



DOMINO'S PIZZA ENTERPRISES LIMITED

ANNUAL REPORT

FINANCIAL YEAR ENDED 3 JULY 2016



GROUP HIGHLIGHTS

	UNDERLYING 2013 \$ MIL	UNDERLYING 2014 \$ MIL	2015 \$ MIL	UNDERLYING 2016 \$ MIL	+ / (-) 2015 UNDERLYING
Network Sales	848.6	1,249.3	1,479.8	1,964.1	32.7%
Revenue	294.9	588.7	702.4	930.2	32.4%
EBITDA	55.9	95.1	127.8	180.0	40.9%
Depreciation & amortisation	(12.8)	(21.7)	(27.5)	(36.4)	32.6%
EBIT	43.1	73.4	100.3	143.6	43.1%
Interest	(0.4)	(2.5)	(2.5)	(3.3)	34.5%
NPBT	42.7	70.9	97.8	140.3	43.4%
Tax	(12.3)	(22.2)	(29.4)	(42.6)	44.7%
NPAT BEFORE MINORITY INTEREST	30.4	48.7	68.4	97.7	42.8%
Minority Interest	0.0	(3.0)	(4.4)	(5.7)	
NPAT	30.4	45.8	64.0	92.0	43.6%
Earnings per Share (Basic)	41.5 cps	54.6 cps	74.2 cps	105.4 cps	41.9%
Dividends per Share	30.9 cps	36.7 cps	51.8 cps	73.5 cps	41.9%

KEY OPERATING DATA

Network Sales Growth %	5.4%	47.2%	18.5%	32.7%
Revenue Growth %	11.3%	99.6%	19.3%	32.4%
EBITDA Growth %	16.2%	70.1%	34.4%	40.9%
EBITDA Margin %	19.0%	16.2%	18.2%	19.3%
EBIT Margin %	14.6%	12.5%	14.3%	15.4%
Franchised stores	831	974	1117	1535
Corporate stores	139	359	389	448
Total network stores	970	1333	1506	1983
Corporate store %	14.3%	26.9%	25.8%	22.6%

The above table has not been audited. Underlying profit is the Statutory profit contained in the Appendix 4E of the Domino's FY16, FY14 and FY13 Annual Report adjusted for significant items specific to the Financial Years. We note that the above 2015 figures have not been adjusted for any significant charges and therefore equals the statutory result.

CORPORATE GOVERNANCE STATEMENT

OVERVIEW

Corporate Governance is an important matter to Domino's Pizza Enterprises Limited ("DPE Limited", "Consolidated entity" or the "Company") and the Board of Directors (the "Board"). The Board endorses the 3rd edition of the Australian Securities Exchange ("ASX") Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 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	A listed entity should disclose: <ul style="list-style-type: none"> the respective roles and responsibilities of its board and management; and those matters expressly reserved to the board and those delegated to management. 	Yes. Refer to page 7	Not applicable
1.2	A listed entity should: <ul style="list-style-type: none"> undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Yes. Refer to page 8-9	Not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes. Refer to page 8	Not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes. Refer to page 7-8	Not applicable
1.5	A listed entity should: <ul style="list-style-type: none"> have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; disclose that policy or a summary of it; and disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	Yes. Refer to page 11-12	Not applicable
1.6	A listed entity should: <ul style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes. Refer to page 11	Not applicable
1.7	A listed entity should: <ul style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes. Refer to page 11	Not applicable

CORPORATE GOVERNANCE STATEMENT

continued

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
Principle 2 – Structure the Board to add value			
2.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a nomination committee which: <ul style="list-style-type: none"> - has at least three members, a majority of whom are independent directors; and - is chaired by an independent director, • and disclose: <ul style="list-style-type: none"> - the charter of the committee; - the members of the committee; and - as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>The Company is currently in compliance with this recommendation.</p> <p>Refer to pages 9-10</p>	Not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>Yes.</p> <p>Refer to page 8</p>	Not applicable
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> • the names of the directors considered by the board to be independent directors; • if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles, however the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and • the length of service of each director. 	<p>Yes.</p> <p>Refer to page 8, 9 and 14</p>	Not applicable
2.4	A majority of the board of a listed entity should be independent directors.	<p>Yes. Refer to page 8</p>	Not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>Mr Cowin, a non-independent director chairs the board.</p> <p>Refer to page 8</p>	<p>The benefits of Mr Cowin's extensive food retailing and corporate governance experience outweighed the disadvantages of any lack of independence –Refer to page 7</p>
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>Yes.</p> <p>Refer to page 8</p>	Not applicable
Principle 3 – Promote ethical and responsible decision-making			
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> • have a code of conduct for its directors, senior executives and employees; and • disclose that code or a summary of it. 	<p>Yes.</p> <p>Refer to page 10-11</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

continued

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
Principle 4 – Safeguard integrity in financial reporting			
4.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have an audit committee which: <ul style="list-style-type: none"> - has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and - is chaired by an independent director, who is not the chair of the board, • and disclose: <ul style="list-style-type: none"> - the charter of the committee; - the relevant qualifications and experience of the members of the committee; and - in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<p>Yes. Refer to page 10</p>	Not applicable
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>Yes. The Board has received the declaration</p>	Not applicable
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>Yes. Refer to page 13</p>	Not applicable
Principle 5 – Make timely and balanced disclosure			
5.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> • have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and • disclose that policy or a summary of it 	<p>Yes. Refer to page 12</p>	Not applicable
Principle 6 – Respect the rights of shareholders			
6.1	<p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Yes. Refer to page 12-13</p>	Not applicable
6.2	<p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Yes. Refer to page 12-13</p>	Not applicable
6.3	<p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Yes. Refer to page 12-13</p>	Not applicable
6.4	<p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Yes. Refer to page 12-13</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

continued

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
Principle 7 – Recognise and manage risk			
7.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> - has at least three members, a majority of whom are independent directors; and - is chaired by an independent director, • and disclose: <ul style="list-style-type: none"> - the charter of the committee; - the members of the committee; and - as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have a risk committee or committees that satisfy above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	The audit committee performs this function, and refer to page 10 and 13	Not applicable
7.2	<p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> • review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and • disclose, in relation to each reporting period, whether such a review has taken place. 	Yes. Refer to page 10 and 13	Not applicable
7.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> • if it has an internal audit function, how the function is structured and what role it performs; or • if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	Yes. Refer to page 10	Not applicable
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes. Refer to page 16	Not applicable
Principle 8 – Remunerate fairly and responsibly			
8.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> • have a remuneration committee which: <ul style="list-style-type: none"> - has at least three members, a majority of whom are independent directors; and - is chaired by an independent director, • and disclose: <ul style="list-style-type: none"> - the charter of the committee; - the members of the committee; and - as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or • if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	Yes. Refer to pages 9 and 18-19	Not applicable
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes. Refer to pages 18-19	Not applicable
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> • have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and • disclose that policy or a summary of it. 	Yes. Refer to page 19	Not applicable

The Board has adopted a Corporate Governance Charter, a Code of Conduct for all staff, a comprehensive set of Board policies regarding: Independence and Conflicts of Interest, Risk Management, Board Performance Evaluation, Group Chief Executive Officer Performance Evaluation, Continuous Disclosure, Diversity, External Communications and Securities Trading, Investor Relations, a Nomination and Remuneration Charter 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.

ROLES OF THE BOARD, MANAGEMENT AND COMPANY SECRETARY

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 leadership and strategic direction;
- overseeing management's implementation of the Company's strategic objectives;
- approving the annual operating budget;
- appointing the chair a deputy chair (or a senior independent director);
- appointing and appraising, and where necessary, replacing the Managing Director/ Group Chief Executive Officer and other senior executives;
- 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 integrity of the Company's accounting and corporate reporting systems, including the external audit;
- 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 Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;
- ensuring that the market and shareholders are fully informed of all material developments concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; 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 Group Chief Executive Officer and, through the Group Chief Executive Officer, to management of the Company.

Management

Management is specifically responsible for:

- implementing the strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day to day running of the Company; and
- Providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Company Secretary

The Company Secretary is responsible for:

- advising the Board and its committee members on governance matters;
- monitoring that board and committee policies and procedures are followed;
- co-ordinating the timely completion and despatch of board and committee papers;
- ensuring that the business at board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

The Company Secretary is accountable directly to the Board, through the Chair. Each director is able to communicate directly with the Company Secretary and vice versa.

CORPORATE GOVERNANCE STATEMENT

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Letters of appointment

Non-executive directors receive formal letters of appointment setting out the key terms, conditions, the term of appointment, time commitment, special duties, remuneration, superannuation entitlement, the requirement to disclose the directors' interests and matter affecting independence, requirement to comply with key corporate policies, the Company's policy on when directors may seek independent professional advice, circumstances in which the director's office becomes vacant, indemnity and insurance arrangements, ongoing right of access to corporate information, ongoing confidentiality obligations and expectations of their appointment.

Executive directors and senior executives are engaged under written employment agreements setting out the terms as outlined above and their roles and responsibilities, the person or body to whom they report, the circumstances in which their service may be terminated and termination entitlements.

Board and Committee Meetings

The Board held 12 formal meetings during the year. Attendance at the 2016 Board and Committee meetings is detailed on page 17 of the Annual Report.

BOARD SKILLS MATRIX

Collectively, the Board has an extensive range of commercial skills and other relevant experience which are vital for the effective management of the business. Board members, including some who are also directors of other ASX-listed companies, together have a combination of experience in the following areas:

- retail and food sectors
- corporate and business strategy
- business growth and development, both organically and by acquisition
- international business
- product development, sales and marketing
- corporate governance and executive leadership
- corporate finance

The Board considers that its current members have an appropriate mix of skills that enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives.

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. The Company will undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Board has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

STRUCTURE OF THE BOARD

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

- one non-executive director (Chairman); one executive director (Managing Director); and
- four independent non-executive directors.

The qualifications, skills, experience and dates of appointment of each Board member are detailed on the Corporate Directory page of the Annual Report. The compensation paid to DPE Limited's directors for the year ended 03 July 2016 is set out in the Remuneration Report on pages 18 to 27.

Independence of Directors

The Board has adopted a definition of independence based on that set out in Box 2.3 of the ASX Principles.

The Board comprises a majority of independent non-executive directors who 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 Nominations and Remuneration Committee will assess annually the 'independence' of each director in light of the ASX Principles.

The Board is cognisant of the need to monitor the effect of length of tenure on a director's actual or perceived independence. However, the Board does not believe that it should establish an arbitrary limit on tenure.

In assessing the independence of Mr Ross Adler, Mr Paul Cave and Mr Grant Bourke, the Board (without any of those directors present) considered whether their tenure had impacted on their independence. It was determined that each of those directors remained able to bring an independent mind to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. The valuable contribution of each director based on their expertise, judgement, industry knowledge and understanding of the Company's operations was also noted and considered a significant asset of the Board. Accordingly, each of Messrs Adler, Cave and Bourke have been assessed as independent.

Mr Jack 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.

The Board has appointed independent director, Mr Ross Adler, as the Deputy Chairman, who can fulfil the role of chairman whenever Mr Cowin is conflicted.

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'S ACCESS TO INFORMATION

All Directors have unrestricted access to the Company Secretary. Directors may meet independently with management at any time to discuss areas of interest or concern.

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.

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 a Nomination and Remuneration Committee, which comprises each of the directors except the Managing Director. The majority of the Committee are independent directors.

Committee Charter

The Committee has a Charter to govern its operations – see <http://www.dominos.com.au/corporate/investors>. The Charter is reviewed every two years, and, if appropriate, updated by the Board on recommendation from the Committee.

Membership of the Committee

Committee members are appointed by the Board. The members of the Committee are Messrs Cowin, Adler, Cave, Bourke and Ms O'Grady. The chair is held by Mr Bourke, an independent director. Details of the qualifications and experience of the members and their attendance at Committee meetings during the reporting period are detailed in the Directors' Report and Corporate Directory.

Purpose of the Committee

The purpose of the committee is to review, evaluate and make recommendations to the Board in relation to the selection, appointment and remuneration practices of the Company.

Duties and Responsibilities of the Committee

The principal responsibilities of the Committee are:

In relation to nominations:

- Board succession planning generally
- induction and continuing professional development
- development and implementation of a process for evaluating the performance of the board, its committee and directors
- the process of recruiting a new director
- the appointment and re-election of directors
- succession planning of Group CEO and other senior executive
- set out the committee's role and powers
- In relation to remuneration, to review and make recommendations to the Board in relation to:
 - The remuneration framework for directors, including the process by which any pool of director's fees approved by security holders is allocated to directors
 - The remuneration packages to be awarded to senior executive and other employees
 - Equity-based remuneration plans for senior executive and other employees
 - Superannuation arrangements for directors, senior executives and other employees
 - Whether there is any gender or other inappropriate bias in remuneration for directors, senior executives or other employees.

Each member of the Committee has the right to seek advice from external consultants or specialists.

CORPORATE GOVERNANCE STATEMENT

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AUDIT COMMITTEE

DPE Limited has a Board convened Audit Committee which is comprised of:

- at least three members;
- 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 – see <http://www.dominos.com.au/corporate/investors>. 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. The members of the Committee are Messrs Adler, Cave, and Bourke. The chair is Mr Adler, an independent director. Particulars of their qualifications and experience are set out in the Corporate Directory section of the Annual Report.

Membership of the Committee, details of their qualifications and experience and their attendance at Committee meetings during the reporting period are detailed in the Directors' Report on page 17.

Purpose of the Committee

The purpose of the Audit Committee is to review and make recommendations to the Board in relation to:

- 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.

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.

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 and has the power to seek advice from external consultants or specialists where the committee believes it is appropriate.

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.

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

The sign-off required from the Group Chief Executive Officer ("Group CEO") and the Group Chief Financial Officer ("Group CFO") that DPE Limited's financial statements present a true and fair view of DPE Limited's financial position and performance 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 2016 Committee meetings are detailed in the Directors' Report on page 17.

ETHICAL VALUES

The Board has a Code of Conduct which sets the standards to which each director executive and employee will adhere whilst conducting their duties. The Code requires directors, executives and employees, amongst other things, to:

- act honestly, in good faith and in the best interests of the Company as a whole;
- act with high standards of personal integrity;
- comply with the laws and regulations that apply to the Company and its operations;
- not knowingly participate in any illegal or unethical activity;
- not enter into any arrangements or participate in any activity that would conflict with the Company's best interests or that would be likely to negatively affect the Company's reputation;
- not take advantage of the property or information of the Company or its customers for personal gain or to cause detriment to the Company or its customers; and
- not take advantage of their position or the opportunities arising therefrom for personal gain.

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.

BOARD AND BOARD COMMITTEE AND SENIOR EXECUTIVE PERFORMANCE EVALUATION

A formal review of Board, individual director and Committee performance is undertaken annually by the Chairman. The Deputy Chairman undertakes an annual performance evaluation of the Chairman. All reviews include open discussions by the Board of the results of the evaluations.

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

Performance evaluations of the Board, each director, the Board Committees and senior executives (including the Group CEO) have occurred in the reporting period in accordance with the procedures described above. No governance changes arose from the evaluations.

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 2016 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 03 July 2016, 45% 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 03 July 2016, 52% of the in-store staff were women, 12% of delivery drivers were women and 12% of our e-bike riders 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 03 July 2016, the following proportions of women are in management: <ul style="list-style-type: none"> • State Managers – 33%; • Regional Managers – 29%; and • Store Managers – 18%
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 03 July 2016, 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 2016:

ROLE	WOMEN (%)
Non-executive directors	20%
Leadership team members	8%
Other	30%
Total in the whole organisation	30%

The members of the Leadership teams comprise the senior executives at Group level and at in each of the Company's markets, who are responsible for the key functions in those markets including finance, marketing, information technology, human resources, corporate, operations and business development.

The Company understands that diversity is a larger dimension than just gender and includes matters of age, disability, ethnicity, material or family status, religious or cultural background. The Company ensures that the recruitment and selection practices (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.

