

HUNGRY TO



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GROUP HIGHLIGHTS



	FY17 UNDERLYING \$ MIL	FY18 UNDERLYING \$ MIL	+/(-) FY17 UNDERLYING %	FY18 STATUTORY \$ MIL
Network Sales	2,318.5	2,588.9	11.7%	2,588.9
Revenue	1,073.1	1,154.0	7.5%	1,154.0
EBITDA	230.9	259.2	12.3%	238.3
Depreciation & amortisation	(44.7)	(53.3)	19.2%	(53.5)
EBIT	186.2	205.9	10.6%	184.8
<i>EBIT Margin</i>	17.4%	17.8%		16.0%
Interest	(5.5)	(10.3)	87.1%	(10.3)
NPBT	180.7	195.7	8.3%	174.5
Tax Expense	(54.6)	(59.5)	9.0%	(52.8)
NPAT BEFORE MINORITY INTEREST	126.1	136.2	7.9%	121.7
Minority Interest	(7.7)	(3.0)	(61.0%)	(0.2)
NPAT	118.5	133.2	12.4%	121.5

PERFORMANCE INDICATORS

Earnings per Share (Basic)	133.6 cps	152.8 cps	14.4%	139.4 cps
Dividends per Share	93.3 cps	107.8 cps	15.5%	107.8 cps
Same Store Sales %	8.0%	4.3%		4.3%

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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 ("the Group") for the financial year ended 01 July 2018. 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

Jack Cowin is currently a director of Fairfax Media Limited. Mr Cowin resigned as a director of Ten Network Holdings on 16 December 2015 and Chandler Macleod Group Ltd on 14 April 2015. Paul Cave resigned as the director and chairman of Lovisa Holdings Limited on 31 October 2017. Grant Bourke resigned as a director of Pacific Smiles Group Limited on 05 March 2018. Lynda O'Grady was appointed a director of Wagners Holding Company Limited on 08 November 2017. 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	201,796	-	-
Grant Bourke	1,778,344	-	-
Paul Cave	369,166	-	-
Lynda O'Grady	2,000	-	-
Don Meij	1,843,344	920,000	-

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 6 to 18.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, an aggregate 431,500 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	220,000	DPE Limited	920,000
Richard Coney	52,000	DPE Limited	160,000
Andrew Rennie	-	DPE Limited	350,000
Josh Kilimnik	29,500	DPE Limited	29,500
Nick Knight	50,000	DPE Limited	144,000
Allan Collins	45,000	DPE Limited	122,000
Michael Gillespie	35,000	DPE Limited	73,500
<i>Former KMP</i>			
Scott Oelkers	-	DPE Limited	-

COMPANY SECRETARY

Craig Ryan:

General Counsel & Company Secretary

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 the Governance Institute Australia.

PRINCIPAL ACTIVITIES

The Group'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 01 July 2018 was as follows:

	2018 \$'000	2017 \$'000
Profit before related income tax expense	174,476	150,680
Income tax expense	(52,783)	(44,876)
Profit after related income tax expense	121,693	105,804

The Group achieved a statutory net profit after tax (NPAT) attributable to DPE shareholders of \$121.5 million for the year ending 01 July 2018 which represents growth from the prior year of 18.1%. This result was primarily driven by continued strong sales and new store openings across all regions. Same Store Sales (SSS) grew by 4.5% in Australia and New Zealand (ANZ), 5.7% in Europe (EU) and 0.9% in Japan.

In ANZ, this is mainly due to effective marketing, digital innovation and new menu offerings, such as the 'New Yorker' range and Oven Baked Sandwiches. In Europe, the growth is attributable to continued economies of scale, including utilising the new commissary, targeted promotional marketing and integration of quicker and easier order platforms. Japan's profitability remained robust, reflecting a year of consolidation, assisted by the conversion of corporate stores to franchised.

The Group's NPAT was impacted by one-off significant charges totalling \$14.5 million. In Europe, these relate to the transaction costs arising from the acquisition of Hallo Pizza, as well as conversion and integration costs of Hallo Pizza and Pizza Sprint stores to Domino's. The Australian operations incurred non-recurring costs predominantly relating to professional fees associated with protecting operational intellectual property.

Cash flows from operating activities have increased by \$52.6 million or 39.6% from prior year. This is the result of increased revenue and optimised working capital, which has been partially offset by one off non-recurring costs. During the year, 308 stores were added to the Group network, comprising of 145 new stores, 163 stores from the acquisition of Hallo Pizza and 50 store closures. The closures included 36 Hallo Pizza conflict stores that did not convert to Domino's.

AUSTRALIA AND NEW ZEALAND

ANZ achieved EBITDA of \$127.5 million, which represents an increase of 12.0% from prior year. Revenue increased by 4.2% which was driven by SSS growth of 4.5% in the current year. Highlights for the ANZ market, included the 'New Yorker' and Oven Baked Sandwich menu launches.

Domino's is the only major Quick Service Restaurant to be fully modernised, with team members paid according to the Modern Fast Food Industry Award. The resulting impact on Franchisee profitability is in line with previous guidance of 0-2% of sales. ANZ opened 50 new stores during the financial year. As announced to the market on 14 December 2017, the term of the Master Franchise Agreement for Australia and New Zealand was renewed with no material changes for 10 years until 1 February 2028.

EUROPE

On 05 January, the Group acquired 100% interest in Hallo Pizza, in Germany, adding 163 Franchised stores to the network.

Europe EBITDA increased by 80.1% and revenue increased by 25.1%, compared with the prior year, while underlying EBITDA increased by 25.0%. This was driven by SSS growth of 5.7% for the year, the opening of 68 new organic stores and the acquisition of Hallo Pizza. The Netherlands and Belgium continued excellent SSS in both countries, with online sales +29.6% and +67.8% respectively. France SSS growth was softer than anticipated, however benefited from a 30.6% growth in online sales.

A new CEO of the French operations has been appointed, with the aim of driving the execution of key strategies.

Stores in Germany that have converted to Domino's are trading above expectations, with online sales +33.1%. 130 stores have signed up to convert, upgraded from 115 stores at point of acquisition, 19 of which have already converted to date. The conversion of Hallo Pizza stores to Domino's is expected to be complete within the next 9-12 months. Management are forecasting another record year of store openings for DPE Europe.

JAPAN

Japan EBITDA decreased by 8.1% and revenue decreased by 3.0%, compared with the prior year. Contributing towards the decrease in EBITDA and revenue were softer network sales over the busy December holiday trading period and depreciation of the Yen vs. AUD.

27 new stores were opened during the year and Corporate stores continued to be sold down, resulting in Franchised stores now comprising 42% of the network, up from 37% last year.

DIRECTORS' REPORT

CONTINUED

CHANGES IN STATE OF AFFAIRS

There has been no significant changes in the state of affairs of the Group 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 Group, the results of those operations, or the state of affairs of the Group in future financial years other than the matters disclosed in note 28.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

The Group 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 Group complies with its obligations under environmental regulations and holds all licences required to undertake its business activities.

CORPORATE GOVERNANCE

A copy of Domino's Pizza Enterprises full 2018 Corporate Governance Statement, which provides detailed information about governance, and a copy of Domino's Pizza Enterprises' Appendix 4G which sets out the Group's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) is available on the corporate governance section of the Group's website at <https://www.dominos.com.au/inside-dominos/corporate>

DIVIDENDS

In respect of the financial year ended 01 July 2018, an interim dividend of 58.1 cents per share franked to 40% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 08 March 2018. The Company will be paying a final dividend of 49.7 cents per share franked to 75% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 05 September 2018.

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	SERIES	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE OF OPTION	EXPIRY DATE OF OPTIONS
DPE Limited	19	500	Ordinary	\$22.89	31 Aug 18
DPE Limited	21	4,000	Ordinary	\$22.89	31 Aug 18
DPE Limited	22	5,600	Ordinary	\$36.31	31 Aug 18
DPE Limited	23	300,000	Ordinary	\$40.95	31 Aug 19
DPE Limited	24	587,500	Ordinary	\$40.95	31 Aug 19
DPE Limited	25	400,000	Ordinary	\$76.23	31 Aug 20
DPE Limited	26	200,000	Ordinary	\$76.23	31 Aug 20
DPE Limited	27	423,000	Ordinary	\$76.23	31 Aug 20
DPE Limited	28	220,000	Ordinary	\$46.63	31 Aug 21
DPE Limited	29	616,000	Ordinary	\$45.25	31 Aug 21

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	SERIES	NUMBER OF SHARES UNDER OPTION	CLASS OF SHARES	EXERCISE PRICE OF OPTION	EXPIRY DATE OF OPTIONS
DPE Limited	18	300,000	Ordinary	\$7.16	\$nil
DPE Limited	19	318,750	Ordinary	\$7.39	\$nil
DPE Limited	20	150,000	Ordinary	\$10.51	\$nil
DPE Limited	21	39,000	Ordinary	\$7.11	\$nil
DPE Limited	22	31,500	Ordinary	\$9.08	\$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 judgement is given against the officer or in which the officer is not acquitted; or
- a liability for costs and expenses incurred by the director regarding 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, thirteen (13) board meetings, seven (7) nomination and remuneration committee meetings and eight (8) audit committee meetings were held.

	BOARD OF DIRECTORS		NOMINATION & REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jack Cowin	13	13	7	6	-	-
Ross Adler	13	13	7	7	8	8
Grant Bourke	13	13	7	7	8	8
Paul Cave	13	12	7	6	8	6
Lynda O'Grady	13	13	7	7	-	-
Don Meij	13	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 32 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 32 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 19 of the Annual Report.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations Legislative Instrument 2016/191 (Rounding in Financial/Directors' Report), 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

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REMUNERATION REPORT

Domino's Pizza Enterprises Limited is a geographically diverse business with a long history of growth. The Board remains committed to a strong growth focus and has designed its remuneration strategies to ensure that Key Management Personnel ("KMP") are focused on achieving sustainable growth in shareholder value over the long term.

This Remuneration Report (Audited), which forms part of the Directors' Report, sets out information about the remuneration of the Company's KMP including directors for the financial year ended 01 July 2018.

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

- Director and KMP details
- Remuneration policy
- Alignment between the remuneration policy and company performance
- Remuneration of directors and senior management
- Key terms of employment contracts

KMP DETAILS INCLUDING DIRECTORS

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

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

During the year, a review of the designation of KMPs was undertaken in relation to the Group's management structure and individual's authorities and responsibilities. As a result of this review, John Harney (Group Chief Procurement Officer), Craig Ryan (General Counsel and Company Secretary) and Wayne McMahon (Group Chief Information Officer) no longer meet the designation of KMP as at the commencement of the current financial year. Accordingly, the term KMP is used in this 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
- Scott Oelkers, President and Chief Executive Officer of Japan (ceased on 17 November 2017)
- Josh Kilimnik, President and Chief Executive Officer of Japan (appointed on 01 January 2018)
- Nick Knight, Chief Executive Officer ANZ
- Allan Collins, Group Chief Marketing Officer
- Michael Gillespie, Group Chief Digital and Technology Officer (appointed on 15 September 2017)

REMUNERATION POLICY

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

The Board Remuneration Policy is to ensure that KMP remuneration packages properly reflect the individual's duties and accountabilities and level of performance; and that remuneration is market competitive in order to attract, retain and motivate people of the highest quality.

The Board has a Nomination and Remuneration Committee ("NRC"). Information about this Committee is set out in the Company's Corporate Governance Statement.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive directors are remunerated by way of cash fees and superannuation contributions in accordance with the Superannuation Guarantee legislation. The level of directors' fees reflect their time commitment and responsibilities in accordance with 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 NRC is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and the Group CEO. The Group CEO is responsible for preparing recommendations on remuneration packages applicable to the other KMP of the Company for review and approval of the NRC.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

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

- the capability and experience of the KMP;
- the KMPs ability to control the relevant segments' performance;
- the Group's performance including:
 - the Group's earnings;
 - growth in earnings per share;
 - return on shareholders' investment

Remuneration packages include a mix of fixed, short-term and long-term performance-based incentives. Executives' bonus payments reflect the achievement of specific goals related to performance of the Company's financial and operational results. The mix of these components is based on the role the individual performs. In addition to their salaries, the Group also provides non-cash benefits to its KMP, and contributes to a post-employment superannuation plan (or equivalent) on their behalf.

During the year independent remuneration consultants were engaged by the Remuneration Committee to ensure that the reward practices and levels of remuneration for KMPs are consistent with market practice. A statement of recommendation from the remuneration consultants has been received for the 2018 financial year. Payment of \$52,371 (2017: \$72,072) has been made to the remuneration consultant for the remuneration advisory 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 KMP to whom the recommendation relates to, the remuneration consultants are not a related party to any KMP. As such, the Committee is satisfied that the remuneration recommendations were made free from undue influence by the member or members of the KMP to whom the recommendations relates.

Executive remuneration objectives are delivered through three categories of remuneration, as illustrated in the following table:

EXECUTIVE REMUNERATION OBJECTIVES

Attract, motivate and retain highly skilled executives across diverse geographies	Reward capability and experience and provide recognition for the contribution to the Company's overall objectives	An appropriate balance between fixed and variable remuneration	Alignment to shareholder interests through equity components
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TOTAL REMUNERATION IS SET BY REFERENCE TO THE RELEVANT GEOGRAPHIC MARKET

FIXED	PERFORMANCE LINKED REMUNERATION	
FIXED REMUNERATION	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
Fixed remuneration is set relative to the market, reflecting the KMPs accountability, performance, experience, and geographic location	Key Performance Indicators (KPIs) are set each year by the Board reflective of the Group or Geographically relevant segment and include financial and individual performance targets relevant to the specific position	LTI targets are linked to EPS growth, EBITDA or EBIT depending on whether the role has Group or segment responsibility

REMUNERATION WILL BE DELIVERED AS:

Base remuneration 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 or equivalents	Cash Payment following a review of the audited performance of the Group, the relevant segment and individual performance against the KPIs set at the beginning of the Financial Year. KPIs are either achieved or not achieved - partial achievement is not rewarded KPIs are predominately financial, and all are subject to audit	Equity in options. All equity is held subject to service and performance for a minimum of 3 years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date.
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STRATEGIC INTENT

Fixed remuneration will take into account the relevant market data, provided by an independent remuneration consultant, or other independent data (e.g. Mercer), considering the individual's expertise and performance in the role	Short Term Incentive is directed to achieving Board approved targets, reflective of the Group plan	LTI's are intended to reward Executives for sustainable long-term growth aligned to shareholder value creation
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FIXED REMUNERATION

Remuneration levels are reviewed annually by the Nomination and Remuneration Committee and Group CEO through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors and KMP remuneration is competitive in the marketplace. A KMPs remuneration is also reviewed on promotion. All roles are benchmarked against comparable market data.

DIRECTORS' REPORT

CONTINUED

PERFORMANCE-LINKED REMUNERATION

Performance-linked remuneration includes both short-term and long-term incentives and is designed to reward KMP 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").

SHORT-TERM INCENTIVE

Each year the Nomination and Remuneration Committee sets the key performance indicators ("KPI's") for the Group CEO and the Group CEO proposes the KPI's for the other KMP. The KPI's generally include measures relating to the Group, the relevant segment, and the individual, and include financial and operational measures that are audited. The measures are chosen as they directly align the individual's reward to the KPI's of the Group 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", Net Profit After Tax ("NPAT"), and Franchisee profitability (EBITDA) compared to budget and last year. The specific targets are not detailed in this report due to their commercial sensitivity. KPI's are either achieved or not achieved, partial achievement is not rewarded.

LONG-TERM INCENTIVE

Options are issued under the ESOP, and it provides for KMP 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 pages 13 and 14.

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

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 01 July 2018:

	01 JULY 2018 \$'000	02 JULY 2017 \$'000	03 JULY 2016 \$'000	28 JUNE 2015 \$'000	29 JUNE 2014 \$'000
Revenue	1,153,952	1,073,125	930,218	702,437	588,673
Net profit before tax	174,476	150,680	125,819	97,840	66,560
Net profit after tax	121,693	105,804	86,592	68,421	45,296

	01 JULY 2018	02 JULY 2017	03 JULY 2016	28 JUNE 2015	29 JUNE 2014
Share price at start of year (\$)	52.08	68.82	36.16	21.82	11.17
Share price at end of year (\$)	52.22	52.08	68.82	36.16	21.82
Interim dividend per share (cents) ⁽ⁱ⁾	58.1	48.4	34.7	24.6	17.7
Final dividend per share (cents) ⁽ⁱⁱ⁾	49.7	44.9	38.8	27.2	19.0
Basic earnings per share (cents)	139.4	116.0	94.4	74.2	50.5
Diluted earnings per share (cents)	139.0	114.7	92.2	72.8	49.8

(i) Interim and final dividends for the year ended 01 July 2018 are franked to 40% and 75% respectively at 30% corporate income tax rate. For the year ended 02 July 2017 interim and final dividends are franked to 50% at 30% corporate income tax rate and prior periods interim and final dividends were franked to 100% at 30% corporate income tax rate.

(ii) The final dividend for the financial year ended 01 July 2018 was declared after the end of the reporting period and is not reflected in the financial statements.

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 in the scheme.

MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER (GROUP CEO) REMUNERATION STRUCTURE

The following remuneration structure applied to the Group CEO for FY18.

Fixed remuneration	\$1,100,000 per annum, reviewed annually by the Board in accordance with normal remuneration processes
Performance linked remuneration	<ul style="list-style-type: none">Short term incentive up to \$900,000, subject to the achievement of KPIs set annually, and approved by the Board. Paid as 100% cash.Long-term Incentive - Options subject to performance conditions were granted on 8 November 2017. These options were approved by Shareholder Resolution on 8 November 2017.

KEY PERFORMANCE INDICATORS

The Board set the KPIs for the Group CEO during financial year ended 01 July 2018 to be in line with the plan for the Group. The first and largest consideration was the financial performance of the Group. This accounts for 90% of the total weighting for the short-term incentive bonus, based on year on year NPAT growth, and EBIT performance in individual markets. The second consideration was the net increase in new stores across the Group with 10% of the total weighting for the short-term incentive.

KPI	WEIGHTING	MEASURES
Financial Performance	90%	<ul style="list-style-type: none"> Group NPAT – budgeted and stretch targets (\$) Australia and New Zealand budgeted EBIT (\$) Europe budgeted EBIT (€) Japan budgeted EBIT (¥)
New Store Growth	10%	<ul style="list-style-type: none"> Net increase in new stores across the Group

The Group CEO achieved none of his FY18 short term incentive.

In FY17 the Group CEO achieved approximately 60% of his short-term incentive. However, he elected to forgo his bonus entitlements of \$540,000 to acknowledge the negative effect of publicity in relation to the franchise network.

LONG TERM INCENTIVE (EXECUTIVE SHARE AND OPTION PLAN)

The Long-Term incentive approved by shareholder resolution on the 8 November 2017 resulted in the granting of three tranches of options in calendar years 2017, 2018 and 2019 as follows:

SERIES	NUMBER GRANTED	EXERCISE PRICE	FAIR VALUE	GRANT DATE	FIRST EXERCISE PRICE
Tranche 1 (Series 28)	220,000	\$46.63	\$11.22	8 Nov 2017	1 Sept 2020
Tranche 2 ⁽ⁱ⁾	220,000	\$46.63	\$12.68	8 Nov 2018	1 Sept 2021
Tranche 3 ⁽ⁱ⁾	297,000	\$46.63	\$13.87	8 Nov 2019	1 Sept 2022

(i) The fair value and exercise price for Tranche 2 and 3 are indicative values and will be revised at the relevant grant date.

