financial condition and operational results in accordance with the relevant Accounting Standards, is contained within the representations required as part of Recommendation 7.2 of the ASX Principles.

The experience and qualifications of members of the Audit Committee are set out in Corporate Directory section of the Annual Report. Membership of and attendance at 2014 Committee meetings are detailed in the Directors' Report on page 14.

CODE OF CONDUCT FOR DPE LIMITED DIRECTORS

The Board has a formal Directors' Code of Conduct which sets the standards to which each director, the Company Secretary and all executives will adhere whilst conducting their duties. The Code requires a director, amongst other things, to:

- act honestly, in good faith and in the best interests of the Company as a whole;
- perform the functions of office and exercise the powers attached to that office with a degree of care and diligence that a reasonable person would exercise if they were a director in the same circumstances; and
- consider matters before the Board having regard to any possible personal interests, the amount of information appropriate to properly consider the subject matter and what is in the best interests of the Company.

All directors and officers of the Company must, as far as possible, act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company, and where possible, to act in accordance with the interests of the shareholders, staff, clients and all other stakeholders in the Company.

DIVERSITY POLICY

Diversity is an important aspect of the Company's success. DPE Limited has adopted a Diversity Policy which aims to ensure that:

- employment decisions are transparent, equitable and fair;
- a safe and supportive workplace is provided in which differences are valued and respected;
- recruitment decisions take account of the diversity of the community; and
- employees have the ability to contribute and access opportunities based on merit.

In accordance with its Diversity Policy, the Board has adopted measurable objectives for achieving gender diversity in Australia. Those measurable objectives, and the performance against those objectives for the 2014 financial year, are outlined in the following table:

Objective	Initiatives to facilitate achievement of the objective	Status of the objective ⁽ⁱ⁾
Maintain a fair and balanced level of participation by women in Corporate Services ⁽ⁱⁱ⁾ .	A diversity support program has been initiated by DPE Limited.	Ongoing – as at 29 June 2014, 46% of the Corporate Services staff were women.
Maintain a balanced level of participation by women as in-store staff.	As part of the program equal employment treatment is to be given without regard to gender.	Ongoing – as at 29 June 2014, 48% of the in-store staff were women and 12% of delivery drivers were women.
Increase the level of participation by women in management at regional and store level.	Under the diversity support program, equal treatment is to be given in training and promotion.	Ongoing – as at 29 June 2014, the following proportions of women are in management: <ul style="list-style-type: none"> • State Managers – 33%; • Regional Managers – 29%; and • Store Managers – 27%
Achieve a high parental leave return rate.	The Company has implemented a parental leave policy for full and part-time employees in Corporate Services.	Ongoing – For the year ending 29 June 2014, the Company achieved a 100% parental leave return rate.

(i) The statistics are in respect of Australia only.

(ii) Corporate Services means staff working at the Company's Australian head office.

The following table shows the proportional representation of men and women at various levels within the Company's Australian workforce in 2014:

Role	Women (%)
Non-executive directors	Nil
Senior executives	10%
Other	26%
Total in the whole organisation	26%

WORKPLACE GENDER EQUALITY

The *Workplace Gender Equality Act 2012* (the **WGE Act**) puts a focus on promoting and improving gender equality and outcomes for both women and men in the workplace. All non-public sector employers with 100 or more employees are required to report annually under the WGE Act.

The Company has submitted its 2014 report to the Workplace Gender Equality Agency. A copy of this report can be found in the Investors section of the Company's website www.dominos.com.au/corporate/investors/workplace-gender-equality.

SECURITIES TRADING POLICY

The Company has adopted a policy that imposes certain restrictions on officers, employees and franchisees trading in the securities of the Company. The restrictions have been imposed to prevent inadvertent contraventions of the insider trading provisions of the Corporations Act 2001.

The key aspects of the policy are:

- trading whilst in the possession of material price-sensitive information is prohibited;
- trading is permitted without approval in the three week period after the release to the ASX of the half-yearly and annual results, the end of the AGM or at any time the Company has a prospectus open, but only if they have no inside information and the trading is not for short-term or speculative gain; and
- trading in other circumstances is only permitted if the person is personally satisfied that they are not in possession of inside information and they have obtained approval. Permission will be given for such trading only if the approving person is satisfied that the transaction would not be contrary to law, for speculative gain or to take advantage of inside information.

DPE Limited's price-sensitive information is information which a reasonable person would expect to have a material effect on the price or value of DPE Limited's securities.

CONTINUOUS DISCLOSURE POLICY

The Company has adopted a Continuous Disclosure policy so as to comply with its continuous disclosure obligations. The policy aims to:

- assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Company Secretary.

Accountabilities and responsibilities

For administrative convenience, DPE Limited has nominated the Company Secretary as the person responsible for communications with the ASX. In addition, the Company Secretary has responsibility for overseeing and co-ordinating disclosure of information to the ASX and communicating with the CEO and CFO in relation to continuous disclosure matters. The Company Secretary and CFO are also responsible for overseeing and co-ordinating disclosure of information to the media and to analysts, brokers and shareholders and communicating with the Board in relation to continuous disclosure matters.

Disclosure principle

In order to ensure DPE Limited meets its obligations of timely disclosure of such information, DPE Limited adheres to the following practice:

- immediate notification to the ASX of information concerning DPE Limited that a reasonable person would expect to have a material effect on the price or value of DPE Limited's securities as prescribed under Listing Rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the ASX Listing Rules.

External communications

Under this Policy, only those DPE Limited employees who have been authorised by the Chairman or CEO can speak on behalf of the Company to the media, analysts or investors. DPE Limited will not disclose price-sensitive information to any investor or analyst before formally disclosing the information to the market.

Release of briefing materials/media releases

All draft DPE Limited media releases and external presentations are reviewed by senior management to determine if they are subject to the continuous disclosure requirements. The purpose of that review is to ensure:

- the factual accuracy of any information;
- there is no material omission of information; and
- that the information will be disclosed in a timely manner.

As a result of that review, any written material containing price-sensitive information to be used in briefing media, institutional investors or analysts, must be lodged with the ASX prior to the brief commencing. As soon as practicable after confirmation of receipt by the ASX, the briefing material is posted to DPE Limited's corporate website.

COMMUNICATIONS POLICY

The Board aims to ensure that DPE Limited's shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through:

- The full Annual Report. All shareholders have to elect to receive a copy of the full Annual Report, unless they have elected not to receive one, and a copy is available, on request. Current Corporations' legislation allows for the default option of receiving annual reports via the internet. Shareholders must be given notification of this change and be given the opportunity to elect to receive a hard copy of the Annual Report;
- Disclosures made to the ASX. DPE Limited endeavours to post announcements on its corporate website the same day they are released to the ASX;
- Notices and Explanatory Memoranda of each AGM or other meeting of shareholders; and
- The AGM. DPE Limited encourages shareholders to attend DPE Limited's AGM to canvass relevant issues of interest. If shareholders are unable to attend the AGM personally, they are encouraged to participate through the appointment of a proxy or proxies.

The corporate website is located at <http://www.dominos.com.au> and contains:

- the full financial statements of DPE Limited;
- all media releases made to the ASX by DPE Limited. Each media release posted to the website clearly shows the date it was released to the market;
- a Company profile;
- contact details for DPE Limited's head office; and
- copies of corporate governance policies.

This website has a dedicated investor information section which is intended to facilitate quick and easy access for shareholders.

Attendance of the external auditor at the DPE Limited AGM

It is both DPE Limited's policy and the policy of the auditor for the lead engagement partner to be present at the AGM to answer questions about the conduct of the audit and the preparation and content of the Auditors' Report. These policies are consistent with the Corporations Act 2001. Shareholders attending the AGM are made aware they can ask questions of the auditor concerning the conduct of the audit.

RISK MANAGEMENT POLICY

The Board adopts an active approach to risk management which recognises that the Company is engaged in activities, which necessarily demand that the Company take certain usual business, entrepreneurial and operational risks. Accordingly, and in the interests of the enhanced performance of the Company, the Board embraces a responsible approach to risk management, as a risk-aware Company, but not necessarily a risk-averse one.

Specifically in managing risk, the Company and the Board adhere to the following principles:

- When considering new strategies or projects, management analyse the major risks of those opportunities being secured or being lost and considers appropriate strategies for minimising those risks where they are identified;
- The Company will, when thought prudent by the CEO or the Board, take appropriate external advice to determine the best way to manage a particular risk;
- Financial risk will be managed by the whole of the Board working closely with the CEO and the CFO to ensure that the financial statements and other financial reporting are rigorously tested prior to submission to audit;
- To complement risk management by the Company, appropriate insurances are put in place and advice taken from the Company's brokers or insurers where necessary to cover the usual extraordinary risks which arise in the circumstances of the Company; and
- The Company's approach to risk management, and the effectiveness of its implementation, is reported by exception to the Board at least annually.

Through the use of its internal review function, the management of the Company has reported to the Board that the risk management policies adopted by the Company are the best to manage the material business risks of each part of the Company's business operations.

The Board has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to the financial reporting risks.

BOARD AND BOARD COMMITTEE AND SENIOR EXECUTIVE PERFORMANCE EVALUATION

A formal review of Board and Committee performance is undertaken annually by the Chairman. All reviews include open discussions by the Board of the results of the evaluations.

The performance of senior executives (except the CEO) is periodically evaluated and monitored by CEO and measured against agreed key performance indicators. The performance of the CEO is periodically reviewed and monitored by the Chairman and measured against agreed key performance indicators.

Performance evaluations for the Board Committees and senior executives (including the CEO) have occurred in the reporting period in accordance with the procedures described above.

Role of the Company Secretary and the Board's access to information

All directors have unrestricted access to the Company Secretary. The Company Secretary is responsible for advising the Board on all Corporate Governance matters, for co-ordinating the completion and despatch of the agenda and Board papers for each meeting, and ensuring the Board receives sufficient information and in a form and timeframe to enable the Board to discharge its duties effectively. Directors may meet independently with management at any time to discuss areas of interest or concern.

Board Agendas and Minutes

Agendas for Board meetings include all matters operational, financial, strategic and compliance which are important to DPE Limited. Whilst most agenda items have a degree of detail and background information included in the pre-meeting papers, a few items may be listed on the agenda as discussion points. Papers are distributed to Board members in a timely manner prior to each meeting of the Board. The minutes of each meeting of the Board record the place, date, time of commencement and conclusion, along with the names of all attendees and any apologies. The Company Secretary prepares the minutes of each meeting of the Board and is expected to use language which is non-emotive and impartial. All draft minutes will be set down for review and approval at the next meeting of the Board. The Company Secretary maintains a file copy of all papers circulated to the Board prior to Board meetings, along with any documents tabled at meetings and a signed copy of all minutes. These records are held in a secure manner so as to prevent any unauthorised amendments or alterations.

ASX Corporate Governance Recommendations

At the date of this report the Company considers that the above Corporate Governance practices comply with the ASX Principles. The information required to be disclosed by those recommendations is found both in this Corporate Governance Statement and in the Directors' Report on pages 10 to 24.

Directors' Report

The directors of Domino's Pizza Enterprises Limited ("DPE Limited" or the "Company") submit herewith the annual financial report of the Company for the financial year ended 29 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

<u>Name</u>	<u>Position</u>	
Jack Cowin	Non-Executive Chairman	Appointed 20 March 2014
Ross Adler	Non-Executive Deputy Chairman	Appointed 23 March 2005
Barry Alty	Non-Executive Director	Appointed 23 March 2005
Grant Bourke	Non-Executive Director	Appointed 24 August 2001
Paul Cave	Non-Executive Director	Appointed 23 March 2005
Don Meij	Managing Director/Chief Executive Officer	Appointed 24 August 2001

On 20 March 2014 Jack Cowin was appointed as Chairman and the previous Chairman, Ross Adler was appointed as Deputy Chairman.

Particulars of directors' qualifications, experience and any special responsibilities are detailed in the Corporate Directory section of the Annual Report.

Directorships of other listed companies

Mr Jack Cowin is currently a director of Ten Network Holdings, Fairfax Media Limited, and Chandler Macleod Group Ltd. There were no other directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company as at the date of this report.

Directors	Domino's Pizza Enterprises Limited		
	Fully paid ordinary shares Number	Share options Number	Convertible notes Number
Jack Cowin	-	-	-
Ross Adler	232,704	-	-
Barry Alty	83,148	-	-
Grant Bourke	1,798,344	-	-
Paul Cave	369,166	-	-
Don Meij	1,573,260	1,500,000	-

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report on pages 15 to 24.

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 954,167 share options were granted to the following directors and senior management of the Company as part of their remuneration.

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Allan Collins	57,500	DPE Limited	57,500
Andrew Rennie	166,667	DPE Limited	166,667
Craig Ryan	25,000	DPE Limited	25,000
Don Meij	600,000	DPE Limited	600,000
John Harney	25,000	DPE Limited	25,000
Richard Coney	80,000	DPE Limited	80,000

Company Secretary

Craig Ryan
General Counsel

Craig is a solicitor of the Supreme Court of Queensland, Australian Capital Territory and New South Wales and a Solicitor of the High Court of Australia with over 17 years' experience. Craig joined the Company as General Counsel on 8 August 2006 and was appointed to the position of Company Secretary on 18 September 2006. Craig holds a Bachelor of Arts and a Bachelor of Laws from the University of Queensland and a Master of Laws from the University of New South Wales. Craig is also a Chartered Secretary with Governance Institute Australia.

Principal activities

The Consolidated entity's principal activities in the course of the financial year were the operation of retail food outlets and the operation of franchise services. During the financial year there were no significant changes in the nature of those activities.

Review of operations

The result for the financial year ended 29 June 2014 was as follows:

	2014 \$'000	2013 \$'000
Profit before related income tax expense	66,560	40,765
Income tax expense	(21,264)	(12,108)
Profit after related income tax expense	45,296	28,657

The following are the key operational highlights for the year.

Consolidated entity:

- Profit before tax growth of 63.3% was driven by the acquisition of Domino's Pizza Japan Inc. (DPJ), as well as strong sales and new store rollouts in ANZ.
- The Effective tax rate (Tax expense divided by profit before tax) for FY14 was 31.95% compared with 29.7% in FY13. The increase was primarily driven by the higher statutory tax rate arising on the Japan operations.
- Cash flows from operating activities have increased by \$57.5m from FY13, supported by a \$21.9m improvement in working capital in Japan, due to a timing difference of \$17m on trade payables.
- There is an increase in Plant & Equipment and Goodwill as at 29 June 2014 compared with 30 June 2013, predominantly resulting from the DPJ acquisition and expenditure on new and refurbished stores. Other non-current assets have increased mainly due to identified intangibles recognised on the DPJ acquisition.
- Strong trading results in ANZ and the acquisition of DPJ has seen EBITDA grow by 68.1%.
- Revenue for FY14 was \$588.7m. Same store sales of 6.3% in ANZ, 2.7% in Europe and 10.7% in Japan (during DPE ownership period), have been achieved for the year. This is mainly attributed to new store rollouts in ANZ, and increased television advertising and store relocations to higher profile locations in Japan.
- There is an underlying NPAT growth of 50.4% compared with FY13, inclusive of acquisition funding costs, higher marginal tax rate (37.5% in Japan) and the 25% minority interest distribution in Japan. This is driven by the Japan acquisition, as well as strong sales growth and new store rollouts in ANZ.
- The Consolidated entity set a new record of 125 organic new store openings in the period. At year end, there were 612 network stores in ANZ, 401 in Europe, and 320 in Japan, to total 1333.

Australia and New Zealand:

- ANZ EBITDA increased by 21.8% for the year, compared with FY13.
- Promotional activity such as the Peri Peri range, Super Delivery weekends, targeted value drivers with the Offers App and continued digital strategies have all contributed to a Same Store Sales (SSS) result of 6.3% for the year.
- Revenue for FY14 in ANZ was \$203.3m. Same Store Sales were stronger in H2 14 (2nd half of FY14) than the first half, despite rolling a higher comparative period.
- We have added 44 new stores to the network this year, the best result since FY06, which included opening the 600th store in November 2013. Digital development and technology continues to be a key focus for the business. Key developments during the year included the release of the Offers App and the integration of PayPal as a payment method into the online ordering website. The Pizza Chef tool has now been added as a standard feature on all the HTML5 platforms.

Europe

- Europe EBITDA increased by 34.5%, compared with FY13. Excluding the significant items of additional legal costs relating to litigation with Speed Rabbit Pizza in France and European management restructuring costs,

underlying EBITDA increased by 41.1%, compared with FY13. A number of initiatives have been implemented in France across the business, including management, operational and marketing changes, that have started to show results during H2 14. The Consolidated entity has also been partially assisted by a stronger Euro.

- Revenue for FY14 in Europe was \$144.4m. Despite a softer first half year, SSS of 4.6% in H2 14 have been significantly better which has contributed to the overall result. New store growth of 27 new stores has been slightly behind expectations as the Consolidated entity focussed its efforts on those initiatives mentioned above.
- Included in the new store portfolio is a "pizza by the slice" concept store in the Netherlands which has proved popular.
- The implementation of the global POS ("Pulse") and online ordering systems in The Netherlands has been successful, leading to positive sales momentum. The rollout of these systems in France and Belgium is underway with the majority of the rollout expected to be completed by the end of FY15.
- There has been a decision in the proceedings brought by Speed Rabbit Pizza in 2012, with all claims against Domino's Pizza France being dismissed. SRP is expected to appeal the decision.

Japan

- The addition of the Domino's Japan business to the Consolidated entity has been another significant milestone.
- DMP Japan has made a solid EBITDA contribution of \$24.2m during the 10 month ownership period (3rd Sep 2013 to 29th Jun 2014). Excluding the significant items of acquisition related costs and post-acquisition research costs, EBITDA was \$27.4m.
- Domino's Japan has added 54 stores to the network since acquisition, a record for that business. In the full 12 month period, 61 stores were added, also a record.
- Revenue for FY14 in Japan was \$240.9m. Same Store Sales have increased by 10.7% during the DPE ownership period, primarily driven by increased television advertising campaigns and the relocation of a number of stores into higher profile locations.
- Domino's Japan also introduced a new internal franchisee financing program for high performing corporate store managers. Since its introduction in December 2013, Domino's Japan has financed 11 store managers into their own franchise stores.

EBITDA, Underlying EBITDA and Underlying NPAT are non IFRS performance measures and are defined in the glossary of these financial statements. This information is disclosed above as it represents key measures used by management in describing and managing the performance of the business and operations for the year, by excluding non-recurring expenditure. The references to FY13, FY14 and FY06, refer to the 52 week period ending in the 2013, 2014 and 2006 financial year.

Underlying EBITDA and Underlying NPAT for 2014 excludes acquisition and integration related costs associated with Domino's Japan of \$3.2m (included in 'acquisition and integration related costs' on the Consolidated statement of profit or loss and other comprehensive income), restructuring costs in Europe of \$1.1m (included in 'Other expenses' on the Consolidated statement of profit or loss and other comprehensive income), and related reduction of tax expense of \$0.9m. Underlying EBITDA and Underlying NPAT for 2013 excludes acquisition and integration related costs associated with Domino's Japan of \$1.4m (included in 'acquisition and integration related costs' on the Consolidated statement of profit or loss and other comprehensive income), restructuring and litigation costs in Europe of \$0.5m (included in 'Other expenses' on the Consolidated statement of profit or loss and other comprehensive income), other significant charges in Australia of \$0.1m (included in 'Other expenses' on the Consolidated statement of profit or loss and other comprehensive income) and related reduction of tax expense of \$0.2m.

Changes in state of affairs

On 3rd September 2013, 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 was at the time the third largest pizza delivery chain in Japan. It is expected that 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. Apart from this, there were no other significant changes in the state of affairs of the Consolidated entity that occurred during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in future financial years other than the matters disclosed in note 44.

Future developments

In Australia and New Zealand, the focus will be to continue to increase and leverage our digital capabilities and maximise online sales. In conjunction with this, the Company is also targeting record new organic store openings across metro and regional markets. The Company has recently developed a next generation store image, which will help keep our stores

relevant to customers. The key area of differentiation for the upcoming year is the development of the Pizza Mogul system. Coupled with "Cheaper Everyday \$4.95" pricing, the expectation is that customer counts will continue to grow.

