APPENDIX 4E

DOMINO'S PIZZA ENTERPRISES LIMITED

Current Reporting Period: Financial Year Ended 30 June 2019

Previous Corresponding Period: Financial Year Ended 01 July 2018

SECTION A: RESULTS FOR ANNOUNCEMENT TO THE MARKET

	PERCENTAGE CHANGE %	AMOUNT $' MILLION
Revenue and net profit		
Revenue from ordinary activities	Up 24.4%	to 1,435.4
Profit from ordinary activities after tax from continuing operations	Down 6.0%	to 114.4
Profit from ordinary activities after tax attributable to members	Down 4.6%	to 115.9
Net profit attributable to members	Down 4.6%	to 115.9

	AMOUNT PER SECURITY (CENTS)	FRANKED PERCENTAGE PER SECURITY
Dividends		
Final dividend in respect of full year ended 30 June 2019 - Payable 12 September 2019	52.8	100%
Record date for determining entitlements to the final dividend - 28 August 2019		
Interim dividend in respect of half-year ended 30 December 2018	62.7	75%

	30 JUNE 2019	01 JULY 2018
Net tangible assets per security		
Net tangible assets per security	**(5.81)**	(5.70)

SECTION B: COMMENTARY ON RESULTS

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

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

The final 100% franked dividend of 52.8 cents per share was approved by the Board of Directors on 20 August 2019. In complying with accounting standards, as the dividend was not approved prior to period end, no provision has been taken up for this dividend in the full year financial statements.

ADDITIONAL INFORMATION

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


DOMINO'S PIZZA ENTERPRISES LIMITED ANNUAL REPORT 2019
NOBODY DELIVERS LIKE DOMINO'S
Domino's

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CHAIRMAN'S MESSAGE

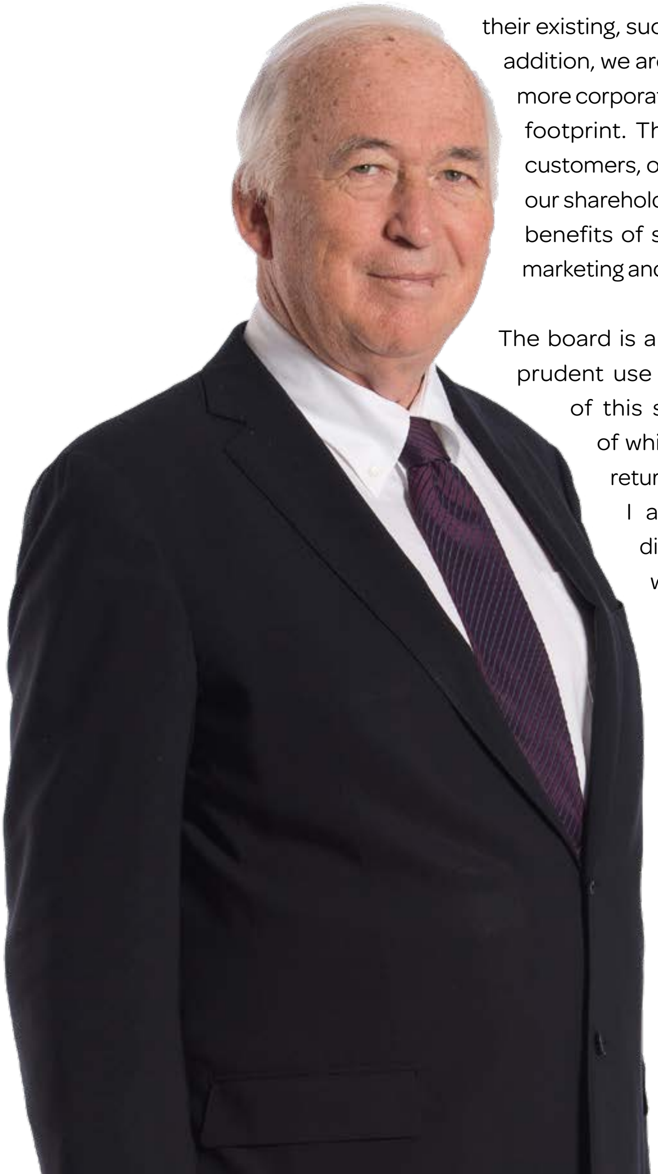
JACK COWIN

This year has been another milestone year for Domino's Pizza Enterprises Ltd. Not only has management delivered impressive operational and financial results for the year, but the Company also made important decisions for the future.

This year, Domino's expanded our footprint, and future potential, acquiring the rights to expand into Denmark and Luxembourg, with the first stores in Denmark already opened.

Our Company has expectations for ongoing growth as we work to open more stores closer to our customers. Now, as the exclusive master franchisee for the Domino's brand in nine countries, on three continents, with a combined population of more than 340 million people, we have a significant opportunity.

We are committed to building out this opportunity in all regions, investing in our most successful store managers and franchisees, those who are eager to take on their first Domino's store or to expand their existing, successful businesses. In addition, we are strategically opening more corporate stores to expand our footprint. This strategy helps our customers, our team members and our shareholders, as we leverage the benefits of scale in procurement, marketing and operations.



The board is also committed to the prudent use of capital in support of this strategy, the success of which can be seen in the returns to our shareholders. I am pleased that our dividend to shareholders will increase again this year, by +7.1% to 115.5c per share. In the past three years, Domino's Pizza Enterprises Ltd's dividend has increased at a compound annual growth rate of +16.3%.

For our business to have a sustainable future, we must not only deliver for our customers, franchisees and shareholders, but also for the communities in which we operate. Our local stores are proud members of thousands of local communities, and this year we again invested in those communities. From disaster relief to local doughraisers for community groups and supporting educational scholarships, through to making meaningful progress towards reducing our impact on the local environment – Domino's is committed to being a good neighbour as well as a great company.

Our people are essential to our future. The board is confident we have the people, culture and management depth to deliver on our growth ambitions. The franchisees featured in this report speak multiple languages, but in one voice – they are investing in our people and nurturing the future franchisees and leaders of our business. Our history is one of developing leaders from within, from store managers through to franchisees and executives. Most recently, the benefits of this approach are being demonstrated by the executives and CEOs appointed in the past two years in Europe and Asia. Their decades of Domino's experience, and deep understanding of our business and people, are already showing in the results they are delivering.

I anticipate that the next CEO of our business is already a Domino's employee, and the subsequent CEO may already be delivering our pizzas somewhere in the world, perhaps even working for a franchisee featured within.

Domino's Pizza Enterprises is a business with a bright future, and I am pleased to report on our progress so far.

Jack Cowin
Chairman

CEO'S REPORT

DON MEIJ

This financial year Domino's Pizza Enterprises Ltd's long-term vision to create a truly global business – backed by the support of our shareholders to invest in this vision – delivered a strong financial performance at a group level. Through the strategic acquisitions of new markets, particularly in the past six years entering Japan and Germany, Domino's now has a diversified portfolio of businesses that spans a range of market penetration and maturity. We remain confident in the ongoing growth opportunity in all of the markets in which we operate.

With a record underlying EBIT of $220.8 million, an increase of +7.2%, this strategy has also shown its resilience. Domino's has demonstrated it is a global, portfolio business that can continue to grow despite short-term, local conditions in individual markets. Online sales (increasing +18.2% to $1.9 billion), delivered total global food sales of $2.9 billion (+11.9%). As part of this long-term view we provided an outlook at a group level that, for the next three to five years, each year we would lift sales by between 3% and 6% on a Same Store basis, open between 7% and 9% of our network in new stores, with net Capex of $60 - $70m.