The options were granted under the terms and conditions of the Company's Executive Share and Option Plan. The plan rules are available for inspection on the ASX's announcements platform.

OPTIONS VESTING CONDITIONS

Options granted to the Group CEO vest in accordance with the following table if the Company's cumulative annual compound earnings per share (EPS) growth as determined by the Board acting reasonably based on the audited financial statements of the Company, over the relevant performance period is at least 12%. The cumulative EPS target below applies to Tranche 1 however for Tranches 2 and 3 the cumulative EPS targets for Tranches 2 and 3 will be recalculated prior to the relevant dates of grant.

ANNUAL COMPOUND EPS GROWTH DURING THE PERFORMANCE PERIOD	CUMULATIVE EPS TARGET (TRANCHE 1 ONLY)	PROPORTION OF OPTIONS WHICH VEST	TRANCHE 1 (SERIES 28)	TRANCHE 2	TRANCHE 3
			NUMBER OF OPTIONS WHICH VEST	NUMBER OF OPTIONS WHICH VEST	NUMBER OF OPTIONS WHICH VEST
Less than 12%	less than 5.049	0%	0	0	0
12% up to less than 13%	5.049 up to less than 5.143	20%	44,000	44,000	59,400
13% up to less than 14%	5.143 up to less than 5.239	30%	66,000	66,000	89,100
14% up to less than 15%	5.239 up to less than 5.335	40%	88,000	88,000	118,800
15% up to less than 16%	5.335 up to less than 5.433	50%	110,000	110,000	148,500
16% up to less than 17%	5.433 up to less than 5.532	60%	132,000	132,000	178,200
17% up to less than 18%	5.532 up to less than 5.632	70%	154,000	154,000	207,900
18% up to less than 19%	5.632 up to less than 5.733	80%	176,000	176,000	237,600
19% up to less than 20%	5.733 up to less than 5.836	90%	198,000	198,000	267,300
20% or over	5.836 or over	100%	220,000	220,000	297,000

DIRECTORS' REPORT

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For options which do not vest they automatically lapse and are cancelled.

MANAGING DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER (GROUP CEO) REMUNERATION

As outlined above the Group CEO's remuneration includes an appropriate mix of fixed and performance related remuneration.

In 2013, as part of a long-term incentive plan, shareholders approved the grant of 1,000,000 options as a component of the Group CEO's remuneration. The options were issued in 3 tranches (series 18, 23 and 25) and the exercise prices were determined and reflected the underlying market price around the time of grant; being 29 October 2014, 03 September 2015 and 01 September 2016, respectively.

During 2017, after a period of substantial share price growth when shareholder returns were substantially above market trend returns for the period, the Group CEO exercised 600,000 options when the share price was \$74.47. These shares were retained by the Group CEO as they are subject to an escrow period ending on the 28 October 2019. The Group CEO has personal income tax obligations arising from being issued these shareholdings.

Over this time period and to the benefit of shareholders, Earnings Per Share on an underlying basis more than tripled from 41.5c to 133.6c per share.

The Group CEO retains 1,843,344 shares in the Company which demonstrates a continued commitment to the Company.

REMUNERATION OF DIRECTORS AND KMP

		SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	TOTAL
		FEES \$	NON-MONETARY BENEFITS ⁽ⁱ⁾	SUPER-ANNUATION \$	\$
NON EXECUTIVES DIRECTORS					
Jack Cowin	2018	250,000	24,667	20,049	294,716
	2017	250,000	5,893	19,652	275,545
Ross Adler	2018	160,000	26,667	15,200	199,867
	2017	160,000	5,893	15,200	181,093
Grant Bourke	2018	112,000	24,667	10,640	147,307
	2017	112,000	5,893	10,640	128,533
Paul Cave	2018	100,000	24,667	9,500	134,167
	2017	100,000	5,893	9,500	115,393
Lynda O'Grady	2018	100,000	24,667	9,500	134,167
	2017	100,000	5,893	9,500	115,393
Total	2018	722,000	123,335	64,889	910,224
	2017	722,000	29,465	64,492	815,957

(i) Non-monetary benefits relate to directors and officers insurance premiums.

REMUNERATION OF DIRECTORS AND KMP (CONTINUED)

	SHORT-TERM BENEFITS			LONG-TERM BENEFITS	LONG-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	LONG-TERM INCENTIVE ⁽ⁱ⁾	TOTAL	PERFORMANCE RELATED	
	SALARIES	BONUS ⁽ⁱ⁾	OTHERS ⁽ⁱⁱ⁾							NON-MONETARY BENEFITS ^(ix)
	\$	\$	\$	\$	\$	\$	\$	\$	%	
Executive Director										
Don Meij	2018 ⁽ⁱ⁾	1,092,027	-	-	24,667	18,034	20,049	(377,564)	777,213	(48.6)%
	2017	1,049,461	-	-	5,893	20,732	19,616	3,567,050	4,662,752	76.5%
Executive Officers										
Richard Coney	2018 ⁽ⁱ⁾	452,183	48,854	-	24,667	7,037	20,049	(9,789)	543,001	7.2%
	2017	451,268	-	-	12,572	10,682	19,616	524,119	1,018,257	51.5%
Andrew Rennie	2018 ⁽ⁱ⁾	476,862	-	442,072	-	5,484	-	1,626,990	2,551,408	63.8%
	2017 ^(vii)	427,526	126,673	402,545	-	6,072	-	1,974,986	2,937,802	71.5%
Josh Kilimnik	2018	238,814	18,843	380,043	-	-	23,235	13,325	674,260	4.8%
	2017	-	-	-	-	-	-	-	-	-%
Nick Knight	2018 ⁽ⁱ⁾	362,345	24,905	-	24,667	6,404	20,049	(28,976)	409,394	(1.0)%
	2017	357,884	-	-	5,893	45,342	19,616	395,052	823,787	48.0%
Allan Collins	2018 ⁽ⁱ⁾	428,854	29,292	-	24,667	7,293	20,049	(3,399)	506,756	5.1%
	2017	433,088	193,775	-	5,893	10,312	19,616	373,904	1,036,588	54.8%
Michael Gillespie	2018 ^{(ii)(v)}	284,096	39,738	-	19,449	9,707	15,658	(69,380)	299,268	(9.9)%
	2017	-	-	-	-	-	-	-	-	-%
Former Executive Officers										
Scott Oelkers	2018 ⁽ⁱ⁾	875,779	-	42,193	-	-	-	-	917,972	-%
	2017 ^(vi)	1,028,458	266,397	149,454	-	-	-	(123,261)	1,321,048	10.8%
Total	2018	4,210,960	161,632	864,308	118,117	53,959	119,089	1,151,207	6,679,272	19.7%
	2017	3,747,685	586,845	551,999	30,251	93,140	78,464	6,711,850	11,800,234	61.9%

(i) The incentives are dependent on satisfaction of performance conditions.

(ii) Included in salaries and other short-term benefits are amounts relating to tax equalisation.

(iii) On 15 September 2017 Michael Gillespie was appointed as Group Chief Digital and Technology Officer, and as a result of this appointment, is now considered a KMP. The remuneration of Michael Gillespie is proportioned for the period that he is considered KMP.

(iv) Share-based payment is calculated using the number of options granted by the grant date fair value over the vesting period, taking the cost that relates to the financial year ended 01 July 2018.

(v) The share based payments remuneration amount for the financial year ended 01 July 2018 includes the de-recognition of prior year's remuneration for options series 25 or 27 for Australian and New Zealand employees. The de-recognition of the remuneration is due to a re-assessment of the probability of achievement of the non-market option vesting conditions in the current year principally being the compound annual EPS growth hurdle. In making that assessment the Board exercised its discretion to adjust the Group's forecasted compound annual EPS growth for FY19 to better reflect underlying growth and made adjustments to remove the benefits from acquisitions as well as non-recurring, one-off or extraordinary items. The effect of these adjustments is that there will need to be a higher rate of underlying compound annual EPS growth for options to vest in FY19.

(vi) The share based payments remuneration amount for the financial year ended 02 July 2017 includes the derecognition of prior year's remuneration as a result of re-assessment of probability of achievement of the non-market vesting conditions.

(vii) The prior year reported salaries and fees have been revised to reflect adjustments arising from the finalisation of tax equalisation.

(viii) Amounts relate to expatriate allowances including but not limited to housing, schooling and healthcare.

(ix) Non-monetary benefits relate to directors and officers insurance premiums.

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

DIRECTORS' REPORT

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INCENTIVES AND SHARE-BASED PAYMENTS GRANTED AS REMUNERATION FOR THE FINANCIAL YEAR

INCENTIVES

On 13 August 2018, Richard Coney, Josh Kilimnik, Nick Knight, Allan Collins and Michael Gillespie were granted a cash incentive for their performance during the year ended 01 July 2018. The incentive 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.

No other incentives were granted during the financial year ended 01 July 2018.

SHORT-TERM INCENTIVE

	INCLUDED IN COMPENSATION \$ ⁽ⁱ⁾	AMOUNT FORFEITED IN YEAR \$	PERCENTAGE AWARDED IN YEAR %	PERCENTAGE FORFEITED IN YEAR % ⁽ⁱⁱ⁾
Don Meij	-	900,000	0.0	100.0
Richard Coney	48,854	195,415	20.0	80.0
Andrew Rennie	-	317,923	0.0	100.0
Josh Kilimnik	18,843	75,371	20.0	80.0
Nick Knight	24,905	174,333	12.5	87.5
Allan Collins	29,292	196,028	13.0	87.0
Michael Gillespie	39,738	73,800	35.0	65.0
<i>Former KMP</i>				
Scott Oelkers	-	388,188	0.0	100.0

(i) Amounts included in remuneration 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 incentive 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 financial year ended 01 July 2018.

LONG-TERM INCENTIVES

There were no long-term cash incentives granted for the financial year ended 01 July 2018.

EXECUTIVE SHARE AND OPTION PLAN (ESOP)

The Company established the ESOP to assist in the recruitment, reward, retention and motivation of the company's KMP ("the participants").

In accordance with the provisions of the scheme, KMP 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:

OPTION SERIES	ISSUE & GRANT DATE	GRANTED TO	EXPIRY DATE	GRANT DATE FAIR VALUE	EXERCISE PRICE	VESTING DATE
(18)	29 Oct. 2014	Don Meij ⁽ⁱ⁾	28 Oct. 2020	\$7.16	\$22.89	01 Sep. 2017
(19)	29 Oct. 2014	ANZ Employees	31 Aug. 2018	\$7.39	\$22.89	01 Sep. 2017
(20)	27 Jan. 2015	Andrew Rennie ⁽ⁱ⁾	31 Aug. 2020	\$10.51	\$16.52	01 Sep. 2017
(21)	03 Feb. 2015	Europe Employees	31 Aug. 2018	\$7.11	\$22.89	01 Sep. 2017
(22)	20 Jun. 2015	Europe Employees	31 Aug. 2018	\$7.03	\$36.31	01 Sep. 2017
(23)	03 Sep. 2015	Don Meij ⁽ⁱ⁾	28 Oct. 2020	\$8.20	\$40.95	01 Sep. 2018
(24)	03 Sep. 2015	Andrew Rennie ⁽ⁱ⁾	31 Aug. 2020	\$8.57	\$40.95	01 Sep. 2018
(24)	03 Sep. 2015	ANZ Employees	31 Aug. 2019	\$8.28	\$40.95	01 Sep. 2018
(24)	03 Sep. 2015	Europe Employees	31 Aug. 2019	\$8.28	\$40.95	01 Sep. 2018
(24)	03 Sep. 2015	Japan Employees	31 Aug. 2019	\$8.28	\$40.95	01 Sep. 2018
(25)	01 Sep. 2016	Don Meij ⁽ⁱ⁾	28 Oct. 2020	\$17.00	\$76.23	01 Sep. 2019
(26)	01 Sep. 2016	Andrew Rennie ⁽ⁱ⁾	31 Aug. 2020	\$16.50	\$76.23	01 Sep. 2019
(27)	01 Sep. 2016	ANZ Employees	31 Aug. 2020	\$16.80	\$76.23	01 Sep. 2019
(27)	01 Sep. 2016	Europe Employees	31 Aug. 2020	\$16.80	\$76.23	01 Sep. 2019
(27)	01 Sep. 2016	Japan Employees	31 Aug. 2020	\$16.80	\$76.23	01 Sep. 2019
(28)	08 Nov. 2017	Don Meij	31 Aug. 2021	\$11.22	\$46.63	01 Sep. 2020
(29)	19 Apr. 2018	ANZ Employees	31 Aug. 2021	\$5.88	\$45.25	01 Sep. 2020
(29)	19 Apr. 2018	Europe Employees	31 Aug. 2021	\$5.88	\$45.25	01 Sep. 2020
(29)	19 Apr. 2018	Japan Employees	31 Aug. 2021	\$5.88	\$45.25	01 Sep. 2020

(i) Options and shares issued on the exercise of options to Don Meij and Andrew Rennie are subject to an escrow. Don Meij's escrow period commencing on the date of issue and ending on 28 October 2019. Andrew Rennie's escrow period commencing on the date of issue and ending on 01 January 2019.

ANZ EMPLOYEE AND DON MEIJ OPTION VESTING CONDITIONS

Options pertaining to series 18, 19, 23, 24, 25 and 27 vest in accordance with the compound annual EPS growth rate over the relevant three-year performance period.

PERFORMANCE CONDITION	PERCENTAGE OF PERFORMANCE HURDLE ACHIEVED	PROPORTION OF OPTIONS VESTING
DPE EPS percentage growth over the relevant performance period (\$AUD)	Less than 9%	0%
	9% up to less than 9.5%	10%
	9.5% up to less than 10%	20%
	10% up to less than 10.5%	40%
	10.5% up to less than 11%	50%
	11% up to less than 12%	60%
	12% up to less than 13%	70%
	13% up to less than 14%	80%
	14% up to less than 15%	90%
	15% or over	100%

DIRECTORS' REPORT

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EUROPE EMPLOYEES & ANDREW RENNIE OPTION VESTING CONDITIONS

Options pertaining to series 20, 21, 22, 24, 26 and 27 vest in accordance with the following table. If the options vest, the vesting date will be the date on which the DPE Europe EBIT three-year performance is determined. If the options do not vest, they automatically lapse. Options granted to Andrew Rennie, Chief Executive Officer Europe are subject to escrow conditions.

PERFORMANCE CONDITION	PERCENTAGE OF PERFORMANCE HURDLE ACHIEVED	PROPORTION OF OPTIONS VESTING
Europe EBIT performance (€)	Less than 90%	0%
	90%	25%
	More than 90% but less than 100%	Between 25% and 100% on a pro-rata basis
	100% or more	100%

JAPAN EMPLOYEES OPTION VESTING CONDITIONS

Options pertaining to series 24 and 27 vest in accordance with the below table and are subject to a DPE Japan EBITDA performance hurdle over a three-year performance period.

PERFORMANCE CONDITION	PERCENTAGE OF PERFORMANCE HURDLE ACHIEVED	PROPORTION OF OPTIONS VESTING
Japan EBIT performance (¥)	Less than 96%	0%
	96%	25%
	More than 96% but less than 100%	Between 25% and 100% on a pro-rata basis
	100% or more	100%

Other vesting service or performance criteria:

Other than the above vesting conditions specified by Region, there are no further service or performance criteria that need to be met before the options vest.

OPTIONS ISSUED DURING FY18

Options pertaining to series 28 and 29 vest in accordance with the below table and are based on a sliding scale of the Company's cumulative annual compound earnings per share (EPS) growth for Group based roles, or a combination of the Company's cumulative annual compound EPS and the cumulative regional EBIT target over the performance period for regional specific relevant roles.

ANNUAL COMPOUND EPS GROWTH		PERCENTAGE OF CUMULATIVE EBIT	
ANNUAL COMPOUND EPS GROWTH DURING THE PERFORMANCE PERIOD	PROPORTION OF OPTIONS WHICH VEST	PERCENTAGE OF CUMULATIVE EBIT TARGET OVER PERFORMANCE PERIOD	PROPORTION OF OPTIONS WHICH VEST
Less than 12%	0%	Less than 93%	0%
12% up to less than 13%	20%	93%	25%
13% up to less than 14%	30%	94%	35%
14% up to less than 15%	40%	95%	45%
15% up to less than 16%	50%	96%	55%
16% up to less than 17%	60%	97%	65%
17% up to less than 18%	70%	98%	75%
18% up to less than 19%	80%	99%	80%
19% up to less than 20%	90%	100%	85%
20% or over	100%	101%	90%
		102%	95%
		103% or more	100%

EXERCISED OPTIONS

During the year, the following KMP exercised options that were granted to them as part of their remuneration. 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	300,000	300,000	\$6,867,000	\$nil
Richard Coney	54,000	54,000	\$1,236,060	\$nil
Andrew Rennie	150,000	150,000	\$2,478,000	\$nil
Josh Kilimnik	-	-	-	\$nil
Nick Knight	27,000	27,000	\$618,030	\$nil
Allan Collins	38,500	38,500	\$881,265	\$nil
Michael Gillespie	8,000	8,000	\$183,120	\$nil
<i>Former KMP</i>				
Scott Oelkers	-	-	-	\$nil

The following table summarises the value of options 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	2,148,000	12,726,000	-
Richard Coney	399,060	2,322,000	-
Andrew Rennie	1,576,500	6,375,000	-
Josh Kilimnik	-	-	-
Nick Knight	199,530	1,260,900	-
Allan Collins	284,515	1,655,500	-
Michael Gillespie	59,120	344,000	-
<i>Former KMP</i>			
Scott Oelkers	-	-	-

(i) The value of options granted during the period is recognised in remuneration 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

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EMPLOYEE SHARE SCHEME

The Company has adopted an Employee Share Acquisition Plan (ESAP) which allows eligible employees (Participants) to make contributions from their pre-tax cash salary and wages to acquire fully paid ordinary shares in the Company. Participation is voluntary. Shares will be allocated monthly, commencing April 2017 and ending June 2018. Shares will either be acquired on market or the Company will issue new shares.

The market price is:

- If any shares have been acquired on-market, the average cost to the Company (excluding brokerage and transaction costs) of purchasing a Share on ASX, for the purpose of providing an allocation to relevant Participants, as determined by the Board in its discretion: and
- If all shares have been issued directly by the Company, the 5-day volume weighted average price of Shares as traded on ASX up to (but excluding) the relevant allocation date, as determined by the Board.

Allocated shares will be subject to trading restrictions for 12 months from each allocation date (unless the employee elects for a longer restriction period of up to 3 years).

PLAN DETAILS	TYPE OF INSTRUMENT	DETAILS	PURPOSE
Domino's Employee Share Acquisition Plan (ESAP)	Ordinary shares held under holding lock	Issue of ordinary shares monthly to eligible employees	The purpose of the ESAP is to encourage general employee equity participation through tax concessional legislation, which currently facilitates salary sacrificed issues of up to \$5,000 of shares annually per eligible employee.