In Europe, the Company will continue to focus on delivering a number of new initiatives that have been put in place to improve operational efficiencies. The Company has completed the rollout of its global POS and online ordering systems in The Netherlands, with work already underway on the rollout in Belgium and France. Record organic new store growth is targeted for in FY15 in the region. The Company has its biggest pipeline of new stores for the region. In addition, a site for the new Commissary in the north of Paris has been located and designs are underway.

In Japan, the key areas of focus in FY15 will be the continuation of new store rollouts, including the expansion of our recently created "Can Do! Partners" franchisee financing program and increasing our presence across a range of immature markets. Stores will also continue to be relocated to higher profile sites in a bid to increase the growth in carry out sales. A new HTML5 website will be launched in November 2014, and the migration to the global POS system is expected to be completed before the end of June 2015.

Environmental regulations

The Consolidated entity is not subject to any significant environmental regulation or mandatory emissions reporting.

Dividends

In respect of the financial year ended 30 June 2013, as detailed in the Directors' Report for the financial year, a final dividend of 15.4 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 13 September 2013.

In respect of the financial year ended 29 June 2014, an interim dividend of 17.7 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 11 March 2014. In respect of the financial year ended 29 June 2014, the Company will be paying a final dividend of 19.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 12 September 2014.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
DPE Limited	30,000	Ordinary	\$2.83	31 August 2014
DPE Limited	400,000	Ordinary	\$5.83	2 November 2017
DPE Limited	500,000	Ordinary	\$8.97	2 November 2017
DPE Limited	600,000	Ordinary	\$14.90	2 November 2017
DPE Limited	386,667	Ordinary	\$5.83	10 August 2015 ⁽ⁱ⁾
DPE Limited	416,667	Ordinary	\$9.13	10 August 2016 ⁽ⁱⁱ⁾
DPE Limited	456,667	Ordinary	\$13.74	10 August 2017 ⁽ⁱⁱⁱ⁾

(i) Expiry date 12 months after vesting date (on or about 10 August 2014)

(ii) Expiry date 12 months after vesting date (on or about 10 August 2015)

(iii) Expiry date 12 months after vesting date (on or about 10 August 2016)

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme. Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
DPE Limited	126,000	Ordinary	\$3.45	\$nil
DPE Limited	240,000	Ordinary	\$3.07	\$nil
DPE Limited	30,000	Ordinary	\$3.45	\$nil

Indemnification of officers and auditors

The Company has entered into deeds of indemnity, insurance and access with each director. To the extent permitted by law and subject to the restrictions in s.199A of the Corporations Act 2001, the Company must continuously indemnify each director against liability (including liability for costs and expenses) for an act or omission in the capacity of director. However, this does not apply in respect of any of the following:

- a liability to the Company or a related body corporate;

- a liability to some other person that arises from conduct involving a lack of good faith;
- a liability for costs and expenses incurred by the director in defending civil or criminal proceedings in which judgment is given against the officer or in which the officer is not acquitted; or
- a liability for costs and expenses incurred by the director in connection with an unsuccessful application for relief under the Corporations Act 2001 in connection with the proceedings referred to above.

The Company has also agreed to provide the directors with access to Board documents circulated during the directors' term in office.

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary and all senior management of the Company and of any related body corporate against a liability incurred as such a director, secretary or senior management to the extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contract as such disclosure is prohibited under the terms of the contract.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 17 board meetings, four nomination and remuneration committee meetings and six audit committee meetings were held.

Directors	Board of directors		Nomination & remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Jack Cowin ⁽ⁱ⁾	4	4	2	2	-	-
Ross Adler	17	15	4	2	6	5
Barry Alty	17	17	4	4	6	6
Grant Bourke	17	17	4	4	-	-
Paul Cave	17	17	4	4	6	6
Don Meij	17	17	4	4	-	-

(i) Jack Cowin was appointed on the 20 March 2014 and attended all meetings after this date.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 43 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 43 to the financial statements do not compromise the external auditor's independence, based on the advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of the Annual 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 Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

This Remuneration Report (Audited), which forms part of the Directors' Report, sets out information about the remuneration of Domino's Pizza Enterprises Limited's directors and its senior management for the financial year ended 29 June 2014.

The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of directors and senior management
- key terms of employment contracts

Director and senior management details

The following persons acted as directors of the Company during or since the end of the financial year:

<u>Name</u>	<u>Position</u>
Jack Cowin	Non-Executive Chairman (Appointed 20 March 2014)
Ross Adler	Non-Executive Deputy Chairman
Barry Alty	Non-Executive Director
Grant Bourke	Non-Executive Director
Paul Cave	Non-Executive Director
Don Meij	Managing Director/Chief Executive Officer

On 20 March 2014 Jack Cowin was appointed as Chairman and the previous Chairman, Ross Adler was appointed as Deputy Chairman.

The term 'senior management' is used in this Remuneration Report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Richard Coney, Group Chief Financial Officer
- John Harney, Group Chief Procurement Officer
- Craig Ryan, General Counsel and Company Secretary
- Allan Collins, Chief Marketing Officer ANZ and Group Marketing Director
- Andrew Megson, Chief Operating Officer ANZ (i)
- Andrew Rennie, Chief Executive Officer Europe and CEO France (i)
- Patrick McMichael, Australia / New Zealand Franchise Development Manager
- Scott Oelkers, President and Chief Executive Officer of Japan (ii)

(i) On 2 January 2014, Andrew Rennie ceased to be the Chief Operating Officer ANZ, and became the Chief Executive Officer Europe and Chief Executive Officer France. On 2 January 2014, Andrew Megson ceased to be Chief Executive Officer Europe, and on 12 May 2014, he was appointed the Chief Operating Officer ANZ, the role previously held by Andrew Rennie.

(ii) On 3 September 2013, Domino's Pizza Enterprises Limited obtained control of Domino's Pizza Japan and therefore Scott Oelkers became a Key Management Personnel (KMP). Refer to note 46 of the financial statements for details of this acquisition.

Remuneration Policy

The Board has a Nomination and Remuneration Committee. The Committee assists the Board by reviewing and approving remuneration policies and practices.

The Remuneration Committee, as delegated by the Board:

- reviews and approves the executive remuneration policy;
- reviews and makes recommendations to the Board on corporate goals and objectives relevant to the CEO, and the performance of the CEO in light of those objectives;
- makes recommendations to the Board on the remuneration of non-executive directors; and
- reviews and makes recommendations to the Board on equity-based plans.

An independent remuneration consultant is engaged by the Remuneration Committee to ensure that the reward practices and levels for senior management are consistent with market practice.

The Board, in conjunction with its Nomination and Remuneration Committee, is responsible for approving the performance objectives and measures for the CEO and providing input into the evaluation of performance against them.

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on compensation policies and packages applicable to the Board members and the CEO. The Managing Director/CEO is responsible for making recommendations on compensation packages applicable to the other key management personnel of the Company.

Egan & Associates, an independent remuneration consultant is engaged by the Remuneration Committee to ensure that the reward practices and levels for senior management are consistent with market practice. A statement of recommendation from the remuneration consultant has been received by the board for the 2014 financial year. Payment of \$33,600 (2013: \$25,410) has been made to the remuneration consultant for the services provided on the remuneration recommendation. No other advice has been provided by the remuneration consultant for the financial year.

In order to ensure that the remuneration recommendation would be free from undue influence by members of the key management personnel to whom the recommendation relates to, the board has ensured that the remuneration consultant is not a related party to any member of the key management personnel. As such, the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates.

The performance of the Company depends upon the quality of its directors, and its secretaries and other key management personnel. To prosper, the Company must attract, motivate and retain highly skilled directors and other key management personnel. The compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives.

The Board Remuneration Policy is to ensure the compensation package properly reflects the person's duties and responsibilities and level of performance; and that compensation is competitive in attracting, retaining and motivating people of the highest quality. Directors and other key management personnel may receive bonuses on the achievement of specific goals related to the performance of the Company (including operational results).

Relationship between the Remuneration Policy and Company performance

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the Consolidated entity's performance including:
 - the Consolidated entity's earnings;
 - the growth in earnings per share and return on shareholder wealth, and
- the amount of incentives within each key management personnel's compensation.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives. The mix of these components is based on the role the individual performs. In addition to their salaries, the Consolidated entity also provides non-cash benefits to its key management personnel, and contributes to a post-employment superannuation plan on their behalf.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax ("FBT") charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration Committee and Managing Director/Chief Executive Officer through a process that considers individual, segment and overall performance of the Consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors and executives' compensation is competitive in the marketplace. An executive's compensation is also reviewed on promotion.

Performance-linked compensation

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive ("STI") is an 'at risk' bonus provided in the form of cash, while the long-term incentive ("LTI") is provided as options over ordinary shares of the Company under the rules of the ESOP (as defined on page 20).

Short-term incentive bonus

Each year the Nomination and Remuneration Committee sets the key performance indicators ("KPI's") for the Managing Director/CEO and the Managing Director/CEO sets the KPI's for the other key management personnel. The KPI's

generally include measures relating to the Consolidated entity, the relevant segment, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the Consolidated entity and to its strategy and performance. The Company undertakes a rigorous and detailed annual forecasting and budget process. The Board believes achievement of the annual forecast and budget is therefore the most relevant short-term performance condition.

The financial performance objectives include but are not limited to "Earnings before Interest, Tax, Depreciation and Amortisation" ("EBITDA"), "Net Profit", "Corporate store EBITDA", "Franchise operations EBITDA" and Net Profit After Tax ("NPAT"), compared to budget and last year. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, percentage savings, customer satisfaction, hygiene and training and staff development.

At the end of the financial year the Nomination and Remuneration Committee and Managing Director/CEO assess the actual performance of the Consolidated entity, the relevant segment and individual against the KPI's set at the beginning of the financial year. No bonus is awarded where performance objectives are not achieved.

The Managing Director/CEO recommends to the Nomination and Remuneration Committee the performance bonus amounts of individuals for approval by the Board. The method of assessment was chosen as it provides the Committee with an objective assessment of the individual's performance.

Long-term incentive

Options are issued under the ESOP (made in accordance with thresholds set in plans approved by the Board on 11 April 2005), and it provides for key management personnel to receive a number of options, as determined by the Board, over ordinary shares. Options issued under the ESOP will be subject to performance conditions that are detailed on page 20.

The Nomination and Remuneration Committee considers this equity performance-linked compensation structure to be appropriate as key management personnel only receive a benefit where there is a corresponding direct benefit to shareholders.

The tables below set out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the five years to 29 June 2014:

	29 June 2014	30 June 2013	1 July 2012	3 July 2011	4 July 2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	588,673	294,890	264,887	246,659	236,074
Net profit before tax	66,560	40,765	37,644	29,668	23,722
Net profit after tax	45,296	28,657	26,936	21,435	17,814

	29 June 2014	30 June 2013	1 July 2012	3 July 2011	4 July 2010
Share price at start of year	11.17	10.05	6.22	5.45	3.20
Share price at end of year	21.82	11.17	10.05	6.22	5.45
Interim dividend per share ¹	17.7 cents	15.5 cents	13.0 cents	10.4 cents	6.0 cents
Final dividend per share ¹	19.0 cents	15.4 cents	14.1 cents	11.5 cents	11.8 cents
Basic earnings per share	50.5 cents	39.1 cents	37.2 cents	30.0 cents	25.0 cents
Diluted earnings per share	49.8 cents	38.7 cents	36.7 cents	29.5 cents	24.8 cents

¹ Franked to 100% at 30% corporate income tax rate.

The denominators for the purpose of calculating both the basic and diluted earnings per share have been adjusted to reflect the bonus element in the capital raising in 2014 (Note 12).

Remuneration of directors and senior management

2014 ⁽ⁱ⁾	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits ⁽ⁱⁱ⁾	Termination benefits	Share-based payment	Total	Percentage of compensation for the year consisting of options
	Salary & fees	Bonus	Non-monetary	Super-annuation			Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors									
Jack Cowin (iv)	44,308	-	3,635	4,106	-	-	-	52,049	-
Ross Adler	160,000	-	3,635	15,093	-	-	-	178,728	-
Barry Alty	92,000	-	3,635	8,678	-	-	-	104,313	-
Grant Bourke	80,000	-	3,635	7,546	-	-	-	91,181	-
Paul Cave	80,000	-	3,635	7,546	-	-	-	91,181	-
Executive director									
Don Meij	761,790	560,000	3,635	18,076	57,516	-	841,540	2,242,557	37.53%
Executive officers									
Richard Coney	329,630	140,250	45,120	17,814	6,915	-	105,858	645,587	16.40%
Andrew Rennie (iii)	441,943	255,000	114,481	9,930	5,883	-	251,750	1,078,987	23.33%
Andrew Megson (iii)	316,157	-	29,276	4,978	4,000	-	-	354,411	-
Scott Oelkers (v)	383,233	204,227	73,049	-	-	-	-	660,509	-
Craig Ryan	253,721	80,000	3,635	17,838	33,933	-	37,762	426,889	8.85%
Allan Collins	349,252	100,000	3,635	17,809	41,270	-	86,853	598,819	14.50%
John Harney	249,450	95,000	3,635	17,847	-	-	37,762	403,694	9.35%
Patrick McMichael	211,402	250,500	3,635	17,849	-	-	-	483,386	-
	3,752,886	1,684,977	298,276	165,110	149,517	-	1,361,525	7,412,291	18.37%

(i) The short-term bonus and long-term bonus and the options are dependent on satisfaction of performance conditions.

(ii) Relates to long term employee entitlements expense.

(iii) On 2 January 2014, Andrew Rennie ceased to be the Chief Operating Officer ANZ, and became the Chief Executive Officer Europe and Chief Executive Officer France. On 2 January 2014, Andrew Megson ceased to be Chief Executive Officer Europe, and on 12 May 2014, he was appointed the Chief Operating Officer ANZ, the role previously held by Andrew Rennie.

(iv) On 20 March 2014, Jack Cowin was appointed Chairman and Ross Adler was appointed Deputy Chairman of the Board.

(v) On 3 September 2013, Domino's Pizza Enterprises Limited obtained control of Domino's Pizza Japan and therefore Scott Oelkers became a KMP. Refer to note 46 of the financial statements for details of this acquisition.

2013 ⁽ⁱ⁾	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits ⁽ⁱⁱ⁾	Termination benefits	Share-based payment	Total	Percentage of compensation for the year consisting of options
	Salary & fees	Bonus	Non-monetary	Super-annuation			Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors									
Ross Adler	160,000	-	3,065	14,408	-	-	-	177,473	-
Barry Alty	92,000	-	3,065	8,284	-	-	-	103,349	-
Grant Bourke	80,000	-	3,065	6,966	-	-	-	90,031	-
Paul Cave	80,000	-	3,065	7,204	-	-	-	90,269	-
Executive director									
Don Meij	623,881	32,500	3,065	16,543	17,385	-	329,245	1,022,619	32.20%
Executive officers									
Richard Coney	293,695	33,333	41,555	16,596	8,963	-	46,435	440,577	10.54%
Andrew Megson (iii) (iv)	258,468	-	2,759	15,510	44,776	-	-	321,513	-
Andrew Rennie	360,857	22,750	3,065	16,521	8,570	-	127,952	539,715	23.71%
Andre ten Wolde (iii)	182,381	15,096	26,932	29,802	-	-	-	254,211	-
Melanie Gigon	183,246	-	7,693	-	-	-	-	190,939	-
Craig Ryan	231,988	24,500	3,065	16,560	-	-	19,193	295,306	6.50%
Allan Collins	342,053	9,315	3,065	16,505	-	-	44,143	415,081	10.63%
John Harney	222,103	57,000	3,065	16,550	-	-	19,193	317,911	6.04%
Patrick McMichael	183,299	265,250	3,065	16,597	-	-	-	468,211	-
	3,293,971	459,744	109,589	198,046	79,694	-	586,161	4,727,205	12.40%

(i) The short-term bonus and long-term bonus and the options are dependent on satisfaction of performance conditions.

(ii) Relates to long term employee entitlements expense.

(iii) On 30 July 2012, Andrew Megson returned to Australia and took the role of National Franchise Operations Manager. At the same time, Andre ten Wolde became the President – The Netherlands.

(iv) On 1 June 2013 Andrew Megson took the newly created role of CEO Europe.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for the financial year

Bonuses

Don Meij, Richard Coney, Andrew Rennie, Craig Ryan, Allan Collins, Andrew Megson, Scott Oelkers, Patrick McMichael and John Harney were granted on 11 August 2014 a cash bonus for their performance during the year ended 29 June 2014. The bonus conditions were agreed by the Board during the year. Patrick McMichael also received a bonus during the year on achieving his performance criteria. The amounts were determined and approved by the Board based on a recommendation by the Nomination and Remuneration Committee.

No other bonuses were granted during 2014.

Short-term incentive bonus

	Included in compensation \$ ⁽ⁱ⁾	Percentage vested in year %	Percentage forfeited in year % ⁽ⁱⁱ⁾
Directors			
Don Meij	560,000	80	20
Key management personnel			
Richard Coney	140,250	85	15
Andrew Megson	-	-	100
Andrew Rennie	255,000	85	15
Scott Oelkers	204,227	90	10
Craig Ryan	80,000	100	-
Allan Collins	100,000	100	-
John Harney	95,000	100	-
Patrick McMichael	250,500	100	-

(i) Amounts included in compensation for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the current financial year.

(ii) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Long term bonuses

There were no long term cash bonuses granted for the financial year ended 29 June 2014.

Executive share and option plan (ESOP)

The Company established the ESOP to assist in the recruitment, reward, retention and motivation of directors and executives of the Company ("the participants").

In accordance with the provisions of the scheme, executives within the Company, to be determined by the Board, are granted options for no consideration to purchase parcels of shares at various exercise prices. Each option confers an entitlement to subscribe for and be issued one share, credited as fully paid, at the exercise price.

Options issued under the ESOP may not be transferred unless the Board determines otherwise. The Company has no obligation to apply for quotation of the options on the ASX. However, the Company must apply to the ASX for official quotation of shares issued on the exercise of the options.

Effective 30 April 2009, 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 Group 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 prior and current financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Expiry date	Grant date fair value	Exercise price ⁽ⁱ⁾	Vesting date
(11) Issued 30 April 2009	30 April 2009	31 August 2014	\$0.44	\$2.83	31 August 2011
(12) Issued 2 November 2011	2 November 2011	2 November 2017	\$1.39	\$5.83	2 November 2014
(13) Issued 2 November 2011	2 November 2011	31 August 2015	\$1.43	\$5.83	10 August 2014
(14) Issued 7 November 2012	7 November 2012	2 November 2017	\$1.17	\$8.97	7 November 2015
(15) Issued 7 November 2012	7 November 2012	31 August 2016	\$1.16	\$9.13	10 August 2015
(16) Issued 1 November 2013	1 November 2013	2 November 2017	\$3.14	\$14.90	7 November 2016
(17) Issued 29 October 2013	29 October 2013	31 August 2017	\$3.23	\$13.74	10 August 2016

(i) The exercise price reduced due to the acquisition of Domino's Pizza Enterprises Japan on 3 September 2013, and due to the capital reduction in 2013.

Options series	Performance conditions
(11) Issued 30 April 2009	Proportion of options based on EPS growth performance
(12) Issued 2 November 2011	Proportion of options based on EPS growth performance
(13) Issued 2 November 2011	Proportion of options based on EPS growth performance
(14) Issued 7 November 2012	Proportion of options based on EPS growth performance
(15) Issued 7 November 2012	Proportion of options based on EPS growth performance
(16) Issued 1 November 2013	Proportion of options based on EPS growth performance
(17) Issued 29 October 2013	Proportion of options based on EPS growth performance

Options and shares issued on the exercise of series (12), (14) and (16) will be subject to an escrow period commencing on the date of issue and ending on 2 November 2016. There are no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests for the recipient.

During the year, the following directors and senior management exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of DPE Limited.