This year we opened 179 new Domino's stores and successfully converted the remaining Hallo Pizza stores in Europe to the Domino's brand. The conversion of the former Hallo Pizza stores in Germany was, as expected, a large contribution to one-off costs of $47.4m. Nonetheless, free cash flow remained strong at $84.9m. Every team member in Domino's, from those working in stores through to the global leadership team, is Hungry to be Better – continually innovating to improve our digital platforms, our menus, and our operations. It is this approach that lifted sales across our group on a Same Store Sales basis by +3.6%. I am very pleased with the performance of management and team members in each region who have contributed to this performance.

AUSTRALIA/NEW ZEALAND

Our digital platforms in Australia/New Zealand saw record usage, selling more than 2 million pizzas and sides in one week. New products, including our Extra Large (XL) range, helped deliver value for customers and franchisees.

We continue to invest in helping franchisees understand the opportunities for growing profitability in their business, as well as in Co-Pilot initiatives that deliver in-store efficiencies and associated savings. We recognise our responsibility as one of Australia's largest franchisors, and are reviewing the recommendations of the Joint Parliamentary inquiry into franchising to determine which recommendations we can adapt to improve our business, even before these recommendations are finalised and codified in regulation.

We made some important decisions for the long-term, including strengthening our franchisee group by purchasing back some stores into our corporate network. Because franchisees have more opportunities to buy existing stores new store openings were muted with 21 newly built stores – but we achieved a milestone with the opening of Australia's 700th store. ANZ underlying EBITDA declined by 4% to $127.9m, with positive Same Store Sales growth of +2.4%.

JAPAN

Our Japan operations performed very strongly this year, with new products building out our barbell menu strategy. This provided new value offerings to balance our existing premium ranges, that have resonated with customers. This lifted total network sales by +22.2% to $591.4m, an increase of +8.4% on a Same Store Sales basis.

Under new leadership, our digital, menu and operational initiatives are having a positive impact. This has provided renewed confidence in the outlook for our business in Japan, heightening our expectations of the capacity for more Domino's stores. This Financial Year we opened an additional +81 stores, passing key milestones of 550 and 600 stores. The success of this approach has supported our long-term expectations for our network, which have increased from 850 stores to 1000 stores.

I commend this report to you and, on behalf of the leadership team, thank all of our employees, franchisees and team members for their significant achievements this year.

EUROPE

Our European operations delivered a positive performance at a group level, building out the large opportunity already available to us. Management completed two acquisitions, Luxembourg and Denmark, both were strategic opportunities with strong geographic and cultural alignment to our existing markets.

The Netherlands and Belgium continue to perform strongly, with the rest of our business benefiting from the lessons learned in these growing markets. Our results in France did not meet our expectations, but we are pleased with the initial indications of improved performance – particularly in the second half – with an experienced Domino's leader (himself a former franchisee) improving the alignment with our franchisees.

The team in Germany successfully completed the conversion of the acquired Hallo Pizza chain to Domino's, finishing the year with 327 stores. I recognise the significant accomplishment of our entire team in Germany who, after acquiring the business less than four years ago with fewer than 15 stores, now operate more than 300 stores under the Domino's brand. Pleasingly, our first newly built stores for the business have been opened this year, by franchisees who joined our business through acquisition, and have demonstrated their belief in Domino's approach and vision.

With the opening of 77 organic new stores, Domino's Pizza Enterprises Ltd passed 1,000 Domino's branded stores in Europe – an important milestone.Across all countries, new menu initiatives, digital innovations and strong operational performance lifted total network sales 15.1%, to $1136.9m. This delivered underlying EBITDA 9.3% higher at $81.9m, on Same Store Sales growth of 3.1%.

Don Meij
Group CEO &
Managing Director

2019

PERFORMANCE HIGHLIGHTS

2522
STORES GLOBALLY

NETWORK SALES
$2,897.3M (+11.9%)

ONLINE SALES
$1,942.9M (+18.2%)

NEW ORGANIC STORES OPENED
179

ACQUIRED
LUXEMBOURG AND DENMARK

UNDERLYING EBIT
$220.8M (+7.2%)

UNDERLYING EPS
165.0 CPS

EUROPE

1097
STORES

65.8M
PIZZAS SOLD

JAPAN

600
STORES

26.1M
PIZZAS SOLD

AUSTRALIA & NEW ZEALAND

825
STORES

105.6M
PIZZAS SOLD

PROJECT 3TEN

Across three continents, Domino's Pizza Enterprises offers customers unique menu items and ingredients tailored to local tastes. But worldwide there is one constant – every customer wants their pizza made fresh and hot out of the oven. Throughout our history we have worked hard to deliver on this.

Our goal is to prepare a hot, freshly made pizza ready for carry-out within three minutes, or safely delivered to our customer's door within ten minutes. Project 3TEN is our strategy to deliver on this goal, everything from developing world-first technology initiatives, and increasing training for team members, through to opening even more stores closer to our customers.

WHY IS PROJECT 3TEN SO IMPORTANT?

When our customers are hungry, they're hungry now.

We know from our research that time is the enemy of food. The longer it waits, the lower the customer satisfaction, which significantly decreases after 20 minutes. Our data shows stores with faster delivery times have higher customer satisfaction scores; that their customers are more likely to recommend Domino's to loved ones; and that they record higher sales, including through increased order frequency.

Domino's Pizza Enterprises believes Project 3TEN is central to delivering on our customers' expectations, and our future growth.

"HOW DID THEY DO THAT?"

This has been a year of breaking records. A five minute store – able to deliver all week at an average of less than five minutes from the time of order – was considered impossible.

The Groningen Floresstraat store in the Netherlands took up the challenge, setting a new benchmark of 3 minutes and 36 seconds. A new, 'unbeatable' benchmark.

PROJECT 3TEN

WORLD RECORD DELIVERIES

GRONINGEN FLORESSTRAAT STORE

NETHERLANDS

JULY 2018

3 MINUTES, 36 SECONDS

YOTSUYA STORE

JAPAN

NOVEMBER 2018

2 MINUTES, 38 SECONDS

That is, until the Yotsuya store in Japan took up the challenge and beat it – setting a new world record for delivery, with a safe delivery time of 2 minutes and 38 seconds for an entire week. That's a freshly made pizza ordered and delivered to your door almost before you've put down your phone.

Every Domino's region is now looking at what is possible, setting their sights on new regional records, with Australia targeting the first sub-six minute store in 2019.

WHY ARE RECORDS IMPORTANT?

Records show all of our stores what is possible. By setting records, we challenge the status quo and discover new and innovative ways to do things. This drives our business forward and allows us to push the boundaries of what's possible for our customers.

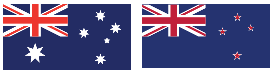
HOW DO WE MAKE IT HAPPEN?

The single most important change we can make in our stores, is attitude. Investments in new technology and operational improvements are important, but our ability to deliver on Project 3TEN first requires leadership from our franchisees and store managers.

To foster this attitude, Domino's Pizza Inc filmed a world record attempt in the Groningen Floresstraat store. Domino's has now shared this documentary as a central part of training and development roadshows in all of our regions. Store managers are challenged to implement the proven tactics to reduce delivery times in a phased approach.

These phases include steps such as utilising Domino's predictive ordering, increasing the number of e-bike deliveries, and having 'runners' in peak periods taking pizzas out to waiting delivery experts. Upgrading stores to faster ovens does reduce cooking and delivery times, but Domino's has found more time savings can be found simply by eliminating the time meals wait for an available driver.