CORPORATE GOVERNANCE STATEMENT

continued

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 2016 report to the Workplace Gender Equality Agency. A copy of this report can be found in the Investors section of the Company's website <http://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 Group CEO and Group CFO in relation to continuous disclosure matters. The Company Secretary and Group 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 Group 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;
- The AGM. DPE Limited encourages shareholders to attend and participate in DPE Limited's AGM to canvass relevant issues of interest by scheduling the AGM at an appropriate time and CBD location. If shareholders are unable to attend the AGM personally, they are encouraged to participate through the appointment of a proxy or proxies;
- Its investor relations program which is designed to facilitate effective two-way communication with investors; and
- The Company's website.

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 a framework for 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 adopts a framework which adheres 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 Group 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 Group CEO and the Group 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 and as such has been undertaken during this reporting period.

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 formal assurance from the Group CEO and the Group CFO in the declaration provided in accordance with section 295A of the Corporations Act that the financial statements give a true and fair view of the financial position and performance of the Company.

ASX Corporate Governance Recommendations

At the date of this report the Company considers that the above Corporate Governance practices comply with the ASX Principles, except for the independence of the Chairman. The information required to be disclosed by those recommendations is found both in this Corporate Governance Statement and in the Directors' Report on pages 14 to 27.

DIRECTORS' REPORT

The directors of Domino's Pizza Enterprises Limited ("DPE Limited", or the "Company") submit herewith the annual financial report of the Company and its controlled entities ("Consolidated entity") for the financial year ended 03 July 2016. 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:

NAME	POSITION	
Jack Cowin	Non-Executive Chairman	Appointed 20 March 2014
Ross Adler	Non-Executive Deputy Chairman	Appointed 23 March 2005
Grant Bourke	Non-Executive Director	Appointed 24 August 2001
Paul Cave	Non-Executive Director	Appointed 23 March 2005
Lynda O'Grady	Non-Executive Director	Appointed 16 April 2015
Don Meij	Managing Director/Group Chief Executive Officer	Appointed 24 August 2001

Directorships of other listed companies

Mr Jack Cowin is currently a director of Ten Network Holdings, Fairfax Media Limited and Chandler Macleod Group Ltd. Mr Grant Bourke is currently a director of Pacific Smiles Group Limited. Paul Cave is currently a director and chairman of Lovisa Holdings Limited. 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	205,796	-	-
Grant Bourke	1,798,344	-	-
Paul Cave	369,166	-	-
Lynda O'Grady	2,000	-	-
Don Meij	2,138,360	1,200,000	-

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 18 to 27.

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 703,500 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
Don Meij	300,000	DPE Limited	1,200,000
Richard Coney	54,000	DPE Limited	188,000
Andrew Rennie	150,000	DPE Limited	633,334
Scott Oelkers	60,000	DPE Limited	60,000
Nick Knight	47,000	DPE Limited	114,000
Allan Collins	38,500	DPE Limited	134,500
John Harney	27,000	DPE Limited	79,000
Wayne McMahon	27,000	DPE Limited	94,000
Craig Ryan	27,000	DPE Limited	79,000
Andrew Megson	29,500	DPE Limited	29,500

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 20 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 Masters 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 03 July 2016 was as follows:

Profit before related income tax expense
Income tax expense
Profit after related income tax expense

2016 \$'000	2015 \$'000
125,819	97,840
(39,227)	(29,419)
86,592	68,421

The following are the key operational highlights for the year.

Consolidated entity:

The Consolidated entity achieved a statutory profit after tax (NPAT) of \$86.6 million for the year ending 03 July 2016 which represents growth from the prior year of 26.6%. This result was primarily driven by continued strong sales and new store openings across all regions. Same store sales (SSS) grew by 14.8% in ANZ and 8.2% in Europe (EU). Japan had a negative 2.1% SSS.

In ANZ, this is mainly due to effective marketing, new technologies and digital innovation. In EU, the growth is attributable to continued economies of scales, targeted promotional marketing and integration of quicker and easier order platforms. Japan profitability was resilient, despite the challenging economic environment.

The Consolidated entity's NPAT was impacted by one-off significant charges totalling \$12.7 million, pre-tax, relating to the acquisition of Joey's Pizza, Domino's Germany and Pizza Sprint, as well as one-off redundancy costs incurred as a result of relocating the Paris Commissary.

Cash flows from operating activities have increased by \$22.4m or 21.2% from FY15, due to increased revenue across all regions. 182 new stores were opened during year in existing regions and an additional 302 were acquired through the successful acquisition of Joey's Pizza, Domino's Germany and Pizza Sprint. This has resulted in a total network store count of 714 in ANZ, 816 in Europe and 453 in Japan as at 03 July 2016 (including 7 store closures).

Australia and New Zealand:

ANZ achieved EBITDA of \$91.6 million which represents an increase of 27.9% from prior year. Revenue increased by 23.6% which was driven by SSS growth of 14.8% for the year. Highlights for the ANZ market, included operational initiatives that focussed on preparation and delivery time through the Company's pursuit of project 3-10 (pick up order completed in 5 minutes and delivery in under 10 minutes) to provide a hotter-fresher pizza to customers.

There was an increased focus on product, including the successful campaign "More Than Just Pizza", reminding customers of the wider range of products and technology offered.

Digital innovation included launching DPE's first ever technology series "Abacus" to showcase our digital development. Other digital innovations included launching "On-time Cooking", which enables our pick-up customers to always receive hotter, fresher, pizzas. The new 15/20-minute service guarantee technology was developed to offer customers faster and safer deliveries.

ANZ unveiled DRU (Domino's robotic unit) during the year, undertaking customer trials to make improvements and working with relevant regulators.

ANZ opened 49 new stores in the ANZ network and achieved record sales weeks across 576 stores.

Europe

Europe EBITDA increased by 53.5% and revenue increased by 52.4%, compared with FY15, while underlying EBITDA increased by 122.8%. This was driven by strong SSS of 8.2% for the year, the opening of 64 new organic stores, 302 acquired stores and continuing economies of scale, as the Company's footprint into Europe expands.

Online sales continue to break records in all three countries, with the Netherlands achieving 73% of sales from online sale orders. The record online sale orders were achieved through the use of targeted online specific promotions, the introduction of Domino's Live Pizza Tracker via the Apple Watch and the launch of OneDigital in the Netherlands. The Netherlands implemented the GPS Driver Tracker and new digital payment methods offered to customers.

Further contributors to the strong SSS include product innovations such as specialty pizzas and a wider range of chicken and desserts being offered in the acquired German Stores.

Japan

Japan EBITDA increased by 25.5% and revenue rose by 27.7%, compared with FY15. Contributing towards the increase in revenue were the opening of 69 new store as well as the benefit from a stronger exchange rate. Franchised stores now comprise 29% of the network, up from 17% at the time of the DPE acquisition (September 2013) and 26% at the end of FY15. Stores were opened in five new markets during the fiscal year and continue to relocate stores to pick-up friendly locations and remodel existing stores, which further assisted in profit growth.

This year Japan saw the highest carry-out sales percentage in DPJ history and the launch of the new Mugen 3.0 store design, featuring a face-to-face transparent makeline rolled out across 73 stores to date.

Changes in state of affairs

On 26 January 2016, the Consolidated entity acquired 100% interest of Sprint Pizza. Pizza Sprint is a chain of 89 pizza stores in France, comprising 12 corporate stores and 77 franchise stores. This acquisition is expected to reinforce DPE's position as the largest pizza chain in the French market.

On 2 February 2016, the Consolidated entity through its 66.7% controlled joint venture company Daytona JV (UK) Limited (Daytona) acquired 100% of the issued share capital of interest in Joey's Pizza (Joey's Pizza). Joey's Pizza is the largest pizza chain in Germany with a store network of 212 stores, comprising 209 franchise stores and 3 corporate owned stores. This is expected to provide the Consolidated entity with substantial growth into the future.

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.

DIRECTORS' REPORT

continued

Future developments

In ANZ, we will be unveiling our biggest menu launch since 2008 and driving product innovation through the introduction of new food categories and delivering a menu, free of preservatives and artificial colouring. Further development of DRU (Domino's automated robotic unit) and the launch of "Zero Click" ordering will continue to drive our digital innovation allowing for continued focus on maximising online sales and sustained increase in our network of stores.

We have upgraded our future store network guidance in ANZ to 1,200 stores by 2025, up from 900, on the basis of continued demand.

In Europe, we will continue to focus on delivering a number of new initiatives that have been put in place to optimise logistics and drive operational efficiencies. The logistics optimization will include the opening of the new Paris (France) commissary and is expected to be the most automated Domino's commissary in the world, yielding substantial cost savings through production benefits. Operational efficiencies include the continuing rollout of the global point of sale ("POS") and "One Digital" online ordering systems in France. The GPS Driver Tracker will be fully rolled out in the Netherlands and we are expecting record organic new store growth in the FY17 year.

Joey's stores will be fully converted to Domino's by the end of the first half of the financial year and integration of OneDigital, Pizza Tracker, Apps and other DPE innovation are being rolled out in Germany. Pizza Sprint stores will be fully converted to Domino's by the end of the financial year. Converted stores are trading well above expectations and Online Order % post conversion has increased significantly. Pizza Sprint is transitioning to PULSE and leveraging DPE technology. DPE expects significant economic benefits in the future from the acquisitions, leveraging the operational and management expertise of DPE in the Netherlands, Belgium and France as well as facilities in these existing territories.

In Japan, the key areas of focus in FY17 will be the continuation of new store rollouts. Stores will also be relocated to pick up friendly locations and the new Point of sale (POS) system will be rolled out. "One Digital" online ordering system will be rolled out within FY17 and we will continue to seek further expansion opportunities into new regional markets in FY17.

Environmental and social sustainability risks

The Consolidated entity is not subject to any significant environmental regulation or mandatory emissions reporting and does not consider that it has material exposure to environmental and social sustainability risks.

To the best of the directors' knowledge the Consolidated entity complies with its obligations under environmental regulations and holds all licences required to undertake its business activities.

Dividends

In respect of the financial year ended 28 June 2015, as detailed in the Directors' Report for the financial year, a final dividend of 27.2 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 11 September 2015.

In respect of the financial year ended 03 July 2016, an interim dividend of 34.7 cents per share franked to 70% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 February 2016. The Company will be paying a final dividend of 38.8 cents per share franked to 70% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 7 September 2016.

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	166,667	Ordinary	\$9.13	31 August 2016
DPE Limited	600,000	Ordinary	\$14.90	2 November 2017
DPE Limited	456,667	Ordinary	\$13.74	31 August 2017
DPE Limited	300,000	Ordinary	\$22.89	28 October 2020
DPE Limited	319,250	Ordinary	\$22.89	31 August 2018
DPE Limited	150,000	Ordinary	\$16.52	1 August 2017
DPE Limited	50,500	Ordinary	\$22.89	1 August 2017
DPE Limited	37,100	Ordinary	\$36.31	31 August 2018
DPE Limited	300,000	Ordinary	\$40.95	28 October 2020
DPE Limited	751,750	Ordinary	\$40.95	31 August 2019

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 OF UNPAID SHARES
DPE Limited	189,167	Ordinary	\$5.83	\$nil
DPE Limited	250,000	Ordinary	\$9.13	\$nil
DPE Limited	500,000	Ordinary	\$8.97	\$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, ten board meetings, seven nomination and remuneration committee meetings and eight audit committee meetings were held.

DIRECTORS	BOARD OF DIRECTORS		NOMINATION & REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jack Cowin	12	12	5	5	-	-
Ross Adler	12	12	5	5	5	5
Grant Bourke	12	12	5	5	5	5
Paul Cave	12	11	5	5	5	5
Lynda O'Grady	12	12	5	5	-	-
Don Meij	12	12	-	-	-	-

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 30 of the Annual Report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

DIRECTORS' REPORT

continued

REMUNERATION REPORT

This Remuneration Report (Audited), which forms part of the Directors' Report, sets out information about the remuneration of the Company's directors and its senior management for the financial year ended 03 July 2016.

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:

NAME	POSITION
Jack Cowin	Non-Executive Chairman
Ross Adler	Non-Executive Deputy Chairman
Grant Bourke	Non-Executive Director
Paul Cave	Non-Executive Director
Lynda O'Grady	Non-Executive Director
Don Meij	Managing Director/ Group Chief Executive Officer (Group CEO)

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
- Andrew Rennie, Chief Executive Officer Europe and CEO France
- Scott Oelkers, President and Chief Executive Officer of Japan
- Nick Knight, Chief Executive Officer ANZ (appointed 13 July 2015)
- John Harney, Group Chief Procurement Officer
- Allan Collins, Chief Marketing Officer ANZ and Group Marketing Director
- Craig Ryan, General Counsel and Company Secretary
- Wayne McMahon, Group Chief Information Officer (appointed 16 November 2015)
- Andrew Megson, Chief Operating Officer ANZ (ceased 13 July 2015)

On 13 July 2015, Nick Knight was appointed as Chief Executive Officer ANZ, as a result of this appointment Andrew Megson ceased to meet the definition as a Key Management Personnel. On 16 November 2015 Wayne McMahon was appointed as Group Chief Information Officer.

Remuneration Policy

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.

The Board has a Nomination and Remuneration Committee. Information about this Committee is set out on page 9.

Non-executive director remuneration

Non-executive directors are remunerated by way of cash fees and superannuation contributions. The level of directors fees should reflect the time commitment and responsibilities of the role and market standards. During the reporting period, non-executive directors did not receive any performance based remuneration or equity-based remuneration. Non-executive directors are not entitled to receive any termination payments on ceasing to be a director.

Executive remuneration

The Board of Directors ("The Board"), in conjunction with its Nomination and Remuneration Committee, is responsible for approving the performance objectives and measures for the Group 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 Group CEO. The Managing Director / Group CEO is responsible for making recommendations on compensation packages applicable to the other key management personnel of the Company.

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. Executives may receive bonuses on the achievement of specific goals related to the performance of the Company (including operational results). 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.

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 for the 2016 financial year. Payment of \$36,960 (2015: \$38,220) 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 remuneration consultant is not a related party to any member of the key management personnel. As such, the Committee 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.

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/Group 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. All roles are benchmarked against comparable market data.

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 employee share options plan ("ESOP"). The quantum of STI is set as a maximum amount by the Nomination and Remuneration Committee on a yearly basis.

Short-term incentive bonus

Each year the Nomination and Remuneration Committee sets the key performance indicators ("KPI's") for the Managing Director/Group CEO and the Managing Director/Group CEO proposes 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"), Earnings before Interest and Tax ("EBIT") in local currencies, "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.

The below provides the structure of the short term incentive plan for the Managing Director / Group CEO:

- Group NPAT – budgeted and stretch targets \$
- Australia and New Zealand budgeted EBIT \$
- Europe budgeted EBIT €
- Japan budgeted EBIT ¥
- New store openings – Group target

At the end of the financial year the Nomination and Remuneration Committee and Managing Director/Group CEO assess the audited 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.

Long-term incentive

Options are issued under the ESOP, 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 22-23.

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 03 July 2016:

	03 JULY 2016 \$'000	28 JUNE 2015 \$'000	29 JUNE 2014 \$'000	30 JUNE 2013 \$'000	1 JULY 2012 \$'000
Revenue	930,218	702,437	588,673	294,890	264,887
Net profit before tax	125,819	97,840	66,560	40,765	37,644
Net profit after tax	86,592	68,421	45,296	28,657	26,936

	03 JULY 2016	28 JUNE 2015	29 JUNE 2014	30 JUNE 2013	1 JULY 2012
Share price at start of year	36.16	21.82	11.17	10.05	6.22
Share price at end of year	68.82	36.16	21.82	11.17	10.05
Interim dividend per share ⁽¹⁾	34.7 cents	24.6 cents	17.7 cents	15.5 cents	13.0 cents
Final dividend per share ⁽¹⁾	38.8 cents	27.2 cents	19.0 cents	15.4 cents	14.1 cents
Basic earnings per share	94.4 cents	74.2 cents	50.5 cents	39.1 cents	37.2 cents
Diluted earnings per share	92.2 cents	72.8 cents	49.8 cents	38.7 cents	36.7 cents

1 Interim and final dividends for the year ended 03 July 2016 are franked to 70% at 30% corporate income tax rate and prior periods interim and final dividends were franked to 100% at 30% corporate income tax rate.