Name	No. of options exercised	No. of ordinary shares of DPE Limited issued	Amount paid	Amount unpaid
Andrew Rennie	306,000	306,000	\$1,055,700	\$nil
Allan Collins	60,000	60,000	\$169,800	\$nil

The following table summarises the value of options granted, exercised or lapsed during the financial year to directors and senior management:

Name	Value of options granted at the grant date ⁽ⁱ⁾ \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse ⁽ⁱⁱ⁾ \$
Don Meij	1,885,800	-	-
Richard Coney	258,640	-	-
Andrew Rennie	538,834	3,941,280	-
Allan Collins	185,898	930,000	-
John Harney	80,825	-	-
Craig Ryan	80,825	-	-

- (i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
- (ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

Fully paid ordinary shares of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Received on exercise of options	Net other change	Balance at the end of financial year	Balance held nominally
	No.	No.	No.	No.	No.	No.
2014						
Ross Adler (i) (v)	202,221	-	-	30,483	232,704	-
Barry Alty (i) (vi)	104,443	-	-	(21,295)	83,148	-
Grant Bourke (i) (vii)	1,547,032	-	-	251,312	1,798,344	-
Paul Cave (i) (viii)	382,000	-	-	(12,834)	369,166	-
Don Meij (i) (ii) (ix)	2,787,556	-	-	(1,214,296)	1,573,260	-
Richard Coney (i)	719	-	-	-	719	-
Allan Collins (iv)	-	-	60,000	-	60,000	-
Andrew Megson (i)	93,079	-	-	-	93,079	-
Andrew Rennie (i) (iii)	317,713	-	306,000	115,592	739,305	-
2013						
Ross Adler (i) (x)	302,221	-	-	(100,000)	202,221	-
Barry Alty (i)	104,443	-	-	-	104,443	-
Grant Bourke (i)	1,547,032	-	-	-	1,547,032	-
Paul Cave (i)	382,000	-	-	-	382,000	-
Don Meij (i) (ii)	2,787,556	-	-	-	2,787,556	-
Richard Coney (i) (xi)	719	-	65,000	(65,000)	719	-
Andrew Megson (i) (xii)	113,079	-	-	(20,000)	93,079	-
Andrew Rennie (i) (xiii)	342,713	-	-	(25,000)	317,713	-
Andre ten Wold (xiv)	-	-	100,000	(100,000)	-	-
Craig Ryan (xv)	-	-	40,000	(40,000)	-	-
Patrick McMichael (xvi)	13,635	-	-	(13,635)	-	-

(i) Includes shares held by their related parties.

(ii) Don Meij's opening balance now reflects the closing balance of Kerri Hayman, who resigned 31 July 2010 and is no longer a member of key management personnel but is a related party to Mr Meij.

(iii) On 16 August 2013, 306,000 options were exercised. On 18 September 2013, 67,707 shares were acquired through equity raising. On 19 September 2013, 67,885 shares were acquired through equity raising. On 2 March 2014, 20,000 shares were sold.

(iv) On 5 November 2013, Allan Collins exercised 60,000 options.

(v) On 28 August 2013, 43,962 shares were acquired through equity raising. On 24 February 2014 13,479 shares were disposed.

(vi) On 28 August 2013, 22,705 shares were acquired through equity raising. On 4 November 2013, 30,000 shares were disposed and on 12 November 2013, 14,000 shares were disposed.

(vii) On 18 September 2013, 336,312 shares were acquired through equity raising. On 30 October 2013, 85,000 shares were disposed.

(viii) On 28 August 2013, 83,044 shares were acquired through equity raising. On 30 October 2013, 8,566 shares were disposed, and on 1 November 2013, 87,312 shares were disposed.

(ix) On 28 August 2013, 180,000 shares were acquired, on 19 August 2013, 325 shares were acquired through the equity raising, and on 18 September 2013, 609 shares were acquired through the equity raising. On 16 August 2013, 400,000 shares were disposed, on 5 September 2013, 914,280 shares were disposed, on 5 November 2013, 20,000 shares were disposed, and on 17 February 2014, 50,000 shares were disposed. On 2 July 2013, 650 shares were disposed, 15 October 2013, 150 shares were disposed, 10 December 2013, 100 shares were disposed, 11 June 2014, 50 shares were disposed, and during the year, 10,000 shares were removed due to the holdings no longer being a related party.

(x) During the year, Ross Adler sold 100,000 shares.

(xi) On 16 August 2012, Richard Coney exercised 65,000 options and on the same day sold 65,000 shares.

(xii) During the year, Andrew Megson sold 20,000 shares.

(xiii) During 2013 he sold 25,000 shares.

(xiv) On 14 November 2012, Andre ten Wolde exercised 100,000 options and on the same day sold 100,000 shares.

(xv) On 16 August 2012, Craig Ryan exercised 40,000 options and on the same day sold 40,000 shares.

(xvi) In FY13, Patrick McMichael sold 13,635 shares.

Executive share options of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Exercised	Net other change	Balance at the end of financial year	Balance vested at the end of financial year	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2014⁽ⁱ⁾									
Don Meij	900,000	600,000	-	-	1,500,000	-	-	-	-
Richard Coney	130,000	80,000	-	-	210,000	-	-	-	-
Andrew Rennie	639,334	166,667	(306,000)	-	500,001	-	-	-	-
Allan Collins	175,000	57,500	(60,000)	-	172,500	-	-	-	-
John Harney	50,000	25,000	-	-	75,000	-	-	-	-
Craig Ryan	50,000	25,000	-	-	75,000	-	-	-	-
2013⁽ⁱⁱ⁾									
Don Meij	400,000	500,000	-	-	900,000	-	-	-	-
Richard Coney	115,000	80,000	(65,000)	-	130,000	-	-	-	-
Andrew Rennie	472,667	166,667	-	-	639,334	306,000	-	306,000	-
Melanie Gigon	15,000	-	-	-	15,000	15,000	-	15,000	-
Allan Collins	117,500	57,500	-	-	175,000	60,000	-	60,000	-
John Harney	25,000	25,000	-	-	50,000	-	-	-	-
Craig Ryan	65,000	25,000	(40,000)	-	50,000	-	-	-	-
Patrick McMichael	-	-	-	-	-	-	-	-	-
Andre ten Wolde	100,000	-	(100,000)	-	-	-	-	-	-

- (i) During the financial year, Don Meij and other executives were granted share options under the ESOP on 1 November 2013 and 29 October 2013. In addition, 366,000 options (2013: 205,000 options) were exercised by key management personnel for 366,000 ordinary shares in the Company (2013: 205,000 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end.
- (ii) During the financial year, Don Meij and other executives were granted share options under the ESOP on 7 November 2012. In addition, 205,000 options (2012: 1,135,000 options) were exercised by key management personnel for 205,000 ordinary shares in the Company (2012: 1,135,000 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end.

Contracts for services of key management personnel

Executive service contracts

Name	Term of contract	Contract commencement	Notice termination – by Company	Notice termination – by executive	Termination Payment
Richard Coney	Ongoing	16 May 2005	6 months	6 months	Amount equal to 6 months compensation
Craig Ryan	Ongoing	8 August 2012	3 months	3 months	Amount equal to 3 months compensation
Allan Collins	Ongoing	8 January 2013	3 months	3 months	Amount equal to 3 months compensation
Andrew Megson	Ongoing	12 May 2014	3 months	3 months	Amount equal to 3 months compensation
Don Meij	5 yrs	2 November 2011	12 months	12 months	Amount equal to 12 months compensation
Andrew Rennie	5 yrs	2 January 2014	6 months	6 months	Amount equal to 6 months compensation
John Harney	Ongoing	2 July 2010	3 months	3 months	Amount equal to 3 months compensation
Patrick McMichael	Ongoing	23 December 2011	3 months	3 months	Amount equal to 3 months compensation
Scott Oelkers	5 yrs	3 September 2013	3 months	3 months	Amount equal to 3 months compensation

The directors believe that the compensation for each of the key management personnel is appropriate for the duties allocated to them, the size of the Company's business and the industry in which the Company operates. The service contracts outline the components of compensation paid to the executive directors and key management personnel but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the key management personnel and any changes required to meet the principles of the Remuneration Policy.

Each of the key management personnel has agreed that during their employment and for a period of up to six months afterwards, they will not compete with the Company, canvass, solicit, induce or encourage any person who is or was an employee of the Company at any time during the employment period to leave the Company or interfere in any way with the relationship between the Company and its clients, customers, employees, consultants or suppliers.

Don Meij, Managing Director/CEO, has a contract of employment with Domino's Pizza Enterprises Limited dated 2 November 2011. The contract specifies the duties and obligations to be fulfilled by the Managing Director/CEO and

provides that the Board and Managing Director/CEO will, early in each financial year, consult and agree objectives for achievement during that year.

Don Meij's contract provides that he may terminate the agreement by giving twelve month's written notice. He may also resign on one month's notice if there is a change in control of the Company, and he forms the reasonable opinion that there has been material changes to the policies, strategies or future plans of the Board and, as a result, he will not be able to implement his strategy or plans for the development of the Company or its projects. If Don Meij resigns for this reason, then in recognition of his past service to the Company, on the date of termination, in addition to any payment made to him during the notice period or by the Company in lieu of notice, the Company must pay him an amount equal to the salary component and superannuation that would have been paid to him in the 12 months after the date of termination.

A change in control occurs when any shareholder (either alone or together with its associates) having a relevant interest in less than 50% of the issued shares in the Company acquires a relevant interest in 50% or more of the shares on issue at any time in the capital of the Company or the composition of a majority of the Board changes for a reason other than retirement in the normal course of business or death.

Non-executive directors

The Constitution of the Company provides that non-executive directors are entitled to receive compensation for their services as determined by the Company in a general meeting. The Company has resolved that the maximum aggregate amount of directors' fees (which does not include compensation of executive directors and other non-director services provided by directors) is \$800,000 per annum. The non-executive directors may divide that compensation among themselves as they decide. Non-executive directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A non-executive director may also be compensated as determined by the directors if that director performs additional or special duties for the Company. A former director may also receive a retirement benefit of an amount determined by the Board of Directors in recognition of past services, subject to the ASX Listing Rules and the Corporations Act 2001.

Non-executive directors do not receive performance-based compensation. Directors' fees cover all main Board activities.

Fees for the current financial year for the non-executive directors were \$80,000 per director per annum (2013: \$80,000), \$92,000 per annum for the Chairman of the Audit Committee (2013: \$92,000), \$160,000 per annum for the Deputy Chairman, and for the Chairman of the Board was \$160,000 per annum (2013: \$160,000).

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Jack Cowin
Chairman
Sydney, 11 August 2014



Don Meij
Managing Director/Chief Executive Officer
Sydney, 11 August 2014

Auditor's independence declaration
Domino's Pizza Enterprises Limited

11 August 2014

The Directors
Domino's Pizza Enterprises Limited
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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 audit of the financial statements of Domino's Pizza Enterprises Limited for the period ended 29 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants

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

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of Domino's Pizza Enterprises Limited, which comprises the statement of financial position as at 29 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the period 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 the company and the entities it controlled at the period end or from time to time during the financial year as set out on pages 28 to 102.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent auditor's report
to the members of Domino's Pizza Enterprises Limited (cont'd)**

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- a) the financial report of Domino's Pizza Enterprises Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the period ended 29 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Domino's Pizza Enterprises Limited for the period ended 29 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants
Brisbane, 11 August 2014

Directors' declaration

The directors declare that:

- (a) 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;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;
- (c) 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; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Don Meij
Managing Director/Chief Executive Officer
Sydney, 11 August 2014

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**Consolidated statement of profit or loss and other comprehensive income
for the year ended 29 June 2014**

	Note	2014 \$'000	2013 \$'000
Revenue	5	452,811	188,631
Other revenue	7	135,862	106,259
Other gains and losses	8	3,710	3,564
Food and paper expenses		(175,579)	(85,150)
Employee benefits expense	11	(153,759)	(76,260)
Plant and equipment costs		(15,931)	(9,331)
Depreciation and amortisation expense	11	(21,712)	(12,792)
Occupancy expenses		(22,658)	(9,103)
Finance costs	9	(2,458)	(405)
Marketing expenses		(38,053)	(11,430)
Store related expenses		(14,761)	(7,182)
Communication expenses		(8,553)	(6,351)
Acquisition and integration related costs		(3,230)	(1,354)
Other expenses		(69,129)	(38,331)
Profit before tax		66,560	40,765
Income tax expense	10	(21,264)	(12,108)
Profit for the year from continuing operations	11	45,296	28,657
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(14,817)	5,990
Loss on cash flow hedges taken to equity		(1,325)	-
Gain/(loss) on net investment hedge taken to equity		3,838	(1,351)
Remeasurement of defined benefit obligation		(255)	-
Income tax relating to components of other comprehensive income		(659)	1,389
Other comprehensive income for the period (net of tax)		(13,218)	6,028
Total comprehensive income for the year		32,078	34,685
Profit attributable to:			
Owners of the parent		42,303	28,657
Non-controlling interests		2,993	-
		45,296	28,657
Total comprehensive income attributable to:			
Owners of the parent		32,781	34,685
Non-controlling interests		(703)	-
		32,078	34,685
Earnings per share:			
From continuing operations			
Basic (cents per share)	12	50.5 cents	39.1 cents
Diluted (cents per share)	12	49.8 cents	38.7 cents

Notes to the financial statements are included on pages 34 to 102.

Consolidated statement of financial position
as at 29 June 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	39	42,283	18,691
Trade and other receivables	13	36,567	26,412
Other financial assets	14	2,807	1,286
Inventories	15	11,707	6,685
Current tax assets	10	117	191
Other	21	9,663	6,315
		103,144	59,580
Assets classified as held for sale	16	-	803
Total current assets		103,144	60,383
Non-current assets			
Other financial assets	14	20,331	4,415
Property, plant & equipment	18	93,263	49,693
Deferred tax assets	10	188	40
Goodwill	19	278,113	57,113
Other intangible assets	20	63,891	17,427
Other	21	78	680
Total non-current assets		455,864	129,368
Total assets		559,008	189,751
Liabilities			
Current liabilities			
Trade and other payables	22	100,373	38,055
Borrowings	23	1,281	7,082
Other financial liabilities	24	2,327	508
Current tax liabilities	10	4,277	2,550
Provisions	25	4,339	3,109
Total current liabilities		112,597	51,304
Non-current liabilities			
Borrowings	23	118,629	32,589
Other financial liabilities	24	51,640	303
Provisions	25	7,952	441
Deferred tax liabilities	10	8,801	2,395
Other	27	-	137
Total non-current liabilities		187,022	35,865
Total liabilities		299,619	87,169
Net assets		259,389	102,582
Equity			
Capital and reserves			
Issued capital	29	194,193	40,855
Reserves	30	(14,752)	(1,985)
Retained earnings	31	79,948	63,712
Non-controlling interest	32	-	-
Total equity		259,389	102,582

Notes to the financial statements are included on pages 34 to 102.

**Consolidated statement of changes in equity
for the year ended 29 June 2014**

	Issued capital \$'000	Hedging reserve \$'000	Foreign currency translation 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	-	-	-	-	28,657	-	28,657
Other comprehensive income	-	38	5,990	-	-	-	6,028
Total comprehensive income for the period	-	38	5,990	-	28,657	-	34,685
Shares issued	1,025	-	-	-	-	-	1,025
Capital return	(30,042)	-	-	-	-	-	(30,042)
Recognition of share based payments	-	-	-	635	-	-	635
Payment of dividends	-	-	-	-	(20,762)	-	(20,762)
Balance at 30 June 2013	40,855	2,334	(6,852)	2,533	63,712	-	102,582
Balance at 30 June 2013	40,855	2,334	(6,852)	2,533	63,712	-	102,582
Profit for the period	-	-	-	-	42,303	2,993	45,296
Other comprehensive income	-	1,760	(11,163)	(119)	-	(3,696)	(13,218)
Total comprehensive income for the period	-	1,760	(11,163)	(119)	42,303	(703)	32,078
Shares issued related to Japan acquisition	156,336	-	-	-	-	-	156,336
Other shares issued	1,624	-	-	-	-	-	1,624
Capital costs related to Japan acquisition	(4,622)	-	-	-	-	-	(4,622)
Recognition of share based payments	-	-	-	1,461	-	-	1,461
Non-controlling interest	-	-	-	-	-	45,267	45,267
Non-controlling interest put option adjustment	-	-	-	(4,706)	-	(44,564)	(49,270)
Payment of dividends	-	-	-	-	(26,067)	-	(26,067)
Balance at 29 June 2014	194,193	4,094	(18,015)	(831)	79,948	-	259,389

Notes to the financial statements are included on pages 34 to 102.

**Consolidated statement of cash flows
for the year ended 29 June 2014**

	2014	2013
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	644,120	327,142
Payments to suppliers and employees	(533,064)	(282,864)
Interest received	642	1,103
Interest and other costs of finance paid	(2,458)	(405)
Income taxes paid	(18,572)	(11,796)
Net cash generated by operating activities	90,668	33,180
Cash flows from investing activities		
Payments for investments and business operations, net of cash and inventory acquired	(12,140)	(19,077)
Loans (to)/from third parties and franchisees	(2,275)	2,516
Payment for property, plant & equipment	(37,633)	(25,037)
Proceeds from sale of businesses and other non-current assets	23,742	21,069
Payments for intangible assets	(14,068)	(9,866)
Payment for investment in Domino's Pizza Japan	(232,596)	-
Net cash used in investing activities	(274,970)	(30,395)
Cash flows from financing activities		
Proceeds from borrowings	123,360	43,721
Repayment of borrowings	(42,951)	(20,506)
Return of Share Capital	-	(30,042)
Dividends paid	(26,067)	(20,762)
Capital costs associated with equity raising	(4,622)	-
Capital costs associated with debt raising	(1,025)	-
Proceeds from issue of equity securities	157,960	1,025
Net cash generated from/(used in) financing activities	206,655	(26,564)
Net increase/(decrease) in cash and cash equivalents	22,353	(23,779)
Cash and cash equivalents at the beginning of the year	18,691	40,340
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,239	2,130
Cash and cash equivalents at the end of the year	42,283	18,691

Notes to the financial statements are included on pages 34 to 102.

Notes to the Financial Statements

1. General information

Domino's Pizza Enterprises Limited is a public company listed on the Australian Stock Exchange (trading under the symbol 'DMP'), incorporated and operating in Australia, New Zealand, France, Belgium, The Netherlands and Japan. The ultimate parent company is Domino's Pizza Enterprises Limited.

Domino's Pizza Enterprises Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
KSD1, L5 485 Kingsford Smith Drive Hamilton Brisbane Queensland 4007	KSD1, L5 485 Kingsford Smith Drive Hamilton Brisbane Queensland 4007
Tel: +61 (7) 3633 3333	Tel: +61 (7) 3633 3333

The entity's principal activities are the operation of retail food outlets and operation of franchise services.

2. Application of new and revised Accounting Standards

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The following new and revised Standards and Interpretations have been adopted in the current period and the effects if any, have been adjusted in these financial statements.

Standards affecting presentation and disclosure

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Consolidated entity only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

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.

The amendments have been applied retrospectively. As the Consolidated entity does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle'

The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Consolidated entity are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

2. Adoption of new and revised Accounting Standards (cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities'.

In the current year, the Consolidated entity has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is applicable in that it applies to the Parent Entity. The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

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.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from 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 sharebased 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 July 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 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material measurement impact on the amounts recognised in the consolidated financial statements.