But the largest barrier still remains the distance from our kitchens to our customers, which means to have the fastest, freshest pizzas going out the door at all times, we need to open more stores in every country in which we operate.



AUSTRALIA & NEW ZEALAND OVERVIEW WITH CEO

NICK KNIGHT

Every hard working member of the Domino's team in Australia and New Zealand should be proud of the achievements they have made this year.

While Australia has seen a number of retailers reduce their footprints or close their doors, Domino's has grown our network, our share of the pizza market, and our share of the fast food business. That result is due to the team members working across our business, especially those who put on their Domino's uniform every day.

Every decision we made this year in Australia and New Zealand was because we are Hungry to be Better. Whether we have looked for incremental benefits with the launch of a unique limited time dessert, or a more expansive launch such as the Extra Large pizza range, our goal is to deliver value for our customers, improved franchisee profitability, and a better business for our investors.

Our strategy remains unchanged; delivering high quality meals to customers, at an affordable price, as quickly and as safely as possible. Our focus on Project 3TEN remains key to this strategy, which is why we were pleased our store development – opening more kitchens closer to our customers – is almost exclusively delivered by existing franchisees or store managers. This includes our 700th store to open in Australia, opened by a successful, five store franchisee.

It is not enough to be Australia and New Zealand's leading pizza company; to be better we must continuously listen to our customers and deliver an experience that is rewarding. That is why we are so excited about the launch of DOM Pizza Checker, which we believe is an essential tool for our team members committed to delivering the best pizzas for our customers every day.

We will continue to deliver on this commitment in the next 12 months.

Nick Knight
ANZ CEO

AUSTRALIA & NEW ZEALAND

2019 HIGHLIGHTS & ACHIEVEMENTS

DOM PIZZA CHECKER

A WORLD FIRST TECHNOLOGY TO CHECK THE QUALITY OF EACH PIZZA; HELPING TEAM MEMBERS MAKE AND BAKE PIZZAS TO PERFECTION.

Developed a new size (Extra Large) that delivers customers more value and franchisees additional sales and incremental margin.

Provided more data and support for franchisees, launching quarterly business reviews through expanded Operations 360 program.

700th Australian Domino's store, opened by a successful, five store franchisee.

DELIVERING FOR OUR

CUSTOMERS. COMMUNITIES. & SHAREHOLDERS.

AUSTRALIA & NEW ZEALAND

FOOD INNOVATION

From limited time offers to launching new products that are becoming mainstays of our menu, Domino's Australia and New Zealand delivered continual menu innovation this year, to offer customers more of the flavours they enjoy.

New products were added to the menu across the range, from new pizzas, new sizes and new desserts through to new side choices, including Kumara Fries in New Zealand.

For new crust choices, the Garlic Bread Crust was a very popular new addition, as was the 3 Cheese Stacker limited time offering. Both were added during Summer, when Domino's launched our biggest menu upgrade with a campaign aimed to be the Official Pizza of Summer.

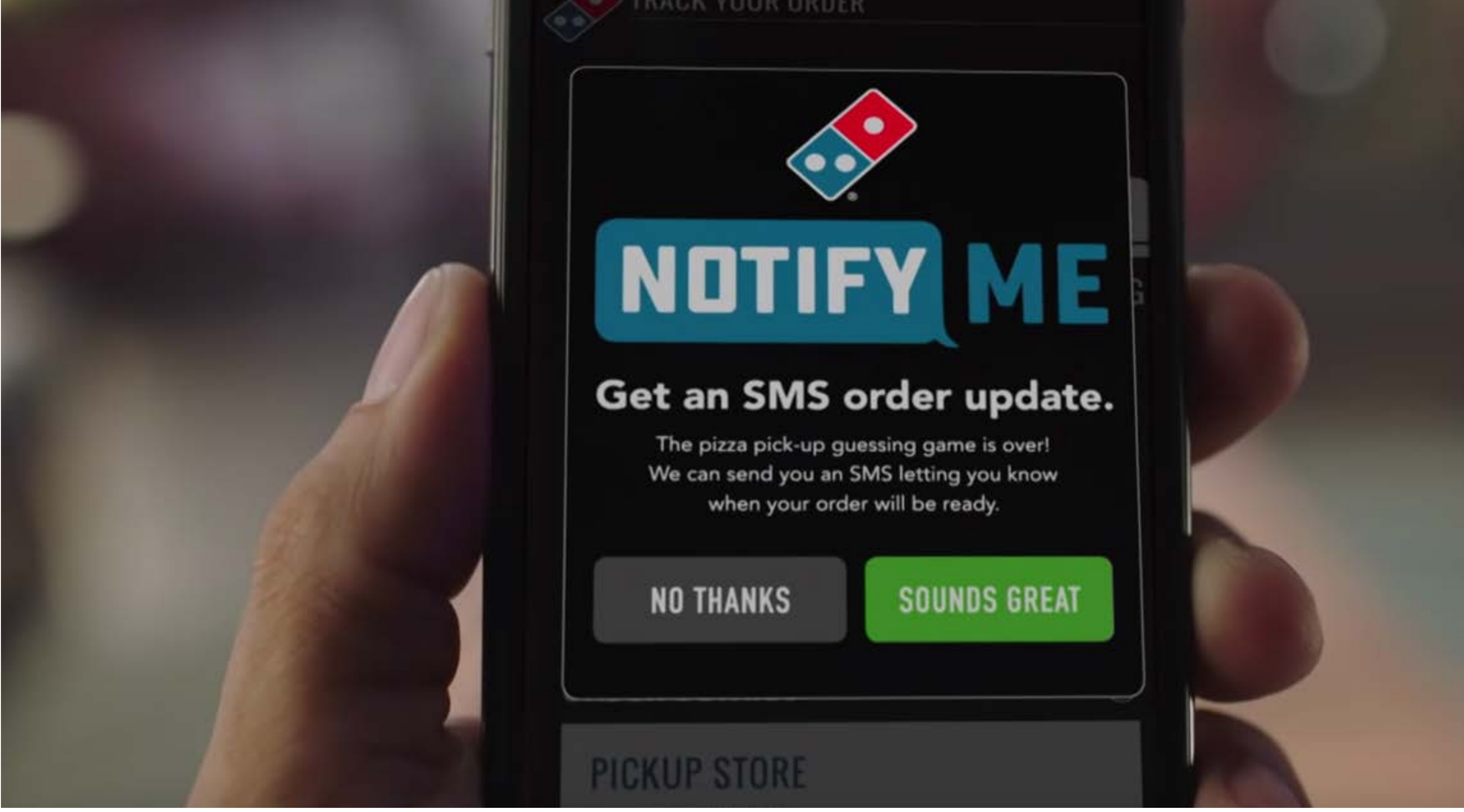
We work hard every day to give customers more of what they love and this year we delivered some of the best examples of this approach through our menu innovation. The perfect example of this was our December launch of "The Big One" – our biggest pizza ever. While The Big One wasn't designed to be a core part of our pizza menu, it typifies our approach to be the pizza for every occasion, even the biggest celebration.

Similarly, our launch of the Extra Large pizza range gave customers more choice and more value, offering 50% more toppings and 50% more pizza for only $3 extra. This was well received by customers and franchisees, offering customers great value at the same time as delivering franchisees an increased average sale and improved margins.

New side and dessert options are important to build sales, and Domino's extended two already popular options in these categories with new chicken sides – Fried Chicken with four unique sauce options – and desserts, including limited time Sundae offerings, new Thickshake flavours including Salted Caramel and Chocolate Cheesecake.

Domino's also expanded our menu options for our vegan customers, with a delicious Vegan Cheesy Garlic Bread, as well as a Vegan Summer BBQ pizza to deliver for this important, and growing, customer group.