Policy on hedging equity incentive schemes

Participants are not permitted, without the prior written consent of the Chairman, to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating the scheme.

DIRECTORS' REPORT

continued

Remuneration of directors and senior management

2016 ⁽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 \$	OTHER ^(iv) \$	SUPER-ANNUATION \$			OPTIONS & RIGHTS \$		
Non-executive directors										
Jack Cowin	213,077	-	4,504	-	18,701	-	-	-	236,282	-
Ross Adler	163,077	-	4,504	-	15,492	-	-	-	183,073	-
Grant Bourke	104,000	-	4,504	-	9,830	-	-	-	118,334	-
Paul Cave	96,923	-	4,504	-	9,208	-	-	-	110,635	-
Lynda O'Grady	96,923	-	4,504	-	9,208	-	-	-	110,635	-
Executive director										
Don Meij	1,010,544	765,000	4,504	-	19,679	21,659	-	2,175,919	3,997,305	54.4%
Executive officers										
Richard Coney	416,302	210,375	45,791	-	19,679	11,115	-	329,655	1,032,917	31.9%
Andrew Rennie	695,579	217,929	-	-	-	6,188	-	1,168,503	2,088,199	56.0%
Scott Oelkers	805,390	326,808	127,503	201,556	-	-	-	123,261	1,584,518	7.8%
Nick Knight ^(iv)	339,226	109,500	4,417	-	18,598	-	-	199,053	670,794	29.7%
Allan Collins	411,090	186,000	4,504	-	19,679	11,128	-	235,555	867,956	27.1%
John Harney	292,842	123,200	4,504	-	19,679	5,889	-	147,887	594,001	24.9%
Wayne McMahon ^(v)	204,123	92,120	2,858	-	12,253	-	-	110,102	421,456	26.1%
Craig Ryan	284,276	109,936	4,504	-	19,679	6,002	-	147,887	572,284	25.8%
Previous Executive Officers										
Andrew Megson ^(iv)	12,826	-	148	-	743	362	-	2,268	16,347	-
	5,146,198	2,140,868	221,253	201,556	192,428	62,343	-	4,640,090	12,604,736	36.8%

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

(ii) "Other" in short term employee benefits includes amounts relating to tax equalization.

(iii) Relates to long term employee entitlements expense.

(iv) On 13 July 2015, Nick Knight was appointed as Chief Executive Officer ANZ, as a result of this appointment Nick Knight is considered a Key Management Personnel and Andrew Megson ceased to meet this definition. The remuneration for Nick Knight and Andrew Megson is for the period the individuals were considered KMP.

(v) On 16 November 2015 Wayne McMahon was appointed as Group Chief Information Officer as a result of this appointment he meets the definition of a KMP; accordingly the remuneration in the above table is for the period Wayne McMahon is considered a KMP.

DIRECTORS' REPORT

continued

2015 ⁽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 \$	OTHER ^(v) \$	SUPER-ANNUATION \$			OPTIONS & RIGHTS \$		
Non-executive directors										
Jack Cowin	160,000	-	4,178	-	15,200	-	-	-	179,378	-
Ross Adler	160,000	-	4,178	-	15,200	-	-	-	179,378	-
Grant Bourke	80,000	-	4,178	-	7,468	-	-	-	91,646	-
Paul Cave	80,000	-	4,178	-	7,600	-	-	-	91,778	-
Lynda O'Grady ⁽ⁱⁱⁱ⁾	16,000	-	849	-	1,520	-	-	-	18,369	-
Former non-executive directors										
Barry Alty ⁽ⁱⁱⁱ⁾	30,785	-	1,389	-	2,925	-	-	-	35,098	-
Executive director										
Don Meij	892,505	765,000	4,178	-	18,783	19,125	-	1,415,766	3,115,357	45.44%
Executive officers										
Richard Coney	346,156	212,500	59,361	-	18,783	9,651	-	207,675	854,126	24.31%
Andrew Rennie	661,887	185,264	0	-	0	6,088	-	538,689	1,391,928	38.70%
Scott Oelkers	513,959	323,138	92,170	405,407	0	-	-	-	1,334,674	-
Allan Collins	371,863	113,900	4,178	-	18,783	12,687	-	150,614	672,025	22.41%
John Harney	276,845	120,000	4,178	-	18,783	37,569	-	81,454	538,829	15.12%
Craig Ryan	273,708	120,000	4,178	-	18,783	7,839	-	81,454	505,962	16.10%
Former Executive Officers										
Andrew Megson	313,436	40,500	4,178	-	18,783	4,838	-	45,913	427,648	10.74%
	4,177,144	1,880,302	191,374	405,407	162,613	97,796	-	2,521,566	9,436,197	26.72%

(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) Barry Alty ceased being a Non-Executive director on 28 October 2014 and Lynda O'Grady was appointed as a Non-Executive Director on 16 April 2015.

(iv) Nick Knight joined senior management on 13 July 2015. As this date is after the financial year end date, his remuneration is not included above.

(v) "Other" in short term employee benefits includes amounts relating to tax equalization for the period 1 January 2009 to 31 December 2013.

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.

DIRECTORS' REPORT

continued

BONUSES AND SHARE-BASED PAYMENTS GRANTED AS COMPENSATION FOR THE FINANCIAL YEAR

Bonuses

On 15 August 2016, Don Meij, Richard Coney, Andrew Rennie, Nick Knight, Scott Oelkers, Allan Collins, John Harney Wayne McMahon and Craig Ryan were granted a cash bonus for their performance during the year ended 03 July 2016. The bonus conditions were agreed by the Board during the year. The amounts were determined and approved by the Board based on a recommendation by the Nomination and Remuneration Committee.

Craig Ryan received a \$20,000 cash bonus relating to his outstanding contribution to the business in regards to the successful completion of the two European acquisitions during the year.

No other bonuses were granted during 2016.

Short-term incentive bonus

	INCLUDED IN COMPEN- SATION \$ ⁽ⁱ⁾	PERCENTAGE VESTED IN YEAR %	PERCENTAGE FORFEITED IN YEAR % ⁽ⁱⁱ⁾
Directors			
Don Meij	765,000	90	10
Key management personnel			
Richard Coney	210,375	90	10
Andrew Rennie	217,929	70	30
Scott Oelkers	326,808	90	10
Nick Knight	109,500	60	40
Allan Collins	186,000	100	-
John Harney	123,200	100	-
Wayne McMahon	92,120	70	30
Craig Ryan ⁽ⁱⁱⁱ⁾	89,936	73	27

(i) Amounts included in compensation for the financial year represent the amount that vested in the financial year based on achievement of 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.

(iii) Craig Ryan received a \$20,000 cash bonus relating to his outstanding contribution to the business in regards to the successful completion of the two European acquisitions during the year. This bonus was in addition to the STI.

Long term bonuses

There were no long term cash bonuses granted for the financial year ended 03 July 2016.

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	VESTING DATE
(15) Issued 07 November 2012	07 November 2012	31 August 2016	\$1.16	\$9.13	31 August 2015
(16) Issued 01 November 2013	01 November 2013	2 November 2017	\$3.14	\$14.90	31 August 2016
(17) Issued 29 October 2013	29 October 2013	31 August 2017	\$3.23	\$13.74	31 August 2016
(18) Issued 29 October 2014	29 October 2014	28 October 2020	\$7.16	\$22.89	1 September 2017
(19) Issued 29 October 2014	29 October 2014	31 August 2018	\$7.39	\$22.89	1 September 2017
(20) Issued 27 January 2015	27 January 2015	31 August 2020	\$10.51	\$16.52	1 September 2017
(21) Issued 03 February 2015	03 February 2015	31 August 2018	\$7.11	\$22.89	1 September 2017
(22) Issued 20 June 2015	20 June 2015	31 August 2018	\$7.03	\$36.31	1 September 2017
(23) Issued 03 September 2015	03 September 2015	31 August 2020	\$8.20	\$40.95	31 August 2018
(24) Issued 03 September 2015	03 September 2015	31 August 2019	\$8.28	\$40.95	31 August 2018

OPTIONS SERIES	PERFORMANCE CONDITIONS
(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
(18) Issued 29 October 2014	Proportion of options based on EPS growth performance
(19) Issued 29 October 2014	Proportion of options based on EPS growth performance
(20) Issued 27 January 2015	Proportion of options based on EBIT growth performance of region
(21) Issued 3 February 2015	Proportion of options based on EBIT growth performance of region
(22) Issued 20 June 2015	Proportion of options based on EBIT growth performance of region
(23) Issued 03 September 2015	Proportion of options based on EPS growth performance
(24) Issued 03 September 2015	Proportion of options based on: ANZ EPS growth performance / JPN: EBITDA growth performance / EUR: EBIT growth performance

Options and shares issued on the exercise of series (14) and (16) will be subject to an escrow period commencing on the date of issue and ending on 2 November 2016. Options and shares issued on the exercise of series (18) will be subject to an escrow period commencing on the date of issue and ending on 28 October 2019. Options and shares issued on the exercise of series (20) will be subject to an escrow period commencing on the 2 January 2014 and ending on 1 January 2019. Options and shares issued on the exercise of series (23) will be subject to an escrow period commencing on the date of issue and ending on 28 October 2019. There are no further services 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
Don Meij	500,000	500,000	\$4,485,000	\$nil
Richard Coney	80,000	80,000	\$730,400	\$nil
Andrew Rennie	166,667	166,667	\$971,669	\$nil
Allan Collins	57,500	57,500	\$524,975	\$nil
John Harney	25,000	25,000	\$228,250	\$nil
Wayne McMahon	40,000	40,000	\$365,200	\$nil
Craig Ryan	25,000	25,000	\$228,250	\$nil

DIRECTORS' REPORT

continued

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	2,460,000	19,205,000	-
Richard Coney	441,720	2,441,600	-
Andrew Rennie	1,285,500	5,883,345	-
Scott Oelkers	490,800	-	-
Nick Knight	384,460	-	-
Allan Collins	314,930	1,754,900	-
John Harney	220,860	768,250	-
Wayne McMahon	220,860	1,220,800	-
Craig Ryan	220,860	763,000	-

(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.

DIRECTORS' REPORT

continued

Fully paid ordinary shares of Domino's Pizza Enterprises Limited

	BALANCE AT BEGINNING OF FINANCIAL YEAR NO.	GRANTED AS COMPEN- SATION NO.	RECEIVED ON EXERCISE OF OPTIONS NO.	NET OTHER CHANGE NO.	BALANCE AT THE END OF FINANCIAL YEAR NO.	BALANCE HELD NOMINALLY NO.
2016						
Ross Adler	215,796	-	-	(10,000)	205,796	-
Grant Bourke	1,798,344	-	-	-	1,798,344	-
Paul Cave	369,166	-	-	-	369,166	-
Lynda O'Grady	-	-	-	2,000	2,000	-
Don Meij	1,849,506	-	500,000	(211,146)	2,138,360	-
Richard Coney	25,719	-	80,000	(80,000)	25,719	-
Andrew Rennie	689,305	-	166,667	398	856,370	-
Nick Knight	42,700	-	-	-	42,700	-
Allan Collins	117,500	-	57,500	-	175,000	-
John Harney	19,000	-	25,000	(23,850)	20,150	-
Wayne McMahon	4,390	-	40,000	-	44,390	-
Craig Ryan	285	-	25,000	(24,530)	755	-
2015						
Ross Adler	232,704	-	-	(16,908)	215,796	-
Barry Alty	83,148	-	-	(83,148)	-	-
Grant Bourke	1,798,344	-	-	-	1,798,344	-
Paul Cave	369,166	-	-	-	369,166	-
Don Meij	1,573,260	-	400,000	(123,754)	1,849,506	-
Richard Coney	719	-	50,000	(25,000)	25,719	-
Allan Collins	60,000	-	57,500	-	117,500	-
John Harney	-	-	25,000	(6,000)	19,000	-
Andrew Megson	93,079	-	-	3,500	96,579	-
Andrew Rennie	739,305	-	-	(50,000)	689,305	-
Craig Ryan	-	-	25,000	(24,715)	285	-

DIRECTORS' REPORT

continued

Executive share options of Domino's Pizza Enterprises Limited

	BALANCE AT BEGINNING OF FINANCIAL YEAR NO.	GRANTED AS COMPENSATION NO.	EXERCISED NO.	NET OTHER CHANGE NO.	BALANCE AT THE END OF FINANCIAL YEAR NO.	BALANCE VESTED AT THE END OF FINANCIAL YEAR NO.	VESTED BUT NOT EXERCISE-ABLE NO.	VESTED AND EXERCISE-ABLE NO.	OPTIONS VESTED DURING YEAR NO.
2016⁽ⁱ⁾									
Don Meij	1,400,000	300,000	(500,000)	-	1,200,000	-	-	-	500,000
Richard Coney	214,000	54,000	(80,000)	-	188,000	-	-	-	80,000
Andrew Rennie	650,001	150,000	(166,667)	-	633,334	166,667	-	166,667	166,667
Nick Knight	67,000	47,000	-	-	114,000	-	-	-	-
Scott Oelkers	-	60,000	-	-	60,000	-	-	-	-
Allan Collins	153,500	38,500	(57,500)	-	134,500	-	-	-	57,500
John Harney	77,000	27,000	(25,000)	-	79,000	-	-	-	25,000
Craig Ryan	77,000	27,000	(25,000)	-	79,000	-	-	-	25,000
Wayne McMahon	107,000	27,000	(40,000)	-	94,000	-	-	-	40,000
2015⁽ⁱⁱ⁾									
Don Meij	1,500,000	300,000	(400,000)	-	1,400,000	-	-	-	400,000
Richard Coney	210,000	54,000	(50,000)	-	214,000	-	-	-	50,000
Andrew Megson	-	29,500	-	-	29,500	-	-	-	-
Andrew Rennie	500,001	150,000	-	-	650,001	166,667	-	166,667	166,667
Allan Collins	172,500	38,500	(57,500)	-	153,500	-	-	-	57,500
John Harney	75,000	27,000	(25,000)	-	77,000	-	-	-	25,000
Craig Ryan	75,000	27,000	(25,000)	-	77,000	-	-	-	25,000

(i) During the financial year, Don Meij and other executives were granted share options under the ESOP on 3 February 2015 and September 2015. In addition, 894,167 options (2015: 557,500 options) were exercised by key management personnel for 894,167 ordinary shares in the Company (2015: 557,500 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
Don Meij	5 years	2 November 2011	12 months	12 months	Amount equal to 12 months compensation
Andrew Rennie	5 years	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
Scott Oelkers	5 years	3 September 2013	3 months	3 months	Amount equal to 3 months compensation
Nick Knight	Ongoing	1 October 2012	3 months	3 months	Amount equal to 3 months compensation
Wayne McMahon	Ongoing	23 May 2011	6 months	6 months	Amount equal to 6 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/Group 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/Group CEO and provides that the Board and Managing Director/Group 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 \$1,000,000 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.

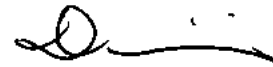
Fees for the current financial year for the non-executive directors were \$100,000 per director per annum (2015: \$80,000), Chairman of the Board was \$250,000 per annum (2015: \$160,000) and \$160,000 per annum for the Deputy Chairman, who is also the Chairman of the Audit Committee.

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, 15 August 2016



Don Meij
Managing Director/ Group Chief Executive Officer
Sydney, 15 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Domino's Pizza Enterprises Limited

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
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15 August 2016

The Directors
Domino's Pizza Enterprises Limited
Level 5, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

Dear Directors,

Domino's Pizza Enterprises Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Domino's Pizza Enterprises Limited.

As lead audit partner for the audit of the financial statements of Domino's Pizza Enterprises Limited for the period ended 3 July 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants

Deloitte.

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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 3 July 2016, 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 34 to 94.

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 - continued

Deloitte.