2. Adoption of new and revised Accounting Standards (cont'd)

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

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 change relates to the accounting for changes in defined benefit obligations and plan assets. 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 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. We have applied these standards on defined benefit plans in the current year.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. We have undertaken an assessment of the standards that we currently believe could affect us, and at this stage do not expect these to significantly affect the reporting results or financial position for the consolidated entity in the future.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 9 'Financial Instruments', and the relevant amending standards</i>	1 January 2017	30 June 2018
<i>AASB 1031 'Materiality' (2013)</i>	1 January 2014	30 June 2015
<i>AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'</i>	1 January 2014	30 June 2015
<i>AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'</i>	1 January 2014	30 June 2015
<i>AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'</i>	1 January 2014	30 June 2015
<i>Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)</i>	1 July 2014	30 June 2015
<i>AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, materiality and Financial Instruments'</i>	1 January 2014	30 June 2015
<i>IFRS 15 'Revenue from Contracts with Customers'</i>	1 January 2017	30 June 2018

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Consolidated entity for the 52-week period ended 29 June 2014. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 11 August 2014.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Consolidated entity' in these financial statements). Control is achieved when the Company

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

3. Significant accounting policies (cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated entity's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated entity are eliminated in full on consolidation.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Consolidated entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Consolidated entity's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*, and

3. Significant accounting policies (cont'd)

- assets (or disposal Consolidated entities) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Consolidated entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

3.5 Investments in associates

An associate is an entity over which the Consolidated entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Consolidated entity's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Consolidated entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Consolidated entity's net investment in the associate) are recognised only to the extent that the Consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Consolidated entity, profits and losses are eliminated to the extent of the Consolidated entity's interest in the relevant associate.

3.6 Foreign currencies

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ('\$'), which is the functional currency of Domino's Pizza Enterprises Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.24 below for hedge accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit and loss on disposal or partial disposal of the net investment.

3. Significant accounting policies (cont'd)

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Consolidated entity's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e. a disposal of the Consolidated entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Consolidated entity are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.7 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.8.1 Sale of goods

Revenue from the sale of goods is recognised when the Consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

3.8.2 Franchise income

Franchise income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

3.8.3 Rendering of services

Service revenue relates primarily to store building services and is recognised by reference to the stage of completion of the contract.

3.8.4 Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Consolidated entity and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on sales and other measures are recognised by reference to the underlying arrangement.

3.8.5 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Consolidated entity and the amount of revenue can be reliably measured).

3. Significant accounting policies (cont'd)

Interest revenue is recognised when it is probable that the economic benefits will flow to the Consolidated entity and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated entity's estimate of equity instruments that will eventually vest. At each reporting period, the Consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of this reporting period.

3.10.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant accounting policies (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the Consolidated entity intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside the profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.10.4 Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Domino's Pizza Enterprises Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group approach' by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The entities in the tax-consolidated group have not entered into a tax sharing agreement or tax funding agreement. Income tax liabilities payable to the tax authorities in respect of the tax-consolidated group are recognised in the financial statements of the parent entity.

3.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

3.12 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) 'financial assets', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.12.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets as at FVTPL.

3.12.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Consolidated entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Consolidated entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 34.

3.12.3 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Consolidated entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

3.12.4 Available-for-sale financial assets

Financial assets held by the Consolidated entity are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 34. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit and loss when the Consolidated entity's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.12.5 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.12.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Consolidated entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. Significant accounting policies (cont'd)

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.12.7 Derecognition of financial assets

The Consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.14 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Consolidated entity is committed to a sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated entity will retain a non-controlling interest in its former subsidiary after the sale. When an asset is reclassified to Property, Plant & Equipment, depreciation is applied for the period from when it was first reclassified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.15 Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance leases are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of an item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment excluding land. Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3. Significant accounting policies (cont'd)

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

- Plant and equipment 1 – 10 years
- Equipment under finance leases 3 – 10 years

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

3.17.1 Consolidated entity as lessee

Assets held under finance leases are initially recognised as assets of the Consolidated entity at their fair value at the inception date of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Consolidated entity's general policy on borrowing costs (see 3.16 above). Contingent rentals are recognised as an expense in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.18 Goodwill

At cost less accumulated impairment losses, if any:

Goodwill arising in a business combination is recognised as an asset at the date that the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consolidation 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 incurred.

If, after reassessment, the Consolidated entity's interest in the fair value of the acquiree's identifiable net assets 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 equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (cont'd)

Review of potential impairment:

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Consolidated entity's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.19 Intangible assets

3.19.1 Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

3.19.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

- Capitalised development intangibles 2 – 10 years
- Licenses 2 – 10 years

3.19.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.20 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

3. Significant accounting policies (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Consolidated entity in respect of services provided by employees up to reporting date.

3.21.1 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement

The Consolidated entity presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Consolidated entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available

3.22 Provisions

Provisions are recognised when the Consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. Significant accounting policies (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.22.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Consolidated entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.22.2 Make good obligations

A provision is recognised for the make good obligations in respect of restoring sites to their original condition when the premises are vacated. Management has estimated the provision based on historical data in relation to store closure numbers and costs, as well as future trends that could differ from historical amounts.

3.22.3 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'* and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 *'Revenue'*.

3.23 Financial liability and Equity Instruments

3.23.1 Classification as debt and equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

3.23.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Consolidated entity are recorded at the proceeds received, net of direct issue costs.

3.23.3 Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'*; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies set out in 3.8 above.

3.23.4 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.23.5 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3. Significant accounting policies (cont'd)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Consolidated entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 34.

3.23.6 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.23.7 Derecognition of financial liabilities

The Consolidated entity derecognises financial liabilities when, and only when, the Consolidated entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.24 Derivative financial instruments

The Consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 34.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.24.1 Hedge accounting

The Consolidated entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives, in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 34 sets out details of the fair values of the derivative instruments used for hedging purposes.

3.24.2 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

3. Significant accounting policies (cont'd)

Hedge accounting is discontinued when the Consolidated entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.24.3 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gains or losses accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

3.24.4 Hedges in net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in the 'other gains and losses' line item.

Gains and losses on hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described at 3.6 above.

3.25 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.

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.

The put options held by non-controlling interests are classified as a financial liability and are measured at fair value. The non-controlling interests continue to have access to voting rights and dividends in the subsidiaries and continue to be attributed a share of profits. Subsequent changes in the financial liability are recorded directly in equity.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated entity's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty and critical judgements in applying the entity's accounting policies

The following are the key assumptions and critical judgements concerning the future, and other key sources of estimation of uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

4.1.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use and fair value less costs to sell calculations require the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was \$278,113 thousand (2013: \$57,113 thousand) as per note 19.

4.1.2 Fair value of derivatives and other financial instruments

As described in note 34, management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of assumptions are provided in note 34.

4.1.3 Employee benefits

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave and annual leave at balance date:

- future increases in wages and salaries;
- future on-cost rates; and
- experience of employee departures and period of service.

4.1.4 Useful lives of other intangibles

As described in note 3.19.2, management uses their judgement to assess the useful lives of capitalised development intangibles and licenses. This is based on the estimated life of the asset and future economic benefits of the asset. The majority of these assets have a life of between 2 – 10 years.

4.1.5 Impairment of loans and receivables

As described in note 3.12.5, management assesses impairment based on objective evidence including the Consolidated entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

4.1.6 Fair value of other intangible assets from Master Franchise Agreement from Japan Acquisition

The Master Franchise Agreement (MFA) was valued under management's guidance using a modified Multi-Period Excess Earnings Method income approach taking into account the following inputs:

- Revenues generated;
- Expected EBITDA margin;
- Expected income tax rate; and
- Weighted average cost of capital (WACC) rate.

Management have determined that the master franchise agreement and associated franchise agreements relating to the acquisition of Domino's Pizza Japan (DPJ) are to be treated as indefinite life intangibles based on the sufficiency of available evidence supporting the ability of the Consolidated entity to renew these agreements beyond their initial terms without incurring significant cost.

4. Key sources of estimation uncertainty (cont'd)

4.1.7 Put Option Liability

This liability is valued by management by taking into account adjusted unlevered price/earnings multiple rates and estimate of the timing of the put. This is based on management's experience and knowledge of market conditions of the Japan Pizza Industry and dealings with the seller of Domino's Japan.

4.1.8 Discount rate used to determine the carrying amount of the Consolidated entity's defined benefit obligation

The Consolidated entity's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

5. Revenue

The following is an analysis of the Consolidated entity's revenue for the year, from continuing operations (excluding other revenue – see note 7).

	2014 \$'000	2013 \$'000
Revenue from the sale of goods	443,506	182,000
Revenue from rendering of services	9,305	6,631
	452,811	188,631

6. Segment information

6.1 Products and services from which reportable segments derive their revenues

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 (includes non-controlling interest, refer to note 32)

6.2 Segment revenues and results

The following is an analysis of the Consolidated entity's revenue and results from continuing operations by reportable segment.

	Year ended 29 June 2014				Year ended 30 June 2013		
	Australia / New Zealand \$'000	Europe \$'000	Japan \$'000	Consolidated \$'000	Australia / New Zealand \$'000	Europe \$'000	Consolidated \$'000
Continuing operations							
Revenue	203,322	144,361	240,990	588,673	174,235	120,655	294,890
EBITDA	58,137	8,395	24,198	90,730	47,722	6,240	53,962
Depreciation and amortisation	(9,544)	(6,964)	(5,204)	(21,712)	(7,942)	(4,850)	(12,792)
EBIT	48,593	1,431	18,994	69,018	39,780	1,390	41,170
Interest				(2,458)			(405)
Net profit before tax				66,560			40,765

Included in the Japan segment are costs related to the Japan acquisition and integration of \$3.2m.

6 Segment Information (cont'd)

Revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period (2013: Nil).

The accounting policies of the reportable segments are the same as the Consolidated entity's policies described in note 3. 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.

6.3 Segment assets and liabilities

Segment assets

	2014 \$'000	2013 \$'000
Australia / New Zealand	123,193	111,170
Europe	79,562	78,581
Japan	356,253	-
Total segment assets	559,008	189,751
Unallocated assets	-	-
Consolidated assets	559,008	189,751

Segment liabilities

	2014 \$'000	2013 \$'000
Australia / New Zealand	(98,233)	(53,525)
Europe	(30,357)	(33,644)
Japan	(171,029)	-
Total segment liabilities	(299,619)	(87,169)
Unallocated liabilities	-	-
Consolidated liabilities	(299,619)	(87,169)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments. Goodwill is allocated to reportable segments as described in note 19.1. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and
- all liabilities are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Australia / New Zealand	9,544	7,942	36,246	35,933
Europe	6,964	4,850	7,692	17,421
Japan	5,204	-	19,965	-
	21,712	12,792	63,903	53,354

6. Segment information (cont'd)

6.5 Geographical information

The Consolidated entity operates in three principal geographical areas – Australia (country of domicile)/New Zealand, Europe and Japan.

The Consolidated entity's revenue from continuing operations from external customers and franchisees can be found in note 6.2. The non-current assets by geographical location are detailed below.

	Non-current assets	
	2014 \$'000	2013 \$'000
Australia / New Zealand	90,206	81,259
Europe	47,863	48,109
Japan	317,795	-
	455,864	129,368

Goodwill by geographical location can be found in note 19.

6.6 Information about major customers

There are no major customers that contribute an amount that is 10% or greater of total revenue.

7. Other revenue

	2014 \$'000	2013 \$'000
Interest revenue:		
Bank deposits	190	495
Other loans and receivables	450	607
	640	1,102
Rental revenue:		
Store asset rental revenue	3,289	2,172
Royalties	57,591	46,886
Franchise services	28,280	20,803
Other revenue	46,062	35,296
	135,862	106,259

The following is an analysis of other revenue earned on assets by category of asset:

	2014 \$'000	2013 \$'000
Loans and receivables (including cash and bank balances)	640	1,102
Other income earned on non-financial assets	135,222	105,157
	135,862	106,259

8. Other gains and losses

	2014	2013
	\$'000	\$'000
Net gain on disposal of property, plant & equipment, goodwill and other non-current assets	3,647	2,979
Net foreign exchange gains	63	585
	3,710	3,564

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed in note 7 and impairment losses recognised/reversed in respect of trade and other receivables (see note 11 and 13).

9. Finance costs

	2014	2013
	\$'000	\$'000
Interest on commercial bill and loans	2,440	399
Interest on obligations under finance leases	18	6
	2,458	405

The weighted average interest rate on funds borrowed generally is 1.94% per annum (2013: 2.6%).

10. Income taxes

10.1 Income tax recognised in profit or loss

	2014	2013
	\$'000	\$'000
Tax expense/(income) comprises:		
Current tax expense in respect of the current year	21,990	11,268
Adjustments recognised in the current year in relation to the current tax of prior years	(65)	(179)
	21,925	11,089
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(661)	1,019
Total tax expense relating to continuing operations	21,264	12,108

The expense for the year can be reconciled to the accounting profit as follows:

	2014	2013
	\$'000	\$'000
Profit before tax from continuing operations	66,560	40,765
Income tax expense calculated at 30%	19,968	12,230
Effect of expenses that are not deductible in determining taxable profit	897	653
Other assessable/(deductible) amounts	(48)	(204)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,414	(54)
Effect of tax concessions (research and development and other allowances)	(902)	(338)
	21,329	12,287
Adjustments recognised in the current year in relation to the current tax of prior years	(65)	(179)
Income tax expense recognised in profit or loss	21,264	12,108

The tax rate used for the 2014 and 2013 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

10. Income taxes (cont'd)

10.2 Income tax recognised in equity

Deferred tax

	2014 \$'000	2013 \$'000
Arising on income and expenses in other comprehensive income:		
Loss on cashflow hedge taken to equity	397	-
Loss on net investment hedge taken to equity	434	(1,389)
	831	(1,389)

10.3 Current tax assets and liabilities

	2014 \$'000	2013 \$'000
<u>Current tax assets</u>		
Income tax refund receivable	117	191
	117	191
<u>Current tax liabilities</u>		
Income tax payable	(4,277)	(2,550)
	(4,277)	(2,550)

10. Income taxes (cont'd)

10.4 Deferred tax balances

	Opening balance	Acquired with DPJ	Charged to income	Charged to equity	Exchange difference	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014						
Temporary differences						
Property, plant & equipment	(920)	3,011	(697)	-	163	1,557
Intangible assets	(2,922)	(14,632)	1,445	-	(777)	(16,886)
Other non-current assets	(3)	-	3	-	-	-
Provision for employee entitlements	985	3,090	151	-	159	4,385
Other provisions	49	-	84	-	-	133
Doubtful debts	172	-	20	-	(4)	188
Other financial liabilities	404	(66)	26	831	-	1,195
Unearned Income	-	-	-	-	26	26
Other	(494)	393	65	-	-	(36)
	(2,729)	(8,204)	1,097	831	(433)	(9,438)
Unused tax losses and credits						
Tax losses	374	-	458	-	(7)	825
	(2,355)	(8,204)	1,555	831	(440)	(8,613)
	Opening balance	Acquired with DPJ	Charged to income	Charged to equity	Exchange difference	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013						
Temporary differences						
Carry forward surplus foreign revenue losses	98	-	(98)	-	-	-
Property, plant & equipment	(557)	-	(365)	-	2	(920)
Intangible assets	(2,217)	-	(698)	-	(7)	(2,922)
Other non-current assets	(7)	-	4	-	-	(3)
Provision for employee entitlements	818	-	169	-	(2)	985
Other provisions	60	-	(11)	-	-	49
Doubtful debts	261	-	(88)	-	(1)	172
Other financial liabilities	(1,249)	-	264	1,389	-	404
Other	(305)	-	(172)	-	(17)	(494)
	(3,098)	-	(995)	1,389	(25)	(2,729)
Unused tax losses and credits						
Tax losses	829	-	(571)	-	116	374
	(2,269)	-	(1,565)	1,389	91	(2,355)

10. Income taxes (cont'd)

Deferred tax balances are presented in the statement of financial position as follows:

	2014 \$'000	2013 \$'000
Deferred tax assets	188	40
Deferred tax liabilities	(8,801)	(2,395)
	(8,613)	(2,355)

10.5 Unrecognised deferred tax assets

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

10.6 Unrecognised taxable temporary differences associated with investments and interests

At the end of the financial year, an aggregate deferred tax liability of \$49,315,998 (2013: \$8,576,004) was not recognised in relation to investments in subsidiaries as the parent Company is able to control the timing of the reversal of the temporary differences and it is not probable that the temporary difference will reverse in the foreseeable future.

10.7 Tax consolidation

Relevance of tax consolidation to the Consolidated entity

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Domino's Pizza Enterprises Limited. The members of the tax-consolidated group are identified at note 17.

Nature of tax funding arrangements and tax sharing arrangements

The entities in the tax-consolidated group have not entered into a tax sharing agreement or tax funding agreement. Income tax liabilities payable to the taxation authorities in respect of the tax-consolidated group are recognised in the financial statements of the parent entity.

11. Profit for the year from continuing operations

Profit for the year from continuing operations is attributable to:

	2014 \$'000	2013 \$'000
Profit from continuing operations	45,296	28,657
Profit for the year from continuing operations has arrived at after charging (crediting):		
11.1 Impairment losses on financial assets		
Impairment of trade receivables	(185)	(314)
11.2 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	(14,171)	(7,868)
Amortisation of intangible and other assets	(7,541)	(4,924)
	(21,712)	(12,792)
11.3 Employee benefits expense		
Employee benefit expense:		
Post employment benefits:		
Defined contribution plans	(4,002)	(3,937)
Share-based payments (see note 35):		
Equity settled share-based payments	(1,373)	(635)
Other employee benefits	(148,384)	(71,688)
Total employee benefits expense	(153,759)	(76,260)

12. Earnings per share

	2014 Cents per	2013 Cents per
Basic earnings per share	50.5	39.1
Diluted earnings per share	49.8	38.7

12.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 \$'000	2013 \$'000
Profit for the year attributable to owners of the Company	42,303	28,657
Earnings used in the calculation of basic EPS from continuing operations	42,303	28,657

	2014 No. '000	2013 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	83,835	73,377

12.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2014 \$'000	2013 \$'000
Profit for the year attributable to owners of the Company	42,303	28,657
Earnings used in the calculation of diluted EPS from continuing operations	42,303	28,657

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2014 No. '000	2013 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	83,835	73,377
Shares deemed to be issued for no consideration in respect of:		
Options on issue	1,044	742
Weighted average number of ordinary shares used in the calculation of diluted EPS (all measures)	84,879	74,086

The weighted average number of ordinary shares for the purpose of calculating both the basic and diluted earnings per share have been adjusted for the current year and the prior year comparative to reflect the bonus element included in the rights issue conducted for the capital raising in August and September 2013. The diluted earnings per share calculation takes into account all options issued under the ESOP, as in accordance with AASB 133 Earnings per Share, the average market price of ordinary shares during the period exceeds the exercise price of the options or warrants.

13. Trade and other receivables

	2014 \$'000	2013 \$'000
Trade receivables	37,032	27,010
Allowance for doubtful debts	(2,863)	(3,413)
	34,169	23,597
Other receivables	2,398	2,815
	36,567	26,412

13.1 Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on sales of goods and rendering of services is 30 days. No interest is charged on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the past sale of goods and rendering of services, determined by reference to past default experience. Trade receivables 60 days and over are provided for based on the estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience.

Before accepting any new franchisees and business partners, the Consolidated entity uses a system to assess the potential franchisee's and business partner's credit quality and defines credit limits. Limits attributed to franchisees and business partners are reviewed twice a year.

Included in the Consolidated entity's trade receivables balance are debtors with a carrying amount of \$2,008 thousand (2013: \$2,882 thousand), which are past due at the reporting date for which the Consolidated entity has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Consolidated entity does not hold any collateral over these balances.

Ageing of receivables that are past due but not impaired

	2014 \$'000	2013 \$'000
30 - 60 days	560	583
60 - 90 days	208	109
90 days and over	1,240	2,190
Total	2,008	2,882

Movement in the allowance for doubtful debts

	2014 \$'000	2013 \$'000
Balance at the beginning of the year	3,413	3,275
Impairment losses recognised on receivables	1,331	425
Amounts written off as uncollectible	(1,354)	(459)
Amounts recovered during the year	(625)	(236)
Effect of foreign currency	98	408
Balance at the end of the year	2,863	3,413

In determining the recoverability of a trade receivable, the Consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further allowance required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$2,863 thousand (2013: \$3,413 thousand) for the Consolidated entity. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected recoverable proceeds. The Consolidated entity does not hold any collateral over these balances.