DELIVERY IS AN ONGOING JOURNEY OF CONSTANT IMPROVEMENT.



AUSTRALIA & NEW ZEALAND

DIGITAL INNOVATION

This year we rolled out the most significant innovation for our business since launching GPS Driver Tracker in 2015 – DOM Pizza Checker.

DOM Pizza Checker is designed to solve our largest customer tension point, 'My pizza doesn't look like it should'. This world-first technology uses a smart scanner above the cut bench to check the quality of every pizza; working alongside our team members to help them make and bake pizzas to perfection every time. The technology can recognise, analyse and grade pizzas based on pizza type, correct toppings and distribution, as well as share real-time images of pizzas with customers.

Our innovation team has delivered a suite of projects this year to the benefit of our customers, and our team members.

We know customers value their time and don't like waiting. Our team delivered "Notify Me", which sends an SMS (opt-in) letting them know exactly when their order will be ready in store.

With smart speakers becoming increasingly common in Australian homes, Domino's partnered with Google to ensure our customers can order their favourite pizza orders through the Google assistant, using only their voice.

Domino's also launched Augmented Reality (AR) to help customers create their ultimate, favourite pizzas through our existing app. At the end of this Financial Year we started rolling-out our new mobile app, the largest upgrade to this significant customer touchpoint since our first app was launched. The new app is designed to be faster, more intuitive and more engaging, and our staged roll-out, initially to loyal users, reflects the importance of this technology to our online offerings.

In stores Domino's delivered innovations designed to help our team members be even more efficient. In partnership with Master Franchisor Domino's Pizza Inc, our team delivered an iPhone version of the Domino's Inventory App, to help reduce the time needed for this important daily task.

We continue to refine our predictive ordering, using machine learning to help team members anticipate likely orders as a core component of Project 3TEN.

The team also responded to team member feedback from stores, to connect incoming stock orders with the Pulse point of sale system, to reduce data input errors and help store managers monitor and control their stock levels.


Thick Shakes
ORDER
PICK-UP

AUSTRALIA & NEW ZEALAND

OPERATIONAL EXCELLENCE

To deliver the best experience for our customers, Domino's needs the best performing kitchens, closer to our customers.

Operations 360 is a solution including an extensive set of data that allows franchisees, store managers and team members to measure and track their performance, benchmarked against other stores. This year we added quarterly business reviews to Operations 360, with experienced Domino's business consultants using the data at hand to work with stores to identify areas for improved profitability and operational performance. This has delivered positive results, with franchisees sharing their successes and lessons learned for the benefit of their peers. Equally it has seen some franchisees, who no longer have the passion or the capability to take their businesses to the next level, leave the Domino's system, which will over time strengthen our franchisee base.

Our best improvements are driven by our experienced team members. This year we delivered a program of weekly incremental improvements, often identified by team members, to improve efficiencies and profitability. For example, our innovation team automated the ability for franchisees and store managers to link stock ordering to our point of sale system, saving time and reducing data-entry errors.

Project 3TEN underpins everything our stores work to achieve, with tangible work on everything from simplifying menus and packaging through to reducing the number of times where a team member delivers to more than one customer on a single journey. This focus on single deliveries has increased customer satisfaction scores because of the reduction in delivery times and the improved quality of customer meals on arrival. This has been particularly important since the changes to labour costs associated with the Modern Fast Food Industry Award, which have required operational changes to offset higher labour rates that appropriately reward our team members.

From hiring through to day-to-day operations, we are always looking to deliver improvements for our stores.

We have worked relentlessly this year to deliver operational improvements to drive towards our goal of having not only the most efficient, but also the smartest kitchens in our industry. It's important that innovation delivers a customer experience that is more seamless than ever before. Equally our goal is to ensure our team members are supported by systems and technology that delivers a more rewarding and efficient working environment.

DO WHATEVER IT TAKES TO NEVER LOSE A CUSTOMER AND TEACH ALL YOUR PEOPLE TO THINK THE SAME

DAVID BURNESS

FRANCHISEE

2007 - 2019
Returned to Australia and bought three stores on the Sunshine Coast. Doubled sales in those stores and expanded to two more stores

2006
Sold six stores. Moved to Netherlands with Domino's Pizza Enterprises as Chief Operating Officer

1995-2006
Built and bought more stores to have six in total
Received multiple awards in this time including Big Red for Highest Average Sales for a franchisee, Silver Challenge, Gold Challenge, Multiple Rolex Challenge

1993
Corporate roles: Trainer, Area Manager, National Training Manager

1995
Franchised first store in Brisbane

1991
Started as store manager with a franchisee

DAVID BURNESS

FRANCHISEE

AWARDS
Multi Unit franchisee of the year
Home grown franchise development
2 x Leadership Eagles
5 x $1,000,000 clubs
4 x $2,000,000 clubs

STORES
Gympie
Maroochydore
Maryborough
Nambour
Noosa

When university student David Burness needed a job, a franchisee he knew convinced him Domino's might be a good short-term option while he finished his studies in journalism and politics. That was 28 years ago.

Now countless other young Domino's team members have benefitted from the lessons in leadership and communication he learned at university, and especially from his decision to forge a new career path they have since followed.

David credits Dallas-based franchisee Mike Yaw for the initial inspiration to become a franchisee himself. He has since taken that inspiration to build successful, multi-unit Domino's franchise businesses not once, but twice. His first he sold to become a leader in Domino's developing business in the Netherlands. Then after returning to Australia, David became a franchisee again, initially with three stores, later grown to five.

Despite this remarkable achievement (accompanied by an extended list of awards and sales records earned along the way) David considers the most rewarding part of his Domino's career to be the growth he has fostered among young team members.

Key to that growth has been a range of programs he has delivered that teach core skills, recognise and promote talent, and celebrate success including; a Manager in Training Competency handbook to develop assistant managers, and a Manager Sponsorship program to help managers become franchisees.

"Since I've started, many of our team have earned promotions to managerial roles. We only ever hire managers from within our stores. Ten of those managers have gone on to become Domino's franchisees."