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 3 July 2016 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 18 to 27 of the directors' report for the period ended 3 July 2016. 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 3 July 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants
Brisbane, 15 August 2016

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/Group Chief Executive Officer
Sydney, 15 August 2016





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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 03 July 2016

	NOTE	2016 \$'000	2015 \$'000
Revenue	5	705,702	539,138
Other revenue	7	224,516	163,299
Other gains and losses	8	9,758	6,444
Food and paper expenses		(286,069)	(213,059)
Employee benefits expense	11	(217,703)	(172,112)
Plant and equipment costs		(19,225)	(18,278)
Depreciation and amortisation expense	11	(38,129)	(27,480)
Occupancy expenses		(36,683)	(27,252)
Finance costs	9	(3,297)	(2,451)
Marketing expenses		(48,251)	(43,733)
Royalties		(46,655)	(37,640)
Store related expenses		(19,785)	(16,841)
Communication expenses		(15,486)	(10,927)
Acquisition and integration related costs		(12,735)	-
Other expenses		(70,139)	(41,268)
Profit before tax		125,819	97,840
Income tax expense	10	(39,227)	(29,419)
Profit for the year from continuing operations	11	86,592	68,421
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		61,838	926
Gain/(loss) on cash flow hedges taken to equity		(5,489)	183
Gain/(loss) on net investment hedge taken to equity		(11,575)	421
Income tax relating to components of other comprehensive income		(151)	(520)
Net other other comprehensive income to be reclassified to profit or loss in subsequent periods for the period		44,623	1,010
Items not to be reclassified to profit or loss:			
Remeasurement of defined benefit obligation		(323)	104
Income tax relating to components of other comprehensive income		100	(37)
Net other other comprehensive income not to be reclassified to profit or loss in subsequent periods for the period		(223)	67
Other comprehensive income / (loss) for the year, net of tax		44,400	1,077
Total comprehensive income for the year		130,992	69,498
Profit attributable to:			
Owners of the parent		82,427	64,048
Non-controlling interests		4,165	4,373
		86,592	68,421
Total comprehensive income attributable to:			
Owners of the parent		115,517	64,843
Non-controlling interests		15,475	4,655
		130,992	69,498

Notes to the financial statements are included on pages 38-94.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 03 July 2016

	NOTE	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	39	60,334	43,174
Trade and other receivables	13	72,143	43,883
Other financial assets	14	13,117	6,812
Inventories	15	16,675	12,282
Current tax assets	10	592	295
Other assets	21	19,565	10,101
Total current assets		182,426	116,547
Non-current assets			
Other financial assets	14	40,400	31,265
Investment in joint ventures	16	2,405	1,626
Property, plant and equipment	18	188,050	121,612
Deferred tax assets	10	14,754	7,255
Goodwill	19	407,716	283,496
Other intangible assets	20	289,927	68,740
Other assets	21	50	59
Total non-current assets		943,302	514,053
Total assets		1,125,728	630,600
LIABILITIES			
Current liabilities			
Trade and other payables	22	150,665	108,826
Borrowings	23	36,285	1,920
Other financial liabilities	24	55,893	3,262
Current tax liabilities	10	13,133	12,765
Provisions	25	4,979	4,358
Total current liabilities		260,955	131,131
Non-current liabilities			
Borrowings	23	285,507	122,912
Other financial liabilities	24	121,018	54,048
Provisions	25	10,971	9,655
Deferred tax liabilities	10	52,731	7,798
Total non-current liabilities		470,227	194,413
Total liabilities		731,182	325,544
Net assets		394,546	305,056
EQUITY			
Capital and reserves			
Issued capital	29	248,554	198,291
Reserves	30	11,194	390
Retained earnings	31	134,798	106,375
Total equity		394,546	305,056

Notes to the financial statements are included on pages 38-94.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 03 July 2016

	ISSUED CAPITAL \$'000	HEDGING RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	OTHER RESERVE \$'000	RETAINED EARNINGS \$'000	MINORITY INTEREST \$'000	TOTAL \$'000
Balance at 29 June 2014	194,193	4,094	(18,015)	(831)	79,948	-	259,389
Profit for the period	-	-	-	-	64,048	4,373	68,421
Other comprehensive income	-	423	321	41	-	292	1,077
Total comprehensive income for the period	-	423	321	41	64,048	4,665	69,498
Other shares issued	3,568	-	-	-	-	-	3,568
Capital costs related to Japan acquisition	530	-	-	-	-	-	530
Share options trust	-	-	-	8,768	-	-	8,768
Recognition of share based payments	-	-	-	2,944	-	-	2,944
Non-controlling interest	-	-	-	-	-	-	-
Non-controlling interest put option adjustment	-	-	-	2,645	-	(4,665)	(2,020)
Payment of dividends	-	-	-	-	(37,621)	-	(37,621)
Balance at 28 June 2015	198,291	4,517	(17,694)	13,567	106,375	-	305,056
Balance at 28 June 2015	198,291	4,517	(17,694)	13,567	106,375	-	305,056
Profit for the period	-	-	-	-	82,427	4,165	86,592
Other comprehensive income	-	(13,298)	46,555	(168)	-	11,310	44,400
Total comprehensive income for the period	-	(13,298)	46,555	(168)	82,427	15,475	130,992
Shares issued related to Japan acquisition	-	-	-	-	-	-	-
Issue of shares to non-controlling interest	-	-	-	-	-	38,038	38,038
Issue of share capital under employee share option plan	41,433	-	-	-	-	-	41,433
Issue of share capital for acquisition of a business	8,830	-	-	-	-	-	8,830
Share options trust	-	-	-	19,894	-	-	19,894
Recognition of share based payments	-	-	-	(27,650)	-	-	(27,650)
Non-controlling interest	-	-	-	-	-	-	-
Non-controlling interest put option adjustment	-	-	-	(14,530)	-	(53,512)	(68,042)
Payment of dividends	-	-	-	-	(54,004)	-	(54,004)
Balance at 03 July 2016	248,554	(8,781)	28,861	(8,887)	134,798	-	394,546

Notes to the financial statements are included on pages 38-94.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 03 July 2016

	NOTE	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		1,021,623	780,199
Payments to suppliers and employees		(857,771)	(652,481)
Interest received		1,479	756
Interest and other costs of finance paid		(3,297)	(2,452)
Income taxes paid		(33,562)	(19,984)
Net cash generated by operating activities	39	128,472	106,038
Cash flows from investing activities			
Payments for investments and business operations, net of cash and inventory acquired	38	(17,411)	(12,168)
Net cash outflow on investment in joint ventures		(779)	(1,626)
Loans to third parties and franchisees		4,337	(3,162)
Payment for property, plant & equipment		(86,768)	(59,686)
Proceeds from sale of businesses and other non-current assets		20,849	18,851
Payments for intangible assets		(27,106)	(14,851)
Net cash outflow on acquisition of subsidiaries	46	(157,090)	-
Net cash used in investing activities		(263,968)	(72,642)
Cash flows from financing activities			
Proceeds from borrowings		201,620	27,831
Repayment of borrowings		(27,027)	(24,831)
Dividends paid		(54,004)	(37,621)
Issue of shares to non-controlling interest		22,082	-
Proceeds from issue of equity securities		7,870	3,568
Net cash generated (used in) / from financing activities		150,541	(31,053)
Net increase in cash and cash equivalents		15,045	2,343
Cash and cash equivalents at the beginning of the year		43,174	42,283
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,115	(1,452)
Cash and cash equivalents at the end of the year	39	60,334	43,174

Notes to the financial statements are included on pages 38-94.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Domino's Pizza Enterprises Limited ("DPE Limited", or the "Company") 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, Germany 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 Tel: +61 (0)7 3633 3333	KSD1, L5 485 Kingsford Smith Drive Hamilton Brisbane Queensland 4007 Tel: +61 (0)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 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Consolidated entity has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board ('AASB') that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

Standards affecting presentation and disclosure

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

AASB 2015-4 'Amendments to Accounting Standards – Financial reporting Requirements for Australian Groups with a Foreign Parent'

The amendments to AASB 128 align the relief available in AASB 10 and AASB128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

The application of these amendments does not have any material impact any material impact on the disclosures or the amounts recognised in the Consolidated entity financial statements.

There is no impact on basic and diluted earnings per share as a result of the application of the new and revised Standards.

NOTES TO THE FINANCIAL STATEMENTS

continued

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 are currently undertaking an assessment of the standards.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107'	1 January 2017	30 June 2018
Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

continued

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 53-week period ended 03 July 2016. 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 15 August 2016.

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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The principal accounting policies are set out below.

Basis of going concern

The financial statements have been prepared on the basis that the Consolidated entity will continue as a going concern. The Consolidated entity has a net current liability position of \$78.5 million at 03 July 2016 (2015: \$14.6 million) which is primarily due to the Japan non-controlling interest put / call liability of \$43.7 million being classified as current and a short term working capital facility of \$28.7 million being drawn as at 03 July 2016. The Consolidated entity will extend existing debt facilities and / or enter into new debt facilities to extinguish these liability as and when they fall due.

The directors are of the opinion that no material uncertainties exist in relation to events or conditions which cast doubt on the Consolidated entity's ability to continue as a going concern.

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.

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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

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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, 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
- assets (or disposal groups) 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.

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3.5 Investments in associates

An associate is an entity over which the Consolidated entity has significant influence. 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 and adjusted for post-acquisition changes in the Consolidated entity's share of associate. When losses of an associate exceeds 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), the Consolidated entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Consolidated entity's has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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 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.

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).

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.

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 profit and loss and other 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.

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.

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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.

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.

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.

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.

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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 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 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.

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 periods.

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. Refer to note 19 for our detailed assessment of impairment.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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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
- 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.

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 instruments 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.

3.26 Investment in Joint Ventures

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

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

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

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

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

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

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

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

3.27 Comparative information

Comparative amounts have, where necessary, been reclassified so as to be consistent with current year disclosures.

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 non-financial assets (including goodwill and indefinite life assets)

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 years and do not include restructuring activities that the Consolidated entity is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 19.

At the end of each reporting period, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether goodwill and indefinite life assets are impaired requires an estimation of the value in use as well as fair value less costs to sell of the cash-generating units to which the assets relate. 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 and indefinite life assets at the end of the reporting period was \$407,716 thousand and \$97,083 thousand respectively. Refer to note 19 and 20 for further details.

NOTES TO THE FINANCIAL STATEMENTS

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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 Master Franchise Rights & Franchise Network Assets acquired in a business combination

The Consolidated entity estimates the fair value of the Domino's German Master Franchise Rights (MFA) (refer note 20) and the Franchise Network Assets (FNAs) acquired in the Joey's Pizza and Pizza Sprint acquisitions (refer note 46). The Master Franchise Rights are valued using the Cost approach taking into account forecast EBITDA and a discount rate applied. The Franchise Network Assets are valued using a Multi-Period Excess Earnings Method income approach taking into account forecast revenue and EBITDA margin and a discount rate applied.

The fair value of both the MFA and FNAs are sensitive to the above noted inputs.

Management has determined that the MFA relating to Domino's Pizza Germany and the FNAs related to Joey's Pizza and Pizza Sprint are to be treated as indefinite life intangible assets. In addition, the same treatment has been applied to the MFA and associated franchise agreements recognised on the acquisition of Domino's Pizza Japan. This judgement is based on the sufficiency of available evidence supporting the ability of the Consolidated entity to renew the underlying agreements beyond their initial terms without incurring significant cost.

4.1.7 Put Option Liabilities

The put option associated with Domino's Pizza Japan and Domino's Pizza Germany (refer to note 46) liabilities are 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 and Germany Pizza industries and dealings with the sellers of Domino's Japan and Joey's Pizza.

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).

	2016 \$'000	2015 \$'000
Revenue from the sale of goods	688,189	527,269
Revenue from rendering of services	17,513	11,869
	705,702	539,138

NOTES TO THE FINANCIAL STATEMENTS

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

6.2 Segment revenues and results

	YEAR ENDED 03 JULY 2016				YEAR ENDED 28 JUNE 2015			
	AUSTRALIA / NEW ZEALAND \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000	AUSTRALIA / NEW ZEALAND \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000
Continuing operations								
Revenue and other revenue	267,958	260,895	401,365	930,218	216,811	171,283	314,343	702,437
EBITDA	91,640	28,085	47,520	167,245	71,623	18,295	37,853	127,771
Depreciation and amortisation	(13,150)	(10,259)	(14,720)	(38,129)	(11,797)	(6,939)	(8,744)	(27,480)
EBIT	78,490	17,826	32,800	129,116	59,826	11,356	29,109	100,291
Interest				(3,297)				(2,451)
Net profit before tax				125,819				97,840

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

Revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

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6.3 Segment assets and liabilities

Segment assets

	2016 \$'000	2015 \$'000
Australia / New Zealand	191,611	147,357
Europe	420,228	95,515
Japan	513,889	387,728
Total segment assets	1,125,728	630,600
Unallocated assets	-	-
Consolidated assets	1,125,728	630,600

Segment liabilities

	2016 \$'000	2015 \$'000
Australia / New Zealand	(203,451)	(99,532)
Europe	(285,986)	(42,492)
Japan	(241,745)	(183,520)
Total segment liabilities	(731,182)	(325,544)
Unallocated liabilities	-	-
Consolidated liabilities	(731,182)	(325,544)

Accounting Policy:

Refer to note 3.25 on the consolidated entities accounting policy on monitoring segment performance and allocation of resources between segments.

6.4 Other segment information

	DEPRECIATION AND AMORTISATION		ADDITIONS TO NON-CURRENT ASSETS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australia / New Zealand	13,151	11,797	38,630	32,660
Europe	10,258	6,939	311,842	19,982
Japan	14,720	8,744	54,790	33,344
	38,129	27,480	405,262	85,986

NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT INFORMATION (CONTINUED)

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	
	2016 \$'000	2015 \$'000
Australia / New Zealand	126,269	110,237
Europe	349,928	56,377
Japan	467,105	347,439
	943,302	514,053

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

	2016 \$'000	2015 \$'000
Interest revenue:		
Bank deposits	362	131
Other loans and receivables	1,128	631
	1,490	762
Rental revenue:		
Store asset rental revenue	5,064	3,862
Royalties	155,554	113,123
Franchise services	46,279	34,674
Other revenue	16,129	10,878
	224,516	163,299

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

	2016 \$'000	2015 \$'000
Loans and receivables (including cash and bank balances)	1,490	762
Other income earned on non-financial assets	223,026	162,537
	224,516	163,299

8. OTHER GAINS AND LOSSES

	2016 \$'000	2015 \$'000
Net gain on disposal of property, plant & equipment, goodwill and other non-current assets	9,660	6,375
Other	98	69
	9,758	6,444

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 13).

NOTES TO THE FINANCIAL STATEMENTS

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9. FINANCE COSTS

	2016 \$'000	2015 \$'000
Interest on commercial bill and loans	3,297	2,450
Interest on obligations under finance leases	-	1
	3,297	2,451

The weighted average interest rate on funds borrowed is 1.37% per annum (2015: 1.64%).