FULLY PAID ORDINARY SHARES OF DOMINO'S PIZZA ENTERPRISES LIMITED

	BALANCE AT BEGINNING OF FINANCIAL YEAR	GRANTED AS COMPENSATION	RECEIVED ON EXERCISE OF OPTIONS	NET OTHER CHANGE	BALANCE AT THE END OF FINANCIAL YEAR	BALANCE HELD NOMINALLY
	NO.	NO.	NO.	NO.	NO.	NO.
2018						
Ross Adler	205,796	-	-	(4,000)	201,796	-
Grant Bourke	1,798,344	-	-	(20,000)	1,778,344	-
Paul Cave	369,166	-	-	-	369,166	-
Lynda O'Grady	2,000	-	-	-	2,000	-
Don Meij	2,686,807	-	300,000	(1,143,463)	1,843,344	-
Richard Coney	45,719	-	54,000	(74,265)	25,454	-
Andrew Rennie	1,106,666	-	150,000	(356,441)	900,225	-
Josh Kilimnik	800	-	-	1,800	2,600	-
Nick Knight	72,282	-	27,000	(37,340)	61,942	-
Allan Collins	232,532	-	38,500	(270,770)	262	-
Michael Gillespie	-	-	8,000	(8,000)	-	-
2017						
Ross Adler	205,796	-	-	-	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	2,138,360	-	600,000	(51,553)	2,686,807	-
Richard Coney	25,719	-	80,000	(60,000)	45,719	-
Andrew Rennie	856,370	-	333,334	(83,038)	1,106,666	-
Nick Knight	42,700	-	40,000	(10,418)	72,282	-
Allan Collins	175,000	-	57,500	32	232,532	-

Executive share options of Domino's Pizza Enterprises Limited

	BALANCE AT BEGINNING OF FINANCIAL YEAR	GRANTED AS COMPENSATION	EXERCISED	NET OTHER CHANGE	BALANCE AT THE END OF FINANCIAL YEAR	OPTIONS VESTED DURING YEAR
	NO.	NO.	NO.	NO.	NO.	NO.
2018						
Don Meij	1,000,000	220,000	(300,000)	-	920,000	300,000
Richard Coney	162,000	52,000	(54,000)	-	160,000	54,000
Andrew Rennie	500,000	-	(150,000)	-	350,000	150,000
Josh Kilimnik	-	29,500	-	-	29,500	-
Nick Knight	121,000	50,000	(27,000)	-	144,000	27,000
Allan Collins	115,500	45,000	(38,500)	-	122,000	38,500
Michael Gillespie	46,500	35,000	(8,000)	-	73,500	8,000
Scott Oelkers	120,000	-	-	(120,000)	-	-
2017						
Don Meij	1,200,000	400,000	(600,000)	-	1,000,000	600,000
Richard Coney	188,000	54,000	(80,000)	-	162,000	80,000
Andrew Rennie	633,334	200,000	(333,334)	-	500,000	166,667
Nick Knight	114,000	47,000	(40,000)	-	121,000	40,000
Allan Collins	134,500	38,500	(57,500)	-	115,500	57,500
Scott Oelkers	60,000	60,000	-	-	120,000	-

CONTRACTS FOR SERVICES OF KMP

NAME	TERM OF CONTRACT	CONTRACT COMMENCEMENT	NOTICE TERMINATION - BY COMPANY	NOTICE TERMINATION - BY EXECUTIVE	TERMINATION PAYMENT - AMOUNT EQUAL TO
Don Meij	5 years	8 November 2017	12 months	12 months	12 months remuneration
Richard Coney	Ongoing	16 May 2005	6 months	6 months	6 months remuneration
Andrew Rennie	5 years	2 January 2014	6 months	6 months	6 months remuneration
Josh Kilimnik	3 years	1 January 2018	6 months	6 months	6 months remuneration
Nick Knight	Ongoing	1 October 2012	3 months	3 months	3 months remuneration
Allan Collins	Ongoing	8 January 2013	3 months	3 months	3 months remuneration
Michael Gillespie	Ongoing	15 September 2017	3 months	3 months	3 months remuneration

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

Each of the KMP 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 8 November 2017. The contract specifies the duties and obligations to be fulfilled by the Group CEO and provides that the Board and Group CEO will, early in each financial year, consult and agree objectives for achievement during that year.

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CONTINUED

CONTRACTS FOR SERVICES OF KMP (CONTINUED)

Don Meij's contract provides that he may terminate the agreement by giving 12 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 have 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

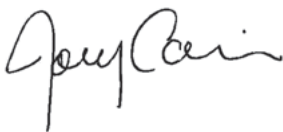
The Constitution of the Company provides that non-executive directors are entitled to receive remuneration for their services as determined by the Company in a general meeting. The Company has resolved that the maximum aggregate amount of directors' fees (which does not include remuneration of executive directors and other non-director services provided by directors) is \$1,000,000 per annum. The non-executive directors may divide that remuneration 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 remuneration. 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 (2017: \$100,000), Chairman of the Board was \$250,000 per annum (2017: \$250,000), Deputy Chairman of the Board/ Chairman of the Audit Committee was \$160,000 (2017: \$160,000) and Director/Chairman of the Nomination & Remuneration Committee was \$112,000 (2017: \$112,000), plus superannuation where applicable.

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
Non-Executive Chairman
Sydney, 13 August 2018



Don Meij
Managing Director / Group Chief Executive Officer
Sydney, 13 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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13 August 2018

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

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 financial year ended 1 July 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Tarling
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Domino's Pizza Enterprises Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 1 July 2018, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company and Group's financial position as at 1 July 2018 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED - CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Carrying Value of Goodwill and Indefinite Life Intangible Assets in the Japan and Germany Cash Generating Units (CGUs)

As at 1 July 2018, the carrying value of the Japan CGU included goodwill of \$249.2 million and indefinite life intangible assets of \$42.5 million. The carrying value of the German CGU included goodwill of \$79.7m million and indefinite life intangible assets of \$189.8 million, as disclosed in Note 9.

The evaluation of the recoverable amount is affected by management's expectations on the market growth rates and sensitivity in discount rates which requires significant judgement in determining the expected present value of future cash flows of the CGU.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

In conjunction with our valuation experts, our procedures included, but were not limited to:

- Evaluating the appropriateness of the methodology applied by the directors in calculating the recoverable amounts of the CGUs;
- Challenging the assumptions used to calculate the discount rates and recalculating these rates;
- Assessing the projected cash flows, operating margins and expected growth rates against historical performance, and published industry economic data;
- Evaluating the Group's categorisation of CGUs and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business;
- Testing the mathematical accuracy of the recoverable amount models; and
- Performing sensitivity analysis on the recoverable amount of the CGU's around the key drivers of growth rates used in the cash flow forecasts and the discount rate used.

We also assessed the appropriateness of the disclosures included in note 9 to the financial statements.

Valuation of the put option related to the future exit of the non-controlling interest in the German component

As at 1 July 2018, the put option relating to the non-controlling interest in Germany is valued at \$88.9 million as disclosed in Notes 21 and 22.

The put option financial liability is classified as Level 3 on the fair value hierarchy due to significant unobservable inputs used to determine fair value. Consequently, management are required to make significant judgements in respect of valuation inputs relating to market growth rates, the expected timing of exercise of the put option and the discount rates.

In conjunction with our valuation experts, our procedures included, but were not limited to:

- Assessing the appropriateness of the methodology applied by management's expert in valuing the option and assessing the key assumptions used, including expected future earnings of the component, the expected timing of exercise of the put option and the discount rate;
- Evaluating the independence, competence and objectivity of management's expert;
- Assessing the assumptions used in the valuation model to ensure they are in accordance with the terms of the put options as prescribed by the shareholders' agreement;
- Performing a sensitivity analysis over the key assumptions in the valuation model; and
- Testing the mathematical accuracy of the put option calculation.

We also assessed the appropriateness of the disclosures included in Notes 21 and 22 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED - CONTINUED

KEY AUDIT MATTER

Business acquisition of Hallo Pizza GmbH in Germany

As disclosed in Note 7 and 9, the Group completed the acquisition of 100% of the shares in Hallo Pizza GmbH and the intellectual property rights pertaining to the Hallo Pizza business in Germany for consideration of Euro 34 million (approximately \$54 million).

Accounting for acquisitions is complex and involves a number of significant judgements and estimates as disclosed in Note 7 and 9 including:

- the identification of and fair value attributed to the separately identifiable assets and liabilities acquired, including intangible assets; and
- the determination of the useful lives of the acquired intangible assets.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

In conjunction with our valuation specialists our procedures included, but were not limited to:

- Reading the Purchase and Sale agreement to understand the terms and conditions of the transaction and evaluating management's application of the relevant accounting standards including appropriateness of the acquisition date and identification of the acquiring entity;
- Challenging the appropriateness of valuation methodologies and key judgements adopted by management in determining the fair values of the brand, franchise network, software, customer relationships and licences which include:
 - EBITDA margins;
 - non-recurring costs;
 - growth rates;
 - discount rates; and
 - attrition rates.
- Assessing the useful lives of the intangible assets, based on the nature of the assets and industry practice.

We also assessed the appropriateness of the disclosures included in Notes 7 and 9 to the financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, Additional Securities Exchange Information, Glossary and the Corporate Directory, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the annual report (but does not include the financial report and our auditor's report thereon): Group Highlights, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

RESPONSIBILITIES OF THE DIRECTORS 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DOMINO'S PIZZA ENTERPRISES LIMITED - CONTINUED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 23 of the Director's Report for the year ended 1 July 2018.

In our opinion, the Remuneration Report of Domino's Pizza Enterprises Limited, for the year ended 1 July 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Domino's Pizza Enterprises Limited 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.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Tarling

Partner

Chartered Accountants

Brisbane, 13 August 2018

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 the basis of preparation note 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 Group; 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, 13 August 2018

FINANCIAL REPORT



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 01 JULY 2018

	NOTE	2018 \$'000	2017 \$'000
Continuing operations			
Revenue	2	794,072	790,861
Other revenue	2	359,880	282,264
Other gains and losses	3	19,529	18,566
Food, equipment and packaging expenses		(385,675)	(354,127)
Employee benefits expense	4	(242,340)	(239,471)
Plant and equipment costs		(20,833)	(19,776)
Depreciation and amortisation expense	4	(53,537)	(46,369)
Occupancy expenses	4	(44,318)	(39,943)
Finance costs	4	(10,276)	(5,491)
Marketing expenses		(49,704)	(49,220)
Royalties expense		(59,564)	(52,282)
Store related expenses		(21,406)	(21,799)
Communication expenses		(17,889)	(17,760)
Acquisition, integration and conversion related costs		(20,934)	(28,384)
Other expenses		(72,529)	(66,389)
Profit before tax		174,476	150,680
Income tax expense	6	(52,783)	(44,876)
Profit for the period from continuing operations		121,693	105,804
Profit is attributable to:			
Owners of the parent		121,466	102,857
Non-controlling interests		227	2,947
Total profit for the period		121,693	105,804
		CENTS	CENTS
Earnings per share from continuing operations			
Basic (cents per share)	17	139.4	116.0
Diluted (cents per share)	17	139.0	114.7

This statement should be read in accompaniment with the notes to the financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 01 JULY 2018

	2018 \$'000	2017 \$'000
Profit for the period	121,693	105,804
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/(loss) on net investment hedge taken to equity	(5,869)	5,132
Exchange differences arising on translation of foreign operations	16,968	(35,736)
Gain/(loss) on cash flow hedges taken to equity	614	7,176
Income tax relating to components of other comprehensive income	1,468	(1,822)
Other comprehensive gain/(loss) for the period, net of tax	13,181	(25,250)
Total comprehensive income for the period	134,874	80,554
Items not to be reclassified to profit or loss		
Remeasurement of defined benefit obligation	(168)	950
Income tax relating to components of other comprehensive income	72	(293)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods for the period	(96)	657
Other comprehensive income/(loss) for the year, net of tax	13,085	(24,593)
Total comprehensive income for the year	134,778	81,211
Total comprehensive income for the period is attributable to:		
Owners of the parent	132,064	85,835
Non-controlling interests	2,714	(4,624)
Total comprehensive income for the year	134,778	81,211

This statement should be read in accompaniment with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 01 JULY 2018

	NOTE	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	75,996	50,454
Trade and other receivables	10	78,181	72,615
Other financial assets	20	26,855	18,784
Inventories	13	19,271	21,098
Current tax assets	6	767	470
Other assets	10	28,529	24,404
Total current assets		229,599	187,825
Non-current assets			
Other financial assets	20	75,436	53,181
Investment in joint venture	25	2,755	3,231
Property, plant and equipment	8	200,103	198,674
Goodwill	9	428,804	387,111
Other intangible assets	9	365,707	302,745
Other assets	10	7	26
Total non-current assets		1,072,812	944,968
Total assets		1,302,411	1,132,793
Liabilities			
Current liabilities			
Trade and other payables	11	156,045	136,376
Borrowings	19	3,700	17,910
Other financial liabilities	21	12,646	54,598
Current tax liabilities	6	18,945	9,339
Provisions	12	9,709	11,923
Total current liabilities		201,045	230,146
Non-current liabilities			
Borrowings	19	594,799	311,330
Other financial liabilities	21	121,915	120,287
Provisions	12	8,807	7,851
Deferred tax liabilities	6	68,181	48,115
Total non-current liabilities		793,702	487,583
Total liabilities		994,747	717,729
Net assets		307,664	415,064
Equity			
Issued capital	14	192,808	340,040
Reserves	14	(76,371)	(85,545)
Retained earnings	14	191,227	160,569
Total equity		307,664	415,064

This statement should be read in accompaniment with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 01 JULY 2018

	ISSUED CAPITAL \$'000	HEDGING RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	OTHER RESERVE \$'000	RETAINED EARNINGS \$'000	NON- CONTROLLING INTERESTS \$'000	TOTAL \$'000
Balance at 04 July 2016	248,554	(8,781)	28,862	(8,887)	134,798	-	394,546
Profit for the period	-	-	-	-	102,857	2,947	105,804
Other comprehensive income	-	8,623	(26,137)	492	-	(7,571)	(24,593)
Total comprehensive income for the period	-	8,623	(26,137)	492	102,857	(4,624)	81,211
Issue of shares to non-controlling interest	-	-	-	-	-	(1,486)	(1,486)
Issue of share capital under employee share option plan	91,486	-	-	-	-	-	91,486
Share options trust	-	-	-	94	-	-	94
Recognition of share based payments	-	-	-	(65,209)	-	-	(65,209)
Non-controlling interest put option	-	-	-	(14,602)	-	6,110	(8,492)
Dividends provided for or paid	-	-	-	-	(77,086)	-	(77,086)
Balance at 02 July 2017	340,040	(158)	2,725	(88,112)	160,569	-	415,064
Balance at 03 July 2017	340,040	(158)	2,725	(88,112)	160,569	-	415,064
Profit for the period	-	-	-	-	121,466	227	121,693
Other comprehensive income	-	(3,787)	14,481	(96)	-	2,487	13,085
Total comprehensive income for the period	-	(3,787)	14,481	(96)	121,466	2,714	134,778
Share buy-back, net of tax	(183,479)	-	-	-	-	-	(183,479)
Transactions with non-controlling interests	-	-	-	-	-	8,846	8,846
Dividends provided for or paid	-	-	-	-	(90,808)	-	(90,808)
Employee share scheme	36,094	-	-	-	-	-	36,094
Issue of share capital under employee share option plan	153	-	-	-	-	-	153
Share options trust	-	-	-	(519)	-	-	(519)
Recognition of share based payments	-	-	-	(15,740)	-	-	(15,740)
Non-controlling interest put option	-	-	-	14,835	-	(11,560)	3,275
Balance at 01 July 2018	192,808	(3,945)	17,206	(89,632)	191,227	-	307,664

This statement should be read in accompaniment with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 01 JULY 2018

	NOTE	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		1,295,555	1,223,033
Payments to suppliers and employees		(1,070,946)	(1,050,619)
Interest received		3,751	1,787
Interest and other finance costs		(9,139)	(4,451)
Income taxes paid		(33,777)	(36,881)
Net cash generated from operating activities	5	185,444	132,869
Cash flows from investing activities			
Proceeds from/(loans to) franchisees		20,507	15,443
Payments for intangible assets		(30,232)	(32,635)
Payments for property, plant and equipment		(54,056)	(66,009)
Proceeds from sale of non-current assets		21,788	21,602
Acquisition of stores net of cash and inventory		(23,369)	(17,026)
Acquisition of subsidiaries and non-controlling interests		(89,175)	(8,823)
Net cash inflow/(outflow) on investment in joint ventures		566	(812)
Net cash used in investing activities		(153,971)	(88,260)
Cash flows from financing activities			
Proceeds from issues of equity securities		18,830	16,871
Contributions from non-controlling interests		9,285	1,445
Proceeds from borrowings		428,915	47,916
Payments for shares bought back		(183,479)	-
Payments for establishment of borrowings		(2,950)	-
Repayment of borrowings		(178,896)	(37,077)
Payments of finance leases		(7,885)	(4,694)
Payment for financial liabilities		(1,159)	-
Dividends paid		(90,808)	(77,086)
Net cash used in financing activities		(8,147)	(52,625)
Net increase/(decrease) in cash and cash equivalents held		23,326	(8,016)
Cash and cash equivalents at the beginning of the period		50,454	60,334
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,216	(1,864)
Cash and cash equivalents at the end of the period	5	75,996	50,454

This statement should be read in accompaniment with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

Domino's Pizza Enterprises Limited (Domino's) is a for-profit public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchanges and trading under the symbol 'DMP'. The nature of the operations and principal activities of Domino's and its subsidiaries (the Group) are described in the segment information.

The consolidated general purpose financial report of the Group for the year ended 01 July 2018 was authorised for issue in accordance with a resolution of the directors on 13 August 2018. The directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared on a going concern basis in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value (refer to note 22). The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000) unless otherwise stated which is in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 03 July 2017;
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective; and
- accounts for associates and joint ventures using the equity method as listed in note 25.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 23. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group using the acquisition method of accounting described in note 7. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated.

FOREIGN CURRENCY

The functional currency of Domino's Pizza Enterprises Limited is Australian dollars ('\$'), the functional currencies of overseas subsidiaries are listed in note 23. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation of overseas subsidiaries are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet 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 arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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.

COMPARATIVE INFORMATION

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

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

KEY JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, the directors are required to make estimates, judgements and assumptions that affect amounts reported in this Financial Report. The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions and other factors that are believed to be reasonable under the circumstances and are reviewed on a regular basis. Actual results may differ from these estimates.

The estimates and judgements which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are included in the following notes:

NOTE	KEY JUDGEMENTS AND ESTIMATES
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Note 7	Valuation of Master Franchise Rights & Franchise Network Assets on acquisition
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Note 9	Master Franchise Rights & Franchise Network Assets
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Note 9	Useful Lives of Other Intangible Assets
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Note 9	Recoverable Amount of Cash Generating Units
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Note 21	Germany Put Option Liability
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Note 27	Legal and Regulatory Matters
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Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

KEY NUMBERS

Key numbers provides a breakdown of individual line items in the financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these items.

1 SEGMENT INFORMATION

RECOGNITION AND MEASUREMENT

The Group's operating segments are organised and managed separately according to the market in which they operate.