13. Trade and other receivables (cont'd)

Ageing of impaired trade receivables

	2014 \$'000	2013 \$'000
0 - 30 days	136	42
30 - 60 days	49	1
60 - 90 days	37	16
90 days and over	2,641	3,354
Total	2,863	3,413

14. Other financial assets

	2014 \$'000	2013 \$'000
Investments carried at fair value:		
<u>Non-current</u>		
Other	14	8
	14	8
Loans carried at amortised cost:		
<u>Current</u>		
Loans to franchisees ⁽ⁱ⁾	988	1,286
	988	1,286
<u>Non-current</u>		
Loans to franchisees ⁽ⁱ⁾	7,687	5,014
Allowance for doubtful loans	(854)	(910)
	6,833	4,104
Financial guarantee contracts:		
<u>Non-current</u>		
Financial guarantee receivable	76	303
	76	303
Derivatives:		
<u>Current</u>		
Cross currency swap	1,819	-
	1,819	-
<u>Non-current</u>		
Cross currency swap	2,301	-
	2,301	-
Other long term deposits		
<u>Non-current</u>		
Long term store rental security deposits	11,107	-
	11,107	-
	23,138	5,701
Current	2,807	1,286
Non-current	20,331	4,415
	23,138	5,701

- (i) Before providing any new loans to franchisees, the Consolidated entity reviews the potential franchisee's credit quality, which is determined by reviewing a business plan and the projected future cash flows for that store, to ensure the franchisee is able to meet its interest repayments on the loan. On average the interest charged is based on the Westpac Indicator Lending Rate ('WILR') plus 3% (2013: 3%) margin in Australia and New Zealand, the average interest charged in France is 4.8% (2013: 5.7%) and in The Netherlands is 8.6% (2013: 7.6%), and the average interest charged in Japan is 5.0%. Included in the Consolidated entity's balance are loans to franchisees with a carrying amount of \$854 thousand (2013: \$910 thousand), which are past due at reporting date of which the Consolidated entity has provided for these amounts. The Consolidated entity holds the store assets as collateral over these balances.

14. Other financial assets (cont'd)

	2014 \$'000	2013 \$'000
Franchisee Loans	8,675	6,300
Allowance for doubtful loans	(854)	(910)
	7,821	5,390

In determining the recoverability of the loans to franchisees, the Consolidated entity considers any amount that has been outstanding at reporting date. Accordingly, management believe that there is no further allowance required in excess of the allowances for doubtful loans.

Included in the allowance for the loans are individually impaired loans to franchisees with a balance of \$854 thousand (2013: \$910 thousand) for the Consolidated entity. The impairment recognised represents the difference between the carrying amount of these loan balances and the present value of the expected recoverable proceeds. The Consolidated entity holds collateral of the stores assets over these balances.

Ageing of loans to franchisees

	2014 \$'000	2013 \$'000
Amounts not yet due	7,821	5,390
	7,821	5,390

Movement in allowance for doubtful loans

	2014 \$'000	2013 \$'000
Balance at the beginning of the year	910	969
Impairment losses recognised on loans	-	30
Impairment losses reversed	(67)	(136)
Effect of foreign currency	11	47
Balance at the end of the year	854	910

15. Inventories

	2014 \$'000	2013 \$'000
Raw materials	3,286	520
Finished goods	8,441	6,165
Provision for slow moving stock	(20)	-
	11,707	6,685

There are no inventories (2013: \$nil) expected to be recovered after more than 12 months. Expenses relating to inventories are recorded under Food & paper expenses.

16. Non-current assets classified as held for sale

Asset held for sale

	2014 \$'000	2013 \$'000
Commissary Property – The Netherlands	-	803
	-	803

This asset is no longer held for sale, and has been reclassified back to property, plant and equipment (Note 18). The value of this asset at year end was \$841 thousand, after accounting for depreciation of \$185 thousand.

17. Subsidiaries

Details of the Company's subsidiaries at 29 June 2014 are as follows:

Name of entity	Place of incorporation and operation	Portion of ownership interest and voting power held	
		2014 %	2013 %
Ashbourne Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Domino's Development Fund Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Hot Cell Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
MFT – DPA JV Nominee Pty Ltd	Australia	100%	100%
Reel (NT) Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Shear Pizza Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Silvio's Dial-a-Pizza Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Twenty/Twenty Pizza Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Twenty/Twenty Pizza Pty Ltd & Domino's Pizza Australia Pty Ltd Partnership ⁽ⁱ⁾	Australia	100%	100%
Nisco Trading Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Domino's Pizza New Zealand Limited	New Zealand	100%	100%
DPH NZ Holdings Limited	New Zealand	100%	100%
DPEU Holdings S.A.S.	France	100%	100%
Domino's Pizza France S.A.S. ⁽ⁱⁱ⁾	France	100%	100%
DPFC S.A.R.L. ⁽ⁱⁱ⁾	France	-	100%
HVM Pizza S.A.R.L.	France	100%	100%
Domino's Pizza Europe B.V.	The Netherlands	100%	100%
Domino's Pizza Netherlands B.V.	The Netherlands	100%	100%
DOPI Vastgoed B.V.	The Netherlands	100%	100%
Domino's Pizza Corporate Stores and Distributie B.V.	The Netherlands	100%	100%
Domino's Pizza Belgium S.P.R.L.	Belgium	100%	100%
Catering Service & Supply Pty Ltd	Australia	100%	100%
Eximus S.A.R.L. ⁽ⁱⁱ⁾	France	-	100%
Bacalan S.A.R.L. ⁽ⁱⁱ⁾	France	-	100%
DPE Japan Co., Ltd. ⁽ⁱⁱⁱ⁾	Japan	75%	-
Domino's Pizza Japan, Inc. ⁽ⁱⁱⁱ⁾	Japan	75%	-
K.K. DPJ Holdings 1 ⁽ⁱⁱⁱ⁾	Japan	75%	-
Global Mogul PTC Limited ^(iv)	British Virgin Islands	100%	-
Mogul (B.V.I.) Unit Trust ^(iv)	British Virgin Islands	100%	-

(i) This entity is a member of the tax-consolidated group where Domino's Pizza Enterprises Limited is the head entity within the tax-consolidated group.

(ii) Two French companies were wound up during the year and DPFC S.A.R.L. merged into Domino's Pizza France S.A.S.

(iii) As per note 46, the Japanese companies were created or acquired during the year.

(iv) During the year, two new entities were created and are domiciled in the British Virgin Islands.

18. Property, plant and equipment

	2014 \$'000	2013 \$'000
Cost	126,463	72,452
Accumulated depreciation and impairment	(33,200)	(22,759)
	93,263	49,693
Plant and equipment	88,951	49,613
Equipment under finance lease	4,312	80
	93,263	49,693

	Plant & equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
Cost			
Balance at 1 July 2012	59,763	142	59,905
Additions	25,037	-	25,037
Disposals	(21,596)	-	(21,596)
Acquisitions through business combinations (note 38)	5,224	-	5,224
Reclassification	(30)	-	(30)
Net foreign currency exchange differences	3,912	-	3,912
Balance at 30 June 2013	72,310	142	72,452
Additions	35,379	2,254	37,633
Disposals	(16,427)	(34)	(16,461)
Acquisitions through business combinations (note 38)	4,298	-	4,298
Reclassification (including asset held for sale)	1,183	-	1,183
Acquired through DPJ acquisition (note 46)	25,736	3,434	29,170
Net foreign currency exchange differences	(1,496)	(316)	(1,812)
Balance at 29 June 2014	120,983	5,480	126,463
Accumulated depreciation and impairment			
Balance at 1 July 2012	(24,836)	(38)	(24,874)
Disposals	11,034	-	11,034
Depreciation expense	(7,844)	(24)	(7,868)
Reclassification	32	-	32
Net foreign currency exchange differences	(1,083)	-	(1,083)
Balance at 30 June 2013	(22,697)	(62)	(22,759)
Disposals	4,431	25	4,456
Depreciation expense	(13,013)	(1,158)	(14,171)
Reclassification (including asset held for sale)	(656)	-	(656)
Net foreign currency exchange differences	(97)	27	(70)
Balance at 29 June 2014	(32,032)	(1,168)	(33,200)

There was no depreciation during the period that was capitalised as part of the cost of other assets.

18.1 Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 23 to the financial statements, all non-current assets of the Consolidated entity, except goodwill and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or re-pledge the assets other than in an event of default. The Consolidated entity does not hold title to the equipment under finance lease pledged as security.

19. Goodwill

	2014 \$'000	2013 \$'000
Cost	278,113	57,113
Accumulated impairment losses	-	-
	278,113	57,113
	2014 \$'000	2013 \$'000
Cost		
Balance at beginning of financial year	57,113	46,927
Additional amounts recognised from business combinations occurring during the period (note 38)	7,841	13,853
Acquired through DPJ acquisition (note 46)	237,766	-
Amounts disposed of during the period	(7,263)	(6,275)
Effects of foreign currency exchange differences	(17,407)	2,183
Reclassification	-	-
Other	63	425
Balance at end of financial year	278,113	57,113
Accumulated impairment losses		
Balance at beginning of financial year	-	-
Impairment losses for the year	-	-
Balance at end of financial year	-	-

19.1 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating units:

Australia and New Zealand markets

- Australian Capital Territory (ACT)
- New South Wales (NSW)
- Queensland & Northern Territory (QLD & NT)
- South Australia, Western Australia and Tasmania (SA, WA & TAS)
- Victoria (VIC)
- New Zealand (NZ)

Europe market

- The Netherlands & Belgium stores located in the region of Antwerp (NL)
- France & the rest of Belgium (FR)

Japanese market

- Japan

The carrying amount of goodwill (other than goodwill classified as held for sale) was allocated to the following cash-generating units:

	2014 \$'000	2013 \$'000
Australia & New Zealand		
QLD & NT	13,380	14,068
NSW	9,614	7,662
SA, WA & TAS	5,616	5,192
VIC	8,147	8,323
ACT	2,714	2,715
NZ	3,153	2,315
Europe		
FR	7,815	8,111
NL	8,295	8,727
Japan	219,379	-
	278,113	57,113

19. Goodwill (cont'd)

Key assumptions

The key assumptions used in the value in use and fair value less costs to sell calculations for the various significant cash-generating units are budgeted store cash flows which are assumed to continue to increase, driven by higher sales and increased market share. These assumptions reflect prior experience and management's plan to focus on store level efficiencies and to leverage market share for higher overall profitability. Management has reviewed sensitivity on the key assumptions on which the recoverable amounts are based and believes that any reasonable change on these would not cause the market's carrying amount to exceed its recoverable amount.

NSW, QLD & NT, SA, WA & TAS, VIC and ACT markets

The operations in the NSW, QLD & NT, SA, WA & TAS, VIC and ACT markets are similar, and their recoverable amounts are based on similar assumptions. The recoverable amounts of the five markets are based primarily on a value in use calculation which uses cash flow projections based on the financial budget approved by the Board for the 2014 financial year as the year one cash flow.

The cash flows for years one to five are based on the expected average sales percentage growth across corporate and franchise markets, which has been estimated at 4.0% per annum nationally (2013: 4.0% per annum nationally). These figures are based on management's estimate of forecast cash flow by store after considering the 2013 and 2014 financial years with the 2015 budget year. Management believes that these growth percentages are reasonable considering forecast sales growth and economies of scale. A pre-tax discount rate of 14.14% has been applied to years one to five. An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base. A growth rate of 3.0% has been used in determining the terminal value.

NZ market

The goodwill amount allocated to this market relates to the acquisition of the Pizza Haven New Zealand operations in 2005 and corporate stores. The recoverable amount of the goodwill is based primarily on a value in use calculation which uses cash flow projections based on the financial budget approved by the Board for the 2014 financial year as the year one cash flow for the NZ franchise stores.

The cash flows for years one to five are based on the expected sales revenues to be received from net franchise royalties of the NZ franchise stores, after applying a growth rate which has been estimated at 4.0% per annum (2013: 4.0% per annum). This figure is based on the growth in forecast average franchise weekly sales from the 2013 and 2014 financial years to the 2015 budget year. Management believes that this growth percentage is reasonable considering the sales growth that has been seen in this market during the 2014 financial year. A pre-tax discount rate of 14.14% has been applied to years one to five. An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base. A growth rate of 3.0% has been used in determining the terminal value.

European market

The goodwill amount allocated to the cash-generating units in this market relates to the acquisition of the Domino's Pizza master franchise of France, Belgium, The Netherlands and the Principality of Monaco on 3 July 2006. The recoverable amount of the market is determined based on a fair value model which uses a five-year financial plan that has been prepared, including the growth of the store network. The cash flows for years one to five are based on the expected sales growth rates, which represent a compound annual growth rate of 19.9% for The Netherlands and 12.1% for France/Belgium. A pre-tax discount rate of 14.1% has been used for The Netherlands and 14.77% for France/Belgium has been applied to the years one to five. A growth rate of 3.0% has been used in determining the terminal value.

Japanese Market

The goodwill amount allocated to the cash-generating units in this market relates to the acquisition of the Domino's Pizza master franchise of Japan on 3 September 2013.

The recoverable amount of the market is determined based on a fair value less costs to sell model which includes future cash flows over an 8 year period based on management's expectations on the market growth rates and further investment in store rollout. A post-tax discount rate of 10.50% has been applied and a growth rate of 1.5% has been used in determining the terminal value. Based on this analysis, no impairment losses have been identified since the acquisition of the market.

Management has reviewed sensitivity on the key assumptions on which the recoverable amounts are based and believes that any reasonably possible change on these would not cause the market's carrying amount to exceed its recoverable amount.

20. Other intangible assets

	2014 \$'000	2013 \$'000
Cost	83,683	30,184
Accumulated amortisation and impairment losses	(19,792)	(12,757)
	63,891	17,427

	Capitalised development \$'000	Licences \$'000	Other acquired intangibles	Total \$'000
Gross carrying amount				
Balance at 1 July 2012	14,287	5,877	-	20,164
Additions	1,362	988	-	2,350
Additions from internal developments	6,463	-	-	6,463
Disposals	(68)	(16)	-	(84)
Reclassification	(70)	-	-	(70)
Net foreign currency exchange differences	583	778	-	1,361
Balance at 30 June 2013	22,557	7,627	-	30,184
Additions	1,399	675	-	2,074
Acquired through DPJ acquisition (note 46)	-	2,975	39,300	42,275
Additions from internal developments	11,994	-	-	11,994
Disposals	(430)	(4)	-	(434)
Reclassification	600	-	-	600
Net foreign currency exchange differences	65	(85)	(2,990)	(3,010)
Balance at 29 June 2014	36,185	11,188	36,310	83,683
Accumulated amortisation and impairment				
Balance at 1 July 2012	(4,737)	(2,618)	-	(7,355)
Amortisation expense ⁽ⁱ⁾	(4,368)	(556)	-	(4,924)
Disposals	9	4	-	13
Reclassification	24	-	-	24
Net foreign currency exchange differences	(324)	(191)	-	(515)
Balance at 30 June 2013	(9,396)	(3,361)	-	(12,757)
Amortisation expense ⁽ⁱ⁾	(5,635)	(1,532)	-	(7,167)
Disposals	177	2	-	179
Net foreign currency exchange differences	(38)	(9)	-	(47)
Balance at 29 June 2014	(14,892)	(4,900)	-	(19,792)

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income.

Refer to note 3.19 and 3.20 to the financial statements for descriptions on intangible assets, their useful life and impairment.

21. Other assets

Current

Prepayments
Work in progress – store builds
Other

	2014 \$'000	2013 \$'000
Prepayments	6,338	4,136
Work in progress – store builds	1,225	545
Other	2,100	1,634
	9,663	6,315

Non-current

Other

	2014 \$'000	2013 \$'000
Other	78	680
	78	680

22. Trade and other payables

Trade payables ⁽ⁱ⁾
Goods and services tax (GST)/Value added tax (VAT) payable
Other creditors and accruals

	2014 \$'000	2013 \$'000
Trade payables ⁽ⁱ⁾	69,518	17,999
Goods and services tax (GST)/Value added tax (VAT) payable	4,519	1,763
Other creditors and accruals	26,336	18,293
	100,373	38,055

- (i) The average credit period on purchases of goods is 30 days. The Consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Included within Other creditors and accruals is a liability of \$2.0 million (2013: \$0.2 million), which relates to the surplus held in relation to the National Advertising Fund ("AdFund"). In addition to franchise fees, franchisees pay contributions which are collected by the Group for specific use within the AdFund. The Group operates the funds on behalf of the franchisees with the objective of driving revenues for their stores. The fund is specifically used to pay for marketing and advertising. As all AdFund contributions are designated for specific purposes and do not result in a profit or loss for the Group, the revenue and expenditure are presented net within the Consolidated Statement of Profit or Loss. Total contributions made to the fund during the 52 weeks ended 29 June 2014 were \$49.2 million (2013: \$43.2 million).

23. Borrowings

Secured

Finance lease liabilities ⁽ⁱ⁾ (note 28)
Euro loan ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾
Japan acquisition - Australian Dollar loan ^(v)
Japan acquisition - Japanese Yen loan ^(v)
Other Bank Loans ^(iv)

	2014 \$'000	2013 \$'000
Finance lease liabilities ⁽ⁱ⁾ (note 28)	4,172	83
Euro loan ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾	18,489	18,041
Japan acquisition - Australian Dollar loan ^(v)	50,329	-
Japan acquisition - Japanese Yen loan ^(v)	46,920	-
Other Bank Loans ^(iv)	-	21,547
	119,910	39,671

Current	1,281	7,082
Non-current	118,629	32,589
	119,910	39,671

23.1 Summary of borrowing arrangements:

- (i) Secured by the assets leased, the current market value of each exceeds the value of the finance lease liability.
(ii) Euro loan is unsecured.
(iii) Variable rate loan with Westpac Banking Corporation with maturity periods exceeding 1 year (2013: within 1 year).
(iv) Fixed rate loan with ABN-AMRO with maturity periods not exceeding 1 year after 1 July 2012. This loan has a corporate guarantee provided by Domino's Pizza enterprises Ltd.
(v) Variable rate loans with CBA and Westpac maturing in 5 years, secured over the shares held in Domino's Japan.

The unused facilities available on the Consolidated entity's bank overdraft are \$4,790 thousand (2013: \$2,000 thousand).

24. Other financial liabilities

	2014 \$'000	2013 \$'000
<u>Non-current</u>		
Financial guarantee contracts	76	303
Rent Incentive Liability	1,543	-
Interest Rate Swaps	751	-
Put Option Liability	49,270	-
	51,640	303
<u>Current</u>		
Interest Rate Swaps	580	-
Rent Incentive Liability	121	200
Security Deposits	1,489	-
Other	137	308
	2,327	508
Current	2,327	508
Non-current	51,640	303
	53,967	811

25. Provisions

	2014 \$'000	2013 \$'000
Employee benefits ⁽ⁱ⁾	4,735	3,383
Japanese defined benefit plan (note 26) ⁽ⁱ⁾	5,993	-
Other	1,563	167
	12,291	3,550
Current	4,339	3,109
Non-current	7,952	441
	12,291	3,550

Other provisions

	Make good ⁽ⁱⁱ⁾ \$'000	Straight line leasing ⁽ⁱⁱⁱ⁾ \$'000	Total \$'000
Balance at 30 June 2013	25	142	167
Additional provisions recognised	1,402	-	1,402
Reductions resulting from remeasurement	-	(6)	(6)
Balance at 29 June 2014	1,427	136	1,563

- (i) The provision includes \$10,633 thousand of annual leave and vested long service leave entitlements accrued (2013: \$2,715 thousand for the Consolidated entity), a defined benefit plan for qualifying employees in Europe of \$95 thousand and in Japan which is based on the most recent actuarial valuation. Details of the Japanese defined benefit plan can be found in note 26.
- (ii) The provision for the make good is in respect of restoring sites to their original condition when the premises are vacated. Management has estimated the provision based on historical data in relation to the store closure numbers and costs, as well as future trends that could differ from historical amounts.
- (iii) The provision for straight line leasing arises as fixed percentage increases in operating leases are recognised as an expense on a straight line basis, over the period of the lease.

26. Retirement benefit plans

26.1 Defined benefit plans

Domino's Pizza Japan, Inc.

The Consolidated entity operates an unfunded retirement benefit plan where a lump-sum amount is paid out to eligible full-time employees of Domino's Pizza Japan with more than three years of service as of retirement.