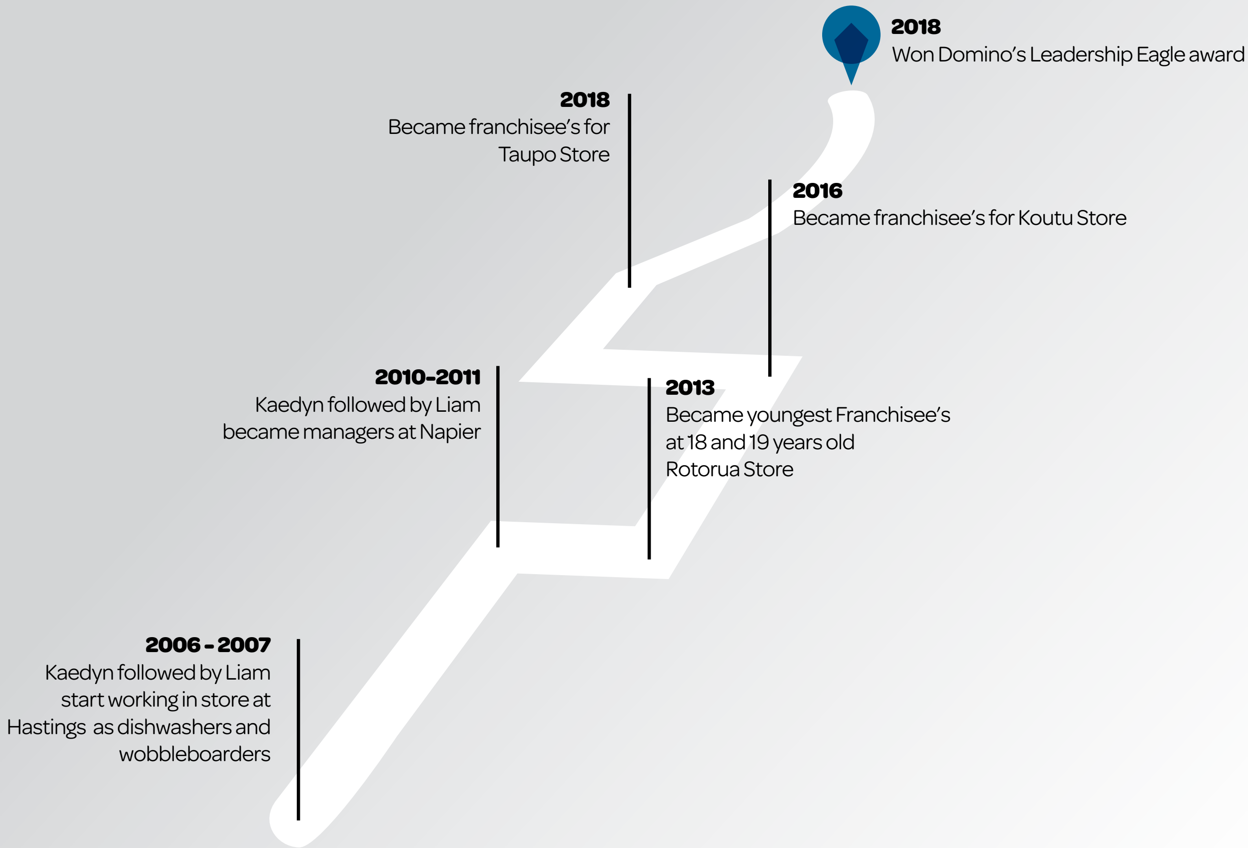
If I could give any advice to a driver starting their Domino's career today, it would be: To quote one of the great Presidents, "Ask not what your store can do for you, but what you can do for your store". My attitude when I was an employee was that if I did more work than I was paid for, one day I'll be paid for more work than I do. Don't work to a clock, work to a task and don't stop until that task is done really well. If you do this, you make yourself very valuable and valuable people get rewarded.

A motivational saying I live by:
Appreciate the ordinary things in life, they happen every day.

EVERY PERSON MAKES A DIFFERENCE - TODAY'S DISHWASHER IS TOMORROW'S FRANCHISEE

LIAM & KAEDYN STOPS

FRANCHISEES



LIAM & KAEDYN STOPS

FRANCHISEES

AWARDS

Rotorua Retail Business award
Leadership eagle

STORES

Napier
Rotorua
Koutu

Brothers Liam and Kaedyn Stops did not start their Domino's journey with grand ambitions. The youngest Domino's Pizza franchisees in New Zealand started with more modest goals - joining Domino's at 12 years-old washing dishes and 'wobble boarding' outside the Hastings store.

They quickly moved onward and upwards to other in-store roles; by the age of 14 they were running shifts and then moved into manager roles two years later.

The Stops brothers recognise the important training they received along the way - their first franchisee was an important mentor, and their father was a small business owner himself.

The brothers decided to purchase their first store in Rotorua when they were 18 and 19 respectively. With a firm business plan guiding them they have now bought a total of three stores in nearly six years, and plan to own five stores in five years.

The road map to their success has been their customer focused approach. Customers are at the centre of their business and they are always seeking innovations or improvements that enhance their service.

The brothers show a level of leadership well beyond their years, which was recognised at this year's Domino's Rally for Australia/New Zealand where they were awarded a Leadership Eagle.

The Stops brothers understand running a successful Domino's franchise is a team effort - not only are they a close team themselves, but also they have built a strong team in their stores.

They are focused on staff development and, with a group of excited staff members who share their passion for the business, they expect to be a mentor themselves to the next generation of Managers and Franchisees.

JAPAN OVERVIEW WITH CEO

JOSH KILIMNIK

I am very proud of the hard work and commitment from all our franchisees and team members this year. In stores, in the field, and in our offices, they have delivered an outstanding result for Domino's Pizza Japan.

Last year I wrote that we saw in Japan "the opportunity to implement new ideas to grow customer counts and sales, using tried and tested promotions and tactics that have proved successful in other markets." I am pleased to say this has come to fruition with significant menu innovation and technology roll-outs, including the Coupon App and Just Time cooking, driving the most significant lift in Same Store Sales in many years.

All of our team recognise this is not the end of our journey, but the very beginning. We have a great opportunity in front of us, and we look forward to building out the Japanese market in the months and years ahead.

Domino's Pizza Japan passed 600 stores this year – a significant milestone. We did not believe our original long-term store target of 850 stores adequately reflected the market opportunity, and have increased our planning to target 1000 stores. We believe this larger opportunity reflects the increased carry-out and delivery customers we can reach by building more stores closer to our customers.

In Japan, the typical Domino's customer chooses to order our meals to celebrate special occasions. Our plan is to retain that premium market, with high-quality menu offerings such as our Superstar Pizza, while building more customer frequency through our Barbell Menu Strategy, outlined in more detail in this report.

Ultimately, Project 3TEN remains as important in our business as in other Domino's Pizza Enterprises markets; our customers value convenience, and their time, and want meals safely delivered fast, or available for carry-out with no delay. Domino's Japan was proud to set a new benchmark this year, with a world record that will be challenging for any store to beat.

We are confident with the foundations we have put in place this year, and the strategy to deliver even stronger results in the years ahead. I am very pleased that our franchisees share this confidence, and are increasingly building their small- and medium-sized businesses into multi-unit franchises.

I look forward to delivering even more progress .

Josh Kilimnik
CEO & President Japan

JAPAN

2019 HIGHLIGHTS & ACHIEVEMENTS

JUST TIME COOKING

USING LOCATION-BASED TECHNOLOGY TO GIVE CARRY-OUT CUSTOMERS A HOTTER, FRESHER MEAL, STRAIGHT OUT OF THE OVEN WHEN THEY ARRIVE

Improvement of digital environment was remarkable in the second half. In historically long national holidays (i.e. 10-days golden week), the highest number of sessions in one day exceeded Christmas day (traditionally the busiest day).

A new menu strategy – the barbell – is providing customers with more choices, and value, to extend beyond the premium, special occasion market.

Delivered Same Store Sales Growth of +8.4%.

The Yotsuya store achieved a world record delivery of 2 minutes and 38 seconds.

Review of market potential and increased franchisee appetite for stores lifted long-term store outlook to 1000 stores.

600th store opened in June, regaining #1 position in the pizza category by store count.

Digital sales grew more than 20.6%, with more than 64% of sales online – a DPJ record.


JAPAN
FOOD
INNOVATION

JAPAN

FOOD INNOVATION

A re-focus on our core menu has been delivering for Domino's Pizza Japan, and customers, this year.

At the heart of this approach is the data-driven use of customer insights. These insights identified products and marketing approaches – particularly those highlighting Domino's high-quality ingredients – that excite customers.

Using this approach, Domino's Pizza Japan launched multiple, successful new products in the First Half, including the Cheese Burst Crust, and the Ultimate Italian pizza range, which lifted Same Store Sales. Customers were equally excited by the addition of the authentic New Yorker range in January, mirroring the success of this product in other markets.