The Group operates predominantly franchise networks and retail pizza stores. The Managing Director and Group Chief Executive Officer (the chief operating decision-maker) considers, organises and manages the business from a geographic perspective, being the geographical region where the goods and services are provided. Discrete financial information about each of these operating businesses is reported monthly to the Managing Director and Group Chief Executive Officer, via a Group financial report for the purpose of making decisions about resource allocation and performance assessment.

The operating segments for the Group are as follows:

- Australia / New Zealand
- Europe (includes non-controlling interest) refer to note 15
- Japan

The Group provides services to and derives revenue from a number of customers. The Group does not derive more than 10% of the total consolidated revenue from any one customer.

UNDERSTANDING THE SEGMENT RESULT

Segment revenues and results

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

	YEAR ENDED 01 JULY 2018			
	ANZ \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000
Continuing operations				
Revenue	341,089	407,168	405,695	1,153,952
EBITDA	127,495	59,713	51,081	238,289
Depreciation & amortisation	(21,805)	(14,151)	(17,581)	(53,537)
EBIT	105,690	45,562	33,500	184,752
Interest				(10,276)
Net profit before tax				174,476
	YEAR ENDED 02 JULY 2017			
	ANZ \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000
Continuing operations				
Revenue	329,456	325,571	418,098	1,073,125
EBITDA	113,789	33,164	55,587	202,540
Depreciation & amortisation	(16,743)	(13,133)	(16,493)	(46,369)
EBIT	97,046	20,031	39,094	156,171
Interest				(5,491)
Net profit before tax				150,680

Revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period (2017: Nil).

The accounting policies of the reportable segments are the same as the Group's policies described throughout the financial report. 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

CONTINUED

1 SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES FROM CONTINUING OPERATIONS

The amounts provided to the chief operating decision-makers in respect of total assets and liabilities are measured in a manner consistent with that of the financial statements.

2018	ASSETS \$'000	LIABILITIES \$'000
Continuing operations		
Australia/New Zealand	297,747	(503,828)
Europe	511,974	(247,647)
Japan	492,690	(243,272)
Total segment assets/(liabilities)	1,302,411	(994,747)
Unallocated liabilities	-	-
Consolidated assets/(liabilities)	1,302,411	(994,747)
2017	ASSETS \$'000	LIABILITIES \$'000
Continuing operations		
Australia/New Zealand	225,964	(209,716)
Europe	433,991	(302,228)
Japan	472,838	(205,785)
Total segment assets/(liabilities)	1,132,793	(717,729)
Unallocated liabilities	-	-
Consolidated assets/(liabilities)	1,132,793	(717,729)

OTHER SEGMENT INFORMATION

The non-current assets by geographical location are detailed below.

	DEPRECIATION AND AMORTISATION		ADDITIONS TO NON-CURRENT ASSETS		NON-CURRENT ASSETS	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australia / New Zealand	21,805	16,743	48,094	69,592	220,241	155,882
Europe	14,151	13,133	98,335	42,352	427,408	363,678
Japan	17,581	16,493	24,620	29,624	425,163	425,408
	53,537	46,369	171,049	141,568	1,072,812	944,968

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2 REVENUE AND OTHER REVENUE

Recognition and measurement

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

Sale of goods

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

Franchise income

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

Rendering of services

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

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group 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.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established and provided that it is probable that economic benefits will flow to the Group 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 Group and the amount of revenue can be measured reliably. Interest is determined using the effective interest rate method, which accrues interest 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.

	2018 \$'000	2017 \$'000
Revenue		
Revenue from sale of goods	776,269	774,367
Revenue from rendering of services	17,803	16,494
Total revenue	794,072	790,861
Other Revenue		
Interest revenue - bank deposits	244	271
Interest revenue - other loans and receivables	3,506	1,516
Store asset rental revenue	7,156	6,571
Royalties, franchise service & supplier fees	326,333	251,468
Other revenue	22,641	22,438
Total other revenue	359,880	282,264

3 OTHER GAINS AND LOSSES

	2018 \$'000	2017 \$'000
Net gain on disposal of property, plant & equipment, goodwill and other non-current assets	18,079	18,334
Other	1,450	232
Total other gains and losses	19,529	18,566

No other gains or losses have been recognised in respect of loans and receivables other than as disclosed in note 2 and impairment losses recognised/reversed in respect of trade and other receivables (see note 10).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

4 EXPENSES

RECOGNITION AND MEASUREMENT

Employee benefits

The Group's accounting policy for liabilities associated with employee benefits is set out in note 12. The policy relating to share-based payments is set out in note 18.

The majority of employees in Australia and New Zealand are party to defined contribution schemes and fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

Occupancy expenses

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and released to the income statement on a straight-line basis over the lease term.

An asset or liability is recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis.

Depreciation and amortisation

Refer to notes 8 and 9 for details on depreciation and amortisation.

Finance costs

Finance costs are recognised as an expense when they are incurred, except for interest charges attributable to major projects with substantial development and construction phases.

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts and any changes to the discounting is shown as a discount rate adjustment in finance costs.

Profit for the year from continuing operations

Profit for the year from continuing operations was arrived at after charging (crediting):

	NOTE	2018 \$'000	2017 \$'000
Remuneration, bonuses and on-costs		233,505	223,460
Defined contribution plans		6,288	5,666
Defined benefit plans	29	877	1,048
Share based payments expense		1,670	9,297
Employee benefits expenses		242,340	239,471
Depreciation of property, plant and equipment		36,332	32,169
Amortisation of intangible assets		16,738	14,180
Amortisation of loan establishment costs		467	20
Depreciation and amortisation expense		53,537	46,369
Lease payments		162	314
Net rental payments ⁽ⁱ⁾		44,156	39,629
Occupancy expenses		44,318	39,943
Interest on commercial bill and loans		9,139	4,451
Amortisation of borrowing costs		1,137	1,040
Finance costs		10,276	5,491

(i) Net rental expenditure includes \$26.0m (2017: \$21.7m) rental receipts arising under sublease arrangements.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5 CASH AND CASH EQUIVALENTS

RECOGNITION AND MEASUREMENT

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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

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:

	2018 \$'000	2017 \$'000
Cash and cash equivalents	75,996	50,454
	75,996	50,454

RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2018 \$'000	2017 \$'000
Profit for the period	121,693	105,804
Profit on sale of non-current assets	(18,716)	(18,325)
Equity settled share-based payments	1,670	9,298
Depreciation and amortisation	53,537	46,369
Share of associate entities net profit/(loss)	(30)	-
Amortisation of loan establishment costs	1,137	1,040
Other	2,870	1,018
	162,161	145,204
Movement in working capital		
(Increase)/decrease in assets:		
Trade and other receivables	(3,639)	(568)
Inventory	2,802	(4,332)
Other current assets	28	(3,125)
Increase/(decrease) in liabilities:		
Trade and other payables	8,793	(8,781)
Provisions	(1,507)	(3,523)
Current tax liabilities	10,654	(3,482)
Deferred tax balances	6,152	11,476
Net cash generated from operating activities	185,444	132,869

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018 \$'000	2017 \$'000
NET DEBT		
Cash and cash equivalents	75,996	50,454
Borrowings - repayable within one year	(3,700)	(17,910)
Borrowings - repayable after one year	(594,799)	(311,330)
Net debt	(522,503)	(278,786)
Cash and liquid investments	75,996	50,454
Gross debt - fixed interest rates	(100,403)	(140,872)
Gross debt - variable interest rates	(498,096)	(188,368)
Net debt	(522,503)	(278,786)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5 CASH AND CASH EQUIVALENTS (CONTINUED)

2018	CASH \$'000	FINANCE LEASES DUE WITHIN 1 YEAR \$'000	FINANCE LEASES DUE AFTER 1 YEAR \$'000	BORROWINGS DUE WITHIN 1 YEAR \$'000	BORROWINGS DUE AFTER 1 YEAR \$'000	TOTAL \$'000
Net debt as at 3 July 2017	50,454	(3,537)	(12,541)	(14,373)	(298,789)	(278,786)
Cash flows	23,326	7,885	-	14,373	(261,442)	(215,858)
Acquisitions - finance leases	-	-	(4,259)	-	-	(4,259)
Foreign exchange adjustments	2,216	-	(684)	-	(23,995)	(22,463)
Other non-cash movements	-	(8,048)	8,048	-	(1,137)	(1,137)
Net debt as at 01 July 2018	75,996	(3,700)	(9,436)	-	(585,363)	(522,503)

6 TAX

RECOGNITION AND MEASUREMENT

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

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the balance sheet date in respective jurisdictions.

Deferred taxes

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available to utilise them.

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 balance sheet date.

Deferred income tax is provided on temporary differences at balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- where they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:

Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

Deferred tax liabilities are not recognised on the recognition of goodwill.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Offsetting deferred tax balances

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Unrecognised taxable temporary differences associated with investments and interests

At the end of the financial year, an aggregate deferred tax liability of \$93,984 thousand (2017: \$92,110 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6 TAX (CONTINUED)

INCOME TAX RECOGNISED IN THE PROFIT OR LOSS

	2018 \$'000	2017 \$'000
Tax expense comprises:		
Current tax expense in respect of the current year	46,335	31,837
Adjustments recognised in the current year in relation to the current tax of prior years	(1,144)	1,096
Other	584	-
	<u>45,775</u>	<u>32,933</u>
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	8,443	12,075
Deferred tax expense/(income) relating to the origination in relation to change in tax rate in other jurisdiction	(1,159)	(132)
Other	(276)	-
Total tax expense relating to continuing operations	<u>52,783</u>	<u>44,876</u>

RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX RATE:

	2018 \$'000	2017 \$'000
Profit before tax from continuing operations	174,476	150,680
Income tax expense calculated at 30%	52,343	45,204
Non-assessable/non-deductible amounts	618	2,032
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,008	(619)
Effect of tax concessions (research and development and other allowances)	(585)	(1,691)
	<u>53,384</u>	<u>44,926</u>
Adjustments recognised in the current year in relation to the deferred tax of prior years	1,071	1,240
Adjustments recognised in the current year in relation to the current tax of prior years	(1,269)	(1,252)
Effect of change in tax rate in other jurisdictions	(403)	(38)
Income tax expense recognised in profit or loss	<u>52,783</u>	<u>44,876</u>

The tax rate used for the 2018 and 2017 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

INCOME TAX RECOGNISED IN EQUITY

	2018 \$'000	2017 \$'000
Arising on income and expenses in other comprehensive income:		
(Gain)/Loss on cashflow hedge taken to equity	1,468	(1,824)
(Gain)/Loss on defined benefit plan taken to equity	72	(293)
(Gain)/Loss on net investment hedge taken to equity	-	2
Share option trust	(519)	94
	<u>1,021</u>	<u>(2,021)</u>

CURRENT TAX ASSETS AND LIABILITIES

	2018 \$'000	2017 \$'000
Current tax assets		
Income tax refund receivable	767	470
	<u>767</u>	<u>470</u>
Current tax liabilities		
Income tax payable	(18,945)	(9,339)
	<u>(18,945)</u>	<u>(9,339)</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6 TAX (CONTINUED)

DEFERRED TAX BALANCES

	OPENING BALANCE \$'000	CHARGED TO P&L \$'000	CHARGED TO EQUITY \$'000	ACQUISITIONS / DISPOSALS \$'000	EXCHANGE DIFFERENCE \$'000	CLOSING BALANCE \$'000
2018						
Temporary differences						
Property, plant & equipment	(2,476)	2,451	-	-	10	(15)
Intangible assets	(64,541)	(5,202)	-	(10,814)	(3,664)	(84,221)
Provision for employee entitlements	4,356	604	72	-	184	5,216
Other provisions	140	3	-	-	-	143
Doubtful debts	324	276	-	-	9	609
Other financial liabilities	(1,110)	660	1,468	-	5	1,023
Options reserve	6,220	(3,866)	(519)	-	-	1,835
Unearned income	8	(914)	-	-	(90)	(996)
Other	863	1,620	-	-	93	2,576
	(56,216)	(4,368)	1,021	(10,814)	(3,453)	(73,830)
Unused tax losses and credits						
Tax losses	8,101	(2,641)	-	-	189	5,649
	8,101	(2,641)	-	-	189	5,649
	(48,115)	(7,009)	1,021	(10,814)	(3,264)	(68,181)
Deferred tax asset						-
Deferred tax liability						(68,181)
						(68,181)
2017						
Temporary differences						
Property, plant & equipment	(863)	(1,563)	-	-	(50)	(2,476)
Intangible assets	(65,972)	(83)	-	-	1,514	(64,541)
Provision for employee entitlements	4,841	(153)	-	83	(415)	4,356
Other provisions	222	(82)	-	-	-	140
Doubtful debts	811	(492)	-	-	5	324
Other financial liabilities	772	311	(2,115)	-	(78)	(1,110)
Options reserve	21,147	(15,021)	94	-	-	6,220
Unearned income	(32)	37	-	-	3	8
Other	2,003	(966)	-	-	(174)	863
	(37,071)	(18,012)	(2,021)	83	805	(56,216)
Unused tax losses and credits						
Tax losses	2,084	6,071	-	-	(54)	8,101
	2,084	6,071	-	-	(54)	8,101
	(34,987)	(11,941)	(2,021)	83	751	(48,115)
Deferred tax asset						-
Deferred tax liability						(48,115)
						(48,115)

7 ACQUISITION OF BUSINESSES

RECOGNITION AND MEASUREMENT

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 acquired, liabilities incurred or assumed, and equity instruments issued by the Group 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 Group 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 the statement of profit or loss.

Where a business combination is achieved in stages, the Group'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 Group 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 Group 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 Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

ESTIMATES AND JUDGEMENTS – OTHER INTANGIBLES

Valuation of master franchise rights & franchise network assets on acquisition

The Group estimates the fair value of the Domino's German Master Franchise Rights ('MFA') and the Franchise Network Assets ('FNA's) arising on the acquisitions of Hallo Pizza, Joey's Pizza and Pizza Sprint. The Master Franchise Rights are valued using the Cost approach taking into account forecast EBITDA with 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 with a discount rate applied. These inputs are not observable therefore the liability is considered a level 3 in the hierarchy of fair value as disclosed in note 22.

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

Useful lives of other intangibles

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7 ACQUISITION OF BUSINESSES (CONTINUED)

CURRENT YEAR ACQUISITIONS

Hallo Pizza

On the 5 January 2018, the Group acquired through its 66.67% controlled joint venture company Daytona JV (UK) Limited (Dayonta), 100% of the issued share capital in Hallo Pizza. Hallo Pizza is a chain of 163 franchised pizza stores in Germany. This acquisition is expected to reinforce DPE's position as the largest pizza chain in the German 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, which is on a 100% basis.

	FAIR VALUE ON ACQUISITION \$'000
Assets	
Cash	7,592
Trade and other receivables	1,908
Other current assets	2,543
Property, plant and equipment	217
Other intangible assets	34,725
Other non-current financial assets	24
Total identifiable assets	47,009
Liabilities	
Trade and other payables	(6,228)
Non-current borrowings	(124)
Deferred tax liability	(10,846)
Total identifiable liabilities	(17,198)
Total identifiable net assets at fair value	29,811
Total consideration	54,171
Less identifiable net assets at fair value	(29,811)
Goodwill	24,360
Total consideration	
Cash	52,324
Working capital adjustment	1,847
Total consideration	54,171
Net cash outflow arising on acquisition	
Cash consideration	52,324
Less: cash and cash equivalent balances acquired	(7,592)
	44,732

The initial accounting for the acquisition of Hallo Pizza 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 (as well as associated tax impacts) and have therefore only been provisionally determined based on the directors' best estimate of the likely fair values.

Goodwill arose on 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 Hallo Pizza. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

In determining the fair value of intangible assets arising on the acquisition of Hallo Pizza, judgements and estimates are required to be applied. These estimates and judgements are detailed in note 9.

Acquisition related costs of \$2.75m have been included as an expense in the consolidated statement of profit or loss. The revenue and results from continuing operations has been included in the European segment in note 1.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7 ACQUISITION OF BUSINESSES (CONTINUED)

Impact of acquisition on results of the group

Included in profit for the period is \$9.324m loss attributable to the acquisition of Hallo Pizza. This loss was impacted by acquisition and integration costs. Revenues for the year includes \$16.821m in respect of Hallo Pizza. The Hallo Pizza results exclude profit and revenue from stores that have been converted to Domino's.

Acquisition of Dominos Pizza stores and other businesses

During the year the Group acquired a number of Domino's Pizza branded stores from former and current franchisees. The below provides a summary of these acquisitions during the year by segment:

2018	ANZ	EUROPE	JAPAN	TOTAL
Number of stores acquired	28	12	16	56
	ANZ \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000
Fair value on acquisition				
Cash and cash equivalents	11	32	-	43
Inventories	198	-	-	198
Other current assets	-	157	-	157
Property, plant & equipment	4,417	1,677	3,171	9,265
Other intangible assets	-	927	-	927
Trade payables	-	(186)	-	(186)
Total identifiable assets	4,626	2,607	3,171	10,404
Cash consideration	13,145	7,096	3,171	23,412
Less fair value of net identifiable assets	(4,626)	(2,607)	(3,171)	(10,404)
Goodwill	8,519	4,489	-	13,008

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 Group has paid a premium for the acquiree as it believes the acquisitions will introduce additional synergies to its existing operations.

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

7 ACQUISITION OF BUSINESSES (CONTINUED)

PRIOR YEAR ACQUISITIONS

IPG Marketing Services Pty Ltd

On the 20 January 2017, the Group acquired 100% interest in IPG Marketing Solutions Pty Ltd, an unlisted company based in Australia and specialising in the production of print and digital media. The acquisition was funded through the Group's cash reserves.

The fair value of the identifiable assets and liabilities of IPG Marketing Solutions Pty Ltd as at the date of acquisition were:

	FAIR VALUE ON ACQUISITION \$'000
Assets	
Cash and cash equivalents	-
Inventories	503
Property, plant & equipment	4,227
Other tangible assets	203
Deferred tax assets	84
Total identifiable assets	5,017
Liabilities	
Current provisions	(143)
Non-current provisions	(137)
Total identifiable liabilities	(280)
Total identifiable net assets at fair value	4,737
Total consideration	14,073
Less identifiable net assets at fair value	(4,737)
Goodwill	9,336
Total consideration	
Cash	8,823
Contingent consideration	3,500
Deferred payment	1,750
Total consideration	14,073
Net cash outflow arising on acquisition	
Cash consideration	8,823
Less: cash and cash equivalent balances acquired	-
	8,823

During the period the Group has finalised its acquisition accounting of IPG Marketing Solutions Pty Ltd with no revisions to the provisional acquisition accounting.

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 IPG Marketing Solutions Pty Ltd. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The purchase price of IPG comprised initial consideration of \$10.4 million, with \$8.6 million payable on completion and a further \$1.8 million over the next 3 years and an earn-out of up to a further \$3.5 million payable up-to and over a 30-month period which is conditional on certain criteria being satisfied.