The lump-sum amount is calculated as monthly salary as of retirement multiplied by a multiple. The multiple is based on years of service up to a maximum of 41 years and whether retirement is voluntary or involuntary.

The plan typically exposes the Consolidated entity to actuarial risks such as: interest rate risk, retention risk and salary risk.

Interest rate risk

A decrease in the bond interest rate in Japan will increase the plan liability by reducing the discount rate. The rate used at last valuation was 0.7%.

Retention risk

The present value of the defined benefit plan liability is calculated by reference to the expected length of service of full-time staff. As such, an increase in the length of service above the expected length will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr. K Taniguchi, Fellow of the Institute of Actuaries of Japan.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at	
	2014	2013
Discount rate	0.70%	-
Expected rate of salary increase	3.02%	-
Number of employees	374	-
Average service years	6.5 yrs	-
Expected service years	7.6 yrs	-

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2014 \$'000	2013 \$'000
Service cost:		
Current service cost	598	-
Net interest expense	34	-
Components of defined benefit costs recognised in profit or loss	632	-
Remeasurement on the net defined benefit liability:		
Actuarial gains and losses arising from changes in financial assumptions	255	-
Components of defined benefit costs recognised in other comprehensive income	255	-
Total	887	-

26. Retirement benefit plans (cont'd)

Of the expense for the year, an amount of \$632 thousand has been included in profit or loss as administration expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	2014	2013
	\$'000	\$'000
Present value of funded defined benefit obligation	5,993	-
Fair value of plan assets	-	-
Unfunded status	5,993	-
Net liability arising from defined benefit obligation	5,993	-

Movements in the present value of the defined benefit obligation in the current year were as follows.

	2014	2013
	\$'000	\$'000
Opening defined benefit obligation	-	-
Liabilities assumed in business combinations	6,142	-
Current service cost	598	-
Net interest expense	34	-
Remeasurement losses / (gains):		
Actuarial gains and losses arising from changes in financial assumptions	255	-
Benefits paid	(561)	-
Exchange differences on foreign plans	(475)	-
Closing defined benefit obligation	5,993	-

There are no plan assets of the defined benefit obligation.

The Consolidated entity expects to make a contribution of \$753 thousand to the defined benefit plans during the next financial year.

27. Other liabilities

	2014 \$'000	2013 \$'000
Domino's Pizza International Inc.	-	136
Other	-	1
	-	137
Current	-	-
Non-current	-	137
	-	137

28. Obligations under finance leases

28.1 Leasing arrangements

Finance leases relate to plant & equipment with lease terms between three and ten years, and motor vehicles with lease terms between three and five years. The Consolidated entity has options to purchase the leased assets for a nominal amount at the completion of the lease arrangements.

28.2 Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
No later than 1 year	1,281	39	1,281	25
Later than 1 year and not later than 5 years	2,891	49	2,891	58
Later than 5 years	-	-	-	-
Minimum lease payments ⁽ⁱ⁾	4,172	88	4,172	83
Less future finance charges	-	(5)	-	-
Present value of minimum lease payments	4,172	83	4,172	83
Included in the financial statements as: (note 23)				
Current borrowings			1,281	25
Non-current borrowings			2,891	58
			4,172	83

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.

28.3 Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

29. Issued capital

	2014 \$'000	2013 \$'000
85,933,273 fully paid ordinary shares (2013: 70,192,674)	194,193	40,855

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

29. Issued capital (cont'd)

29.1 Fully paid ordinary shares

Note	2014		2013	
	Number of shares '000	Share capital \$'000	Number of shares '000	Share capital \$'000
Balance at beginning of financial year	70,193	40,855	69,900	69,872
Shares issued:				
Issue of shares under executive share option (a)	396	1,261	293	1,025
Issue of shares related to Japan equity raising	15,327	156,336	-	-
Dividend reinvestment plan (b)	-	-	-	-
Capital Return (c)	-	-	-	(30,042)
Capital costs associated with equity raising	-	(4,622)	-	-
Other	17	363	-	-
Balance at end of financial year	85,933	194,193	70,193	40,855

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options on issue

Note	Total Number	Number Quoted	Exercise Price	Expiry Date
Options				
(a) Unexercised options at 29 June 2014	30,000	-	\$2.83	31 August 2014
Unexercised options at 29 June 2014	400,000	-	\$5.83	2 November 2017
Unexercised options at 29 June 2014	386,667	-	\$5.83	10 August 2015 (i)
Unexercised options at 29 June 2014	500,000	-	\$8.97	2 November 2017
Unexercised options at 29 June 2014	416,667	-	\$9.13	10 August 2016 (i)
Unexercised options at 29 June 2014	600,000	-	\$14.90	2 November 2017
Unexercised options at 29 June 2014	456,667	-	\$13.74	10 August 2017 (i)

(i) Expiry date 12 months after vesting date.

(a) Options

The Company approved the establishment of the 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 Group 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 year, 396,000 options were exercised (2013: 293,000). A total of \$1,260,600 was received as consideration for 396,000 fully paid ordinary shares of Domino's Pizza Enterprises Limited on exercise of the options in the current financial year (2013: \$1,025,500).

29. Issued capital (cont'd)

(b) Dividend reinvestment plan

On listing, the Board adopted but did not commence operation of a Dividend Reinvestment Plan ("DRP"). The DRP provides shareholders the choice of reinvesting some or all of their dividends in shares rather than receiving those dividends in cash.

The Board of Directors resolved to activate the DRP on 17 August 2006 with a commencement date of 21 August 2006. Shareholders with registered addresses in Australia or New Zealand are eligible to participate in the DRP. Shareholders outside Australia and New Zealand are not able to participate due to legal requirements applicable in their place of residence.

Shares allocated under the DRP rank equally with existing shares. Shares will be issued under the DRP at a price equal to the average of the daily volume weighted average market price of the Company's shares (rounded to the nearest cent) traded on the ASX during a period of ten trading days commencing on the second business day following the relevant record date, discounted by an amount determined by the Board.

Domino's Pizza Enterprises Limited entered into an Underwriting Agreement with Goldman Sachs JBWere for its first four dividend payments commencing with the final dividend for the year ended 2 July 2006. The Board decided to continue the DRP Underwriting and entered into a renewed agreement with Goldman Sachs JBWere for the next four dividends commencing with the final dividend for the year ended 29 June 2008.

On 18 August 2009, the Board resolved to suspend the DRP until further notice. Therefore, the final dividend for the year ended 29 June 2014 will be paid in cash only.

(c) Capital Return

Following approval by shareholders on 7 November 2012, the Consolidated entity made two returns of capital to its shareholders of \$0.214 per share each time. This amounted to \$15 million on 21 December 2012 and \$15 million on 21 June 2013.

30. Reserves

	2014 \$'000	2013 \$'000
Foreign currency translation	(18,015)	(6,852)
Share based and put option reserve	(831)	2,533
Hedging	4,094	2,334
	(14,752)	(1,985)

30.1 Foreign currency translation

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	(6,852)	(12,842)
Translation of foreign operations	(11,163)	5,990
Balance at end of financial year	(18,015)	(6,852)

Exchange differences relating to the translation of the net assets of the Consolidated entity's foreign operations from their functional currencies to the Consolidated entity's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

30. Reserves (cont'd)

30.2 Share based and put option reserve

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	2,533	1,898
Share-based payment	1,461	635
Movement in put option liability	(4,706)	-
Remeasurement of defined benefit plan	(119)	-
Balance at end of financial year	(831)	2,533

The equity settled share-based benefits reserve arises on the grant of share options to executives under the Executive Share and Option Plan ("ESOP"). Further information about ESOP is made in note 35 to the financial statements.

30.3 Hedging reserve

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	2,334	2,296
Gain/(loss) recognised:		
Net investment hedge	2,687	38
Cash flow hedge	(927)	-
Balance at end of financial year	4,094	2,334

The hedging reserve represents hedging gains and losses recognised on the effective portion of net investment hedges.

31. Retained earnings

	2014 \$'000	2013 \$'000
Balance at beginning of year	63,712	55,817
Net profit attributable to members of the Company	42,303	28,657
Payment of dividends (note 33)	(26,067)	(20,762)
Balance at end of year	79,948	63,712

32. Non-controlling interest

	2014 \$'000	2013 \$'000
Balance at beginning of year	-	-
Share of profit	2,993	-
Foreign currency translation	(3,654)	-
Remeasurement of defined benefit plan	(42)	-
Non-controlling interest arising from acquisition of DPEJ	45,267	-
Non-controlling interest put option adjustment	(44,564)	-
Balance at end of year	-	-

The non-controlling interest relates to a 25% interest in the Consolidated entity's operations in Japan. Details on the acquisition of the Japanese operations can be found in note 46. Financial information relating to the Japanese operations can be found in note 6. The Japan segment in Note 6 is entirely related to the entity in which the minority holds an interest. Net cash provided by operating activities is \$37,739 thousand, net cash used in investing activities is \$296,464 thousand, and net cash provided by financing activities is \$276,932 thousand for the Japan segment.

33. Dividends

	2014		2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Interim dividend:	17.7	15,207	15.5	10,880
Final dividend:	15.4	10,860	14.1	9,882
	33.1	26,067	29.6	20,762
Unrecognised Amounts				
<u>Fully paid ordinary shares</u>				
Final dividend:	19.0	16,327	15.4	10,860

On 11 August 2014, the directors declared a fully franked final dividend of 19.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 29 June 2014, to be paid to shareholders on 12 September 2014. The dividend will be paid to all shareholders on the Register of Members on 26 August 2014. The total estimated dividend to be paid is \$16,327 thousand.

	2014 \$'000	2013 \$'000
Adjusted franking account balance	5,193	5,426

34. Financial Instruments

34.1 Capital risk management

The Consolidated entity manages its capital to ensure that entities in the Consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Consolidated entity's overall strategy remains unchanged from 2013.

The capital structure of the Consolidated entity consists of net debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, retained earnings and non-controlling interest as disclosed in notes 29, 30, 31 and 32 respectively.

The Consolidated entity is not subject to any externally imposed capital requirements.

The Consolidated entity operates globally, primarily through subsidiary companies established in the markets in which the Consolidated entity trades. None of the Consolidated entity's subsidiaries are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Consolidated entity's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Consolidated entity's policy is to borrow centrally; using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

The Consolidated entity's management and board of directors review the capital structure formally on an annual basis. As part of this review, management and the board of directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of management and the Board of Directors, the Consolidated entity will balance its overall capital structure through the payment of dividends, and new share issues as well as the issue of new debt or the redemption of existing debt.

34. Financial instruments (cont'd)

34.1.1 Gearing ratio

	2014 \$'000	2013 \$'000
Debt ⁽ⁱ⁾	119,910	39,671
Cash and cash equivalents	(42,283)	(18,691)
Net (cash)/debt	77,627	20,980
Equity ⁽ⁱⁱ⁾	259,389	102,582
Net debt to equity ratio	30%	20%

The gearing ratio at the end of the reporting period was as follows:

- (i) Debt is defined as long-term and short-term borrowings, as detailed in note 23.
- (ii) Equity includes all capital and reserves that are managed as capital.

34.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

34.3 Categories of financial assets and liabilities

			2014		2013	
			Interest rate* %	\$'000	Interest rate* %	\$'000
Financial assets						
Trade and other receivables	Loans and receivables	13	-	36,567	-	26,412
Loans receivables	Loans and receivables	14	7.84	7,821	7.78	5,390
Other financial assets	Available for sale financial asset	14	-	14	-	9
Cash and cash equivalents	Cash and bank balances	39	0.52	42,283	2.79	18,691
Financial guarantee contracts	Loans and receivables	24	6.25	76	6.25	303
Deposits	Cash and bank balances	14	-	11,107	-	-
Financial liabilities						
Euro loan	Other	23	1.67	18,489	1.69	18,041
Other financial liabilities	Amortised cost	22	-	95,852	-	36,292
Finance lease liability	Other	23	7.86	48	6.28	83
Other Finance lease liabilities	Other	23	-	4,124	-	-
Other bank loans	Other	23	3.46	-	3.36	21,547
Financial guarantee contracts	Financial guarantee contracts	24	6.25	76	6.25	303
AUD denominated loan	Other	23	1.77	50,329	-	-
YEN denominated loan	Other	23	1.73	46,920	-	-

* Weighted average effective interest rate

34.4 Financial risk management objectives

The Consolidated entity's finance department co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Consolidated entity in line with the Consolidated entity's policies. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

34. Financial instruments (cont'd)

The Consolidated entity seeks to minimise the effects of the above mentioned risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Consolidated entity's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Board of Directors. The Consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Consolidated entity's management and Board of Directors' review annually the risks and policies implemented to mitigate risk exposures.

34.5 Market risk

The Consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to note 34.6) and interest rates (refer to note 34.7). The Consolidated entity enters into a variety of derivative and non-derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate risk of rising interest rates.
- Cross currency interest rate swap to mitigate rising interest rates and foreign exchange fluctuation.
- Debt to manage currency risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Consolidated entity's manner in which it manages and measures the risk from previous period.

Hedging activities

The Consolidated entity holds financial instruments to hedge risks relating to underlying transactions. The major exposure to interest rate risk and foreign currency risk arises from investment in foreign operations. Details of hedging activities are provided below.

Cashflow hedge

- The Consolidated entity uses JPY denominated interest rate swaps to hedge variability in the cash flows arising from future changes in floating rates on the Japan Acquisition Loan Aud and Japan Acquisition Loan Yen debt facility. The hedge strategy is to designate the interest rate swap as a hedge against the variability in the cashflow arising from future changes in interest rates. This is a Cash Flow Hedge.

Net investment hedge

- The Consolidated entity designated the Euro loan as a hedge of a net investment in foreign operations from the 10 December 2012. Spot rate changes of \$275 thousand in respect of the net assets of European operations were recognised in equity for the Consolidated entity and the company from the 1 July 2013 to the reporting date. For further details refer to note 3.24.
- The Consolidated entity designated the Japan Acquisition Loan Yen as a hedge of a net investment in foreign operations. The Consolidated entity's presentation currency is AUD and foreign currency risk arises from net investments in foreign operations. The strategy is to hedge the foreign currency translation risk arising on the net investment in its foreign operations. This is a net investment hedge.
- The Consolidated entity uses a cross currency interest rate swap to hedge the foreign currency translation risk arising on the net investment in its foreign operations. There is foreign currency risk arising between the functional currency of the foreign operation and the presentation currency of the Consolidated entity. This is a net investment hedge.

34.6 Foreign currency risk management

As DPE Limited's Australian operations are predominantly conducted in Australian dollars, there is limited foreign currency exchange risk associated with the Australian business.

DPE Limited also has operations in New Zealand, Europe and Japan. The operations and revenues of these businesses are predominantly transacted in New Zealand dollars, Euros and Yen respectively. DPE Limited intends to mitigate its foreign currency translation risk exposure by denominating a portion of its senior debt in Euros and Yen. This creates a natural hedge and mitigates the potential for currency movements to negatively impact DPE Limited.

DPE Limited also purchases some equipment in a range of currencies, but predominantly USD, and has an exchange rate exposure due to delays between entering into a contract and final payment. DPE Limited will only enter into a hedge position (forward contract) in respect of equipment purchase once it has committed to the purchase.

34. Financial instruments (cont'd)

The Consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Consolidated entity has designated cash flow and net investment hedges are noted above to mitigate these risks.

The carrying amount of the Consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash and cash equivalents	32,071	8,717	-	-
Trade and other receivables	23,692	13,528	-	-
Loan receivables	3,797	1,641	-	-
Trade and other payables	-	-	77,639	19,109
Loan payables	-	-	65,856	25,088

34.6.1 Foreign currency sensitivity analysis

The Consolidated entity is mainly exposed to Euros and Japanese Yen.

The foreign currency risk exposure recognised from assets and liabilities arises primarily from the borrowings denominated in foreign currencies. There is no significant impact on the Consolidated entity's profit from foreign currency movements associated with these borrowings as they are effectively designated as a hedge of the net investment in foreign operations. At balance date, all hedges were considered effective.

For the Consolidated entity, the foreign currency translation risk associated with the foreign investment results in some volatility to the foreign currency translation reserve. The impact on the foreign currency translation reserve relates to translation of the net assets of the foreign controlled entities including the impact of any hedging transactions.

Hedges of net investments in foreign operations

In the consolidated financial statements the exposure to foreign currency translation risk is a result of the investment in offshore activities with Europe and Japan where any exchange gains and losses on translation of the foreign denominated loans are taken to the net investment hedge reserve (in the foreign currency translation reserve) only to the extent of the gains and losses on the value of the foreign net assets, including any intercompany loans. Exchange differences on the excess between the loans and net assets, including any intercompany loans payable, if any, are recognised in the income statement.

The effectiveness of the hedging relationship is tested using prospective and retrospective effectiveness tests. In a retrospective effectiveness test, the changes in the value of the hedging instrument and the change in the value of the hedged net investment from spot rate changes are calculated. If the calculation is between 80 and 125 per cent, then the hedge is considered effective.

Any gains or losses on re-measurement of derivative or non-derivative financial instruments designated as hedges of foreign investments are recognised in the net investment hedge reserve in equity only to the extent that the hedging relationship is effective. The accumulation of the recognised gains or losses recorded in equity is transferred to the income statement when the foreign operation is sold.

Any gains or losses of the ineffective portion of the hedge are recognised in the income statement within other revenue or other expenses. During the year there was no hedge ineffectiveness attributable to the net investment hedges.

During the year net gains/(losses) after tax of \$1,760 thousand (2013: \$38 thousand) on the hedging instruments were taken directly to equity in the consolidated balance sheet.

34. Financial instruments (cont'd)

The following table details the value of the instrument designated and the impact on the hedge reserve.

	Liabilities		Equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Euro loan	18,489	18,041	-	-
Designated hedge of net foreign investment (EUR)	-	-	1,227	2,334
Japan acquisition - Japanese Yen loan	50,776	-	-	-
Designated hedge of net foreign investment (JPY)	-	-	3,794	-
	69,265	18,041	5,021	2,334

The following details the Consolidated entity's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. Adjustments have only been made for transactions outstanding at period end using a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency.

	Euros Impact		Japanese Yen impact	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit or (loss)				
If there was a 10% increase in exchange rates with all other variables held constant	-	-	-	-
If there was a 10% decrease in exchange rates with all other variables held constant	-	-	-	-
Other equity				
If there was a 10% increase in exchange rates with all other variables held constant	1,190	1,161	-	-
If there was a 10% decrease in exchange rates with all other variables held constant	(1,454)	(1,419)	-	-

(i) This is mainly as a result of changes in fair value of borrowings designated as net investment of foreign operation hedges.

34.6.2 Forward foreign exchange contracts

It is the policy of the Consolidated entity to enter into forward foreign exchange contracts to hedge specific foreign currency payments and receipts. The forward foreign exchange contract is only entered into once the Consolidated entity has committed to the purchase transaction.

34.7 Interest rate risk management

The Consolidated entity is exposed to interest rate risk because entities in the Consolidated entity borrow funds at both fixed and floating interest rates. The risk is managed by the Consolidated entity by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

34.7.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

34. Financial instruments (cont'd)

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Consolidated entity's:

- Net profit would increase by \$366 thousand and decrease by \$257 thousand (2013: increase by \$52 thousand and decrease by \$237 thousand). This is mainly attributable to the Consolidated entity's exposure to interest rates on its variable rate borrowings.