Domino's Pizza Japan has built a successful business on delivering high-quality meals catering for special occasions, but management recognised an opportunity in building and meeting customer demand for other meal occasions. In the Second Half, Domino's Pizza Japan launched the largest menu upgrade since Domino's Pizza Enterprises acquired the region in 2013, adding a value-focused, single-customer targeted range, to add to the existing premium menu offerings.

This Barbell Menu Strategy has been well received by customers, who can now choose from premium menu options including the 'Superstar' – with wagyu beef and tiger prawns – through to the American Classic Range. The new menu strategy has also delivered for franchisees, increasing customer frequency without losing Domino's position as a special occasion meal.

JAPAN

DIGITAL INNOVATION

Significant investment in prior Financial Years ensured Domino's Pizza Japan moved onto the OneDigital online sales platform. OneDigital is technology developed by Domino's Pizza Enterprises and rolled-out to all of the Company's international markets.

This Financial Year the benefits of that investment have started to deliver for not only the digital development teams, but also in-store team members and customers.

Domino's has recently launched Just Time Cooking, building on the success of similar technology in our other markets. Just Time Cooking built on the development of On Time Cooking, which helped team members and customers in Australia.

Just Time Cooking delivers carry-out customers a hotter, fresher, meal – using location-based technology to inform in-store team members when meals should be prepared so they are fresh out of the oven just as customers are arriving to pick up their order.

Domino's Pizza Japan launched the Coupon App, offering similar functionality to the Offers App in Australia and New Zealand. Since September 2018, more than 700,000 customers have downloaded the Coupon App, giving customers improved value on individual menu items and meals. The Coupon App provides Domino's Pizza Japan an important, additional marketing channel for existing and new customers.

JAPAN

OPERATIONAL EXCELLENCE

Domino's Japan recognises Project 3TEN is as relevant to delivery and carry-out customers in Japan as in other international markets.

Just as our customers value our focus on improved menu offerings, and a more seamless ordering experience, they also value their time – and all team members are committed to delivering on that expectation. In the prior Financial Year, Domino's launched 20 Minute Mission, demonstrating to customers Domino's market-leading ability to target, and achieve, deliveries in faster than 20 minutes.

This year a nationwide roadshow – building on the success of 20 Minute Mission – focused on safely reducing delivery times. Franchisees, store managers and team members learnt best practice lessons from other regions and were committed to challenging themselves to materially reduce delivery times.

After Domino's Netherlands set a new global benchmark for fast, safe deliveries, Domino's Japan were determined to re-take the crown as the world's fastest delivery team. After significant planning and commitment from every team member, the Yotsuya Yonchome store set a new benchmark for delivery with a new world record for Domino's deliveries – averaging 2 minutes 38 seconds for an entire week.

Menu and digital innovations lifted weekly sales and customer counts across the country, including during the Christmas period – traditionally the busiest time for Domino's Pizza Japan.

It has taken a whole team effort to respond to this challenge. This year additional preparation and planning was implemented to cater for heightened demand – expected to be many multiples of typical daily volume – and the Domino's Pizza Japan team delivered. Online ordering volumes surged to five times the normal daily volume of online ordering, with almost 700,000 pizzas sold online in the week leading up to New Year's Eve. In all, 128 stores broke their monthly sales record in December.

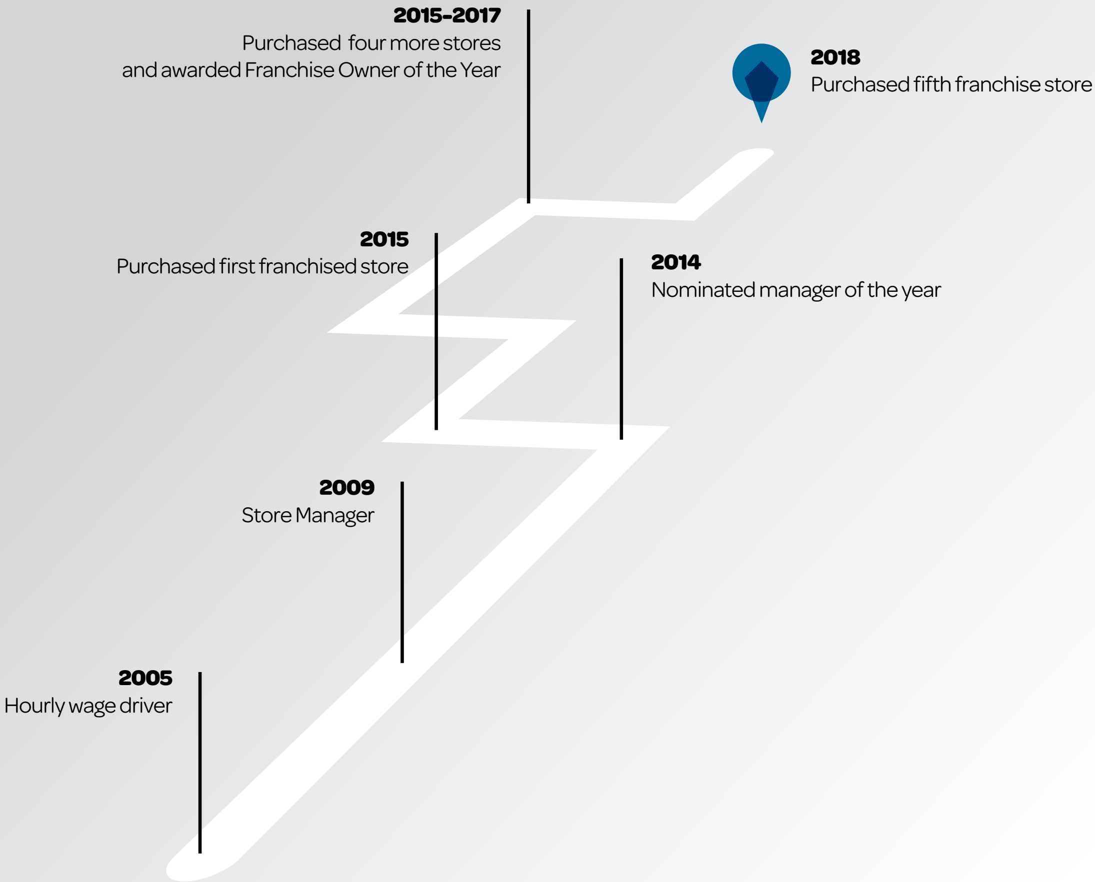
The planning and execution ensured team members were able to deliver for our customers during other periods of high demand, including this year's "Golden Week" celebrations – 10 days of consecutive national public holidays.

D-Pit: A specially branded garage at one of our Tokyo stores, highlighting Domino's expertise in fast, safe deliveries

MAKE SURE YOU ALWAYS EXPRESS YOUR THANKFULNESS AND RESPECTFULNESS TO THE CUSTOMERS

KAZUYA FUKUMOTO

FRANCHISEE



KAZUYA FUKUMOTO

FRANCHISEE

AWARDS

Manager of the year nominee
Franchise owner of the year

STORES

Moriyama
Hikone
Uzumasa yasui
Nishioji hanayacho
Kawaramachi Marutamachi

Kazuya Fukumoto remembers what first attracted him to Domino's. After earlier jobs including work in a vintage fashion store, Kazuya joined Domino's in 2005, because the hourly wage was higher than comparable jobs.

While the initial pay was what encouraged Kazuya to join Domino's, it has been the opportunities available to him that have kept him in the Company.

Kazuya worked as a delivery driver for four years before becoming a manager in training, ensuring he had the fundamental understanding of what is needed for a high performing store. It was that knowledge that saw him nominated as Japan's best manager, and opened up more job opportunities, including becoming a franchisee himself.