As at the acquisition date, the key performance indicators of IPG Marketing Solutions Pty Ltd show that it is highly probable that the target will be achieved due to a significant expansion of the business and the synergies realised, therefore the fair value of the contingent consideration was estimated to be \$3.5 million.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7 ACQUISITION OF BUSINESSES (CONTINUED)

Acquisition of Dominos Pizza Stores and other businesses

During the prior year the Group acquired a number of Domino Pizza branded stores from former and current franchisees. The below provides a summary of these acquisitions during the prior year by segment:

2017	ANZ	EUROPE	JAPAN	TOTAL
Number of stores acquired	17	16	4	37
	ANZ \$'000	EUROPE \$'000	JAPAN \$'000	TOTAL \$'000
Fair value on acquisition				
Cash and cash equivalents	5	-	-	5
Inventories	85	-	-	85
Property, plant & equipment	2,412	1,257	622	4,291
Total identifiable assets	2,502	1,257	622	4,381
Cash consideration	9,932	6,562	622	17,116
Less fair value of net identifiable assets	(2,502)	(1,257)	(622)	(4,381)
Goodwill	7,430	5,305	-	12,735

8 PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

The carrying value of property plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of an item.

Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of plant and equipment is between 1 and 10 years and equipment under finance lease is between 3 and 10 years.

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.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset, being the difference between the proceeds of disposal and the carrying amount of the asset, is included in the income statement in the period the item is derecognised.

IMPAIRMENT

At the end of each reporting period, the Group reviews the carrying amounts of its property plant and equipment 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 Group 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.

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 or 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 or 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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	PLANT & EQUIPMENT AT COST \$'000	EQUIPMENT UNDER FINANCE LEASE AT COST \$'000	TOTAL \$'000
Year ended 01 July 2018			
Cost	256,228	29,726	285,954
Accumulated depreciation and impairment	(68,613)	(17,238)	(85,851)
Net carrying amount	187,615	12,488	200,103
Movement			
Net carrying amount at the beginning of the year	183,806	14,868	198,674
Additions	54,056	4,259	58,315
Acquisitions of Domino's Pizza stores and other businesses	9,265	-	9,265
Acquisitions through business combinations	217	-	217
Disposals and write-offs	(35,801)	(1,570)	(37,371)
Depreciation and amortisation	(30,608)	(5,724)	(36,332)
Other including foreign exchange movements	6,680	655	7,335
Net carrying amount at the end of the year	187,615	12,488	200,103
Year ended 02 July 2017			
Cost	239,747	25,776	265,523
Accumulated depreciation and impairment	(55,941)	(10,908)	(66,849)
Net carrying amount	183,806	14,868	198,674
Movement			
Net carrying amount at the beginning of the year	177,137	10,913	188,050
Additions	66,009	11,374	77,383
Acquisitions of Domino's Pizza stores and other businesses	4,291	-	4,291
Acquisitions through business combinations	4,227	-	4,227
Disposals and write-offs	(33,013)	(305)	(33,318)
Depreciation and amortisation	(26,488)	(5,681)	(32,169)
Other including foreign exchange movements	(8,357)	(1,433)	(9,790)
Net carrying amount at the end of the year	183,806	14,868	198,674

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

Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 19 to the financial statements, all non-current assets of the Group, 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 Group does not hold title to the equipment under finance lease pledged as security.

9 GOODWILL AND OTHER INTANGIBLES

RECOGNITION AND MEASUREMENT

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, Goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. 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.

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.

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

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

Intangible assets with indefinite lives are tested for impairment in the same way as goodwill. Assets with an assumed indefinite useful life are reviewed at each reporting period to determine whether this assumption continues to be appropriate. If not, it is changed to a finite life intangible asset and amortised over its remaining useful life.

IMPAIRMENT

The Group tests intangibles and goodwill for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired, which is assessed at least each reporting period; or
- where there is an indication that previously recognised impairment, on assets other than goodwill, may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal (FVLCO) or value in use (VIU). An impairment loss recognised for goodwill is not reversed in subsequent periods.

Impairment calculations

In assessing VIU, 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 or CGU. In determining FVLCO, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples or other fair value indicators where available to ensure reasonableness.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

Inputs to impairment calculations

For VIU calculations, cash flow projections are based on corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually with a five-year outlook.

On determining FVLCO, the valuation model incorporates the cash flows projected over the duration of the current corporate plan period. These projections are discounted using a risk adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

For both the VIU and FVLCO models, cash flows beyond the corporate plan period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average rate for the industry in which the CGU operates.

Discount rates used in both calculations are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent, reasonable estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to reduce.

Recognised impairment

There was no material impairment recognised during the 2018 financial year (2017: nil).

ESTIMATES AND JUDGEMENTS - OTHER INTANGIBLES

Master franchise rights & franchise network assets

Management has determined that the MFA relating to Domino's Pizza Germany and the FNAs arising on the acquisition of Hallo Pizza, 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 Group to renew the underlying agreements beyond their initial terms without incurring significant cost.

Useful lives of other intangibles

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

	GOODWILL \$'000
Year ended 01 July 2018	
Cost	428,804
Accumulated amortisation and impairment	-
Net carrying amount	428,804
Movement	
Net carrying amount at the beginning of the year	387,111
Additions	322
Acquisitions of Domino's Pizza stores and other businesses	13,008
Acquisitions through business combinations	24,360
Disposals and write offs	(14,762)
Other including foreign exchange movement	18,765
Net carrying amount at the end of the year	428,804
Year ended 02 July 2017	
Cost	387,111
Accumulated amortisation and impairment	-
Net carrying amount	387,111
Movement	
Net carrying amount at the beginning of the year	408,211
Acquisitions of Domino's Pizza stores and other businesses	12,735
Acquisitions through business combinations	9,336
Disposals and write offs	(12,186)
Other including foreign exchange movement	(30,985)
Net carrying amount at the end of the year	387,111

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

	FINITE LIFE		INDEFINITE LIFE		
	CAPITALISED DEVELOPMENT \$'000	LICENSES AND OTHER \$'000	OTHER INDEFINITE LIFE INTANGIBLES \$'000	FRANCHISE NETWORK ASSET \$'000	OTHER INTANGIBLE ASSETS TOTAL \$'000
Year ended 01 July 2018					
Cost	122,872	35,558	91,411	189,088	438,929
Accumulated amortisation and impairment	(51,379)	(21,843)	-	-	(73,222)
Net carrying amount	71,493	13,715	91,411	189,088	365,707
Movement					
Net carrying amount at the beginning of the year	60,732	6,816	89,352	145,845	302,745
Additions	25,595	4,315	-	-	29,910
Acquisitions of Domino's Pizza stores and other businesses	-	927	-	-	927
Acquisitions through business combinations	-	1,415	-	33,310	34,725
Revaluation	-	-	(1,346)	-	(1,346)
Disposals and write offs	(790)	(297)	-	-	(1,087)
Amortisation for the year	(14,191)	(2,547)	-	-	(16,738)
Other including foreign exchange movement	147	3,086	3,405	9,933	16,571
Net carrying amount at the end of the year	71,493	13,715	91,411	189,088	365,707
Year ended 02 July 2017					
Cost	101,095	22,041	89,352	145,845	358,333
Accumulated amortisation and impairment	(40,363)	(15,225)	-	-	(55,588)
Net carrying amount	60,732	6,816	89,352	145,845	302,745
Movement					
Net carrying amount at the beginning of the year	38,731	11,097	94,083	146,016	289,927
Additions	32,162	473	-	-	32,635
Acquisitions of Domino's Pizza stores and other businesses	-	-	203	-	203
Disposals and write offs	(579)	(841)	-	-	(1,420)
Amortisation for the year	(10,109)	(4,071)	-	-	(14,180)
Other including foreign exchange movement	527	158	(4,934)	(171)	(4,420)
Net carrying amount at the end of the year	60,732	6,816	89,352	145,845	302,745

ALLOCATION OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS TO CGUs

Goodwill and indefinite life intangible assets has been allocated for impairment testing purposes to the following CGUs:

- Australia and New Zealand markets
- Europe market, which comprises:
 - The Netherlands & Belgium stores located in the region of Antwerp (NL)
 - France & the rest of Belgium (FR) & (BE)
 - Germany (DE)
- Japan market

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

The carrying amount of goodwill and other indefinite life intangible assets was allocated to the following CGUs:

	ANZ \$'000	FR & BE \$'000	NL \$'000	DE \$'000	JAPAN \$'000	TOTAL \$'000
Goodwill						
2018	55,023	38,519	6,327	79,742	249,193	428,804
2017	53,179	36,750	6,983	49,465	240,734	387,111
Goodwill impairment						
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-
Indefinite life intangible assets						
2018	203	48,034	-	189,801	42,461	280,499
2017	203	45,279	-	149,393	40,322	235,197
Indefinite life intangible assets impairment						
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-

ESTIMATES AND JUDGEMENTS IN DETERMINING THE RECOVERABLE AMOUNT OF THE CASH GENERATING UNITS

In assessing the recoverable amount of CGUs, the calculations necessarily require estimates and assumptions around future cashflows, growth rates and discount rates. The resulting recoverable amount can be sensitive to these outputs. Key assumptions used are detailed further below.

All CGUs have adopted the VIU valuation methodology to determine the recoverable amount. EBIT growth over the forecast period is based on past experience and expectations of average sale percentages growth rates. The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved, whilst the terminal growth rates are based on market estimates of the long-term average industry growth rate.

	ANZ	FR & BE	NL	DE	JAPAN
Discount rate (post-tax)					
2018	9.5%	11.2%	10.3%	10.0%	9.0%
2017	9.5%	11.2%	10.3%	9.3%	10.1%
Compound annual growth rate for corporate plan⁽ⁱ⁾					
2018	13.2%	26.4%	17.9%	11.2%	9.8%
2017	19.4%	24.3%	24.7%	23.4%	12.1%
Terminal growth rates					
2018	2.5%	2.0%	2.0%	2.0%	2.0%
2017	2.5%	2.0%	2.0%	2.0%	1.5%

(i) Compound annual growth rate for the corporate plan period has been calculated based on the compound EBITDA growth over the forecast period adjusted for any non-recurring costs.

The Group 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. The sensitivity tests applied were to reduce the forecasted EBITDA growth rates by 2% and an increase to the post-tax discount rates by 1% for each cash-generating unit, which did not result in the cash-generating units carrying amounts exceeding the recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

RECOGNITION AND MEASUREMENT

Trade receivables

Trade receivables and other debtors are classified as financial assets and held at amortised cost.

Trade receivables generally have terms of up to 30 days. They are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment.

Before accepting any new franchisees and business partners, the Group uses extensive credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Interest rate risk

Trade receivables are non-interest bearing and are therefore not subject to interest rate risk.

Fair value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Credit risk

Credit risk arises from exposure to retail customers and franchisees, including outstanding receivables and committed transactions.

Collectability and impairment are assessed on an ongoing basis at a regional level. Impairment is recognised in the income statement when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. Debts that are known to be uncollectable are written off when identified. If an impairment allowance has been recognised for a debt that then becomes collectable, the debt is written off against the allowance account. If an amount is subsequently recovered, it is credited against profit or loss.

National Advertising Fund (Adfund)

Included within Other receivables (2017: Other payables and accruals) is an asset of \$383 thousand (2017: liability of \$3.5 million), which relates to the deficit held in relation to the Advertising Fund ("Adfund") (2017: surplus). 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 and other promotional related activities as permitted under the terms of the franchise agreement. All Adfund contributions are designated for specific purposes and are not controlled by the Group and therefore do not impact the Consolidated Statement of Profit or Loss. Total contributions made to the fund during the 52 weeks ended 01 July 2018 were \$142.3 million (2017: \$124.2 million).

	2018 \$'000	2017 \$'000
Trade receivables	82,065	69,527
Allowance for doubtful debts	(4,307)	(3,100)
Other receivables	423	6,188
Total trade and other receivables	78,181	72,615
	2018 \$'000	2017 \$'000
Prepayments	14,176	14,931
Work in progress - store builds	2,783	813
Other - current	11,570	8,660
Other - non-current	7	26
Total other assets	28,536	24,430
	2018 \$'000	2017 \$'000
Current	28,529	24,404
Non-current	7	26
Total other assets	28,536	24,430

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

	2018 \$'000	2017 \$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	3,100	2,780
Impairment losses recognised on receivables	2,608	1,693
Amounts written off as uncollectible	(1,092)	(1,082)
Amounts recovered during the year	(399)	(175)
Impairment losses reversed	(89)	(124)
Effect of foreign currency	179	8
Balance at the end of the year	4,307	3,100

Included in the Group's trade receivables balance are debtors with a carrying amount of \$4,280 thousand (2017: \$2,840 thousand), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2018 \$'000	2017 \$'000
Ageing of past due but not impaired		
30 - 60 days	2,085	1,258
60 - 90 days	540	644
90 days and over	1,655	938
Total	4,280	2,840

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$4,307 thousand (2017: \$3,100 thousand) for the Group. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected recoverable proceeds. The Group does not hold any collateral over these balances.

	2018 \$'000	2017 \$'000
Ageing of impaired trade receivables		
0 - 30 days	155	220
30 - 60 days	218	74
60 - 90 days	165	142
90 days and over	3,769	2,664
Total	4,307	3,100

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11 TRADE AND OTHER PAYABLES

RECOGNITION AND MEASUREMENT

These amounts represent liabilities for goods and services provided to the Group prior to the balance sheet date which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

	2018 \$'000	2017 \$'000
Current		
Trade payables ⁽ⁱ⁾	88,644	73,669
Goods and services tax (GST)/ Value added tax (VAT) payable	9,980	10,226
Other creditors and accruals	57,421	52,481
Total trade and other payables	156,045	136,376

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

12 PROVISIONS

RECOGNITION AND MEASUREMENT

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

Employee benefits

The provision for employee benefits represents annual leave, long service leave entitlements and incentives accrued by employees.

Wages and salaries

Liabilities for wages and salaries including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in provisions and other payables in respect of employees' services up to the balance sheet date. They are measured at the amounts expected to be paid when the liabilities are settled.

Annual and long service leave

The liability for annual leave and long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the balance sheet date on terms to maturity and currencies that match as closely as possible to the estimated future cash outflows.

Straight line lease provision

The lease provision covers stepped lease arrangements to enable the lease expense to be recognised on a straight-line basis over the lease term.

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 recognised on leases, based on historical data in relation to store closure numbers and costs, as well as future trends that could differ from historical amounts.

Legal provision

The provision for legal costs relate to claims that were brought against the company by a number of former and current Pizza Sprint franchisees.

ESTIMATES AND JUDGEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12 PROVISIONS (CONTINUED)

	NOTE	2018 \$'000	2017 \$'000
Employee benefits		6,755	6,191
Defined benefit plan	29	6,418	5,681
Other ⁽ⁱ⁾		5,343	7,902
Total Provisions		18,516	19,774
Current		9,709	11,923
Non-current		8,807	7,851
Total Provisions		18,516	19,774

⁽ⁱ⁾ OTHER	MAKE GOOD \$'000	STRAIGHT LINE LEASING \$'000	LEGAL PROVISIONS \$'000	TOTAL \$'000
Balance at 04 July 2016	2,531	184	8,972	11,687
Charged/(credited) to profit or loss	-	-	-	-
Additional provisions recognised	-	5	-	5
Reductions arising from payments	-	-	(2,980)	(2,980)
Movements resulting from remeasurement	(818)	-	8	(810)
Balance at 03 July 2017	1,713	189	6,000	7,902
Charged/(credited) to profit or loss	45	-	(1,444)	(1,399)
Additional provisions recognised	379	16	60	455
Reductions arising from payments	(342)	-	(1,733)	(2,075)
Movements resulting from remeasurement	96	-	364	460
Balance at 01 July 2018	1,891	205	3,247	5,343

13 INVENTORY

RECOGNITION AND MEASUREMENT

Inventories are valued 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 is the estimated selling price in the ordinary course of business less estimated costs to sell.

	2018 \$'000	2017 \$'000
Raw materials	4,154	3,557
Finished goods	15,117	17,541
Total inventory	19,271	21,098

There are no inventories (2017: \$nil) expected to be recovered after more than 12 months. Expenses relating to inventories are recorded under Food, equipment and packaging expenses.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

CAPITAL

Capital provides information about the capital management practices of the Group.

14 EQUITY

ISSUED CAPITAL

	2018 \$'000	2017 \$'000
85,368,040 fully paid ordinary shares (2 July 2017: 88,873,775)	192,808	340,040

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.

Fully paid ordinary shares

	2018		2017	
	NUMBER OF SHARES '000	SHARE CAPITAL \$'000	NUMBER OF SHARES '000	SHARE CAPITAL \$'000
Balance at beginning of financial year	88,873	340,040	87,648	248,554
Shares issued:				
Issue of shares under executive share option plan	839	36,094	1,223	91,351
Issue of shares under employee share plan	4	155	2	136
Share buy-back	(4,348)	(183,479)	-	-
Capital costs associated with share issue	-	(2)	-	(1)
Balance at end of financial year	85,368	192,808	88,873	340,040

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

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. Refer to note 18.

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, 839,250 options were exercised (2017: 1,223,334). A total of \$36,094,377 was received as consideration for 839,250 fully paid ordinary shares of Domino's Pizza Enterprises Limited on exercise of the options in the current financial year (2017: \$91,351,051).

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 01 July 2018 will be paid in cash only.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

14 EQUITY (CONTINUED)

RESERVES

Foreign currency translation

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group'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 weakening of the Japanese Yen.

Hedging reserve

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

Other reserves

The equity settled share-based benefits reserve arises on the grant of share options to executives under the Executive Share and Option Plan (ESOP). Further information about ESOP is made in note 18 to the financial statements. The Group settled the Domino's Pizza Enterprises Limited Employee Share Trust to manage the share option plan.

	2018 \$'000	2017 \$'000
Foreign currency translation	17,206	2,725
Hedging	(3,945)	(158)
Other	(89,632)	(88,112)
Balance at 01 July 2018	(76,371)	(85,545)

	2018 \$'000	2017 \$'000
Foreign currency translation reserve		
Balance at beginning of financial year	2,725	28,862
Translation of foreign operations	14,481	(26,137)
Balance at 01 July 2018	17,206	2,725

Hedging reserve

Balance at beginning of financial year	(158)	(8,781)
Net investment hedge	(5,869)	5,132
Cash flow hedge	614	7,176
Income tax related to gain/(loss) on hedging items	1,468	(3,685)
Balance at 01 July 2018	(3,945)	(158)

	2018 \$'000	2017 \$'000
Other Reserves		
Balance at beginning of financial year	(88,112)	(8,887)
Share-based payment	(15,740)	(65,209)
Movement in put option liability and non-controlling interest	14,835	(14,602)
Share option trust	(519)	94
Remeasurement of defined benefit plan	(96)	492
Balance at 01 July 2018	(89,632)	(88,112)

RETAINED EARNINGS

	NOTE	2018 \$'000	2017 \$'000
Balance at beginning of year		160,569	134,798
Net profit attributable to members of the Company		121,466	102,857
Payment of dividends	16	(90,808)	(77,086)
Balance at 01 July 2018		191,227	160,569

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

15 NON-CONTROLLING INTERESTS

RECOGNITION AND MEASUREMENT

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 Group'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 method (equity 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, the accounting treatment 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 the option is exercised or called; 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. Whilst unexercised, 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.