10. INCOME TAXES

10.1 Income tax recognised in profit or loss

	2016 \$'000	2015 \$'000
Tax expense comprises:		
Current tax expense in respect of the current year	28,467	29,320
Adjustments recognised in the current year in relation to the current tax of prior years	(62)	(42)
	28,405	29,278
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	10,849	482
Deferred tax expense/(income) in relation to previously unrecognised deferred tax assets	150	(341)
Deferred tax expense/(income) in relation to change in tax rate in other jurisdiction	(177)	-
Total tax expense relating to continuing operations	39,227	29,419

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

	2016 \$'000	2015 \$'000
Profit before tax from continuing operations	125,819	97,840
Income tax expense calculated at 30%	37,746	29,352
Effect of expenses that are not deductible in determining taxable profit	1,121	56
Other assessable/(deductible) amounts	156	64
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,607	1,482
Effect of tax concessions (research and development and other allowances)	(2,314)	(598)
	39,316	30,356
Adjustments recognised in the current year in relation to the deferred tax of prior years	150	(341)
Adjustments recognised in the current year in relation to the current tax of prior years	(62)	(41)
Effect of change in tax rate in other jurisdictions	(177)	(555)
Income tax expense recognised in profit or loss	39,227	29,419

The tax rate used for the 2016 and 2015 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

NOTES TO THE FINANCIAL STATEMENTS

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10. INCOME TAXES (CONTINUED)

10.2 Income tax recognised in equity

	2016 \$'000	2015 \$'000
Arising on income and expenses in other comprehensive income:		
(Gain)/Loss on cashflow hedge taken to equity	(1,879)	(56)
(Gain)/Loss on net investment hedge taken to equity	1,630	(502)
Share options trust	19,895	8,767
	19,646	8,209

10.3 Current tax assets and liabilities

	2016 \$'000	2015 \$'000
Current tax assets		
Income tax refund receivable	592	295
	592	295
Current tax liabilities		
Income tax payable	(13,133)	(12,765)
	(13,133)	(12,765)

NOTES TO THE FINANCIAL STATEMENTS

continued

10.4 Deferred tax balances

2016	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	ACQUISITIONS / DISPOSALS \$'000	EXCHANGE DIFFERENCE \$'000	CLOSING BALANCE \$'000
Temporary differences						
Property, plant & equipment	560	(2,273)	-	1,229	(379)	(863)
Intangible assets	(18,125)	(4,704)	-	(50,552)	4,419	(68,962)
Provision for employee entitlements	3,980	1,545	-	-	(684)	4,841
Other provisions	177	45	-	-	-	222
Doubtful debts	337	477	-	-	(3)	811
Other financial liabilities	588	478	(248)	-	(46)	772
Options reserve	9,804	(8,551)	19,894	-	-	21,147
Unearned income	(29)	(3)	-	-	-	(32)
Other	835	1,103	-	-	65	2,003
	(1,873)	(11,883)	19,646	(49,323)	3,372	(40,061)
Unused tax losses and credits						
Tax losses	1,330	1,033	-	-	(279)	2,084
	1,330	1,033	-	-	(279)	2,084
	(543)	(10,850)	19,646	(49,323)	3,093	(37,977)

2015	OPENING BALANCE \$'000	CHARGED TO INCOME \$'000	CHARGED TO EQUITY \$'000	ACQUISITIONS / DISPOSALS \$'000	EXCHANGE DIFFERENCE \$'000	CLOSING BALANCE \$'000
Temporary differences						
Property, plant & equipment	1,557	(985)	-	-	(12)	560
Intangible assets	(16,886)	(1,305)	-	-	66	(18,125)
Provision for employee entitlements	4,385	(389)	-	-	(16)	3,980
Other provisions	133	44	-	-	-	177
Doubtful debts	188	149	-	-	-	337
Other financial liabilities	1,195	(48)	(559)	-	-	588
Options reserve	-	1,037	8,767	-	-	9,804
Unearned income	26	(55)	-	-	-	(29)
Other	(36)	861	-	-	10	835
	(9,438)	(691)	8,208	-	48	(1,873)
Unused tax losses and credits						
Tax losses	825	505	-	-	-	1,330
	(8,613)	(186)	8,208	-	48	(543)

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

	2016 \$'000	2015 \$'000
Deferred tax assets	14,754	7,255
Deferred tax liabilities	(52,731)	(7,798)
	(37,977)	(543)

NOTES TO THE FINANCIAL STATEMENTS

continued

10. INCOME TAXES (CONTINUED)

10.5 Unrecognised deferred tax assets

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

- assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- 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 \$85,474 thousand (2015: \$49,896 thousand) 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:

	2016 \$'000	2015 \$'000
Profit from continuing operations	86,592	68,421
Profit for the year from continuing operations was arrived at after charging (crediting):		
11.1 Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	(25,414)	(18,144)
Amortisation of intangible and other assets	(12,715)	(9,336)
	(38,129)	(27,480)
11.2 Employee benefits expense		
Employee benefit expense:		
Post employment benefits:		
Defined contribution plans	(4,731)	(4,024)
Retirement benefit plans (see note 27)	(932)	(790)
Share-based payments:		
Equity settled share-based payments	(5,883)	(2,762)
Other employee benefits	(206,157)	(164,536)
Total employee benefits expense	(217,703)	(172,112)

NOTES TO THE FINANCIAL STATEMENTS

continued

12. EARNINGS PER SHARE

	2016 CENTS PER SHARE	2015 CENTS PER SHARE
Basic earnings per share	94.4	74.2
Diluted earnings per share	92.2	72.8

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:

	2016 \$'000	2015 \$'000
Profit for the year attributable to owners of the Company	82,427	64,048
Earnings used in the calculation of basic EPS from continuing operations	82,428	64,048

	2016 No.'000	2015 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	87,319	86,266

12.2 Diluted earnings per share

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

	2016 \$'000	2015 \$'000
Profit for the year attributable to owners of the Company	82,428	64,048
Earnings used in the calculation of diluted EPS from continuing operations	82,428	64,048

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:

	2016 No.'000	2015 No.'000
Weighted average number of ordinary shares used in the calculation of basic EPS	87,319	86,266
Shares deemed to be issued for no consideration in respect of:		
- Options on issue	2,083	1,654
Weighted average number of ordinary shares used in the calculation of diluted EPS (all measures)	89,402	87,920

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.

NOTES TO THE FINANCIAL STATEMENTS

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13. TRADE AND OTHER RECEIVABLES

	2016 \$'000	2015 \$'000
Trade receivables	67,419	42,547
Allowance for doubtful debts	(2,780)	(3,178)
	64,639	39,369
Other receivables	7,504	4,514
	72,143	43,883

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 \$1,142 thousand (2015: \$1,020 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

	2016 \$'000	2015 \$'000
30 - 60 days	431	74
60 - 90 days	196	138
90 days and over	515	808
Total	1,142	1,020

Movement in the allowance for doubtful debts

	2016 \$'000	2015 \$'000
Balance at the beginning of the year	3,178	2,863
Impairment losses recognised on receivables	1,106	1,540
Amounts written off as uncollectible	(907)	(821)
Amounts recovered during the year	(665)	(419)
Effect of foreign currency	68	15
Balance at the end of the year	2,780	3,178

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 \$2,780 thousand (2015: \$3,178 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.

Ageing of impaired trade receivables

	2016 \$'000	2015 \$'000
0 - 30 days	107	97
30 - 60 days	63	38
60 - 90 days	15	76
90 days and over	2,595	2,967
Total	2,780	3,178

NOTES TO THE FINANCIAL STATEMENTS

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14. OTHER FINANCIAL ASSETS

	2016 \$'000	2014 \$'000
INVESTMENTS CARRIED AT FAIR VALUE:		
Non-current		
Other	17	13
	17	13
LOANS CARRIED AT AMORTISED COST:		
Current		
Loans to franchisees ⁽ⁱ⁾	11,682	3,763
	11,682	3,763
Non-current		
Loans to franchisees ⁽ⁱ⁾	25,849	16,586
Allowance for doubtful loans	(1,445)	(949)
	24,404	15,637
FINANCIAL GUARANTEE CONTRACTS:		
Non-current		
Financial guarantee receivable	186	148
	186	148
DERIVATIVES:		
Current		
Cross currency swap	1,435	1,707
Foreign exchange forward contracts	-	1,342
	1,435	3,049
Non-current		
Cross currency swap	-	2,868
Foreign exchange forward contracts	-	3
	-	2,871
OTHER LONG TERM DEPOSITS:		
Non-current		
Long term store rental security deposits	15,793	12,596
	15,793	12,596
	53,517	38,077
Current		
	13,117	6,812
Non-current	40,400	31,265
	53,517	38,077

(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% (2015: 3%) margin in Australia and New Zealand, the average interest charged in France is 5.5% (2015: 4.1%), in The Netherlands is 7.1% (2015: 9.0%) in Germany is 4.3% and the average interest charged in Japan is 5.0% (2015: 5.0%). Included in the Consolidated entity's balance are loans to franchisees with a carrying amount of \$1,445 thousand (2015: \$949 thousand), which are past due at reporting date and the Consolidated entity has provided for these amounts. The Consolidated entity holds the respective franchisee's store assets as collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

continued

14. OTHER FINANCIAL ASSETS (CONTINUED)

	2016 \$'000	2015 \$'000
Franchisee Loans	37,531	20,349
Allowance for doubtful loans	(1,445)	(949)
	36,086	19,400

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 \$1,445 thousand (2015: \$949 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

	2016 \$'000	2015 \$'000
Amounts not yet due	36,086	19,400
	36,086	19,400

Movement in allowance for doubtful loans

	2016 \$'000	2015 \$'000
Balance at the beginning of the year	949	854
Impairment losses recognised on loans	623	108
Impairment losses reversed	(127)	(16)
Effect of foreign currency	-	3
Balance at the end of the year	1,445	949

15. INVENTORIES

	2016 \$'000	2015 \$'000
Raw materials	4,168	3,006
Finished goods	12,507	9,276
	16,675	12,282

There are no inventories (2015: \$nil) expected to be recovered after more than 12 months. Expenses relating to inventories are recorded under Food & paper expenses.

16. INVESTMENT IN JOINT VENTURE

On the 24th November 2014, the Consolidated entity acquired 50% equity of a joint venture called Stuart Preston Pty Ltd as Trustee for the Preston Holdings Family Trust / Hot Cell Pty Ltd Partnership. On the 30th March 2015, the Consolidated entity acquired 50% equity of a joint venture called Triumphant Pizza Pty Ltd / Hot Cell Partnership.

On the 4th April 2016, the consolidated equity acquired 50% equity of a joint venture called Northern Beaches Enterprises Pty Ltd as trustee for the Northern Beaches Trust/ Hot Cell Pty Ltd Partnership.

The result has not been separately presented in the consolidated statement of profit or loss and other comprehensive income due to it being below materiality.

NOTES TO THE FINANCIAL STATEMENTS

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17. SUBSIDIARIES

Details of the Company's subsidiaries at 03 July 2016 are as follows:

NAME OF ENTITY	PLACE OF INCORPORATION AND OPERATION	PORTION OF OWNERSHIP INTEREST AND VOTING POWER HELD	
		2016 %	2015 %
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.	France	100%	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 ⁽ⁱ⁾	Australia	100%	100%
DPE Japan Co., Ltd.	Japan	75%	75%
Domino's Pizza Japan, Inc.	Japan	75%	75%
K.K. DPJ Holdings 1	Japan	75%	75%
Global Mogul PTC Limited	British Virgin Islands	100%	100%
Mogul (B.V.I.) Unit Trust	British Virgin Islands	100%	100%
Domino's Pizza Enterprises Ltd Employee Share Trust	Australia	100%	100%
Daytona Holdco Limited (UK)	UK	100%	-
Daytona JV Limited (UK)	UK	67%	-
Daytona Germany HRB	Germany	67%	-
Joey's Pizza International GmbH	Germany	67%	-
Joey's Pizza Services (Deutschland) GmbH	Germany	67%	-
Agentur für Wertbung und Etatverwaltung GmbH	Germany	67%	-
Joey's Filial und Pacht GmbH	Germany	67%	-
Fra-Ma-Pizz SAS	France	100%	-
Pizza Center France SAS	France	100%	-
Emma Pizz Sarl	France	100%	-
FP Ille Et Vilaine SARL	France	100%	-
FP Nord SARL	France	100%	-
FP Sud SARL	France	100%	-
FP Centre SARL	France	100%	-
Mayenne Pizz SARL	France	100%	-
Morlaix Pizz SARL	France	100%	-
PV Pizz SARL	France	100%	-
FP Le Mans SARL	France	100%	-
FP La Chapelle SARL	France	100%	-
FP Saint Gregoire SARL	France	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.

NOTES TO THE FINANCIAL STATEMENTS

continued

18. PROPERTY, PLANT AND EQUIPMENT

	2016 \$'000	2015 \$'000
Cost	241,157	162,229
Accumulated depreciation and impairment	(53,107)	(40,617)
	188,050	121,612
Plant and equipment	177,137	115,926
Equipment under finance lease	10,913	5,686
	188,050	121,612

	PLANT & EQUIPMENT AT COST \$'000	EQUIPMENT UNDER FINANCE LEASE AT COST \$'000	TOTAL \$'000
Cost			
Balance at 29 June 2014	120,983	5,480	126,463
Additions	56,545	3,141	59,686
Disposals	(27,539)	-	(27,539)
Acquisitions through business combinations (note 38)	3,315	-	3,315
Net foreign currency exchange differences	269	35	304
Balance at 28 June 15	153,573	8,656	162,229
Additions	84,166	6,522	90,688
Acquisitions through business combinations (note 38)	4,073	-	4,073
Disposals	(36,760)	-	(36,760)
Acquisitions of subsidiaries (note 46)	1,555	-	1,555
Reclassification	(770)	-	(770)
Net foreign currency exchange differences	17,445	2,697	20,142
Balance at 03 July 2016	223,282	17,875	241,157
Accumulated depreciation and impairment			
Balance at 29 June 2014	(32,032)	(1,168)	(33,200)
Disposals	10,788	-	10,788
Depreciation expense	(16,351)	(1,793)	(18,144)
Net foreign currency exchange differences	(52)	(9)	(61)
Balance at 28 June 2015	(37,647)	(2,970)	(40,617)
Disposals	15,580	-	15,580
Depreciation expense	(22,381)	(3,033)	(25,414)
Net foreign currency exchange differences	(1,697)	(959)	(2,656)
Balance at 03 July 2016	(46,145)	(6,962)	(53,107)

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.

NOTES TO THE FINANCIAL STATEMENTS

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19. GOODWILL

	2016 \$'000	2015 \$'000
Cost	407,716	283,496
Accumulated impairment losses	-	-
	407,716	283,496
	2016 \$'000	2015 \$'000
Cost		
Balance at beginning of financial year	283,497	278,113
Additional amounts recognised from business combinations occurring during the period (note 38)	13,338	8,854
Acquired through subsidiaries (note 46)	68,264	-
Amounts disposed of during the period	(9,503)	(4,953)
Effects of foreign currency exchange differences	51,739	1,209
Other	380	273
Balance at end of financial year	407,716	283,496
	-	-
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)
- Germany (DE)

Japanese market

- Japan

The carrying amount of goodwill was allocated to the following cash-generating units:

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Australia & New Zealand		
QLD & NT	14,881	13,694
NSW	9,794	10,124
SA, WA & TAS	2,898	4,374
VIC	8,924	8,586
ACT	2,204	2,705
NZ	4,535	3,657
Europe		
FR	33,060	11,947
NL	9,362	7,912
DE	49,346	-
Japan	272,712	220,497
	407,716	283,496

NOTES TO THE FINANCIAL STATEMENTS

continued

19. GOODWILL (CONTINUED)

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 would not cause the cash-generating units carrying amount to exceed its recoverable amount.

NSW, QLD & NT, SA, WA & TAS, VIC and ACT cash-generating unit

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 cash-generating units 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 2017 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 (2015: 4.0% per annum nationally). These figures are based on management's estimate of forecast cash flow by store after considering the 2015 and 2016 financial years with the 2017 budget year. Management believes that these growth percentages are reasonable considering forecast sales growth and economies of scale. A post-tax discount rate of 8.79% 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 cash-generating unit

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 2017 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 (2015: 4.0% per annum). This figure is based on the growth in forecast average franchise weekly sales from the 2015 and 2016 financial years to the 2017 budget year. Management believes that this growth percentage is reasonable considering the sales growth that has been seen in this market during the 2016 financial year. A post-tax discount rate of 8.79% 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 cash-generating units

The recoverable amount of the cash-generating units is determined based on a value in use 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 14.4% for France/Belgium. A post-tax discount rate of 8.79% has been used for The Netherlands and a pre-tax discount rate of 12.5% 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.

The recoverable amount of the German cash-generating unit is determined based on a fair value less costs to sell model which includes future cash flows over a 5-year period based on management's expectations on the market growth rates and further investment in store rollout. A cost of equity discount rate of 10% has been applied and a compound annual growth rate of 9.3% has been used in determining the terminal value. Based on this analysis, no impairment has been identified since the acquisition.