And it is those opportunities that he is delivering to other young managers who want to build their own Domino's careers.

Using his background as a highly-regarded store manager, Kazuya has built a successful operational and training program to help managers learn the fundamental components of running a successful Domino's store – and a bonus system that rewards high achievement. It's a model that is delivering results.

"I am very proud of my store managers. Every single manager has achieved a 5 star OER rating* and won domestic awards. I really love to see how my managers exceed my expectations."

Kazuya's plans for the next stage of his Domino's journey includes becoming the dominant pizza restaurant in the Kyoto and Nara prefectures, developing new territories in West Japan and supporting his store managers to become franchisees themselves.

The most important lesson I have learned within Domino's:
CAN DO!!

If I could give any advice to a driver starting their Domino's career today, it would be: Always set your own goals!

**OER is defined as operations evaluation report.*

EUROPE OVERVIEW WITH CEO

ANDREW RENNIE

This year has been one of significant achievements for the Domino's Pizza Enterprises business in Europe. From setting a new world record for deliveries, to developing new technology that is positioning Domino's as the favourite pizza brand in all of our markets, and reducing delivery times as a focus on Project 3TEN – the teams in all of our countries have delivered innovations they can be proud of.

This year we passed a significant milestone of 1000 Domino's branded stores in Europe. It is perhaps even more significant for our long-term outlook that this milestone means we are not even at the halfway point to delivering on our plans for the business in Europe, and our long-term outlook of 2850 stores. This year that outlook was increased following the strategic acquisitions of two smaller markets in Luxembourg and Denmark, and because of our positive outlook on the future of our Belgium operations.

In the coming years we intend for Domino's Pizza Enterprises business in Europe to be the largest single driver of revenue in our business. To get there, we will work hard every day to deliver for our customers; preparing and delivering pizzas fast and safely under Project 3TEN, and with ongoing menu and digital innovation that make our customers' orders more convenient, and tasty, than ever before. I am very pleased with the performance in all of our markets this year delivering on this strategy. From the successful trial of a loyalty program in the Netherlands, and the development of some very popular seasonal menu offerings in France, through to the unrivalled speed in converting 124 Hallo Pizza stores to Domino's stores in Germany. Our teams are working hard every day to deliver for customers, for our franchisees, and for investors.

In all countries our franchisees are essential partners in this approach; building their businesses while training the next generation of team members, store managers and future franchisees who will help Domino's deliver our planned growth.

I am very pleased to provide this update on the achievements of the Domino's Pizza Enterprises European business for this year, and look forward to continuing to deliver on our plan in the year ahead.

Andrew Rennie
CEO Europe

EUROPE

2019 HIGHLIGHTS & ACHIEVEMENTS

1000 STORES

DOMINO'S PIZZA ENTERPRISES PASSED 1000 DOMINO'S BRANDED STORES IN EUROPE WITH THE SUCCESSFUL CONVERSION OF ACQUIRED HALLO PIZZA STORES.

The Groningen Florrestraat store (Netherlands) achieved the first, sub-five-minute, world record delivery week at 3 minutes and 36 seconds.

The long-term outlook increased to 2850 stores, with two acquisitions and a review of the potential of our Belgium business.

Domino's Pizza Enterprises secured the master franchise rights to Denmark, and Luxembourg
(completing the Benelux* region).

Digital platforms delivered double-digit network sales growth, with newly converted stores achieving sales uplifts through Domino's Pizza Enterprises' proprietary systems.

***Belgium, Netherlands, Luxembourg**

EUROPE

FOOD INNOVATION

Our approach to food innovation is both consistent, and localised. Our consistent approach uses high-quality ingredients at an affordable price, exceeding customers' expectations even when delivered to a home, workplace, or even a park. Our food innovation is also localised, so that we delight customers with local flavours, and traditional favourites they have grown to love. This year our food innovation has delivered on this approach across Europe.

FRANCE

In France, Domino's has delivered a range of new menu items, from seasonal limited time offerings, through to new crust options, to new sides and snacks.

Our new Cal'z range – Calzone sandwiches – has added an attractive new option, particularly for carry-out customers looking for a single-person meal. The Cal'z range includes Domino's popular mozzarella, as well as meat and fish choices including roast chicken, ground beef and tuna.

Our pizza offerings have been built out with new crusts (including the Hot Dog crust for a limited time), new ingredients including chorizo, and new recipes including two targeted at our vegetarian and vegan customers.

Our development kitchen has also created a uniquely French dessert – Caramel Bread – a delicious treat delivering great value for both customers and franchisees.

Domino's France this year brought back one of our most popular seasonal offerings – Raclette – to the menu. The Raclette Pizza, with its trademark melted cheese and unique flavour, has been a very popular addition for the winter months, and its return this year was welcomed by customers, coupled with the addition of a new, Fondue Pizza to the range.

GERMANY

After making changes to our core pizza offering, including enhancing our pizza sauce in the prior financial year, Domino's Germany has added additional menu offerings aimed at new customers, and new menu occasions.

Our goal is to delivery more options to customers, so they can choose the flavours, menu offering, and occasion, that suits their appetite and occasion.

Domino's Germany now offers two vegan pizzas, adding the Ventura Vegan Pizza to the Cape Verde Pizza, which have been well received by this growing customer base.

Our local development team have also introduced two new wraps, particularly aimed at the lunch market, with a vegetarian (Greco) wrap, and a spicy chicken wrap.

Domino's Germany continues to innovate with the core pizza menu, including a Geschmack von Welt (Taste of the World) range, featuring popular offerings from around the world including BBQ Chipotle Chicken Pizza.

With thickshakes adding an important additional pillar to our menu offering in other regions, initial testing of thickshakes in selected markets have shown promising results.

BENELUX

In the Benelux, Domino's introduced three new pizza range offerings including the Winter Warms range – with traditional Dutch flavours Boerenkool and Rookworst (kale and smoked sausage).

Our customers loved our cheese-focused promotion featuring Beemster (a traditional Dutch cheese) on three limited time offer pizzas, and Gouda cheese nuggets as a tasty side.

More recently, customers welcomed the roasted range, meeting a broad range of appetites with pizzas featuring roasted chicken and roasted beef, as well as a new vegan pizza featuring roasted vegetables.

Our dessert offering continues to be strong in the Netherlands and this year we launched the Choco Lotta Pizza – 15cm, Belgian-chocolate rich dessert, that adds an important option for customers sharing a meal.

Thickshakes have now been rolled out to all stores in the Netherlands, with three traditional flavours – Strawberry, Vanilla and Belgian Chocolate – and three premium flavours; Iced Coffee, Triple Chocolate and Creamy Cookie. This popular, all-natural product, is now in initial testing in Belgium. Domino's Netherlands has also recently launched 'The Big One' – our largest pizza ever, delivering four different recipes in one, aimed at special events and gatherings.

EUROPE

DIGITAL INNOVATION

EUROPE
DIGITAL INNOVATION

Digital innovation continues to deliver benefits for Domino's customers and in-store team members. Our goal is to use technology to make our kitchens more efficient, and our customers ordering experience more seamless.

Key projects in our European business have delivered on this goal this year, but we recognise that continued innovation to keep up with, and ahead of, our customers' expectations is essential for our future growth.

FRANCE

Our owned digital marketing channels, particularly email and SMS, give us an opportunity to provide great value to our customers – growing both order frequency and average ticket – and increased sales for franchisees. The success of this approach was demonstrated with record breaking online sales for Black Friday and Cyber Monday – two traditionally US-based shopping holidays aimed at value-driven consumers that have grown in France.