	2018 \$'000	2017 \$'000
Balance at beginning on year	-	-
Non-controlling interest contributions during the period	8,846	(1,486)
Share of profit	227	2,947
Foreign currency translation	2,487	(7,736)
Remeasurement of defined benefit plan	-	165
Non-controlling interest put option adjustment	(11,560)	6,110
Balance at 01 July 2018	-	-

The non-controlling interest relates to a 33.3% interest in the Group's operations in Germany.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

16 DIVIDENDS

	2018		2017	
	CENTS PER SHARE	TOTAL \$'000	CENTS PER SHARE	TOTAL \$'000
Recognised amounts				
Fully paid ordinary shares				
Interim partially franked dividend for half-year ended	58.1	50,904	48.4	43,014
Partially franked dividend for full year ended	44.9	39,904	38.8	34,072
	103.0	90,808	87.2	77,086
Unrecognised amounts				
Fully paid ordinary shares				
Partially franked dividend for full year ended	49.7	42,445	44.9	39,904

On 13 August 2018, the directors declared a final dividend of 49.7 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 01 July 2018, to be paid to shareholders on 05 September 2018. The dividend will be paid to all shareholders on the Register of Members on 21 August 2018. The total estimated dividend to be paid is \$42,445 thousand.

FRANKED DIVIDENDS

The franked portions of the final dividends determined after 01 July 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the financial year ended 01 July 2018.

	2018 \$'000	2017 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30.0%	17,025	477

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

17 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

	2018 CENTS	2017 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	139.4	116.0

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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.

	2018 CENTS	2017 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	139.0	114.7

EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2018 \$'000	2017 \$'000
Profit from continuing operations	121,466	102,857
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	121,466	102,857

WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	2018 NO.'000	2017 NO.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	87,134	88,656
Adjustments for calculation of diluted earnings per share:		
Options on issue	233	1,046
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	87,367	89,702

18 SHARE-BASED PAYMENTS

RECOGNITION AND MEASUREMENT

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 Black Scholes 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.

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 Group's estimate of equity instruments that will eventually vest. At each reporting period, the Group 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.

EQUITY-SETTLED SHARE-BASED BENEFITS

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

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18 SHARE-BASED PAYMENTS (CONTINUED)

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

Options granted under the incentive plans

Set out below are summaries of the performance options and rights granted in respect of the 2018 and 2017 financial years under the incentive plans:

2018

OPTIONS SERIES	ISSUE & GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING AND IN RESPECT OF THE YEAR	EXERCISED DURING THE YEAR	LAPSED / FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
(18)	29 Oct 14	28 Oct 20	300,000	-	(300,000)	-	-	-
(19)	29 Oct 14	31 Aug 18	319,250	-	(318,750)	-	500	-
(20)	27 Jan 15	31 Aug 18	150,000	-	(150,000)	-	-	-
(21)	3 Feb 15	31 Aug 18	43,000	-	(39,000)	-	4,000	-
(22)	20 Jun 15	31 Aug 18	37,100	-	(31,500)	-	5,600	-
(23)	3 Sep 15	28 Oct 20	300,000	-	-	-	300,000	-
(24)	3 Sep 15	31 Aug 19	579,250	-	-	(141,750)	437,500	-
(24)	3 Sep 15	31 Aug 20	150,000	-	-	-	150,000	-
(25)	1 Sep 16	28 Oct 20	400,000	-	-	-	400,000	-
(26)	1 Sep 16	31 Aug 20	200,000	-	-	-	200,000	-
(27)	1 Sep 16	31 Aug 20	692,750	-	-	(269,750)	423,000	-
(28)	8 Nov 17	31 Aug 21	-	220,000	-	-	220,000	-
(29)	19 Apr 18	31 Aug 21	-	629,500	-	(13,500)	616,000	-
TOTAL			3,171,350	849,500	(839,250)	(425,000)	2,756,600	-

2017

OPTIONS SERIES	ISSUE & GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING AND IN RESPECT OF THE YEAR	EXERCISED DURING THE YEAR	LAPSED / FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
(15)	7 Nov 12	31 Aug 16	166,667	-	(166,667)	-	-	-
(16)	15 Nov 13	2 Nov 17	600,000	-	(600,000)	-	-	-
(17)	15 Nov 13	31 Aug 17	456,667	-	(456,667)	-	-	-
(18)	29 Oct 14	28 Oct 20	300,000	-	-	-	300,000	-
(19)	29 Oct 14	31 Aug 18	319,250	-	-	-	319,250	-
(20)	27 Jan 15	31 Aug 20	150,000	-	-	-	150,000	-
(21)	3 Feb 15	31 Aug 18	50,500	-	-	(7,500)	43,000	-
(22)	20 Jun 15	31 Aug 18	37,100	-	-	-	37,100	-
(23)	3 Sep 15	31 Aug 19	300,000	-	-	-	300,000	-
(24)	3 Sep 15	31 Aug 19	601,750	-	-	(22,500)	579,250	-
(24)	3 Sep 15	31 Aug 20	150,000	-	-	-	150,000	-
(25)	1 Sep 16	31 Aug 20	-	400,000	-	-	400,000	-
(26)	1 Sep 16	31 Aug 20	-	200,000	-	-	200,000	-
(27)	1 Sep 16	31 Aug 20	-	701,250	-	(8,500)	692,750	-
TOTAL			3,131,934	1,301,250	(1,223,334)	(38,500)	3,171,350	-

The weighted average exercise price at the date of the exercise of options during the 2018 financial year was \$21.44 (2017: \$13.68).

The weighted average remaining contractual life of options outstanding at the end of the 2018 financial year was 2.34 years (2017: 2.65 years)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18 SHARE-BASED PAYMENTS (CONTINUED)

FAIR VALUE OF SHARE OPTIONS GRANTED IN THE YEAR

The weighted average fair value of the options granted during the 2018 year is \$45.61 (2017: \$76.23). Options were valued using a Black Scholes 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.

The model inputs for rights granted during 2018 financial year include:

PERFORMANCE CONDITIONS	SERIES 28	SERIES 29
Grant date share price	\$48.10	\$39.41
Exercise price	\$46.63	\$45.25
Expected volatility	35.00%	35.00%
Option life years	2.88	2.41
Dividend yield	1.94%	2.60%
Risk-free interest rate	2.05%	2.09%

The model inputs for rights granted during 2017 financial year include:

PERFORMANCE CONDITIONS	SERIES 25	SERIES 26	SERIES 27
Grant date share price	\$74.47	\$74.47	\$74.47
Exercise price	\$76.23	\$76.23	\$76.23
Expected volatility	34.00%	34.00%	34.00%
Option life years	3.18	3.00	3.11
Dividend yield	0.99%	0.99%	0.99%
Risk-free interest rate	1.73%	1.73%	1.73%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18 SHARE-BASED PAYMENTS (CONTINUED)

SHARE OPTIONS EXERCISED DURING THE YEAR

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

2018 OPTION SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (\$)
(19) Issued 29 October 2014	220,750	1 September 2017	\$43.00
(21) Issued 3 February 2015	1,500	1 September 2017	\$43.00
(19) Issued 29 October 2014	32,250	5 September 2017	\$43.00
(18) Issued 29 October 2014	300,000	7 September 2017	\$42.42
(19) Issued 29 October 2014	11,250	8 September 2017	\$42.42
(21) Issued 3 February 2015	4,000	8 September 2017	\$42.42
(19) Issued 29 October 2014	7,000	11 September 2017	\$42.60
(21) Issued 3 February 2015	17,000	11 September 2017	\$42.60
(22) Issued 20 June 2015	5,600	11 September 2017	\$42.60
(19) Issued 29 October 2014	11,500	15 November 2017	\$46.96
(19) Issued 29 October 2014	5,000	17 November 2017	\$46.93
(21) Issued 3 February 2015	5,000	17 November 2017	\$46.93
(22) Issued 20 June 2015	7,000	17 November 2017	\$46.93
(19) Issued 29 October 2014	27,000	22 November 2017	\$46.70
(21) Issued 3 February 2015	5,000	22 November 2017	\$46.70
(22) Issued 20 June 2015	10,500	22 November 2017	\$46.70
(22) Issued 20 June 2015	8,400	23 November 2017	\$45.93
(19) Issued 29 October 2014	1,000	29 November 2017	\$47.00
(20) Issued 3 February 2015	150,000	19 February 2018	\$42.50
(21) Issued 3 February 2015	2,500	21 February 2018	\$42.50
(19) Issued 29 October 2014	3,000	6 March 2018	\$40.50
(21) Issued 3 February 2015	4,000	6 March 2018	\$40.50
2017 OPTION SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE (\$)
(15) Issued 7 November 2012	166,667	18 August 2016	80.10
(17) Issued 29 October 2013	225,000	31 August 2016	75.54
(16) Issued 1 November 2013	600,000	2 September 2016	74.47
(17) Issued 29 October 2013	166,667	7 September 2016	73.65
(17) Issued 29 October 2013	25,000	8 September 2016	72.94
(17) Issued 29 October 2013	40,000	22 February 2017	55.60

NOTES TO THE FINANCIAL STATEMENTS

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FINANCIAL MANAGEMENT

Financial management provides information about the debt management practices of the Group as well as the Group's exposure to various financial risks, how these affect the Group's financial position and performance and what the Group does to manage these risks.

19 BORROWINGS

RECOGNITION AND MEASUREMENT

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

Finance leases

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.

Assets held under finance leases are initially recognised as assets of the Group 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 Group's general policy on borrowing costs. 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.

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.

During the current financial year, the Group acquired \$4.3 million of assets under finance lease (2017: \$11.4 million).

	2018 \$'000	2017 \$'000
Uncommitted		
Loans from other entities	32,839	22,041
Total uncommitted borrowings	32,839	22,041
Committed		
Bank loans ⁽ⁱ⁾	552,524	276,748
Finance lease liabilities ⁽ⁱⁱ⁾	13,136	16,078
Other bank loans	-	14,373
Total committed borrowings	565,660	307,199
Current	3,700	17,910
Non-current	594,799	311,330
Total borrowings	598,499	329,240

SUMMARY OF BORROWING ARRANGEMENTS:

During the year ended 01 July 2018 the Company secured additional funding and renewed existing 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 until September 2022.

- (i) Loans to meet the cost of DPE's acquisitions in Germany are secured by way of a mortgage over shares DPE holds in the joint venture entity that owns the German territory assets. DPE's borrowings are otherwise unsecured.
- (ii) Secured by the assets leased, the current market value of each exceeds the value of the finance lease liability.

The unused facilities available on the Group's bank overdraft are \$5,752 thousand (2017: \$4,857 thousand). Refer to note 22.

NOTES TO THE FINANCIAL STATEMENTS

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20 FINANCIAL ASSETS

RECOGNITION AND MEASUREMENT

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 time frame 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' 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.

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.

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 Group 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 Group 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 Group'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.

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.

Non-cash financing and investing activities

Included in the movement of other financial assets are non-cash transactions of \$48.2 million (2017: \$40.7 million) for loans to Franchisees.

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

20 FINANCIAL ASSETS (CONTINUED)

	2018 \$'000	2017 \$'000
Financial Assets		
Current		
Loans to franchisees	26,705	16,926
Foreign exchange forward contracts	150	-
Cross currency swap	-	1,858
Total current financial assets	26,855	18,784
Non-current		
Loans to franchisees	61,159	40,884
Allowance for doubtful loans	(1,232)	(1,114)
Financial guarantee receivable	195	171
Long term store rental security deposits	15,314	13,240
Total non-current financial assets	75,436	53,181
Current	26,855	18,784
Non-current	75,436	53,181
Total financial assets	102,291	71,965

Impairment

Before providing any new loans to franchisees, the Group 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 was 7% (2017: 7%) in Australia and New Zealand, the average interest charged in France is 6.41% (2017: 5.5%), in the Netherlands is 7.88% (2017: 7.1%), in Germany is 4.87% (2017: 4.3%) and the average interest charged in Japan is 5.0% (2017: 5.0%).

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.

	2018 \$'000	2017 \$'000
Franchisee loans	87,864	57,810
Allowance for doubtful loans	(1,232)	(1,114)
	86,632	56,696
	2018 \$'000	2017 \$'000
Ageing of Franchisee Loans		
Amounts not yet due	86,632	56,696
	86,632	56,696
	2018 \$'000	2017 \$'000
Ageing of impaired Franchisee loans receivables		
30 - 60 days	-	85
60 - 90 days	-	-
90 days and over	1,232	1,029
Total	1,232	1,114

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

20 FINANCIAL ASSETS (CONTINUED)

	2018 \$'000	2017 \$'000
Movement in allowance for doubtful debts		
Balance at the beginning of the year	1,114	1,445
Impairment losses recognised on loans	954	111
Amounts written off as uncollectible	(885)	(423)
Impairment losses reversed	(10)	(19)
Effect of foreign currency	59	-
Balance at the end of the year	1,232	1,114

21 FINANCIAL LIABILITIES

RECOGNITION AND MEASUREMENT

Financial liability and equity instruments

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.

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.

Financial guarantees and 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 Note 2.

Financial liabilities

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

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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

21 FINANCIAL LIABILITIES (CONTINUED)

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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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.

ESTIMATES AND JUDGEMENTS

Germany put option liability

The put option associated with Domino's Pizza Germany (DPG) is valued by management by taking into account adjusted unlevered price/earnings multiple rates and estimate of the timing of the exercise of the put. This is based on management's experience and knowledge of market conditions of the German Pizza industry and dealings with the sellers of Joey's Pizza and Hallo Pizza. As the inputs are not observable the liability is considered Level 3 in the fair value hierarchy.

FINANCIAL LIABILITIES	2018 \$'000	2017 \$'000
Current		
Interest rate swaps	49	1,170
Rent incentive liabilities	121	121
Security deposits	6,909	4,865
Market access right ⁽ⁱ⁾	4,270	-
Contingent consideration	625	1,000
Deferred consideration	650	1,000
Put/call minority interest liability ⁽ⁱⁱⁱ⁾	-	46,425
Other	22	17
Total current financial liabilities	12,646	54,598
Non-current		
Interest rate swaps	-	2,891
Rent incentive liability	1,222	1,325
Market access right ⁽ⁱ⁾	28,228	31,389
Contingent consideration	1,500	2,500
Deferred consideration	2,065	750
Put / call minority interest liability ⁽ⁱⁱ⁾	88,900	81,432
Total non-current financial liabilities	121,915	120,287
Current	12,646	54,598
Non-current	121,915	120,287
Total financial liabilities	134,561	174,885

(i) Market access right arising in respect of the Group's contractual arrangements with DPG.

(ii) Put / call option liability arises in respect of the minority interest in Domino's Germany.

(iii) Put / call option liability arises in respect of the minority interest in Domino's Japan.

Fair value of derivatives and other financial instruments

As described in note 22, 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 22.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balances.

The capital structure of the Group consists of net debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, retained earnings and non-controlling interest.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades, these companies are not subject to externally imposed capital requirements.

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

The Group's management and board of directors review the capital structure formally on an annual basis. The board of directors consider the cost of capital and associated risk. Based on recommendations from management and the board of directors, the Group will balance its overall capital structure through payment of dividends, new share issues and issue or redemption of debt.

Gearing ratio

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

	2018 \$'000	2017 \$'000
Debt ⁽ⁱ⁾	598,499	329,240
Cash and cash equivalent	(75,996)	(50,454)
Net debt	522,503	278,786
Equity⁽ⁱⁱ⁾	307,664	415,064
Net debt to equity ratio	169.8%	67.2%

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 19.

(ii) Equity includes all capital and reserves that are managed as capital.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The categories of financial assets and liabilities are outlined below:

		2018			2017	
	NOTE	INTEREST RATE %(i)	\$'000	INTEREST RATE %(i)	\$'000	
Financial Assets	Category					
Trade and other receivables	Loans and receivables	10	-	78,181	72,615	
Loans receivable	Loans and receivables	20	4.91	86,632	56,696	
Cash and cash equivalents	Cash and bank balances	5	0.45	75,996	50,454	
Financial guarantee contracts	Loans and receivables	20	6.25	195	171	
Deposits	Other receivables	20	-	15,314	13,240	
Forward exchange contracts	Other	20	-	150	-	
Cross currency swaps	Other	20	-	-	1,858	
Financial Liabilities	Category					
Trade and other payables	Amortised cost	11	-	156,045	136,376	
Other financial liabilities	Amortised cost	21	-	6,931	4,882	
Rent incentive liability	Amortised cost	21	-	1,343	1,446	
Bank loans	Other	19	1.65	552,524	276,748	
Other bank loans	Other	19	0.60	-	14,373	
Loans from other entities	Other	19	3.00	32,839	22,041	
Finance lease liability	Other	19	1.13	13,136	16,078	
Market access right	Other	21	-	32,498	31,389	
Put-option liability	Other	21	-	88,900	127,857	
Contingent consideration	Other	21	-	2,125	3,500	
Deferred consideration	Other	21	-	2,715	1,750	
Interest rates swaps	Other	21	-	49	4,061	

(i) Interest rates represent the weighted average effective interest rate.

FINANCIAL RISK MANAGEMENT

Group treasury co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group in line with its policies. These risks include;

- Liquidity risk
- Market risk, including foreign currency, interest rate and commodity price risk; and
- Credit risk

The Group seeks to manage and minimise its exposure to these financial risks by using derivative financial instruments to hedge the risk, governed by the approved Group policies, which provides written principles on foreign exchange risk, interest rate risk, credit risk and the use of derivatives and investment of excess liquidity. Compliance with policies and exposure limits are reviewed by the board of directors. The Group does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

LIQUIDITY RISK

Nature of the risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, 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 an appropriate liquidity management framework for the management of the Group's short medium and long term funding and liquidity management requirements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financing facilities

	2018 \$'000	2017 \$'000
Unsecured bank overdraft, reviewed annually and payable at call:		
Amount used	-	-
Amount unused	5,752	4,857
Total	5,752	4,857
Committed commercial bill facility, reviewed annually:		
Amount used	556,356	292,683
Amount unused	184,803	97,262
Total	741,159	389,945
Uncommitted facilities, payable at call:		
Amount used	-	14,373
Amount unused	56,769	74,300
Total	56,769	88,673

MATURITY OF FINANCIAL ASSETS AND LIABILITIES

The following tables analyse the Group's financial assets and liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

Expected future interest payments on loans and borrowings exclude accruals already recognised in trade and other payables. Derivative cash flows exclude accruals recognised in trade and other payables.

For foreign exchange derivatives and cross-currency interest rate swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables, and have been estimated using forward interest rates applicable at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

01 JULY 2018	LESS THAN 1 YEAR \$'000	1-5 YEARS \$'000	MORE THAN 5 YEARS \$'000
Financial assets			
Trade and other receivables	78,181	-	-
Loans receivable	26,705	36,823	23,104
Cash and cash equivalents	75,996	-	-
Financial guarantee contracts	-	195	-
Deposits	-	15,314	-
Financial liabilities			
Trade and other payables	(156,045)	-	-
Derivative instruments in designated hedge accounting relationships	(49)	-	-
Bank loans	-	(552,524)	-
Loans from other entities	-	(32,839)	-
Finance lease liability	(3,700)	(9,436)	-
Market access right	(4,270)	(28,228)	-
Put option liability	-	(88,900)	-
Contingent consideration	(625)	(1,500)	-
Deferred consideration	(650)	(2,065)	-
Rent incentive liability	(121)	(1,222)	-
Other financial liabilities	(6,931)	-	-
02 JULY 2017			
Financial assets			
Trade and other receivables	72,615	-	-
Derivative instruments in designated hedge accounting relationships	1,361	320	-
Loans receivable	15,040	35,211	6,663
Cash and cash equivalents	50,454	-	-
Financial guarantee contracts	-	171	-
Deposits	-	13,240	-
Financial liabilities			
Trade and other payables	(136,376)	-	-
Derivative instruments in designated hedge accounting relationships	(1,183)	(12,636)	-
Bank loans	-	(276,748)	-
Other bank loans	(14,373)	-	-
Loans from other entities	-	(22,041)	-
Finance lease liability	(3,537)	(12,541)	-
Market access right	-	(31,389)	-
Put option liability	(46,425)	(81,432)	-
Contingent consideration	(1,000)	(2,500)	-
Deferred consideration	(1,000)	(750)	-
Rent incentive liability	(121)	(1,325)	-
Other financial liabilities	(4,882)	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table details the Group'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.