Japanese cash-generating unit

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 cash-generating unit is determined based on a fair value less costs to sell model which includes future cash flows over a 5-year period based on management's expectations on the market growth rates and further investment in store rollout. A post-tax discount rate of 8.79% has been applied and a growth rate of 1.5% has been used in determining the terminal value. Based on this analysis, no impairment has 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 of the key assumptions would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

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20. OTHER INTANGIBLE ASSETS

	2016 \$'000	2015 \$'000
Cost	330,967	97,037
Accumulated amortisation and impairment losses	(41,040)	(28,297)
	289,927	68,740

	FINITE LIFE		INDEFINITE LIFE			TOTAL \$'000
	CAPITALISED DEVELOP- MENT \$'000	LICENCES \$'000	OTHER FINITE LIFE INTANGIBLES \$'000	OTHER INDEFINITE LIFE INTANGIBLES \$'000	FRANCHISE NETWORK ASSET \$'000	
Gross carrying amount						
Balance at 29 June 2014	36,185	11,188	-	36,310	-	83,683
Additions	3,706	2,644	-	-	-	6,350
Additions from internal developments	7,508	-	-	-	-	7,508
Disposals	(460)	(945)	-	-	-	(1,404)
Reclassification	600	-	-	-	-	600
Net foreign currency exchange differences	74	48	-	175	-	297
Balance at 28 June 2015	47,613	12,935	-	36,485	-	97,034
Additions ⁽ⁱ⁾	5,424	3,637	-	50,055	-	59,116
Acquisitions of subsidiaries (note 46)	-	-	3,922	-	151,781	155,703
Additions from internal developments	16,218	-	-	-	-	16,218
Disposals	(358)	(43)	-	-	-	(401)
Net foreign currency exchange differences	219	1,399	(98)	7,543	(5,765)	3,298
Balance at 3 July 16	69,116	17,928	3,824	94,083	146,015	330,967
Accumulated amortisation and impairment						
Balance at 29 June 2014	(14,893)	(4,900)	-	-	-	(19,792)
Amortisation expense ⁽ⁱⁱ⁾	(7,401)	(1,363)	-	-	-	(8,764)
Disposals	299	8	-	-	-	307
Net foreign currency exchange differences	(29)	(19)	-	-	-	(48)
Balance at 28 June 2015	(22,025)	(6,274)	-	-	-	(28,297)
Amortisation expense ⁽ⁱⁱ⁾	(8,340)	(2,492)	(1,426)	-	-	(12,258)
Disposals	90	30	-	-	-	120
Reclassification	-	3	-	-	-	3
Net foreign currency exchange differences	(110)	(535)	38	-	-	(608)
Balance at 3 July 16	(30,386)	(9,268)	(1,390)	-	-	(41,040)

(i) During the year the consolidated entity has entered into a joint venture arrangement with DPG. The consolidated entity has agreed to pay a maximum of \$25 million as compensation for DPG to forfeit 66.67% of their exclusive rights to the German market and entry into a new Master Franchise Agreement for Germany. In 100% terms the total value of the Master Access Right is \$37.5 million if the maximum amount is paid. The difference between the asset value and the consolidated entity's liability represents an equity contribution by DPG into the Daytona Joint Venture which is has been recorded in Non-controlling interest, refer to note 32.

The consolidated entity's liability is based on the estimated profitability of the Daytona Joint Venture operations and will be paid over future periods. A liability of \$31.6 million (refer note 24) has been recorded based on the present value of the estimated cash flows based on the EBITDA of the Daytona Joint Venture discounted based on the Consolidated entity incremental borrowing rate. The liability is level 3 liability under the Fair Value Hierarchy, refer to note 34.10.

(ii) 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. For details of the impairment assessment performed, refer to note 19.

NOTES TO THE FINANCIAL STATEMENTS

continued

21. OTHER ASSETS

	2016 \$'000	2015 \$'000
Current		
Prepayments	14,247	7,189
Work in progress – store builds	1,698	624
Other	3,620	2,288
	19,565	10,101
Non-current		
Other	50	59
	50	59

22. TRADE AND OTHER PAYABLES

	2016 \$'000	2015 \$'000
Trade payables ⁽ⁱ⁾	77,026	67,485
Goods and services tax (GST)/Value added tax (VAT) payable	5,678	5,513
Other creditors and accruals	67,961	35,828
	150,665	108,826

(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 \$9.3 million (2015: \$0.8 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 53 weeks ended 03 July 2016 were \$108.3 million (2015: \$75.8 million).

23. BORROWINGS

	2016 \$'000	2015 \$'000
Unsecured		
Loans from other entities	20,546	-
	20,546	-
Secured		
Finance lease liabilities ⁽ⁱ⁾ (note 28)	10,913	5,582
Euro loan ⁽ⁱⁱ⁾ ⁽ⁱⁱⁱ⁾	150,202	18,559
Japan acquisition - Australian Dollar loan ^(iv)	50,627	50,436
Japan acquisition - Japanese Yen loan ^(v)	58,916	47,256
Other Bank Loans ^(vi)	30,588	3,000
	301,246	124,832
Current	36,285	1,920
Non-current	285,507	122,912
	321,792	124,832

23.1 Summary of borrowing arrangements:

During the year ending 03 July 2016 the Company secured additional funding through the execution of multicurrency facility agreements with multiple institutions. This included an extension to existing secured variable rate loan with the expiry date now being 03 September 2020.

- (i) Secured by the assets leased, the current market value of each exceeds the value of the finance lease liability.
 - (ii) Variable rate loan with Rabobank Australia with maturity periods exceeding 1 year.
 - (iii) Variable rate loan with HSBC with maturity periods exceeding 1 year.
 - (iv) Variable rate loans with:
 - Westpac Banking Corporation with maturity periods exceeding 1 year (2015: exceeds 1 year).
 - SMBC – working capital facility with maturity periods less than 1 year
 - BTMU – working capital facility with maturity periods less than 1 year
 - Mizuho – working capital facility with maturity periods less than 1 year
 - (v) Variable rate loans with SMBC and Westpac with maturity periods exceeding 1 year (2015: exceeds 1 year), secured over the shares held in Domino's Japan
- The unused facilities available on the Consolidated entity's bank overdraft are \$5,495 thousand (2015: \$11,973 thousand).

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER FINANCIAL LIABILITIES

	2016 \$'000	2015 \$'000
Non-current		
Financial guarantee contracts	148	148
Rent incentive liabilities	1,338	1,422
Interest rate swaps	3,091	1,188
Cross currency swaps	9,224	-
Market access right ⁽ⁱ⁾	31,619	-
Put / call minority interest liability ⁽ⁱ⁾	75,598	51,290
	121,018	54,048
Current		
Interest rate swaps	903	926
Foreign currency forward contracts	3,288	-
Rent incentive liabilities	121	121
Security deposits	4,117	2,198
Other	17	17
Other (contingent consideration)	3,713	-
Put / call minority interest liability ⁽ⁱ⁾	43,734	-
	55,893	3,262
Current	55,893	3,262
Non-current	121,018	54,048
	176,911	57,310

(i) Put / call option liabilities arise in respect of the consolidated entity's acquisition of DPJ and DPG (see note 34.10)

(ii) Market access right arising in respect of the consolidated entity contractual arrangements with DPG (see note 34.10)

25. PROVISIONS

	2016 \$'000	2015 \$'000
Employee benefits ⁽ⁱ⁾	5,502	4,927
Defined benefit plan (note 27) ⁽ⁱ⁾	7,733	6,113
Other (note 26)	2,715	2,973
	15,950	14,013
Current	4,979	4,358
Non-current	10,971	9,655
	15,950	14,013

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued.

26. OTHER PROVISIONS

	MAKE GOOD ⁽ⁱⁱ⁾ \$'000	STRAIGHT LINE LEASING ⁽ⁱⁱⁱ⁾ \$'000	TOTAL \$'000
Balance at 28 June 2015	2,804	169	2,973
Additional provisions recognised	138	44	182
Reductions resulting from remeasurement	(440)	-	(440)
Balance at 03 July 2016	2,502	213	2,715

(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.

NOTES TO THE FINANCIAL STATEMENTS

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27. RETIREMENT BENEFIT PLANS

27.1 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 03 July 2016 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	
	2016	2015
Discount rate	0.70%	1.00%
Expected rate of salary increase	3.04%	3.04%
Number of employees	465	406
Average service years	4.9 yrs	5.8 yrs
Expected service years	7.4 yrs	7.5 yrs

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

	2016 \$'000	2015 \$'000
Service cost:		
Current service cost	884	730
Net interest expense	48	60
Components of defined benefit costs recognised in profit or loss	932	790
Remeasurement on the net defined benefit liability:		
Actuarial gains and losses arising from changes in financial assumptions	224	(104)
Components of defined benefit costs recognised in other comprehensive income	224	(104)
Total	1,156	686

Of the expense for the year, an amount of \$932 thousand has been included in profit or loss as administration expenses. (2015: \$790 thousand).

The re-measurement of the net defined benefit liability is included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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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.

	2016 \$'000	2015 \$'000
Present value of unfunded defined benefit obligation	7,733	6,113
Fair value of plan assets	-	-
Unfunded status	7,733	6,113
Net liability arising from defined benefit obligation	7,733	6,113

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

	2016 \$'000	2015 \$'000
Opening defined benefit obligation	6,113	5,993
Current service cost	885	730
Net interest expense	48	60
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	224	(104)
Benefits paid	(1,058)	(566)
Exchange differences on foreign plans	1,521	-
Closing defined benefit obligation	7,733	6,113

There are no plan assets of the defined benefit obligation.

The Consolidated entity expects to make a contribution of \$1,120 thousand (2015: \$806 thousand) to the defined benefit plans during the next financial year.

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
No later than 1 year	3,767	1,920	3,767	1,920
Later than 1 year and not later than 5 years	7,146	3,662	7,146	3,662
Later than 5 years	-	-	-	-
Minimum lease payments ⁽ⁱ⁾	10,913	5,582	10,913	5,582
Less future finance charges	-	-	-	-
Present value of minimum lease payments	10,913	5,582	10,913	5,582
Included in the financial statements as: (note 23)				
Current borrowings			3,767	1,920
Non-current borrowings			7,146	3,662
			10,913	5,582

(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.

NOTES TO THE FINANCIAL STATEMENTS

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29. ISSUED CAPITAL

	2016 \$'000	2015 \$'000
87,648,158 fully paid ordinary shares (2015: 86,560,773)	248,554	198,291

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.

29.1 Fully paid ordinary shares

	NOTE	2016		2015	
		NUMBER OF SHARES \$'000	SHARE CAPITAL \$'000	NUMBER OF SHARES \$'000	SHARE CAPITAL \$'000
Balance at beginning of financial year		86,561	198,291	85,933	194,193
Shares issued:					
Issue of shares under executive share option plan	(a)	939	41,433	628	3,568
Issue of shares related to Joey's Pizza Acquisition		148	8,830	-	-
Capital costs associated with equity raising		-	-	-	530
Balance at end of financial year		87,648	248,554	86,561	198,291

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 03 July 2016		166,667	-	\$9.13	31 August 2016
Unexercised options at 03 July 2016		600,000	-	\$14.90	2 November 2017
Unexercised options at 03 July 2016		456,667	-	\$13.74	31 August 2017
Unexercised options at 03 July 2016		300,000	-	\$22.89	28 October 2020
Unexercised options at 03 July 2016		323,750	-	\$22.89	31 August 2018
Unexercised options at 03 July 2016		150,000	-	\$16.52	1 August 2017
Unexercised options at 03 July 2016		46,000	-	\$22.89	1 August 2017
Unexercised options at 03 July 2016		37,100	-	\$36.31	31 August 2018
Unexercised options at 03 July 2016		300,000	-	\$40.95	28 October 2020
Unexercised options at 03 July 2016		741,750	-	\$40.95	31 August 2019

NOTES TO THE FINANCIAL STATEMENTS

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(a) Options

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

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

Terms and conditions of the ESOP

The Company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other 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, 939,179 options were exercised (2015: 627,500). A total of \$41,433,564 was received as consideration for 939,179 fully paid ordinary shares of Domino's Pizza Enterprises Limited on exercise of the options in the current financial year (2015: \$3,568,325).

(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 03 July 2016 will be paid in cash only.

30. RESERVES

	2016 \$'000	2015 \$'000
Foreign currency translation	28,861	(17,694)
Other	(8,887)	13,567
Hedging	(8,781)	4,517
	11,193	390

30.1 Foreign currency translation

	2016 \$'000	2015 \$'000
Balance at beginning of financial year	(17,694)	(18,015)
Translation of foreign operations	46,555	321
Balance at end of financial year	28,861	(17,694)

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. The significant movement in the translation of the foreign operations has arisen as a result of the strengthening of the Japanese Yen.

NOTES TO THE FINANCIAL STATEMENTS

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30. RESERVES (CONTINUED)

30.2 Other reserve

	2016 \$'000	2015 \$'000
Balance at beginning of financial year	13,567	(831)
Share-based payment	(27,650)	2,944
Movement in put option liability and non controlling interest	(14,530)	2,645
Share options trust	19,894	8,768
Remeasurement of defined benefit plan	(168)	41
Balance at end of financial year	(8,887)	13,567

The equity settled share-based benefits reserve arises on the grant of share options to executives under the Executive Share and Option. Further information about ESOP is made in note 35 to the financial statements. The Consolidated entity settled the Domino's Pizza Enterprises Ltd Employee Share Trust to manage the share option plan.

30.3 Hedging reserve

	2016 \$'000	2015 \$'000
Balance at beginning of financial year	4,517	4,094
Gain/(loss) recognised:		
Net investment hedge	(11,575)	295
Cash flow hedge	(5,489)	128
Income tax related to gain/loss on hedging items	3,766	-
Balance at end of financial year	(8,781)	4,517

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

31. RETAINED EARNINGS

	2016 \$'000	2015 \$'000
Balance at beginning of year	106,375	79,948
Net profit attributable to members of the Company	82,427	64,048
Payment of dividends (note 33)	(54,004)	(37,621)
Balance at end of year	134,798	106,375

32. NON-CONTROLLING INTEREST

	2016 \$'000	2015 \$'000
Balance at beginning of year	-	-
Non-controlling interest contributions during the period	22,228	-
Non-controlling interest MAF contribution (refer to note 20)	15,809	-
Share of profit	4,165	4,373
Foreign currency translation	11,366	266
Remeasurement of defined benefit plan	(56)	26
Non-controlling interest put option adjustment	(53,512)	(4,665)
Balance at end of year	-	-

The non-controlling interest relates to a 25% interest in the Consolidated entity's operations in Japan and 33.3% non-controlling interest in Germany. During the year the consolidated entity acquired Joey's Pizza to which Domino's Pizza Group plc (DPG) was a non-controlling interest in the acquisition. Refer to note 46 for the acquisition of the business.

NOTES TO THE FINANCIAL STATEMENTS

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33. DIVIDENDS

	2016		2015	
	CENTS PER SHARE	TOTAL \$'000	CENTS PER SHARE	TOTAL \$'000
RECOGNISED AMOUNTS				
Fully paid ordinary shares				
Interim dividend	34.7	30,414	24.6	21,294
Final dividend	27.2	23,590	19.0	16,327
	61.9	54,004	43.6	37,621
UNRECOGNISED AMOUNTS				
Fully paid ordinary shares				
Final dividend	38.8	34,031	27.2	23,590

On 15 August 2016, the directors declared a fully franked final dividend of 38.8 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 03 July 2016, to be paid to shareholders on 07 September 2016. The dividend will be paid to all shareholders on the Register of Members on 23 August 2016. The total estimated dividend to be paid is \$34,031 thousand.

	2016 \$'000	2015 \$'000
Adjusted franking account balance	1,435	1,408

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 2015.

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.

34.1.1 Gearing ratio

	2016 \$'000	2015 \$'000
Debt ⁽ⁱ⁾	321,792	124,832
Cash and cash equivalents	(60,334)	(43,174)
Net debt	261,458	81,658
Equity⁽ⁱⁱ⁾	394,546	305,056
Net debt to equity ratio	66.3%	26.8%

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.