34.7.2 Interest rate swap contracts

Under interest rate swap contracts, the Consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Average contracted fixed interest rate		Notional principal value		Fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest rate swap - less than 5 years	1.75%	-	97,808	-	(1,332)	-
			97,808	-	(1,332)	-

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of Australia. The Consolidated entity will settle the difference between the fixed and floating interest rate on a net basis. Refer to note 34.9.1 for the current and non-current split.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Consolidated entity's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

34.7.3 Cross currency interest rate swap contract

Under a cross currency interest rate swap contract, the Consolidated entity agrees to exchange the difference between fixed and floating rate interest and foreign currency amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated entity to mitigate the risk of changing interest and foreign exchange rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of swap at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The swap in existence has a fixed rate of 1.73% on a notional value of \$50,776 thousand and has a fair value of \$4,127 thousand at balance date. The swap settles on a quarterly basis. The swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

34.8 Credit risk management

Credit risk refers to the risk that a franchisee or business partner will default on its contractual obligations resulting in financial loss to the Consolidated entity. The Consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by limits that are continually reviewed.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained:

34. Financial instruments (cont'd)

34.8.1 Financial assets and other credit exposures

	Maximum credit risk	
	2014 \$'000	2013 \$'000
Consolidated		
Guarantee provided under deed of guarantee	13,120	17,057

The Consolidated entity provides guarantees to third party financiers in order to enable internal candidates (i.e. franchisees and managers) to fund the purchase of DPE stores. The Consolidated entity's policy in this regard is to predominantly support internal candidates who have displayed strong operational expertise. Further, the Consolidated entity generally provides guarantees to internal candidates in the metropolitan markets where it has operated or is operating corporate stores. In the event that a loan defaults, the Consolidated entity's policy is to purchase and operate the failed store as a corporate store.

The Consolidated entity has also provided a guarantee to third party financial institutions in relation to borrowings of the European subsidiary.

34.9 Liquidity risk management

The Consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established in an appropriate liquidity management framework for the management of the Consolidated entity's short medium and long term funding and liquidity management requirements. Included in note 34.9.2 is a listing of additional undrawn facilities that the Consolidated entity has at its disposal to further reduce liquidity risk.

34.9.1 Liquidity and interest risk tables

The following tables detail the Consolidated entity's remaining contractual maturity for its financial assets and liabilities and non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and financial liabilities based on the earliest date on which the Consolidated entity can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year	1 to 5 years	More than 5 years
	\$'000	\$'000	\$'000
29 June 2014			
Financial assets			
Trade and other receivables	36,567	-	-
Derivative instruments in designated hedge accounting relationships	1,825	2,301	-
Loans receivables	1,378	6,722	822
Other financial assets	14	-	-
Cash and cash equivalents	42,283	-	-
Financial guarantee contracts	-	76	-
Deposits	-	11,107	-
Financial Liabilities			
Trade payables	(69,518)	-	-
Derivative instruments in designated hedge accounting relationships	(580)	(751)	-
Other payables	(16,333)	-	-
Euro loan	-	(18,489)	-
Finance lease liability	(38)	(10)	-
Other liabilities	-	(1)	-
Japan acquisition - Australian Dollar loan	-	(50,776)	-
Japan acquisition - Japanese Yen loan	-	(47,367)	-
Financial guarantee contracts	-	(76)	-
Put Option Liability	-	(49,270)	-
Lease Incentive Liability	(121)	(1,543)	-

34. Financial instruments (cont'd)

	Less than 1 year	1 to 5 years	More than 5 years
	\$'000	\$'000	\$'000
30 June 2013			
Financial assets			
Trade and other receivables	26,412	-	-
Loans receivables	1,369	4,471	167
Other financial assets	9	-	-
Cash and cash equivalents	18,691	-	-
Financial guarantee contracts	-	303	-
Financial Liabilities			
Trade payables	(17,999)	-	-
Other payables	(11,386)	-	-
Euro loan	0	(18,041)	-
Finance lease liability	(25)	(58)	-
Other loans	(7,047)	-	-
Other liabilities	-	(137)	-
Financial guarantee contracts	-	(303)	-

The following table details the Consolidated entity's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
	\$'000	\$'000	\$'000	\$'000
Net Settled				
Interest rate swaps	-	-	(580)	(751)
Cross currency interest rate swaps	-	467	1,358	2,301
	-	467	778	1,550

34.9.2 Financing facilities

	2014 \$'000	2013 \$'000
Secured bank overdraft facility, reviewed annually and payable at call:		
amount used	-	7,047
amount unused	12,010	2,000
	12,010	9,047
Secured commercial bill facility, reviewed annually:		
amount used	116,632	32,541
amount unused	36,295	8,601
	152,927	41,142

The Consolidated entity has access to financing facilities at reporting date as indicated above and expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Consolidated entity expects to maintain a current debt to equity ratio approved by the Board.

34. Financial instruments (cont'd)

34.10 Fair value of financial instruments

This note provides information about how the Consolidated entity determines fair values of various financial assets and financial liabilities. 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
	2014 \$'000	2013 \$'000				
1) Interest Rate and Cross Currency Swaps	Current asset \$1,825, non current assets \$2,301, current liability \$580 and non current liability \$751 (As recognised in other financial assets and financial liabilities)	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 - \$49,270 (As recognised in other financial non current liabilities)	Nil	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 Japan Pizza Industry.	The higher the earnings, the higher the fair value.
					The Put option is exercisable after 3 years from the the acquisition date.	The shorter the time period, the lower the fair value.

Management consider that the financial instruments previously disclosed are classified as Level 2, and there have been no transfers between Level 1 and Level 2. The put option was previously recognised as Level 2 and has been transferred to Level 3. The fair values of the financial assets and financial liabilities included in the level 2 and 3 category above has 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 (see note 46). 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 \$45.3m and has a value at yearend of \$49.2m with the movement recorded in other reserves. No reasonable change in the key inputs would result in a material change of this value.

35. Share-based payments

35.1 Equity-settled share-based benefits

The Company has one share plan and one share and option plan available for employees and directors and executives of the Company: the Domino's Pizza Exempt Employee Share Plan ("Plan") and the Domino's Pizza Executive Share and Option Plan ("ESOP"). Both plans were approved by a resolution of the Board of Directors on 11 April 2005. Fully paid ordinary shares issued under these plans rank equally with all other existing fully paid ordinary shares, in respect of voting and dividend rights and future bonus and rights issues.

35.2 Executive Share and Option Plan

The Company established the ESOP to assist in the recruitment, reward, retention and motivation of directors and executives of the Company ("the participants").

In accordance with the provisions of the scheme, executives within the Company, to be determined by the Board, are granted options to purchase parcels of shares at various exercise prices. Each option confers an entitlement to subscribe for and be issued one share, credited as fully paid, at the exercise price.

Options issued under the ESOP may not be transferred unless the Board determines otherwise. The Company has no obligation to apply for quotation of the options on the ASX. However, the Company must apply to the ASX for official quotation of shares issued on the exercise of the options.

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 Group 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.

The following share-based payment arrangements were in existence during the current and comparative reporting period:

Options series	Grant date	Expiry date	Grant date fair value	Exercise price ⁽ⁱ⁾	Vesting date
(11) Issued 30 April 2009	30 April 2009	31 August 2014	\$0.44	\$2.83	31 August 2011
(12) Issued 2 November 2011	2 November 2011	2 November 2017	\$1.39	\$5.83	2 November 2014
(13) Issued 2 November 2011	2 November 2011	31 August 2015	\$1.43	\$5.83	10 August 2014
(14) Issued 7 November 2012	7 November 2012	2 November 2017	\$1.17	\$8.97	7 November 2015
(15) Issued 7 November 2012	7 November 2012	31 August 2016	\$1.16	\$9.13	10 August 2015
(16) Issued 1 November 2013	1 November 2013	2 November 2017	\$3.14	\$14.90	7 November 2016
(17) Issued 29 October 2013	29 October 2013	31 August 2017	\$3.23	\$13.74	10 August 2016

(i) The exercise price reduced due to the acquisition of Domino's Pizza Enterprises Japan and the Capital payment.

35.3 Fair value of share options granted in the year

The weighted average fair value of the options granted during the 2014 year is \$14.40 (2013: \$1.17). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions. Expected volatility is based on the historical share price volatility since listing on 16 May 2005.

35. Share-based payments (cont'd)

Inputs into the model

	Option Series						
	Series 11	Series 12	Series 13	Series 14	Series 15	Series 16	Series 17
Grant date share price	\$3.08	\$6.82	\$6.82	\$9.10	\$9.10	\$15.28	\$14.74
Exercise price ⁽ⁱⁱ⁾	\$2.83	\$5.83	\$5.83	\$8.97	\$9.13	\$14.90	\$13.74
Expected volatility	34.04%	24.00%	24.00%	22.90%	22.90%	30.00%	30.00%
Option life years ⁽ⁱ⁾	2.34	6.01	3.77	3.90	3.31	3.42	3.42
Dividend yield	3.54%	3.08%	3.08%	2.98%	2.98%	3.23%	3.23%
Risk-free interest rate	3.07%	3.79%	3.72%	2.73%	2.73%	3.05%	2.97%

(i) This is based on a normal 365-day year.

(ii) The exercise price on issue has reduced due to the acquisition of Domino's Japan and effect of capital return in 2013.

35.4 Movement in share options in the period

The following reconciles the outstanding share options granted under the ESOP at the beginning and end of the year:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at beginning of the year	2,129,334	6.85	1,505,667	5.11
Granted during the financial year	1,056,667	14.40	916,667	9.64
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(396,000)	3.18	(293,000)	3.50
Expired during the financial year	-	-	-	-
Balance at end of the year	2,790,001	10.10	2,129,334	6.85
Exercisable at end of the year	30,000	2.83	426,000	3.21

35. Share-based payments (cont'd)

35.5 Share options exercised during the year

The following share options granted under the ESOP were exercised during the year:

2014 Option series	Number exercised	Exercise date	Share price at exercise date (\$)
(8) Issued 22 August 2007	126,000	16 August 2013	12.62
(9) Issued 1 September 2007	15,000	21 August 2013	14.09
(9) Issued 1 September 2007	15,000	29 August 2013	13.71
(11) Issued 30 April 2009	180,000	16 August 2013	12.62
(11) Issued 30 April 2009	60,000	5 November 2013	15.36
2013 Option series	Number exercised	Exercise date	Share price at exercise date (\$)
(11) Issued 30 April 2009	193,000	16 August 2012	9.70
(11) Issued 30 April 2009	100,000	14 November 2012	9.21

35.6 Share options outstanding at end of the year

2014

The share options outstanding at the end of the year consist of:

- 30,000 options with an exercise price of \$2.83, and a weighted average remaining contractual life of 0.16 years.
- 400,000 options with an exercise price of \$5.83, and a weighted average remaining contractual life of 3.34 years.
- 386,667 options with an exercise price of \$5.83, and a weighted average remaining contractual life of 1.11 years.
- 500,000 options with an exercise price of \$8.97, and a weighted average remaining contractual life of 3.34 years.
- 416,667 options with an exercise price of \$9.13, and a weighted average remaining contractual life of 2.11 years.
- 600,000 options with an exercise price of \$14.90, and a weighted average remaining contractual life of 3.34 years.
- 456,667 options with an exercise price of \$13.74, and a weighted average remaining contractual life of 3.11 years

2013

The share options outstanding at the end of the year consist of:

- 126,000 options with an exercise price of \$3.45, and a weighted average remaining contractual life of 0.16 years.
- 30,000 options with an exercise price of \$3.45, and a weighted average remaining contractual life of 0.16 years.
- 270,000 options with an exercise price of \$3.07, and a weighted average remaining contractual life of 1.16 years.
- 400,000 options with an exercise price of \$6.07, and a weighted average remaining contractual life of 4.34 years.
- 386,667 options with an exercise price of \$6.07, and a weighted average remaining contractual life of 2.11 years.
- 500,000 options with an exercise price of \$9.21, and a weighted average remaining contractual life of 4.34 years.
- 416,667 options with an exercise price of \$9.21, and a weighted average remaining contractual life of 3.11 years

36. Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated entity, is set out below:

	2014	2013
	\$	\$
Short-term employee benefits	5,736,139	3,863,304
Post-employment benefits	165,110	198,046
Other long-term employee benefits	149,517	79,694
Termination benefits	-	-
Equity settled share-based payments	1,361,525	586,161
	7,412,291	4,727,205

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Egan & Associates, an independent remuneration consultant is engaged by the Remuneration Committee to ensure that the reward practices and levels for senior management are consistent with market practice. A statement of recommendation from the remuneration consultant has been received by the board for the 2014 financial year. Payment of \$33,600 (2013: \$25,410) has been made to the remuneration consultant for the services provided on the remuneration recommendation. Additional services provided in the current year were in relation to the issuing of options under the ESOP. No other advice has been provided by the remuneration consultant for the financial year.

In order to ensure that the remuneration recommendation would be free from undue influence by members of the key management personnel to whom the recommendation relates to, the board has ensured that the remuneration consultant is not a related party to any member of the key management personnel. As such, the Board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates.

37. Related party transactions

37.1 Other related party transactions

37.1.1 Equity interests in related parties

(i) Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 17 to the financial statements.

(ii) Equity interests in other related parties

There are no equity interests in other related parties.

37.1.2 Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 36 to the financial statements.

(ii) Loans to key management personnel

There were no loans outstanding at any time during the financial year to key management personnel or to their related parties.

37. Related party transactions (cont'd)

(iii) Key management personnel equity holdings

Fully paid ordinary shares of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Received on exercise of options	Net other change	Balance at the end of financial year	Balance held nominally
	No.	No.	No.	No.	No.	No.
2014						
Ross Adler (i) (v)	202,221	-	-	30,483	232,704	-
Barry Alty (i) (vi)	104,443	-	-	(21,295)	83,148	-
Grant Bourke (i) (vii)	1,547,032	-	-	251,312	1,798,344	-
Paul Cave (i) (viii)	382,000	-	-	(12,834)	369,166	-
Don Meij (i) (ii) (ix)	2,787,556	-	-	(1,214,296)	1,573,260	-
Richard Coney (i)	719	-	-	-	719	-
Allan Collins (iv)	-	-	60,000	-	60,000	-
Andrew Megson (i)	93,079	-	-	-	93,079	-
Andrew Rennie (i) (iii)	317,713	-	306,000	115,592	739,305	-
2013						
Ross Adler (i) (x)	302,221	-	-	(100,000)	202,221	-
Barry Alty (i)	104,443	-	-	-	104,443	-
Grant Bourke (i)	1,547,032	-	-	-	1,547,032	-
Paul Cave (i)	382,000	-	-	-	382,000	-
Don Meij (i) (ii)	2,787,556	-	-	-	2,787,556	-
Richard Coney (i) (xi)	719	-	65,000	(65,000)	719	-
Andrew Megson (i) (xii)	113,079	-	-	(20,000)	93,079	-
Andrew Rennie (i) (xiii)	342,713	-	-	(25,000)	317,713	-
Andre ten Wold (xiv)	-	-	100,000	(100,000)	-	-
Craig Ryan (xv)	-	-	40,000	(40,000)	-	-
Patrick McMichael (xvi)	13,635	-	-	(13,635)	-	-

- (i) Includes shares held by their related parties.
- (ii) Don Meij's opening balance now reflects the closing balance of Kerri Hayman, who resigned 31 July 2010 and is no longer a member of key management personnel but is a related party to Mr Meij.
- (iii) On 16 August 2013, 306,000 options were exercised. On 18 September 2013, 67,707 shares were acquired through equity raising. On 19 September 2013, 67,885 shares were acquired through equity raising. On 2 March 2014, 20,000 shares were sold.
- (iv) On 5 November 2013, Allan Collins exercised 60,000 options.
- (v) On 28 August 2013, 43,962 shares were acquired through equity raising. On 24 February 2014 13,479 shares were disposed.
- (vi) On 28 August 2013, 22,705 shares were acquired through equity raising. On 4 November 2013, 30,000 shares were disposed and on 12 November 2013, 14,000 shares were disposed.
- (vii) On 18 September 2013, 336,312 shares were acquired through equity raising. On 30 October 2013, 85,000 shares were disposed.
- (viii) On 28 August 2013, 83,044 shares were acquired through equity raising. On 30 October 2013, 8,566 shares were disposed, and on 1 November 2013, 87,312 shares were disposed.
- (ix) On 28 August 2013, 180,000 shares were acquired, on 19 August 2013, 325 shares were acquired through the equity raising, and on 18 September 2013, 609 shares were acquired through the equity raising. On 16 August 2013, 400,000 shares were disposed, on 5 September 2013, 914,280 shares were disposed, on 5 November 2013, 20,000 shares were disposed, and on 17 February 2014, 50,000 shares were disposed. On 2 July 2013, 650 shares were disposed, 15 October 2013, 150 shares were disposed, 10 December 2013, 100 shares were disposed, 11 June 2014, 50 shares were disposed, and during the year, 10,000 shares were removed due to the holdings no longer being a related party.
- (x) During the year, Ross Adler sold 100,000 shares.
- (xi) On 16 August 2012, Richard Coney exercised 65,000 options and on the same day sold 65,000 shares.
- (xii) During the year, Andrew Megson sold 20,000 shares.
- (xiii) During 2013 he sold 25,000 shares.
- (xiv) On 14 November 2012, Andre ten Wolde exercised 100,000 options and on the same day sold 100,000 shares.
- (xv) On 16 August 2012, Craig Ryan exercised 40,000 options and on the same day sold 40,000 shares.
- (xvi) In FY13, Patrick McMichael sold 13,635 shares.

37. Related party transactions (cont'd)

Executive share options of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Exercised	Net other change	Balance at the end of financial year	Balance vested at the end of financial year	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2014⁽ⁱ⁾									
Don Meij	900,000	600,000	-	-	1,500,000	-	-	-	-
Richard Coney	130,000	80,000	-	-	210,000	-	-	-	-
Andrew Rennie	639,334	166,667	(306,000)	-	500,001	-	-	-	-
Allan Collins	175,000	57,500	(60,000)	-	172,500	-	-	-	-
John Harney	50,000	25,000	-	-	75,000	-	-	-	-
Craig Ryan	50,000	25,000	-	-	75,000	-	-	-	-
2013⁽ⁱⁱ⁾									
Don Meij	400,000	500,000	-	-	900,000	-	-	-	-
Richard Coney	115,000	80,000	(65,000)	-	130,000	-	-	-	-
Andrew Rennie	472,667	166,667	-	-	639,334	306,000	-	306,000	-
Melanie Gigon	15,000	-	-	-	15,000	15,000	-	15,000	-
Allan Collins	117,500	57,500	-	-	175,000	60,000	-	60,000	-
John Harney	25,000	25,000	-	-	50,000	-	-	-	-
Craig Ryan	65,000	25,000	(40,000)	-	50,000	-	-	-	-
Patrick McMichael	-	-	-	-	-	-	-	-	-
Andre ten Wolde	100,000	-	(100,000)	-	-	-	-	-	-

- (i) During the financial year, Don Meij and other executives were granted share options under the ESOP on 1 November 2013 and 29 October 2013. In addition, 366,000 options (2013: 205,000 options) were exercised by key management personnel for 366,000 ordinary shares in the Company (2013: 205,000 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end.
- (ii) During the financial year, Don Meij and other executives were granted share options under the ESOP on 7 November 2012. In addition, 205,000 options (2012: 1,135,000 options) were exercised by key management personnel for 205,000 ordinary shares in the Company (2012: 1,135,000 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end.

37. Related party transactions (cont'd)

All executive share options issued to the directors and key management personnel were made in accordance with the provisions of the ESOP. Each share option converts on exercise to one ordinary share of Domino's Pizza Enterprises Limited. No amounts are paid or payable by the recipient on receipt of the option.

Further details of the ESOP are contained in note 35 to the financial statements.

(iv) Other transactions with directors of the Consolidated entity

During the financial year, directors and their related parties purchased goods, which were domestic or trivial in nature, from the Company on the same terms and conditions available to employees and customers.

(v) Transactions with key management personnel of Domino's Pizza Enterprises Limited

During the financial year, key management personnel and their related parties purchased goods, which were domestic or trivial in nature, from the Company on the same terms and conditions available to employees and customers.

(vi) Transactions with other related parties

Other related parties include:

- associates;
- directors of related parties and their director-related entities; and
- other related parties.

Where applicable, details of dividend and interest revenue from other related parties are disclosed in note 7 to the financial statements.

37. Related party transactions (cont'd)

(vii) Transactions within the wholly-owned group

The wholly-owned-group includes:

- the ultimate parent entity in the wholly-owned group;
- wholly-owned controlled entities; and
- other entities in the wholly-owned group.