2018	LESS THAN 1 MONTH \$'000	1-3 MONTHS \$'000	3 MONTHS TO 1 YEAR \$'000	1-5 YEARS \$'000
Net Settled				
Interest rate swaps	-	(68)	-	-
Gross Settled				
Forward foreign exchange contracts	1,114	4,977	14,182	-
	1,114	4,909	14,182	-
2017				
Net Settled				
Interest rate swaps	-	-	(1,183)	(1,098)
Cross currency interest rate swaps	-	352	1,008	(11,219)
Gross Settled				
Forward foreign exchange contracts	879	4,256	8,841	-
	879	4,608	8,666	(12,317)

MARKET RISK

Nature of foreign currency risk

The Group's activities exposes it primarily to the Euro and Japanese Yen currencies and to interest rate risk through its borrowings. The Group's foreign operations are carried out in New Zealand, Japan and Europe, which exposes the Group's investments to movements in the AUD/NZD, AUD/JPY and AUD/EUR exchange rates. The Group mitigates and manages the effect of its translational currency exposure by borrowing in NZ dollars, Japanese Yen and Euro.

The Group 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

Exposure

The Group's exposure, before hedging arrangements, to the NZ dollar, Japanese Yen and Euro at the balance sheet date were as follows:

	ASSETS		LIABILITIES	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and bank balances	49,847	34,213	-	-
Trade and other receivables	57,952	49,207	-	-
Loans receivable	51,850	38,625	-	-
Trade and other payables	-	-	127,674	107,918
Other financial liabilities	-	-	134,790	163,645
Loans payable	-	-	428,296	258,654

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk management

The hedging function of the Group is to address foreign currency risk and is managed centrally. The Group requires all subsidiaries to hedge foreign exchange exposures for firm commitments relating to sale or purchases or when highly probable forecast transactions have been identified. Before hedging, the subsidiaries are also required to take into account their competitive position. The hedging instrument must be in the same currency as the hedged item.

The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations.

Sensitivity to foreign exchange movements

The sensitivity analysis below shows the impact that a reasonable possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange rate exposure existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonable possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements.

The following exchange rates have been used in performing the sensitivity analysis:

	EURO	JPY	NZD
Actual 2018	0.63	81.82	1.09
+ 10%	0.70	90.00	1.20
-10%	0.57	73.64	0.98
Actual 2017	0.67	86.16	1.05
+ 10%	0.74	94.78	1.16
-10%	0.61	77.54	0.95

The impact on profit and equity is estimated by relating the hypothetical changes in the NZ Dollar, Japanese Yen and Euro exchange rate to the balance of financial instruments at the reporting date. Foreign currency risks, as defined by AASB 7 Financial Instruments: disclosure, arise on account of the financial instruments being denominated in a currency that is not the functional currency in which the financial instruments is measured.

Differences from the translation of the financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis. The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- The impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit or loss;
- To the extent that the foreign currency denominated derivatives on balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit or loss; and
- Movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit or loss. However, as a corresponding entry will be recognised for the hedged item, the net effect on profit or loss will be nil.

The below table details the impact of the Group's profit after tax and other equity had there been a movement in the NZ dollar, Japanese Yen and Euro with all other variables held constant.

	TOTAL IMPACT	
	2018 \$'000	2017 \$'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	10,404	8,409
If there was a 10% decrease in exchange rates with all other variables held constant	(12,715)	(11,173)

NOTES TO THE FINANCIAL STATEMENTS

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

NATURE OF INTEREST RATE RISK

The Group's exposure to changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.

Interest rate risk management

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

From a Group perspective, any internal contracts are eliminated as part of the consolidation process, leaving only external contracts.

Exposure

As at the balance sheet date, the Group had financial assets and liabilities with exposure to interest rate risk. Interest on financial instruments classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. The classification between fixed and floating interest takes into account applicable hedge instruments. Other financial instruments of the Group that are not included in the following table are non interest bearing and are therefore not subject to interest rate risk.

Sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonable possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonable possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonable possible changes over a financial year, determined using observed historical interest rate movements of the preceding five-year period, with a heavier weighting given to more recent market data.

If interest rates had moved by 100 basis points and with all other variables held constant, profit after tax and equity would be affected as follows:

	IMPACT ON PROFIT BEFORE TAX	
	2018 \$'000	2017 \$'000
Interest rates - increase by 100 basis points	(2,373)	(224)
Interest rates - decrease by 100 basis points	1,366	1,478

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of all Group's financial instruments recognised in the financial statements are materially the same.

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is the fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts represent the fair values.

Other financial assets/liabilities

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Other financial Assets'. Loans are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts and cross-currency interest rate swaps are all valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly these derivatives are classified as Level 2.

Interest bearing loans and borrowings

Quoted market prices or dealer quotes for similar instruments are used to value long-term debt instruments.

Valuation of financial instruments

For all fair value measurements and disclosures, the Group uses the following to categorise the method used:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Group's assets and liabilities measured and recognised at fair value at the reporting date.

01 JULY 2018	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
Recurring fair value measurements				
Financial assets				
Forward foreign exchange contracts	-	150	-	150
Total financial assets	-	150	-	150
Financial liabilities				
Interest rate swaps	-	49	-	49
Put option over non-controlling interest	-	-	88,900	88,900
Market access right	-	-	32,498	32,498
Contingent consideration	-	-	2,125	2,125
Total financial liabilities	-	49	123,523	123,572
02 JULY 2017				
Recurring fair value measurements				
Financial assets				
Cross currency swaps	-	1,362	-	1,362
Total financial assets	-	1,362	-	1,362
Financial liabilities				
Interest rate swaps	-	4,061	-	4,061
Forward foreign exchange contracts	-	496	-	496
Put option over non-controlling interest	-	-	81,432	81,432
Market access right	-	-	31,389	31,389
Contingent consideration	-	-	3,500	3,500
Total financial liabilities	-	4,557	116,321	120,878

There have been no transfers between Level 1 and Level 2.

The only financial liabilities subsequently measured at fair value on Level 3 fair value measurement represent the fair value of the put option and market access right relating to the acquisition of Domino's Pizza Germany. No gain or loss for the year relating to these liabilities has been recognised in profit or loss.

The opening balance for the put option liabilities was \$127.8 million (represented by \$81.4 million classified as a Level 3 financial liability and \$46.4 million recognised in current financial liabilities) and has a closing balance at year end of \$88.9 million. The movement of the put liability relates to a payment of \$41.8 million to acquire the non-controlling interest of Domino's Pizza Japan and the remaining movement recorded in reserves.

No gain or loss relating to level 3 liabilities has been recognised in profit or loss.

Valuation techniques used to derive level 2 and 3 fair values

The fair values of the financial assets and financial liabilities included in the level 2 and 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties and long term revenue and profit growth rates.

The level 2 financial instruments have been valued using the discounted cash flow technique. 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.

NOTES TO THE FINANCIAL STATEMENTS

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific valuation techniques used to value level 3 financial instruments include:

Put option over non-controlling interest

The valuation technique used is the unlevered price/earnings multiple which requires future earnings to be estimated. The significant unobservable inputs include adjusted unlevered price/earnings multiple and the put option is exercisable 4 years (January 2020) from date of the joint venture agreement (December 2015). The call option is exercisable 6 years (January 2022) from the date of the joint venture agreement. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry, with the higher earnings resulting in a higher fair value and the shorter the time period resulting in a lower fair value.

Market Access Right

The valuation technique used is the income approach. In this approach the discounted cash flows are used to capture the future cost of the asset. The significant unobservable inputs include adjusted unlevered price/earnings multiples. The earnings and margins are based on management's experience and knowledge of the market conditions of the industry, with the higher earnings resulting in a higher fair value.

Contingent consideration in a business combination

The discounted cash flow method was used to calculate the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration. The significant unobservable inputs include the projected gross margin based on management's experience and knowledge of market and industry conditions. Significant increase/(decrease) in the gross profit would result in a higher/(lower) fair value of the contingent consideration liability.

OFFSETTING FINANCIAL INSTRUMENTS

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as International Swaps and Derivatives Association (ISDA) master netting agreements. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under ISDA agreements are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in note 20 and 21 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements and are presented on a gross basis.

HEDGING

Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange and interest rates. As part of the risk management strategy set out above, the Group holds the following types of derivative instruments:

Forward exchange contracts

Contracts denominated in US dollar to hedge highly probable sale and purchase transactions (cash flow hedges).

Interest rate swaps

To optimise the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.

Cross-currency interest rate swaps

To either reduce the Group's exposure to exchange rate variability in its interest repayments of foreign currency denominated debt (cash flow hedges) or to hedge against movements in the fair value of those liabilities due to exchange and interest rate movements (fair value hedges). The borrowing margin on the Group's cross-currency interest rate swap has been treated as a cost of hedging and deferred into equity. These costs are then amortised to the profit and loss as a finance cost over the remaining life of the borrowing.

Recognition and measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. The method of recognising any re-measurement gain or loss depends on the nature of the item being hedged. For hedging instruments, any hedge ineffectiveness is recognised directly in the income statement in the period in which it is incurred. There has been no ineffectiveness in the current year.

Hedge accounting

At the start of the hedge relationship the Group formally designates and documents the hedge relationship, including the risk management strategy for understanding the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedge accounting is only applied where effective tests are met on a prospective basis.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset, liability or firm commitment that could affect profit or loss; or
- Cash flow hedges when they hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group discontinues hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship no longer qualifies for hedge accounting, which includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows:

Fair value hedges

The Group uses fair value hedges to mitigate the risk of changes in the fair value of foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period. Where these fair value hedges qualify for hedge accounting, gains or losses from remeasuring the fair value of the hedging instruments are recognised within finance costs in the income statement together with gains or losses in relation to the hedge item where those gains or losses relate to the risk intended to be hedged.

For fair value hedges, the carrying value of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The derivative is also remeasured to fair value, and gains and losses from both are recognised in the income statement. The net amount recognised in the income statement in this financial year was nil.

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit or loss. The changes in the fair value of the hedging instrument are also recognised in the profit or loss.

There was no material ineffectiveness relating to financial instruments designated as fair value hedges during the year (2017: nil)

Cash flow hedges

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuations over the hedging period associated with foreign currency borrowings and ongoing business activities, predominantly where there are highly probable purchases or settlement commitments in foreign currencies. The Group also uses cash flow hedges to hedge variability in cash flows due to interest rates associated with borrowings.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in the profit or loss.

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL VALUE		FAIR VALUE	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest rate swap	0.47%	1.16%	54,999	103,005	(68)	(2,281)

Amounts recognised in equity are transferred to income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

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.

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

	LIABILITIES		EQUITY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Loans designated as net investment hedge	103,510	191,440	-	-
Designated hedge of net foreign investment	-	-	953	1,162
Total	103,510	191,440	953	1,162

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CREDIT RISK

Nature of credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument or customer contract that will result in a financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily from customer receivables and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments).

Credit risk management: receivables & loans

Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades with recognised well-established franchisees. Depending on the division, credit terms for receivables are generally up to 30 days from date of invoice. Loans payments are received weekly in advance. The Group's exposure to bad debts is not significant and default rates have historically been very low on both receivables and loans.

Franchisee's and customers who trade on credit terms are subject to credit verification procedures, including an assessment of financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. In the event that a loan defaults, the Group's policy is to purchase and operate the store as a corporate store.

An ageing of trade receivables past due is included in note 10 and on loans in note 20. The credit quality of trade receivables and loans neither past due nor impaired has been assessed as high based on information on counterparty and historical counter party default. The carrying value of the Groups trade, other receivables and loans are denominated in Australian dollars, NZ dollars, Japanese Yen and Euros.

Exposure

the Group's maximum credit exposure to current receivables, finance advances and loans are shown below:

	2018 \$'000	2017 \$'000
ANZ	64,577	44,959
Europe	45,311	34,402
Japan	54,925	49,950
Total	164,813	129,311

Credit risk management: financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Board-approved policy. Investments of surplus funds are made only with approved counterparties.

The carrying amount of financial assets represents the maximum credit exposure. There is also exposure to credit risk when the Group provides a guarantee to another party. Details of contingent liabilities are disclosed in note 27. There are no significant concentrations of credit risk within the Group.

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GROUP STRUCTURE

Group structure explains aspects of the Group structure and how changes have affected the financial position and performance of the Group.

23 SUBSIDIARIES

Details of the Company's subsidiaries at 01 July 2018 are as follows:

NAME OF ENTITY	PLACE OF INCORPORATION AND OPERATION	FUNCTIONAL CURRENCY	PROPORTION OF OWNERSHIP AND VOTING POWER HELD	
			2018 %	2017 %
Domino's Development Fund Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	100
Hot Cell Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	100
Silvio's Dial-a-Pizza Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	100
IPG Marketing Solutions Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	100
Catering Service & Supply Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	100
Domino's Pizza Enterprises Ltd Employee Share Trust	Australia	AUD	100	100
Construction, Supply & Service Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	-
Ride Sports ANZ Pty Ltd ⁽ⁱ⁾	Australia	AUD	100	-
Ashbourne Pty Ltd ^(iv)	Australia	AUD	-	100
MFT - DPAJV Nominee Pty Ltd ^(iv)	Australia	AUD	-	100
Reel (NT) Pty Ltd ^(iv)	Australia	AUD	-	100
Shear Pizza Pty Ltd ^(iv)	Australia	AUD	-	100
Twenty/Twenty Pizza Pty Ltd ^(iv)	Australia	AUD	-	100
Twenty/Twenty Pizza Pty Ltd & Domino's Pizza Australia Pty Ltd Partnership ^(iv)	Australia	AUD	-	100
Nisco Trading Pty Ltd ⁽ⁱ⁾	Australia	AUD	-	100
Domino's Pizza New Zealand Limited	New Zealand	NZD	100	100
DPH NZ Holdings Limited	New Zealand	NZD	100	100
Domino's Pizza Japan, Inc.	Japan	JPY	100	75
DPE Japan Co., Ltd ⁽ⁱⁱ⁾	Japan	JPY	-	75
K.K. DPJ Holdings 1 ⁽ⁱⁱ⁾	Japan	JPY	-	75
Domino's Pizza Europe B.V.	The Netherlands	EUR	100	100
Domino's Pizza Netherlands B.V.	The Netherlands	EUR	100	100
DOPI Vastgoed B.V.	The Netherlands	EUR	100	100
Domino's Pizza Geo B.V.	The Netherlands	EUR	100	50
Domino's Pizza WOW Group B.V.	The Netherlands	EUR	50	-
Domino's Pizza Belgium S.P.R.L	Belgium	EUR	100	100
Global Mogul PTC Limited ^(iv)	British Virgin Islands	EUR	-	100
Mogul (B.V.I.) Unit Trust ^(iv)	British Virgin islands	EUR	-	100
Daytona Holdco Limited (UK)	UK	EUR	100	100
Daytona JV Limited (UK)	UK	EUR	67	67
Daytona Germany HRB	Germany	EUR	67	67
Agentur fur Wertbung und Etatverwaltung GmbH	Germany	EUR	67	67
Domino's Pizza Deutschland GmbH (previously Joey's Pizza International GmbH)	Germany	EUR	67	67
Hallo Pizza Hamburg GmbH	Germany	EUR	67	-
Hallo Pizza GmbH	Germany	EUR	67	-
Chrisa Handelsgesellschaft GmbH	Germany	EUR	67	-
Hallo Pizza Nord GmbH	Germany	EUR	67	-
DPEU Holdings S.A.S.	France	EUR	100	100
Domino's Pizza France S.A.S.	France	EUR	100	100
HVM Pizza S.A.R.L.	France	EUR	100	100
Fra-Ma-PizzSAS	France	EUR	100	100
Double Six S.A.S.	France	EUR	100	-
Pizza Centre France SAS	France	EUR	100	100
Emma Pizz Sarl ⁽ⁱⁱⁱ⁾	France	EUR	-	100
FP Ille Et Vilaine SARL ⁽ⁱⁱⁱ⁾	France	EUR	-	100
FP Nord SARL ⁽ⁱⁱⁱ⁾	France	EUR	-	100
FP Sud SARL ⁽ⁱⁱⁱ⁾	France	EUR	-	100
FP Centre SARL ⁽ⁱⁱⁱ⁾	France	EUR	-	100
Morlaix Pizz SARL ⁽ⁱⁱⁱ⁾	France	EUR	-	100
FP Le Mans SARL ^(iv)	France	EUR	-	100
FP La Chapelle SARL ^(iv)	France	EUR	-	100
FP Saint Gregoire SARL ^(iv)	France	EUR	-	100

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

(ii) Entities have been legally merged into Domino's Pizza Japan Inc.

(iii) Entities have been merged into Fra-Ma-Pizz SAS.

(iv) Entities have been liquidated.

NOTES TO THE FINANCIAL STATEMENTS

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24 PARENT ENTITY INFORMATION

PARENT ENTITIES

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

FINANCIAL POSITION

	2018 \$'000	2017 \$'000
Assets		
Current assets	63,914	57,028
Non-current assets	627,416	667,528
Total assets	691,330	724,556
Liabilities		
Current liabilities	59,599	56,556
Non-current liabilities	439,113	309,162
Total liabilities	498,712	365,718
Equity		
Issued capital	192,808	340,040
Retained earnings	74,833	79,021
Reserves		
Equity-settled share-based benefits	(73,545)	(57,399)
Hedging	(1,478)	(2,824)
Total equity	192,618	358,838

FINANCIAL PERFORMANCE

	2018 \$'000	2017 \$'000
Profit for the year	86,610	82,639
Other comprehensive income	1,346	(5,647)
Total comprehensive income	87,956	76,992

Tax consolidated group

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.

A tax-consolidated group was formed with effect from 1 July 2003 and is 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 23.

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.

25 INVESTMENT IN JOINT VENTURE

RECOGNITION AND MEASUREMENT

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 Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group 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 Group'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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group'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 Group 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 Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group 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 Group 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 Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group 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 Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group 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 Group transacts with a joint venture of the group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

On 24 November 2014, the Group 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 30 March 2015, the Group acquired 50% equity of a joint venture called Triumphant Pizza Pty Ltd / Hot Cell Partnership.

On 4 April 2016, the Group 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.

As per February 3, 2017 Domino's Pizza Netherlands B.V. entered into a joint venture named Domino's Pizza GEO B.V. with a franchisee, Mr. Steenks (50% each). Upon establishing this joint venture a total of three corporate stores previously owned by Domino's and two stores owned by the franchisee were transferred to the legal entity.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

UNRECOGNISED ITEMS

Unrecognised items provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance.