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS (CONTINUED)

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

			2016		2015	
			INTEREST RATE* %	\$'000	INTEREST RATE* %	\$'000
		NOTE				
Financial assets						
Trade and other receivables	Loans and receivables	13	-	72,143	-	43,883
Loans receivables	Loans and receivables	14	5.76	36,084	6.15	19,399
Other financial assets	Available for sale financial asset	14	-	17	-	13
Cash and cash equivalents	Cash and bank balances	39	0.66	60,334	0.28	43,174
Financial guarantee contracts	Loans and receivables	14	6.25	186	6.25	148
Deposits	Cash and bank balances	14	-	15,793	-	12,596
Financial liabilities						
Euro loans	Other	23	1.19	150,202	1.49	18,559
Loans from other entities	Other	23	3.00	20,546	-	-
Other financial liabilities	Amortised cost	22	-	144,852	-	103,313
Finance lease liability	Other	23	7.86	32	7.86	32
Other Finance lease liabilities	Other	23	-	10,881	-	5,550
Other bank loans	Other	23	1.88	30,588	3.70	3,000
Financial guarantee contracts	Financial guarantee contracts	24	6.25	148	6.25	148
AUD denominated loan	Other	23	1.52	50,627	1.77	50,436
YEN denominated loan	Other	23	1.26	58,916	1.73	47,256

* 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.

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.
- Forward foreign exchange contracts to hedge the exchange rate risk of purchases.

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 JPY 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. As at 03 July 2016, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Europe. 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 Australian dollars 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. As at 03 July 2016, no ineffectiveness has been recognised in profit or loss arising from hedging the net investment in Europe.
- 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 Japanese Yen respectively. DPE Limited intends to mitigate its foreign currency translation risk exposure by denominating a portion of its senior debt in Euros and Japanese 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.

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and cash equivalents	33,872	39,490	-	-
Trade and other receivables	49,140	25,457	-	-
Loan receivables	26,853	12,329	-	-
Trade and other payables	-	-	116,548	83,800
Other financial liabilities	-	-	150,951	51,290
Loan payables	-	-	271,070	71,397

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 consolidated statement of profit and loss.

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 \$11,285 thousand (2015: \$294 thousand) on the hedging instruments were taken directly to equity in the consolidated balance sheet.

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34. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Liabilities		Equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Euro loan	149,958	18,559	-	-
Designated hedge of net foreign investment (EUR)	-	-	1,001	1,199
Japan acquisition - Japanese Yen loan	50,776	50,776	-	-
Designated hedge of net foreign investment (JPY)	-	-	(5,594)	4,117
	200,734	69,335	(4,593)	5,316

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 ⁽ⁱ⁾		Japanese Yen Impact	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'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	3,390	1,200	3,035	3,481
If there was a 10% decrease in exchange rates with all other variables held constant	(4,144)	(1,467)	(3,709)	(4,254)

(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. A forward foreign exchange contract is only entered into once the Consolidated entity has committed to the purchase transaction. At 03 July 2016, the notional amount of these contracts is \$26,895,794. These contracts are held in USD and are used by the Japanese business. The notional value in USD is \$16,252 thousand and the notional value in Yen is ¥1,792 million. The value that is less than 3 months is \$5,117 thousand and over 3 months is \$14,950 thousand. The aggregate amount of gains under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is \$2,694 thousand. At 03 July 2016, no ineffectiveness has been recognised in profit and loss arising from these contracts.

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. 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 \$551 thousand and decrease by \$438 thousand (2015: increase by \$466 thousand and decrease by \$216 thousand). This is mainly attributable to the Consolidated entity's exposure to interest rates on its variable rate borrowings.

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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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest rate swap - less than 5 years	1.39%	1.75%	109,424	98,035	(4,022)	(2,127)
			109,424	98,035	(4,022)	(2,127)

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. 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 1.16% on a notional value of \$50,776 thousand and has a fair value of \$7,827 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.

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL INSTRUMENTS (CONTINUED)

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:

34.8.1 Financial assets and other credit exposures

	2016 \$'000	2015 \$'000
Consolidated		
Guarantee provided under deed of guarantee	12,889	13,233

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.

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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 \$'000	1 - 5 YEARS \$'000	MORE THAN 5 YEARS \$'000
03 JULY 2016			
Financial assets			
Trade and other receivables	72,143	-	-
Derivative instruments in designated hedge accounting relationships	1,396	-	-
Loans receivables	3,600	7,382	2,040
Other financial assets	17	-	-
Cash and cash equivalents	60,334	-	-
Financial guarantee contracts	-	186	-
Deposits	-	15,793	-
Financial Liabilities			
Trade payables	(76,335)	-	-
Derivative instruments in designated hedge accounting relationships	(4,191)	(11,994)	-
Other payables	(108,377)	-	-
Commercial bills	-	-	-
Euro loan	-	(149,958)	-
Loans from other entities	-	(20,546)	-
Finance lease liability	(32)	-	-
Other liabilities	-	-	-
Japan acquisition - Australian Dollar loan	-	(50,776)	-
Japan acquisition - Japanese Yen loan	-	(59,065)	-
Financial guarantee contracts	-	(31,788)	-
Put Option Liability	(43,734)	(75,598)	-
Lease Incentive Liability	(121)	(1,300)	-
28 JUNE 2015			
Financial assets			
Trade and other receivables	43,883	-	-
Derivative instruments in designated hedge accounting relationships	1,707	1,679	-
Loans receivables	4,453	5,882	1,746
Other financial assets	13	-	-
Cash and cash equivalents	43,174	-	-
Financial guarantee contracts	-	148	-
Deposits	-	12,596	-
Financial Liabilities			
Trade payables	(67,485)	-	-
Derivative instruments in designated hedge accounting relationships	(926)	(1,188)	-
Other payables	(57,899)	-	-
Euro loan	-	(18,559)	-
Finance lease liability	(32)	-	-
Japan acquisition - Australian Dollar loan	-	(50,776)	-
Japan acquisition - Japanese Yen loan	-	(47,596)	-
Financial guarantee contracts	-	(148)	-
Put Option Liability	-	(51,290)	-
Lease Incentive Liability	(121)	(1,422)	-

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34. FINANCIAL INSTRUMENTS (CONTINUED)

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 \$'000	1 - 3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1 TO 5 YEARS \$'000
Net Settled				
Interest rate swaps	-	-	(903)	(3,092)
Cross currency interest rate swaps	-	371	1,025	(9,223)
Gross Settled				
Foreign exchange forward contracts	1,706	8,804	9,557	-
	1,706	9,175	9,679	(12,315)

34.9.2 Financing facilities

	2016 \$'000	2015 \$'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	-	133
Amount unused	3,354	11,793
	3,354	11,926
Secured commercial bill facility, reviewed annually:		
Amount used	290,333	116,931
Amount unused	103,814	71,034
	394,147	187,965

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.

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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
	2016 \$'000	2015 \$'000				
1) Interest Rate and Cross Currency Swaps	Current asset \$1,435, non current liability of \$9,224, current liability \$903 and non current liability \$3,091 (As recognised in other financial assets and financial liabilities)	Current asset \$1,707, non current assets \$2,868, current liability \$925 and non current liability \$1,188 (As recognised in other financial assets and financial liabilities)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Forward foreign exchange contracts	Current liability of \$3,288 (As recognised in other financial assets).	Current asset \$1,342 and non current asset \$3 (As recognised in other financial assets).	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Put option over non-controlling interest	Liability - \$75,598 (Europe) and \$43,734 (Japan) (As recognised in other financial non current liabilities)	Liability - \$51,290 (As recognised in other financial non current liabilities)	Level 3	Estimating future put obligation taking into account future earnings.	Adjusted unlevered price/earnings multiple rates. The earnings used are based on management's experience and knowledge of market conditions of the industry. The Put option is exercisable after 3 years from the acquisition date.	The higher the earnings, the higher the fair value. The shorter the time period, the lower the fair value.
4) Market Access Right	Liability - \$31,619 (As recognised in other financial non current liabilities)	-	Level 3	Estimating future put obligation taking into account future earnings.	Adjusted unlevered price/earnings multiple rates. The earnings used are based on management's experience and knowledge of market conditions of the industry.	The higher the earnings, the higher the fair value.

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 and Domino's Pizza Germany (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 \$51.3m and has a value at year end of \$117.4m with the movement recorded in other reserves. No reasonable change in the key inputs would result in a material change of this value.

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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. 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
(15) Issued 07 November 2012	07 November 2012	31 August 2016	\$1.16	\$9.13	31 August 2015
(16) Issued 01 November 2013	01 November 2013	2 November 2017	\$3.14	\$14.90	31 August 2016
(17) Issued 29 October 2013	29 October 2013	31 August 2017	\$3.23	\$13.74	31 August 2016
(18) Issued 29 October 2014	29 October 2014	28 October 2020	\$7.16	\$22.89	1 September 2017
(19) Issued 29 October 2014	29 October 2014	31 August 2018	\$7.39	\$22.89	1 September 2017
(20) Issued 27 January 2015	27 January 2015	31 August 2020	\$10.51	\$16.52	1 September 2017
(21) Issued 03 February 2015	03 February 2015	31 August 2018	\$7.11	\$22.89	1 September 2017
(22) Issued 20 June 2015	20 June 2015	31 August 2018	\$7.03	\$36.31	1 September 2017
(23) Issued 03 September 2015	03 September 2015	31 August 2020	\$8.20	\$40.95	31 August 2018
(24) Issued 03 September 2015	03 September 2015	31 August 2019	\$8.28	\$40.95	31 August 2018

(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 2016 year is \$8.26 (2015: \$7.86). 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.

Inputs into the model

	OPTION SERIES									
	SERIES 15	SERIES 16	SERIES 17	SERIES 18	SERIES 19	SERIES 20	SERIES 21	SERIES 22	SERIES 23	SERIES 24
Grant date share price	\$9.10	\$15.28	\$14.74	\$26.53	\$26.53	\$26.76	\$26.76	\$36.44	\$37.50	\$37.50
Exercise price ⁽ⁱⁱ⁾	\$9.13	\$14.90	\$13.74	\$22.89	\$22.89	\$16.52	\$22.89	\$36.31	\$40.95	\$40.95
Expected volatility	22.90%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	35.00%	35.00%
Option life years ⁽ⁱ⁾	3.31	3.42	3.42	4.40	3.30	4.10	3.10	2.70	3.49	3.49
Dividend yield	2.98%	3.23%	3.23%	1.50%	1.50%	1.50%	1.50%	1.50%	1.10%	1.10%
Risk-free interest rate	2.73%	3.05%	2.97%	2.74%	2.56%	1.85%	1.80%	1.89%	1.90%	1.90%

(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.

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35.4 Movement in share options in the period

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

	2016		2015	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance at beginning of the year	3,045,901	14.58	2,790,001	10.10
Granted during the financial year	1,069,250	40.95	884,400	22.42
Forfeited during the financial year	(44,050)	30.92	(1,000)	22.89
Exercised during the financial year	(939,167)	8.38	(627,500)	5.69
Expired during the financial year	-	-	-	-
Balance at end of the year	3,131,934	25.27	3,045,901	14.58
Exercisable at end of the year	166,667	9.13	189,167	5.83

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

35.5 Share options exercised during the year

2016 OPTION SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (\$)
(13) Issued 4 November 2011	166,667	13 August 2015	41.13
(13) Issued 4 November 2011	22,500	28 August 2015	40.07
(15) Issued 15 November 2013	80,000	31 August 2015	39.65
(15) Issued 15 November 2013	25,000	31 August 2015	39.65
(15) Issued 15 November 2013	40,000	31 August 2015	39.65
(15) Issued 15 November 2013	57,500	31 August 2015	39.65
(15) Issued 15 November 2013	25,000	1 September 2015	39.86
(15) Issued 15 November 2013	22,500	1 September 2015	39.86
(14) Issued 7 November 2012	500,000	6 November 2015	47.38

2015 OPTION SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (\$)
(11) Issued 30 April 2009	30,000	27 August 2014	25.67
(13) Issued 4 November 2011	25,000	1 September 2014	25.60
(13) Issued 4 November 2011	50,000	1 September 2014	25.60
(13) Issued 4 November 2011	40,000	1 September 2014	25.60
(13) Issued 4 November 2011	25,000	1 September 2014	25.60
(13) Issued 4 November 2011	57,500	1 September 2014	25.60
(12) Issued 4 November 2011	400,000	16 February 2015	35.89

NOTES TO THE FINANCIAL STATEMENTS

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35. SHARE-BASED PAYMENTS (CONTINUED)

35.6 Share options outstanding at end of the year

2016

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

- 166,667 options with an exercise price of \$9.13, and a weighted average remaining contractual life of 0.16 years.
- 600,000 options with an exercise price of \$14.90, and a weighted average remaining contractual life of 1.33 years.
- 456,667 options with an exercise price of \$13.74, and a weighted average remaining contractual life of 1.16 years.
- 300,000 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 4.32 years.
- 319,250 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 2.16 years.
- 150,000 options with an exercise price of \$16.52, and a weighted average remaining contractual life of 1.08 years.
- 50,500 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 1.26 years.
- 37,100 options with an exercise price of \$36.31, and a weighted average remaining contractual life of 2.16 years.
- 300,000 options with an exercise price of \$40.95, and a weighted average remaining contractual life of 4.32 years.
- 751,750 options with an exercise price of \$40.95, and a weighted average remaining contractual life of 3.17 years.

2015

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

- 189,167 options with an exercise price of \$5.83, and a weighted average remaining contractual life of 0.34 years.
- 500,000 options with an exercise price of \$8.97, and a weighted average remaining contractual life of 1.34 years.
- 416,667 options with an exercise price of \$9.13, and a weighted average remaining contractual life of 1.11 years.
- 600,000 options with an exercise price of \$14.90, and a weighted average remaining contractual life of 2.34 years.
- 456,667 options with an exercise price of \$13.74, and a weighted average remaining contractual life of 2.11 years.
- 300,000 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 5.34 years.
- 343,000 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 3.11 years.
- 150,000 options with an exercise price of \$16.52, and a weighted average remaining contractual life of 5.34 years.
- 50,500 options with an exercise price of \$22.89, and a weighted average remaining contractual life of 3.11 years.
- 39,900 options with an exercise price of \$36.31, 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:

	2016 \$	2015 \$
Short-term employee benefits	7,709,875	6,654,224
Post-employment benefits	192,428	162,611
Other long-term employee benefits	62,343	97,796
Termination benefits	-	-
Equity settled share-based payments	4,640,090	2,521,565
	12,604,736	9,436,196

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 2016 financial year. Payment of \$38,220 (2015: \$38,220) 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.

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.

(iii) Other transactions with directors of the Consolidated entity

During 2016 the consolidated entity provided marketing services to the value of \$3,391 to Pacific Smiles Group Limited which is an entity related to Grant Bourke. Fees were negotiated at arms-length and were based on normal commercial terms and conditions.

In addition to the above, 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.

(iv) 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.

(v) 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.

(vi) Transactions within the group

The group includes:

- the ultimate parent entity of the group;
- 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 between entities in the group in accordance with the relevant Service Agreements. All transaction were at arm's length.

(vii) Parent entities

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

NOTES TO THE FINANCIAL STATEMENTS

continued

38. ACQUISITION OF BUSINESSES

NAME OF BUSINESSES ACQUIRED	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARE ACQUIRED (%)	COST OF ACQUISITION IN 2016 \$'000	COST OF ACQUISITION IN 2015 \$'000
Acquisition of stores					
2016					
14 stores in aggregate (AU)	Pizza stores	July - June 2016	100%	6,712	
2 stores in aggregate (NZ)	Pizza stores	July - June 2016	100%	1,109	
1 store (JPY)	Pizza stores	July - June 2016	100%	447	
30 stores in aggregate (EUR)	Pizza stores	July - June 2016	100%	9,265	
During the prior year: Significant contract acquisitions for Australia and New Zealand					
2015					
7 European stores	Pizza stores	July 2014	100%		5,047
During the prior year: Other store acquisitions					
2015					
11 stores in aggregate (AU)	Pizza stores	July - June 2015	100%		3,840
5 stores in aggregate (NZ)	Pizza stores	July - June 2015	100%		2,143
3 Japan stores (JPY)	Pizza stores	July - June 2015	100%		483
3 stores in aggregate (EU)	Pizza stores	July - June 2015	100%		719
Total store acquisitions during full year ended				17,534	12,232

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

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

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.