The wholly-owned Australian entities within the Consolidated entity are taxed as a single entity effective from 1 July 2003. The entities in the tax-consolidated group have not entered into a tax sharing agreement or tax funding agreement. Income tax liabilities payable to the taxation authorities in respect of the tax-consolidated group are recognised in the financial statements of the parent entity. Refer to note 17 to the financial statements for members of the tax-consolidated group.

The Company provided accounting, marketing, legal and administration services to entities in the wholly-owned group during the financial year. The Company also paid costs on behalf of entities in the wholly-owned group and subsequently on-charged these amounts to them.

During the financial year, Domino's Pizza New Zealand Limited provided management, franchisee and store development services to the Company. Domino's Pizza New Zealand Limited also collected debtor receipts on behalf of the Company.

During the financial year, services were provided by:

- Domino's Pizza Enterprises Limited to Domino's Pizza France S.A.S. and Domino's Pizza Netherlands B.V.;
- Domino's Pizza Enterprises Limited to Domino's Pizza Japan;
- DPEU Holdings S.A.S. to Domino's Pizza France S.A.S.;
- Domino's Pizza Belgium S.P.R.L. to Domino's Pizza France S.A.S.; and
- Domino's Pizza Netherlands B.V. to Domino's Pizza France S.A.S.

in accordance with the Service Agreements and accordingly arm's length fees were charged.

In the current financial year, current combined target returns were achieved by Domino's Pizza France S.A.S. and Domino's Pizza Netherlands B.V.. Accordingly, Domino's Pizza Enterprises Limited charged a DPI royalty.

Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- advancement of loans;
- sale of plant & equipment;
- royalty fees;
- administration recharges;
- interest charges; and
- withholding tax payments.

(viii) Parent entities

The parent entity and the ultimate parent entity in the Consolidated entity is Domino's Pizza Enterprises Limited.

38. Acquisition of businesses

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of share acquired (%)	Cost of acquisition in 2014 \$'000	Cost of acquisition in 2013 \$'000
Acquisition of stores					
<i>During the year: Significant contract acquisitions for Australia and New Zealand</i>					
2014					
7 Australian stores	Pizza stores	July 2013	100%	3,622	-
3 Australian stores	Pizza stores	August 2013	100%	1,036	-
9 New Zealand stores	Pizza stores	December 2013	100%	1,432	-
2013					
4 Australian stores	Pizza stores	November 2012	100%	-	833
15 Australian Stores	Pizza stores	April 2013	100%	-	10,000
<i>During the year: Significant contract acquisitions for Europe</i>					
2013					
8 European stores	Pizza stores	July 2012	100%	-	2,209
<i>During the year: Other store acquisitions</i>					
2014					
12 stores in aggregate (AU)	Pizza stores	July - June 2014	100%	5,228	-
6 Japan stores (JPY)	Pizza stores	July - June 2014	100%	808	-
2 stores in aggregate (EU)	Pizza stores	July - June 2014	100%	115	-
2013					
10 stores in aggregate (AU)	Pizza stores	July - June 2013	100%	-	2,678
1 New Zealand store (NZD)	Pizza store	Jun-13	100%	-	504
11 stores in aggregate (EU)	Pizza stores	July - June 2013	100%	-	2,883
Total store acquisitions during full year ended				12,241	19,107

The above acquisitions relate to stores purchased for the purpose of expanding the operations.

Goodwill arising on acquisitions in Europe is expected to be deductible for tax purposes. For the other jurisdictions, Goodwill arising on acquisitions is not deductible for tax purposes.

38. Acquisition of businesses (cont'd)

The cost of acquisitions comprise cash for all of the acquisitions. In each acquisition, the Consolidated entity has paid a premium for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations.

	Fair value on acquisition	
	2014 \$'000	2013 \$'000
Net assets acquired		
Current assets:		
Cash and cash equivalents	13	4
Inventories	89	26
	102	30
Non-current assets		
Plant & equipment	4,298	5,224
	4,298	5,224
Net assets	4,400	5,254
Goodwill on acquisition	7,841	13,853
	12,241	19,107

Goodwill arose in the business combination as the consideration paid included a premium. In addition, the consideration paid for the stores effectively included amounts in relation to benefits from expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

39. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2014 \$'000	2013 \$'000
Cash and cash equivalents	42,283	18,691
	42,283	18,691

39. Cash and cash equivalents (cont'd)

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

	2014	2013
	\$'000	\$'000
Profit for the year	45,296	28,657
(Gain)/loss on sale or disposal of non-current assets	(3,647)	(2,979)
Equity settled share-based payments	1,461	635
Depreciation and amortisation	21,712	12,792
Other	(209)	(690)
	64,613	38,415
Movement in working capital:		
(Increase)/decrease in assets:		
Trade and other receivables	(3,711)	(3,751)
Inventories	(2,230)	(585)
Other current assets	(1,943)	(2,131)
Increase/(decrease) in liabilities:		
Trade and other payables	32,019	1,704
Provisions	746	606
Tax liability	2,240	(1,175)
Deferred tax balances	(1,066)	97
Net cash generated from operating activities	90,668	33,180

39.2 Businesses acquired

Acquisition of stores

During the financial year, 39 businesses were acquired in Australia, New Zealand, Japan and Europe (2013: 49 businesses). The net cash outflow on acquisition in the financial statements was \$12,241 thousand (2013: \$19,107 thousand).

39.3 Non-cash financing and investing activities

During the current financial year, the Consolidated entity acquired \$2.3 million of equipment under finance lease (2013: Nil).

40. Operating lease arrangements

40.1 Leasing arrangements

Operating leases relate to both property leases with lease terms of between five and ten years, the majority of which have an option to renew for a further five-year period, and motor vehicles with lease terms of three years. All store related operating lease contracts contain market review clauses in the event that the Consolidated entity exercises its options to renew. The Consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

40.1.1 Non-cancellable operating lease commitments

	2014 \$'000	2013 \$'000
Not longer than 1 year	35,696	19,239
Longer than 1 year and not longer than 5 years	77,410	46,260
Longer than 5 years	28,146	8,925
	141,252	74,424

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2014 \$'000	2013 \$'000
Current		
Make good (note 25)	25	25
Non-current		
Straight line leasing (note 25)	136	141
Make good (note 25)	1,402	-
	1,563	166

41. Commitments for expenditure

41.1 Capital expenditure commitments

	2014 \$'000	2013 \$'000
Plant & Equipment	862	226

41.2 Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 28 and 40 to the financial statements.

42. Contingent liabilities and contingent assets

42.1 Contingent liabilities

	2014 \$'000	2013 \$'000
Guarantees - franchisee loans and leases	5,901	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.

42 Contingent liabilities and contingent assets (cont'd)

	2014 \$'000	2013 \$'000
Guarantees – parent entity guarantee over subsidiary borrowings	7,219	7,047

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

Other

Set out below are details of significant claims against the Consolidated entity. The Company believes that no provision is required as it is not probable that a 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) against subsidiary, Domino's Pizza France (DPF) (the main claim) and seven SRP franchisees against DPF and the relevant DPF franchisees (the local claims). The allegations are that DPF and its franchisees breached French laws governing payment time limitations and lending, thereby giving DPF and its franchisees an unfair competitive advantage. SRP claimed significant damages for impediment of the development of its franchise network, lost royalty income from SRP franchisees and harm to SRP's image. DPF and its franchisees denied liability and vigorously defended the claims. On 7 July 2014 the Court handed down its decision in the main claim, as well as in five of the local claims. All of the claims of SRP and the relevant SRP franchisees were dismissed. SRP has filed an appeal to these decisions but it is not known at this time when the appeals will be heard. The two remaining local claims have yet to be heard at first instance.

43. Remuneration of auditors

	2014 \$	2013 \$
43.1 Auditor of the parent entity		
Audit or review of the consolidated financial statements	264,540	217,540
Other non audit services - due diligence	103,526	169,005
- investigating accountants	50,000	57,500
- other assurance services	9,500	-
	427,566	444,045
43.2 Network firm of parent entity auditor		
Audit of the financial statements:		
Europe	171,686	132,344
Europe Taxation services	38,382	17,612
Japan	179,642	-
Other non audit services - Japan - due diligence services	89,228	413,898
- other assurance services	2,484	-
	481,423	563,854

The auditor of Domino's Pizza Enterprises Limited is Deloitte Touche Tohmatsu.

44. Events after the reporting period

On 11 August 2014, the directors declared a final dividend for the financial year ended 29 June 2014 as set out in note 33.

Other than the matters discussed above and in note 42 relating to SRP, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect 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.

45. Parent entity information

45.1 Financial position

	2014 \$'000	2013 \$'000
Assets		
Current assets	28,862	27,514
Non-current assets	362,026	116,662
Total assets	390,888	144,176
Liabilities		
Current liabilities	28,247	38,450
Non-current liabilities	120,053	21,643
Total liabilities	148,300	60,093
Equity		
Issued capital	194,193	40,855
Retained earnings	42,370	41,112
Reserves		
Equity-settled share-based benefits	3,993	2,532
Hedging	2,032	(415)
Total equity	242,588	84,084

45.2 Financial performance

	2014 \$'000	2013 \$'000
Profit for the year	27,323	24,458
Other comprehensive income	1,759	-
Total comprehensive income	29,082	24,458

45.3 Contingent liabilities of the parent entity

Guarantees are provided to third party financial institutions in relation to franchisee loans. The amount disclosed as a contingent liability represents 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.

46. Acquisition of subsidiary

On 3 September 2013, the Consolidated entity acquired 75% of the issued share capital of DPE Japan Co. Ltd. (DPEJ), obtaining control of Domino's Pizza Japan Inc. (DPJ). DPJ is the Domino's Pizza Master Franchisee for Japan and is the third largest pizza delivery chain in Japan. This is expected to 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 acquisition was funded through both debt and capital raising.

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

46 Acquisition of subsidiary (cont'd)

	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	15,434	-	15,434
Property, plant & equipment	29,170	-	29,170
Deferred tax assets/liabilities	6,736	(14,007)	(7,271)
Identifiable intangible assets	2,975	39,300	42,275
Trade and other payables	(36,547)	-	(36,547)
Other liabilities	(9,676)	-	(9,676)
Total identifiable assets	33,110	25,293	58,403
Total consideration - DPE			250,902
Total consideration - Minority Interest			45,267
Less identifiable assets			(58,403)
Goodwill			237,766
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

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 \$2.6 million and have been included as an expense in profit or loss in the full-year within the acquisition and integration related costs. In the prior year, \$1.4 million was expensed in relation to acquisition costs, to total \$4.0 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 6.

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 \$237.8 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.

46 Acquisition of subsidiary (cont'd)

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 \$45.3 million. 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 \$49.2 million is recognised in other non-current liabilities for this put option. It has been valued by estimating the future put obligation. Refer to note 34.10 on the put option over non-controlling interest liability valuation technique.

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 6.

If the acquisition of DPJ had been completed on the first day of the financial period, the Consolidated entity revenues for the period would have been \$635.7 million and Consolidated entity profit would have been \$46.8 million. The subsidiary itself would have had revenue of \$288 million and a profit of \$11.4 million (including 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 full-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.

47. Approval of financial statements

The financial statements were approved by the Board of directors and authorised for issue on 11 August 2014.

Additional securities exchange information as at 1 August 2014

Number of holders of equity securities

Ordinary share capital

- 85,933,273 fully paid ordinary shares are held by 3,497 individual shareholders.
- All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

Options

- 2,790,001 options are held by 10 individual option holders.
- Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	Partly paid ordinary shares	Converting cumulative preference shares	Redeemable preference shares	Converting non-participating preference shares	Convertible notes	Options
100,001 and over	25	-	-	-	-	-	5
10,001 – 100,000	119	-	-	-	-	-	5
5,001 – 10,000	130	-	-	-	-	-	-
1,001 – 5,000	1,034	-	-	-	-	-	-
1 – 1,000	2,189	-	-	-	-	-	-
	3,497	-	-	-	-	-	10
Holding less than a marketable parcel	91	-	-	-	-	-	-

Substantial shareholders

Ordinary shareholders	Fully Paid		Partly Paid	
	Number	Percentage	Number	Percentage
Somad Holdings Pty Ltd	16,683,217	19.41%	-	-
FIL Investment Management (Australia) Limited and FIL Limited	12,773,827	14.86%	-	-
Hyperion Asset Management Limited	7,288,724	8.48%	-	-
	36,745,768	42.75%	-	-

Additional stock exchange information as at 1 August 2014 (cont'd)

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid		Partly Paid	
	Number	Percentage	Number	Percentage
Somad Holdings Pty Ltd	23,050,966	26.82%	-	-
J P Morgan Nominees Australia Limited	22,752,858	26.48%	-	-
HSBC Custody Nominees (Australia) Limited	10,232,240	11.91%	-	-
National Nominees Limited	6,460,403	7.52%	-	-
Citicorp Nominees Pty Limited	4,149,927	4.83%	-	-
BNP Paribas Noms Pty Ltd	3,022,006	3.52%	-	-
RBC Investor Services Australia Nominees Pty Limited	1,698,496	1.98%	-	-
Mr Donald Jeffrey Meij	1,074,868	1.25%	-	-
Mrs Esme Francesca Meij	914,280	1.06%	-	-
Mr Grant Bryce Bourke	848,523	0.99%	-	-
Mr Grant Bryce Bourke & Mrs Sandra Eileen Bourke	718,516	0.84%	-	-
Citicorp Nominees Pty Limited	560,916	0.65%	-	-
BNP Paribas Nominees Pty Ltd	411,691	0.48%	-	-
Mr Andrew Charles Rennie	373,075	0.43%	-	-
Success Pizzas Pty Ltd	360,149	0.42%	-	-
Pizza People Enterprises Pty Ltd	330,852	0.39%	-	-
Clyde Bank Holdings (Aust) Pty Ltd	308,296	0.36%	-	-
National Nominees Limited	256,890	0.30%	-	-
Mr Grant Bryce Bourke	231,305	0.27%	-	-
RBC Investor Services Australia Nominees Pty Ltd	191,649	0.22%	-	-
	77,947,906	90.71%	-	-

Glossary

ASIC means the Australian Securities & Investments Commission.

ASX means Australian Securities Exchange Limited (ABN 98 008 624 691).

Australian Store Network means the network of Corporate Stores and Franchised Stores located in Australia.

Board or **Board of Directors** or **Directors** means the Board of Directors of the Company.

CAGR means Compound Annual Growth Rate.

Capital Reduction means the selective reduction of capital described in Section 11.4 of the prospectus.

Company or Consolidated entity means Domino's Pizza Enterprises Limited (ACN 010 489 326).

Corporate Store means a Domino's Pizza store owned and operated by the Company.

Corporate Store Network means the network of Corporate Stores.

Corporations Act means the Corporations Act 2001 (Clth).

Directors means the Directors of the Company from time to time.

Director and Executive Share and Option Plan or **ESOP** means the Domino's Pizza Director and Executive Share and Option Plan summarised in note 35 to the financial statements.

Domino's means the Domino's Pizza brand and network, owned by Domino's Pizza, Inc.

Domino's Pizza means the Company and each of its subsidiaries.

Domino's Pizza Stores means Corporate Stores and Franchised Stores.

DPE Limited means Domino's Pizza Enterprises Limited (ACN 010 489 326)

Earnings Per Share or **EPS** means NPAT divided by the total number of Shares on issue.

EBIT means earnings before interest expense and tax.

EBITDA means earnings before interest expense, tax, depreciation and amortisation.

Existing Store Sales Growth means sales growth of stores that have been trading for 54 weeks or more.

European Same Store Sales Growth means comparable growth in sales across those European stores that were in operation at least 12 months prior to the date of the reported period.

Franchised Store means a pizza store owned and operated by a Franchisee and Franchise Network means the network of Franchised Stores.

Franchisees means persons and entities who hold a franchise from the Company to operate a pizza store under the terms of a sub-franchise agreement.

Listing Rules means the Listing Rules of the ASX.

Network or **Domino's Pizza Network** or **Network Stores** means the network of Corporate Stores and Franchised Stores.

Network Sales means the total sales generated by the Network.

New Zealand Network means the network of Corporate Stores and Franchised Stores located in New Zealand.

NPAT means net profit after tax.

Underlying NPAT or **Underlying EBITDA** means NPAT or EBITDA, defined above, excluding acquisition and integration costs associated with Domino's Japan, along with additional restructuring costs in Europe.

Related Bodies Corporate has the meaning given to it by section 50 of the Corporations Act.

Registry means Link Market Services Pty Limited.

Same Store Sales Growth means comparable growth in sales across those stores that were in operation at least 12 months prior to the date of the reported period.

Share means any fully paid ordinary share in the capital of the Company.

Corporate directory

Directors

Jack Cowin

Non-Executive Chairman

Jack has extensive experience in the quick restaurant service industry and is the founder and Executive Chairman of Competitive Foods Australia Pty Ltd. Competitive Foods was founded in 1969 and owns and operates over 350 Hungry Jack's fast food restaurants in Australia, while also operating several food manufacturing plants for the supermarket and food service industries. Jack holds a Bachelor of Arts from the University of Western Ontario.

Ross Adler

Non-Executive Deputy Chairman

Ross has held numerous Directorships including Non-Executive Director of the Commonwealth Bank of Australia from 1991 to 2004 and Director of Telstra from 1995 to 2001. His other appointments include Chief Executive Officer of Santos Limited from 1984 to 2000 and Chairman of AUSTRADE from 2001 to 2006. Ross is currently Executive Chairman of Amtrade International Pty Ltd and holds a Bachelor of Commerce from Melbourne University as well as an MBA from Columbia University.

Barry Alty

Non-Executive Director

Barry has over 48 years' experience in the retail industry. He has worked with a number of leading retailers including Woolworths and Foodland. His senior management roles include Managing Director for Foodland in 1994 and General Manager for Queensland Independent Wholesalers in 1987. Barry has also held various other industry consulting appointments in Queensland and Papua New Guinea.

Grant Bourke

Non-Executive Director

Grant joined Domino's Pizza in 1993 as a franchisee and in 2001 sold his eight stores to Domino's Pizza. In 2001, Grant became a Director for Domino's Pizza and from 2001 to 2004 he managed the Company's Corporate Store Operations. In July 2006, Grant was appointed Managing Director, Europe. Grant has been a Non-Executive Director since September 2007. Grant holds a Bachelor of Science (Food Technology) from the University of NSW and an MBA from The University of Newcastle.

Paul Cave

Non-Executive Director

Paul is the Chairman and Founder of BridgeClimb, which he started in 1998. Paul and the BridgeClimb business have been highly recognised by the tourism and business community in Australia. Made a Member of the Order of Australia, in the Queen's Birthday Honours 2010, for his services to the tourism industry. Awarded the National Entrepreneur of the Year (Business Award) in 2001, and the Australian Export Heroes Award in 2002-03. Worked in marketing and general management roles for B&D Roll-A-Door and also founded the Amber Group in 1974, which he sold in 1996. Director of Chris O'Brien Lifehouse at RPA, and founding Director of InterRisk Australia Pty Ltd. Paul holds a Bachelor of Commerce from the University of NSW.

Don Meij

Chief Executive Officer / Managing Director

Don started as a delivery driver in 1987 and held various management positions with Silvio's Dial-a-Pizza and Domino's Pizza until 1996. Don then became a Domino's Pizza franchisee, owning and operating 17 stores before selling them to Domino's Pizza in 2001. At that time, Don became Chief Operating Officer and Chief Executive Officer / Managing Director in 2002. Don was Ernst & Young's Australian Young Entrepreneur of the Year in 2004.

Company Secretary

Mr C.A. Ryan BA LLB LLM AGIS

Registered office

Domino's Pizza Enterprises Ltd

ABN 16 010 489 326

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485 Kingsford Smith Drive
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Principal administration office

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Auditors

Deloitte Touche Tohmatsu

Level 25, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Solicitors

Thomson Geer Lawyers

Level 16, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

DLA Piper Australia

Level 28, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Share registry

Link Market Services Limited

Level 15, 324 Queen Street
Brisbane QLD 4000
Tel: 1300 554 474 (in Australia)
Tel: +61 (0) 2 8280 7111 (overseas)

Securities Exchange

Domino's Pizza Enterprises Limited shares are listed on the Australian Securities Exchange

ASX Code

DMP

Website Address

dominos.com.au