26 COMMITMENTS

RECOGNITION AND MEASUREMENT

Operating leases

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 Group exercises its options to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Finance leases

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.

Operating leases commitments

	2018 \$'000	2017 \$'000
Not longer than 1 year	80,248	72,405
Longer than 1 year and not longer than 5 years	189,835	172,779
Longer than 5 years	78,631	70,869
Total	348,714	316,053

The operating lease commitments above include leases of franchised stores under sublease arrangements representing a future payment and future receivable to the Group. Future lease payments receivable under sub-leases as end of the financial year are as follows:

	2018 \$'000	2017 \$'000
Not longer than 1 year	42,835	35,184
Longer than 1 year and not longer than 5 years	104,878	85,943
Longer than 5 years	31,117	22,041
Total	178,830	143,168

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

	NOTE	2018 \$'000	2017 \$'000
Current			
Make good	12	183	173
Non-current			
Straight line leasing	12	205	189
Make good	12	1,708	1,540
Total		2,096	1,902

Finance leases

Fair value

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26 COMMITMENTS (CONTINUED)

Finance lease commitments

	PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	
	2018 \$'000	2017 \$'000
No later than 1 year	3,700	3,537
Later than 1 year and not later than 5 years	9,436	12,541
Minimum lease payments⁽ⁱ⁾	13,136	16,078
Less future finance charges	-	-
Present value of minimum lease payments	13,136	16,078
Included in the financial statements as:		
Current borrowings	3,700	3,537
Non-current borrowings	9,436	12,541
Total finance lease commitments	13,136	16,078

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

Capital expenditure commitments

	2018 \$'000	2017 \$'000
Plant and equipment	1,760	3,460
Total	1,760	3,460

27 CONTINGENT LIABILITIES

RECOGNITION AND MEASUREMENT

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'.

	2018 \$'000	2017 \$'000
Guarantees - franchisee loans and leases	7,622	6,003
Total	7,622	6,003

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

27 CONTINGENT LIABILITIES (CONTINUED)

ESTIMATES AND JUDGEMENTS

Legal and regulatory matters

The Group operates in a number of jurisdictions with different regulatory and legal requirements. Given this complexity, management is at times required to exercise judgement in evaluating compliance with relevant laws and regulations.

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 filed an appeal to these decisions in the Court of Appeal, which dismissed the appeal of SRP in the main claim on 25 October 2017. SRP has filed an appeal from that decision to the Cour de Cassation. It is not yet clear when a decision will be handed by the Cour de Cassation in the main claim, but it is expected to be by April 2019. The appeal to the Court of Appeal for the five local claims should be heard on 18 September 2018. For the sixth local claim, the Court found in favour of DPF at first instance in September 2016, and SRP filed an appeal from this decision to the Court of Appeal. On 30 January 2018, the Court of Appeal dismissed the appeal of SRP in the sixth local claim. The two SRP franchisees have filed an appeal from that decision to the Cour de Cassation. The seventh local claim has yet to be heard by the Court at first instance.

DPE denies all claims made and is vigorously defending the proceedings brought against it. DPE is confident of its legal and commercial position. Accordingly, no provision has been recognised as at 1 July 2018.

PIZZA SPRINT

In May 2016, proceedings were brought against Fra-Ma Pizz SAS and Pizza Center France SAS, the Pizza Sprint entities, by a number of former and current franchisees whom allege a significant imbalance in the rights and obligations by the franchisor. The alleged practices predated the acquisition of Pizza Sprint by the company, accordingly during the re-measurement period the company has adjusted the purchase price accounting to recognise a contingent liability and asset in relation to the above matter. A number of the claims by franchisees have been settled on a commercial basis.

The French Ministry for the Economy and Finance has also brought proceedings involving the same facts against Fra-Ma Pizza SAS, Pizza Center France SAS and Domino's Pizza France SAS. The claims are being defended. The franchisees have sought to have their proceedings joined to the proceedings brought by the Ministry, which DPF, Fra-Ma-Pizz SAS and Pizza Center France SAS have opposed. The decision handed down on this matter on 15 February 2018 has rejected this claim.

Hearing of the claims at first instance is expected to be on 19 October 2018 for all the Pizza Sprint proceedings (brought by the former and current franchisees and by the French Ministry for the Economy and Finance).

PRECISION TRACKING

DPE is currently involved in legal action with Precision Tracking Pty Ltd, Delivery Command Pty Ltd (a related party), and the three directors of those two companies (collectively "PT"). In essence, DPE has filed claims against PT for: (1) relief from unjustified threats pursuant to the Patents Act 1990 (Cth); (2) declarations of invalidity and revocation of innovation patents; (3) relief from various acts of misleading and deceptive conduct; and (4) misuse of confidential information. PT has filed a cross-claim against DPE for breach of contractual and equitable obligations of confidence and infringement of innovation patents. PT has also joined Navman Wireless Australia Pty Ltd as a respondent to its cross-claim. The trial of the proceeding commenced in November 2017, however, the trial was subsequently adjourned due to the late discovery of new information from PT obtained just prior to and during the hearing. The trial has been rescheduled to commence in October 2018.

DPE denies all claims made by PT and is vigorously defending the proceedings brought against it by PT. DPE is confident of its legal and commercial position. Accordingly, no provision has been recognised as at 1 July 2018.

GENERAL CONTINGENCIES

As a global business, from time to time DPE is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of DPE have considered such matters which are or may be subject to claims or litigation at 1 July 2018 and unless specific provisions have been made are of the opinion that no material contingent liability for such claims of litigation exist. The group had no other material contingent assets or liabilities.

28 SUBSEQUENT EVENTS

On 13 August 2018, the directors declared a final dividend for the financial year ended 01 July 2018 as set out in note 16.

Other than the above, there has been no further matters or circumstance occurring subsequent to the end of the financial year that has significantly affected, the operations of the Group, the results of those operations, or the state of affairs.

OTHER INFORMATION

29 RETIREMENT BENEFIT PLANS

RECOGNITION AND MEASUREMENT

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. Re-measurement, 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. Re-measurement 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 Group 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 Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

29 RETIREMENT BENEFIT PLANS (CONTINUED)

ESTIMATES AND JUDGEMENTS

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

The Group'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.

DEFINED BENEFIT PLANS - DOMINO'S PIZZA JAPAN, INC.

The Group 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 Group to actuarial risks such as: interest rate risk, retention risk and salary risk which impacts the plan as follows:

- Interest rate risk: A decrease in the bond interest rate in Japan will increase the plan liability by reducing the discount rate;
- 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; and
- 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 01 July 2018 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:

	2018	2017
Discount rate	0.09%	0.15%
Expected rate of salary increase	2.59%	2.59%
Number of employees	469	465
Average service years	4.7 yrs	4.6 yrs
Expected service years	5.1 yrs	5.2 yrs

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

	2018 \$'000	2017 \$'000
Service cost:		
Current service cost	868	996
Net interest expense	9	52
Components of defined benefit costs recognised in profit or loss	877	1,048
Remeasurement of the net defined benefit liability:		
Actuarial gain/(loss) recognised in the period	116	(950)
Components of defined benefit costs recognised in other comprehensive income	116	(950)
Total	993	98

Of the expense for the year, an amount of \$877 thousand has been included in profit or loss as administration expenses. (2017: \$1,048 thousand).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

29 RETIREMENT BENEFIT PLANS (CONTINUED)

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

	2018 \$'000	2017 \$'000
Opening defined benefit obligation	5,681	7,733
Current service cost	868	996
Net interest expense	9	52
Remeasurements (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	116	(950)
Benefits paid	(576)	(1,360)
Exchange differences of foreign plans	320	(790)
Closing defined benefit obligation	6,418	5,681

The Group expects to make a contribution of \$945 thousand (2017: \$888 thousand) to the defined benefit plans during the next financial year.

30 KEY MANAGEMENT PERSONNEL COMPENSATION

	2018 \$	2017 \$
Short-term employee benefits	6,200,352	5,668,245
Post-employment benefits	183,978	142,956
Other long-term employee benefits	53,959	93,140
Equity settled share-based payments	1,151,207	6,711,850
	7,589,496	12,616,191

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

During the year independent remuneration consultants were engaged by the Remuneration Committee to ensure that the reward practices and levels of remuneration for KMPs are consistent with market practice. A statement of recommendation from the remuneration consultants has been received for the 2018 financial year. Payment of \$52,371 (2017: \$72,072) has been made to the remuneration consultant for the remuneration advisory services provided on the remuneration recommendation. No other advice has been provided by the remuneration consultant for the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

31 RELATED PARTY TRANSACTIONS

EQUITY INTEREST IN SUBSIDIARIES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

EQUITY INTERESTS IN OTHER RELATED PARTIES

There are no equity interests in other related parties.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 30 to the financial statements.

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 18 to the financial statements.

Other transactions with directors of the group

During the year the Group engaged the services of Mr Michael Cowin, a related party of Mr Jack Cowin, as a Board Member of DPE Japan Co. Ltd. The services rendered were based on market rates for such services and were due and payable under normal payment terms. A total of \$50,000, excluding GST, was paid or payable to Mr Michael Cowin during the year ended 01 July 2018.

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.

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 2 to the financial statements.

TRANSACTIONS WITHIN THE GROUP

The Group includes:

- the ultimate parent entity of the Group; and
- controlled entities.

The wholly-owned Australian entities within the Group 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 23 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 year the Company extended or had in place loans to Joint Venture partnerships of which the Group has a 50% interest. The balance of these loans as at 01 July 2018 is \$8.6 million and interest is charged based on commercial rates and terms.

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 transactions were at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

32 REMUNERATION OF AUDITORS

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

GROUP AUDITOR ⁽ⁱ⁾	2018 \$	2017 \$
Audit of the parent company	460,626	325,149
Audit of subsidiaries and other entities	753,389	587,074
Total audit services	1,214,015	912,223
Other assurance related services ⁽ⁱⁱ⁾	328,852	92,500
Total assurance services	328,852	92,500
Taxation services ⁽ⁱⁱⁱ⁾	94,501	103,117
Other non-audit services ^(iv)	872,306	35,000
Total other services	966,807	138,117
Total Group auditor's remuneration	2,509,674	1,142,840

(i) All amounts were paid to Deloitte Touche Tohmatsu by the Company and its subsidiaries. Fees are billed in local currencies and converted into AUD at average rates. The auditor of the parent entity is Deloitte Touche Tohmatsu Australia.

(ii) Other assurance services relate principally to the Domino's Franchisee Wage Supervision Framework review and compliance activities payable to the parent company auditor.

(iii) Taxation services relate to tax compliance services and tax advisory services relating to acquisitions paid to related overseas practices of the parent company auditor.

(iv) Other non-audit services relate principally to digital advisory services payable to the parent company auditor.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

33 OTHER ITEMS

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Group has applied a number of amendments to Australian accounting standards and new interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatorily effective for an accounting period that begins on or after 1 July 2017 and therefore relevant for the current year end.

STANDARDS AFFECTING PRESENTATION AND DISCLOSURE

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

Amends AASB 112 Income Taxes to clarify:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use
- The carrying amount of an asset does not limit the estimation of probable future taxable profits
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

Amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Refer to note 5 for the Group's net debt reconciliation.

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016

Amends AASB 12 Disclosure of Interests in Other Entities, to clarify the interaction of AASB 12 with AASB 5 Non-current Assets Held for Sale and Discontinued Operations to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

33 OTHER ITEMS (CONTINUED)

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 1 July 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

TITLE OF STANDARD AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Nature of change	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>The Group has substantially completed its assessment of AASB 15, and the adoption of this standard is not expected to have a material impact on its recognition of sales from Company-owned stores, ongoing royalty fees which are based on a percentage of franchise sales, sale of stores, technology fees and other service related revenue.</p> <p>The Group receives upfront fees on commencement of the franchise agreement which are currently recognised in full when received. The Group has determined that under the new standard the franchise fee paid on commencement of the franchise agreement will need to be deferred and recognised over the life of the franchise agreement as no distinct performance obligation is satisfied at the beginning of the franchise agreement. The group does not expect a material change in revenue however an adjustment to opening retained earnings and a corresponding contract liability of around \$20.6 million (pre-tax) will be established on the date of adoption associated with the fees received through 1 July 2018 that would have been deferred and recognised over the term of each respective franchise agreement if the new standard had been applied in the past.</p> <p>In some instances, the company pays an upfront royalty fee when a new franchise agreement is signed, currently these costs are being expenses as they are incurred. Under AASB 15, these costs apply for capitalisation as incremental costs in obtaining a contract and will be amortised over the franchisee agreement period. The difference between the current treatment of these costs and the treatment under AASB 15 is expected to be immaterial and on transition to the new standard a contract asset and corresponding entry to retained earnings of around \$0.7 million (pre-tax) will be raised representing the deferral of costs on upfront royalties paid on any franchise agreements in place at 2 July 2018.</p> <p>The Group sells various equipment and other goods. AASB 15 requires the Group to factor into the transaction price an estimate of probable returns from franchisees and wholesale customers. Instances of returns on these goods is rare and therefore the Group's existing treatment of returns will not be materially impacted as a result of the new standard.</p> <p>The Group is in the process of assessing the impact of AASB 15 on the Adfunds, if any.</p> <p>Additional disclosures of the following information by revenue stream will be required:</p> <ul style="list-style-type: none"> • The nature, amount, timing and uncertainty of revenue and cashflows • The performance obligations and the determination and allocation of the transaction price to performance obligations • Significant judgements applied in implementing the five-step model <p>The directors intend to use the modified retrospective method of transition to AASB 15.</p>
Date of adoption by group	<p>Mandatory for financial years commencing on or after 02 July 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 02 July 2018 and that comparatives will not be restated.</p>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

33 OTHER ITEMS (CONTINUED)

TITLE OF STANDARD AASB 9 FINANCIAL INSTRUMENTS

Nature of change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The Group has reviewed financial assets and liabilities to assess the impact of adoption of the new Standard on 2 July 2018. All financial assets and financial liabilities will continue to be classified on the same bases as is currently adopted under AASB 139. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. The Group does not anticipate that the application of the AASB 9 hedge accounting and new impairment model requirements will have a material impact on the consolidated financial statements.
Date of adoption by group	The Group will apply the new rules prospectively from 02 July 2018, with the practical expedients permitted under the standard. Comparatives for the financial year ending 01 July 2018 will not be restated.

TITLE OF STANDARD AASB 16 LEASES

Nature of change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.
Impact	The Group has reviewed lease arrangements to assess the impact of adoption of the new Standard on 02 July 2018. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$348.7 million, of which \$178.9 million have a corresponding future lease receivable under sublease arrangements (refer to note 26). Some of these leases relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in the Group's consolidated financial statements. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.
Date of adoption by group	Mandatory for financial years commencing on or after 01 July 2019. The Group does not intend to adopt the standard before its effective date.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary share capital

- 85,368,040 fully paid ordinary shares are held by 10,246 individual shareholders.
- All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

Options

- 2,756,600 options are held by 128 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	29	-	-	-	-	-	2
10,001 - 100,000	82	-	-	-	-	-	3
5,001 - 10,000	95	-	-	-	-	-	29
1,001 - 5,000	1,028	-	-	-	-	-	16
1 - 1000	9,012	-	-	-	-	-	78
	10,246	-	-	-	-	-	128

SUBSTANTIAL SHAREHOLDERS

ORDINARY SHAREHOLDERS	FULLY PAID		PARTLY PAID	
	NUMBER HELD	PERCENTAGE	NUMBER HELD	PERCENTAGE
SOMAD HOLDINGS PTY LTD	23,050,966	27.00%	-	-%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,853,120	25.60%	-	-%
J P MORGAN NOMINEES AUSTRALIA LIMITED	12,580,738	14.74%	-	-%
	57,484,824	67.34%	-	-%

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

ORDINARY SHAREHOLDERS	FULLY PAID		PARTLY PAID	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
SOMAD HOLDINGS PTY LTD	23,050,966	27.00%	-	-%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,853,120	25.60%	-	-%
J P MORGAN NOMINEES AUSTRALIA LIMITED	12,580,738	14.74%	-	-%
CITICORP NOMINEES PTY LIMITED	5,445,390	6.38%	-	-%
CITICORP NOMINEES PTY LIMITED	2,956,157	3.46%	-	-%
NATIONAL NOMINEES LIMITED	2,795,768	3.27%	-	-%
BNP PARIBAS NOMS PTY LTD	1,538,385	1.80%	-	-%
BNP PARIBAS NOMINEES PTY LTD	894,934	1.05%	-	-%
MR DONALD JEFFREY MEIJ	796,537	.93%	-	-%
MRS ESME FRANCESCA MEIJ	749,280	.88%	-	-%
MR GRANT BRYCE BOURKE	718,523	.84%	-	-%
MR GRANT BRYCE BOURKE & MRS SANDRA EILEEN BOURKE	698,516	.82%	-	-%
MR ANDREW CHARLES RENNIE	560,076	.66%	-	-%
INVIA CUSTODIAN PTY LIMITED	486,087	.57%	-	-%
MR DONALD JEFFREY MEIJ	369,868	.43%	-	-%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	349,198	.41%	-	-%
SUCCESS PIZZAS PTY LTD	340,149	.40%	-	-%
CLYDE BANK HOLDINGS (AUST) PTY LTD	308,296	.36%	-	-%
NATIONAL NOMINEES LIMITED	292,275	.34%	-	-%
MR GRANT BRYCE BOURKE	231,305	.27%	-	-%
	77,015,568	90.21%	-	-%

GLOSSARY

ASIC means the Australian Securities & Investments Commission.

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

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

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

CAGR means Compound Annual Growth Rate.

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

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

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

Corporate Store Network means the network of Corporate Stores.

Corporations Act means the *Corporations Act 2001* (Clth).

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

Director and Executive Share and Option Plan or **ESOP** means the Domino's Pizza Director and Executive Share and Option Plan summarised in note 23 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 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.

REGISTERED OFFICE & PRINCIPAL ADMINISTRATION OFFICE

DOMINO'S PIZZA ENTERPRISES LTD

ABN: 16 010 489 326
KSD1, L5
485 Kingsford Smith Drive
Hamilton
Brisbane QLD 4007
Telephone: +61 (7) 3633 3333

WEBSITE ADDRESS

dominos.com.au

AUDITORS

DELOITTE TOUCHE TOHMATSU

Level 23, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

SECURITIES EXCHANGE

Domino's Pizza Enterprises Limited shares are listed in the Australian Securities Exchange under ASX code DMP

SHARE REGISTRY

LINK MARKET SERVICES LIMITED

Level 2
210 Eagle Street
Brisbane QLD 4000
Tel: 1300 554 474 (AUS)
Tel +61 (0) 2 8280 7111 (OS)

SECRETARY

CRAIG A RYAN BA LLB LLM AGIS

SOLICITORS

THOMSON GEER LAWYERS

Level 16, Waterside Place
1 Eagle Street
Brisbane QLD 4000

DLA PIPER

Level 9,
480 Queen Street
Brisbane QLD 4000

BOARD OF 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 a 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

Managing Director / Group Chief Executive Officer

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.



DOMINO'S PIZZA ENTERPRISES LIMITED ACN 010 489 326



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