NET ASSETS ACQUIRED	FAIR VALUE ON ACQUISITION	
	2016 \$'000	2015 \$'000
Current assets:		
Cash and cash equivalents	9	5
Inventories	114	58
	123	63
Non-current assets		
Plant & equipment	4,073	3,315
	4,073	3,315
Net assets	4,196	3,378
Goodwill on acquisition	13,338	8,854
	17,534	12,232

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

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:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	60,334	43,174
	60,334	43,174

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

	2016 \$'000	2015 \$'000
Profit for the year	86,590	68,421
(Gain) on sale or disposal of non-current assets	(9,660)	(6,375)
Equity settled share-based payments	5,884	2,645
Depreciation and amortisation	38,129	27,480
Other	3,671	3,366
	124,613	95,537
Movement in working capital:		
(Increase)/decrease in assets:		
Trade and other receivables	(17,216)	(7,217)
Inventories	(3,469)	(543)
Other current assets	(5,239)	(413)
Increase/(decrease) in liabilities:		
Trade and other payables	17,142	8,047
Provisions	(500)	1,676
Tax liability	(295)	8,286
Deferred tax balances	13,435	665
Net cash generated from operating activities	128,472	106,038

Included in the movement of other financial assets are non-cash transactions of \$9.5m (2015: \$8.5m) for loans to Franchisees.

39.2 Businesses acquired

Acquisition of stores

During the financial year, 47 businesses were acquired in Australia, New Zealand, Japan and Europe (2015: 29 businesses). The net cash outflow on acquisition in the financial statements was \$16,764 thousand (2015: \$12,232 thousand).

39.3 Non-cash financing and investing activities

During the current financial year, the Consolidated entity acquired \$6.1 million under finance lease (2015: \$3.1 million).

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

	2016 \$'000	2015 \$'000
Not longer than 1 year	53,685	43,924
Longer than 1 year and not longer than 5 years	126,194	95,331
Longer than 5 years	51,517	36,817
	231,396	176,072

NOTES TO THE FINANCIAL STATEMENTS

continued

40. OPERATING LEASE ARRANGEMENTS (CONTINUED)

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

	2016 \$'000	2015 \$'000
Current		
Make good (note 25)	192	25
Non-current		
Straight line leasing (note 25)	183	168
Make good (note 25)	2,339	2,779
	2,714	2,972

41. COMMITMENTS FOR EXPENDITURE

41.1 Capital expenditure commitments

	2016 \$'000	2015 \$'000
Plant & Equipment	4,603	553

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

	2016 \$'000	2015 \$'000
Guarantees - franchisee loans and leases	5,463	5,984

Included above are guarantees provided to third party financial institutions in relation to franchisee loans. This is a contingent liability representing the amounts guaranteed in respect of franchisees that would not, without the guarantee, have been granted the loans. The directors believe that if the guarantees are ever called on, the Company will be able to recover the amounts paid upon disposal of the stores.

	2016 \$'000	2015 \$'000
Guarantees – parent entity guarantee over subsidiary borrowings	7,426	7,250

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.

Speed Rabbit Pizza

There are various separate French legal proceedings by a competitor, Speed Rabbit Pizza (SRP) against subsidiary, Domino's Pizza France (DPF) (the main claim) and seven SRP franchisees against DPF and the relevant DPF franchisees (the local claims). The allegations are that DPF and its franchisees breached French laws governing payment time limitations and lending, thereby giving DPF and its franchisees an unfair competitive advantage. SRP claimed significant damages for impediment of the development of its franchise network, lost royalty income from SRP franchisees and harm to SRP's image. DPF and its franchisees denied liability and vigorously defended the claims. On 7 July 2014 the Court handed down its decision in the main claim, as well as in five of the local claims. All of the claims of SRP and the relevant SRP franchisees were dismissed. SRP has filed an appeal to these decisions which is scheduled to be heard on 17 February 2017. The two remaining local claims have yet to be heard at first instance.

Pizza Sprint

Shortly before year end, the Consolidated entity became aware of a legal matter in relation to Fra-Ma Pizz SAS, the Pizza Sprint entity acquired in France in 2016. The Consolidated entity is currently assessing its legal position on this matter, as the claim is in relation to alleged practices predating the acquisition and will therefore be considered as part of finalisation of acquisition accounting. Refer note 46 for provisional accounting considerations in respect of the acquisitions.

NOTES TO THE FINANCIAL STATEMENTS

continued

43. REMUNERATION OF AUDITORS

43.1 Auditor of the parent entity

Audit or review of the consolidated financial statements
 - other assurance services
 - other advisory services

	2016 \$	2015 \$
Audit or review of the consolidated financial statements	365,285	266,084
- other assurance services	10,000	7,500
- other advisory services	109,775	30,000
Total	485,060	303,584

43.2 Network firm of parent entity auditor

Audit of the financial statements:

Europe
 Japan
 Other non audit services - Europe - transaction services
 - Europe - taxation compliance services
 - Japan - transaction services

Europe	319,126	178,059
Japan	252,054	195,689
Other non audit services - Europe - transaction services	-	201,034
- Europe - taxation compliance services	30,922	53,848
- Japan - transaction services	45,698	5,026
Total	647,800	633,656

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

44. EVENTS AFTER THE REPORTING PERIOD

On 15 August 2016, the directors declared a final dividend for the financial year ended 03 July 2016 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

Assets

Current assets
 Non-current assets

Total assets

Liabilities

Current liabilities
 Non-current liabilities

Total liabilities

Equity

Issued capital
 Retained earnings

Reserves

Equity-settled share-based benefits
 Hedging

Total equity

	2016 \$'000	2015 \$'000
Current assets	58,995	35,745
Non-current assets	609,874	389,236
Total assets	668,869	424,981
Current liabilities	46,175	35,141
Non-current liabilities	303,335	123,214
Total liabilities	349,510	158,355
Issued capital	248,554	198,291
Retained earnings	70,507	51,138
Equity-settled share-based benefits	7,915	15,706
Hedging	(7,617)	1,491
Total equity	319,359	266,626

NOTES TO THE FINANCIAL STATEMENTS

continued

45. PARENT ENTITY INFORMATION (CONTINUED)

45.2 Financial performance

	2016 \$'000	2015 \$'000
Profit for the year	73,548	47,090
Other comprehensive income	(13,297)	423
Total comprehensive income	60,251	47,513

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 SUBSIDIARIES

Acquisition of Pizza Sprint

On the 26 January 2016, the Consolidated entity acquired 100% interest of Pizza Sprint. Pizza Sprint is a chain of 89 pizza stores in France, comprising 12 corporate stores and 77 franchise stores. This acquisition is expected to reinforce DPE's position as the largest pizza chain in the French market. The acquisition was funded through debt raising.

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

	BOOK VALUE \$'000	FAIR VALUE ADJUSTMENT \$'000	FAIR VALUE ON ACQUISITION \$'000
Cash and cash equivalents	4,700	-	4,700
Trade and other receivables	2,800	-	2,800
Other current assets	1,192	(310)	882
Property, plant & equipment	1,679	(734)	945
Other intangible assets	303	47,134	47,437
Other non-current financial assets	99	-	99
Trade and other payables	(3,564)	(484)	(4,048)
Non-current borrowings	(1,101)	-	(1,101)
Deferred tax liabilities	-	(15,117)	(15,117)
Total identifiable assets	6,108	30,489	36,595
Total consideration			55,663
Less Identifiable assets			(36,595)
Goodwill			19,068
Total consideration			51,816
Cash			3,847
Contingent consideration			55,663
Total consideration			59,483
Net cash outflow arising on acquisition			7,667
Cash consideration			51,816
Less: cash and cash equivalent balances acquired			(4,700)
			47,116

NOTES TO THE FINANCIAL STATEMENTS

continued

The initial accounting for the acquisition of Pizza Sprint has only been provisionally determined at the end of the reporting period. At the date of finalisation of the 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.

Contingent consideration has been provided to the vendors of a maximum of 3.5 million based on the conversion of Pizza Sprint franchises to Dominos franchises. \$3.9 million (2.5 million) represents the estimated fair value of this obligation at the acquisition date.

Shortly before year end, the Consolidated entity became aware of a legal matter in relation to Fra-Ma Pizz SAS, the Pizza Sprint acquired entity. The Consolidated entity is currently assessing its legal position on this matter, as the claim is in relation to alleged practices predating the acquisition and will therefore be considered as part of finalisation of acquisition accounting. No provision has been recognised in the above provisional acquisition accounting.

Acquisition-related costs amounting to \$1,890 thousand have been excluded from the consideration transferred and have been recognised as an expense in the consolidated profit and loss in the current year within the 'acquisition and integration related costs' line item. The revenue and results from continuing operations has been included in the Europe segment in Note 6.

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

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Pizza Sprint. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. No amount of goodwill is expected to be deductible for income tax purposes.

Impact of acquisitions on the results of the Consolidated group.

Included in the profit for the year is \$309 thousand attributable to the acquisition of Pizza Sprint. This profit was impacted by acquisition and integration related costs. Revenues for the year includes \$9,201 thousand in respect of Pizza Sprint. The Pizza Sprint results exclude profit and revenues from stores that have been converted to Domino's.

Acquisition of Joey's Pizza

On 2 February 2016, the Consolidated entity through its 66.7% controlled joint venture company Daytona JV (UK) Limited (Daytona) acquired 100% of the issued share capital of interest in Joey's Pizza (Joey's Pizza). Joey's Pizza is the largest pizza chain in Germany with a store network of 212 stores, comprising 209 franchise stores and 3 corporate owned stores. This acquisition is expected to provide the Consolidated entity with substantial growth into the future. The acquisition was funded through both debt and issue of equity securities. The remaining 33.3% of Daytona is owned by UK-listed Domino's Pizza Group plc (DPG), refer to note 32.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below, which is on a 100% basis.

	BOOK VALUE \$'000	FAIR VALUE ADJUSTMENT \$'000	FAIR VALUE ON ACQUISITION \$'000
Cash and cash equivalents	3,172	-	3,172
Trade and other receivables	5,348	(46)	5,301
Other current assets	3,428	-	3,428
Property, plant & equipment	610	-	610
Other non current assets	363	-	363
Other intangible assets	1,375	106,891	108,266
Trade and other payables	(8,772)	(734)	(9,505)
Current tax liabilities	(1,257)	(49)	(1,306)
Other financial liabilities	(1,046)	-	(1,046)
Deferred tax liabilities	-	(34,207)	(34,207)
Total identifiable assets	3,221	71,855	75,076
Total consideration			124,272
Less Identifiable assets			(75,076)
Goodwill			49,196
Total consideration:			
Cash			62,649
Equity issued ⁽ⁱ⁾			9,081
Contingent consideration ⁽ⁱⁱ⁾			52,542
Total consideration transferred			124,272
Net cash outflow arising on acquisition			
Cash consideration			62,649
Less: cash and cash equivalent balances acquired			(3,172)
			59,477

(i) Represents 148,206 DPE share issued at market rate on date of acquisition.

(ii) Net cash outflow on acquisition of subsidiaries includes cash consideration and contingent consideration converted at relevant foreign currency rate at date of payment.

NOTES TO THE FINANCIAL STATEMENTS

continued

46. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The initial accounting for the acquisition of Daytona has only been provisionally determined at the end of the reporting period, with the intangible assets and associated liabilities to be confirmed. At the date of finalisation of these consolidated financial statements, the necessary market valuations and other calculations had not been finalised (as well as associated tax impacts) and have therefore only been provisionally determined based on the director's best estimate of the likely fair values.

Contingent consideration has been provided to the vendors of a maximum of 34 million based on the conversion of Joey's franchises to Dominos franchises. All contingent consideration was paid by 03 July 2016.

Acquisition related costs to date amount to \$3,160 thousand and have been included as an expense in profit or loss in the full-year within the acquisition and integration related costs. The revenue and results from continuing operations has been included in the Europe segment in Note 6.

The above represents the fair value of the receivables and there were no uncollectible amounts recorded.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Joey's Pizza. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impact of acquisitions on the results of the Consolidated group.

Included in the profit for the year is \$2,882 thousand loss attributable to acquisition of Joey's Pizza. This loss was impacted by acquisition and integration related costs. Revenues for the year includes \$24,560 thousand in respect of Joey's Pizza.

Market Access Fee & acquisition of Master Franchise Rights

As part of the joint venture arrangement with DPG, the consolidated entity has agreed to pay a maximum of 25 million as compensation for DPG to forfeit 66.6% of their exclusive rights to the German market and entry into a new Master Franchise Agreement for Germany.

The market access fee liability and asset has been excluded from the above business combinations as this was separate to the Joey's Pizza sale and purchase agreement. The market access fee has been treated as a separate asset acquisition, refer to note 20.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 15 August 2016.

ADDITIONAL SECURITY EXCHANGE INFORMATION

as at 29 July 2016

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary share capital

- 87,648,158 fully paid ordinary shares are held by 7,353 individual shareholders.
- All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

Options

- 3,121,934 options are held by 89 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	27	-	-	-	-	-	5
10,001 – 100,000	106	-	-	-	-	-	6
5,001 – 10,000	115	-	-	-	-	-	9
1,001 – 5,000	1,057	-	-	-	-	-	36
1 – 1,000	6,048	-	-	-	-	-	33
	7,353	-	-	-	-	-	89

Substantial shareholders

ORDINARY SHAREHOLDERS	FULLY PAID		PARTLY PAID	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Somad Holdings Pty Ltd	23,050,966	26.30%	-	-
FIL Investment Management (Australia) Limited and FIL Limited	10,553,244	12.04%	-	-
Hyperion Asset Management Limited	7,918,045	9.03%	-	-
	41,522,255	47.37%	-	-

ADDITIONAL SECURITY EXCHANGE INFORMATION

as at 29 July 2016 - continued

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

ORDINARY SHAREHOLDERS	FULLY PAID		PARTLY PAID	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
SOMAD HOLDINGS PTY LTD	23,050,966	26.30%	-	-
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,498,936	21.11%	-	-
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,601,388	16.66%	-	-
NATIONAL NOMINEES LIMITED	6,281,112	7.17%	-	-
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,577,041	5.22%	-	-
CITICORP NOMINEES PTY LIMITED	3,597,636	4.10%	-	-
BNP PARIBAS NOMS PTY LTD	1,663,370	1.90%	-	-
MR DONALD JEFFREY MEIJ	900,000	1.03%	-	-
MRS ESME FRANCESCA MEIJ	814,280	0.93%	-	-
MR GRANT BRYCE BOURKE	718,523	0.82%	-	-
MR GRANT BRYCE BOURKE & MRS SANDRA EILEEN BOURKE	718,516	0.82%	-	-
MR DONALD JEFFREY MEIJ	569,868	0.65%	-	-
CITICORP NOMINEES PTY LIMITED	517,655	0.59%	-	-
MR ANDREW CHARLES RENNIE	509,742	0.58%	-	-
BNP PARIBAS NOMINEES PTY LTD	397,017	0.45%	-	-
SUCCESS PIZZAS PTY LTD	340,149	0.39%	-	-
CLYDE BANK HOLDINGS (AUST) PTY LTD	308,296	0.35%	-	-
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	281,481	0.32%	-	-
PIZZA PEOPLE ENTERPRISES PTY LTD	280,000	0.32%	-	-
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	259,540	0.30%	-	-
	78,885,516	90.00%	-	-

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* (Cth).

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.

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.

Underlying EBITDA and **Underlying NPAT** for 2016 exclude transaction and integration related costs associated with the acquisition and one-off costs relating to the relation of the Paris Commissary.

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.

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.

Lynda O'Grady

Non-Executive Director

Lynda has extensive experience in executive roles in IT, telecommunications and media organisations including Executive Director and Chief of Product at Telstra and Commercial Director of the publishing division of PBL. She is a Fellow of the Australian Institute of Company Directors and is Chair of the Aged Care Financing Authority. Lynda holds a Bachelor of Commerce (Hons) from the University of Queensland.

Don Meij

Group 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 Group 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

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SECURITIES EXCHANGE

Domino's Pizza Enterprises Limited shares are listed on the Australian Securities Exchange

ASX CODE

DMP

WEBSITE ADDRESS

dominos.com.au



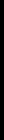


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