Domino's France broke its own records for online ordering, order counts, total network sales volume, and the percentage of orders driven from email.

Domino's aim is to ensure customers using our app get the best possible experience, and the Company has partnered with Rakuten TV to become the official delivery company of chill nights in with My Movie – offering the possibility for customers to purchase movies and television shows with their favourite pizzas.

This year Domino's France launched Domino's My Spot – allowing customers to drop a location-based pin using their mobile app to have pizzas delivered wherever they are.

GERMANY

A single brand, and single technology platform, will deliver benefits for our franchisees and customers.

With the successful conversion of acquired Hallo Pizza stores to Domino's, our team in Germany has been able to leverage our own marketing channels, delivering positive initial results. These efforts have seen a double-digital increase in email subscribers, significant take-up of our new web push notification channel, and delivered a record week of sales generated through the Offers App.

With a higher store penetration and ability to reach more areas of Germany than ever before, Domino's has launched a local equivalent of "Order Anywhere", Domino's Überall. With similar functionality to the offering in France, and building on the successes from the Benelux and Australia/New Zealand, our local stores expect this will become an increasingly popular way customers will order, as customers recognise its simplicity and convenience.

The speed of orders, for carry-out and delivery, remains an important differentiator for Domino's customers, and Domino's Germany has reinforced this with the launch of a 15-minute pick-up guarantee, launched in the Second Half. This guarantee has already proven popular with time-poor customers looking for new lunch options. To help give Domino's kitchens the edge on delivering to our customers fast, Domino's unique predictive ordering has been installed in trial stores in Germany showing positive initial results.

Together, these digital innovations helped Domino's Germany set a new record for online sales in the First Half.

Our digital initiatives are not only focused on benefits for our customers. Domino's Germany this year rolled out a new print portal, for Franchisees to access to deliver local store marketing faster, and at a lower cost.

BENELUX*

Our digital development team in the Benelux continue to lead the way for our European business, and for Domino's Pizza Enterprises more broadly. After pioneering multiple successful digital innovations that have delivered dividends in other markets, the team are committed to continued improvement.

This year the team successfully trialled a customer loyalty program in the Netherlands, offering customers the ability to earn points for every pizza and be rewarded for their loyalty with free pizzas. Other Domino's Pizza Enterprises countries are working closely with our Netherlands team to determine if, and how, a loyalty program would suit their local customers.

The Benelux team launched two initiatives to help customers enjoy sharing meals even more. Domino's Netherlands now offers payment integration with Tikkie – the first platform to allow friends to pay each other back quickly and simply over WhatsApp. The development team also launched the Domino's Dating App, which matches potential dates using one of the most important criteria for relationship success – their favourite pizza. The Dating App demonstrates once again Domino's position as the brand that delivers for customers. The announcement of the Dating App made international news as an innovative and fun way to connect pizza lovers.

For carry-out customers, the team has launched a 15 minute pickup guarantee during lunch hours, driving more sales during this important meal occasion.

The success of Domino's investment in continued digital innovation was demonstrated in the First Half when more than 95% of deliveries in the Benelux were placed online.

***Belgium, Netherlands, Luxembourg**

EUROPE

OPERATIONAL EXCELLENCE

Project 3TEN – where stores aim to prepare a carry-out order in three minutes, and deliver it safely within 10 minutes, is central to our European business. Some stores have set world records this year, setting the standard for the rest of Domino's Pizza Enterprises, as well as other master franchisees globally. Other stores have set records for their towns, their regions and their countries. But what is most important to us is the continual journey of improvement that all stores are taking. Even if they have not broken a global record, they are working each day to safely reduce their delivery times – impressing their customers, winning new customers and improving their store operations and profitability.

FRANCE

Three French stores have demonstrated the possibilities of Project 3TEN this year, with other franchisees and corporate managers learning from their experiences. The Lyon 7 Sud store narrowly missed breaking 10 minutes average delivery time for a week (10 minutes 2 seconds), while Le Rheu (8 minutes 59 seconds) and Paris 16 Sud (8 minutes 51 seconds) demonstrated sub-10 minute delivery times are achievable. This is an important milestone for our French business, which team members intend to surpass in the coming year.

In our last Annual Report, Domino's France celebrated the success of the Product Master program, a program developed in consultation with Domino's Pizza International to train in-store product 'masters' who teach operational excellence to other team members. The success of this program has now seen it rolled out to all existing and new stores in France.

This program recognises the importance of investing in our team members. The culture and growth opportunities in our business sees our best managers taking the step to become franchisees. Domino's France has recognised this opportunity and developed a new Emerging Leaders program to provide even more opportunities to young, emerging leaders to reach their potential. The program, built in partnership with the Chamber of Commerce and Industry, helps to give team members the keys to small business ownership. This year, four participants in the first class of 10 Emerging Leaders, have become franchisees themselves.

GERMANY

Our team in Germany surpassed expectations this year with the successful integration of 124 Hallo Pizza stores into the Domino's business. Not only were 11 more stores converted than the original business plan on acquisition, but also the speed of the transition outpaced similar conversions for Domino's Pizza Enterprises.
Significant investment has been made this year in training and development of franchisees, store managers and team members, to ensure the German business has world-class operations. This investment is already delivering results.

Domino's Germany trained 220 team members, a record, through the company's internal Management Training Program. This provides essential training to upskill existing managers, enabling them in turn to coach and lift performance in their store. The first German store to receive a 100% mark on Domino's OER audit (a measure of alignment with Domino's operational requirements and food safety and handling) was achieved this Financial Year. This performance was a direct result of the increased focus on operational performance and customers are also noticing the improvement – customer satisfaction scores reached a record high in the First Half, setting a new challenge for the team to exceed.

Two stores set new delivery records for the country, with the Berlin Mitte store achieving a week of deliveries in 13 minutes 55 seconds, and the Hamburg Eimsbüttel store achieving 15 minutes and 19 seconds. These records are among the best in class for Germany, but the team in Germany are committed to matching, and beating, their colleagues' performance in France and the Benelux.

BENELUX*

Several initiatives over the past few years have demonstrated the operational excellence of the Domino's team in Belgium and the Netherlands. With the acquisition of Luxembourg, and the planned opening of our first store in the country this calendar year, the team remain committed to continued improvement.

The Groningen store epitomised this approach, targeting a new World Record for the Domino's system, under five minutes for an average delivery across an entire week. Colleagues from Domino's Pizza International filmed a documentary on the effort to teach other master franchisees what is possible, and the team set a new benchmark of 3 minutes 36 seconds average delivery time for one week in the First Half. As a business, we never believe we have arrived, and are always seeking our next challenge. After Domino's Pizza Japan subsequently surpassed this world record effort, Domino's Benelux are eager to once again show customers, and other Domino's markets what's possible.

The Benelux team measure every aspect of their operational performance and challenge stores to grow with regular competitions targeting areas for improvement. Previously one store each week was celebrated for their operations improvements (for e.g., reducing the time required for deliveries to leave the store). Now, individual competitions focused on operational and sales targets have increased buy-in from stores across the country. Each win by an individual team is celebrated by the store and by peers on our online network, Workplace.

The priority operations project for the Benelux team is a Train the Trainer program – aimed at store managers who will then be able to deliver new skills to their own team members. Where previous training has been designed to reduce bottlenecks in stores, making deliveries and carry-out orders faster, the new training adds important additional new skill sets.

Initial training is focused on enhanced rostering (to maximise both customer service and store profitability) as well as dough and product master classes. Because more customers are choosing to dine-in at Domino's stores, team members are receiving hospitality training to deliver better service to this customer group.

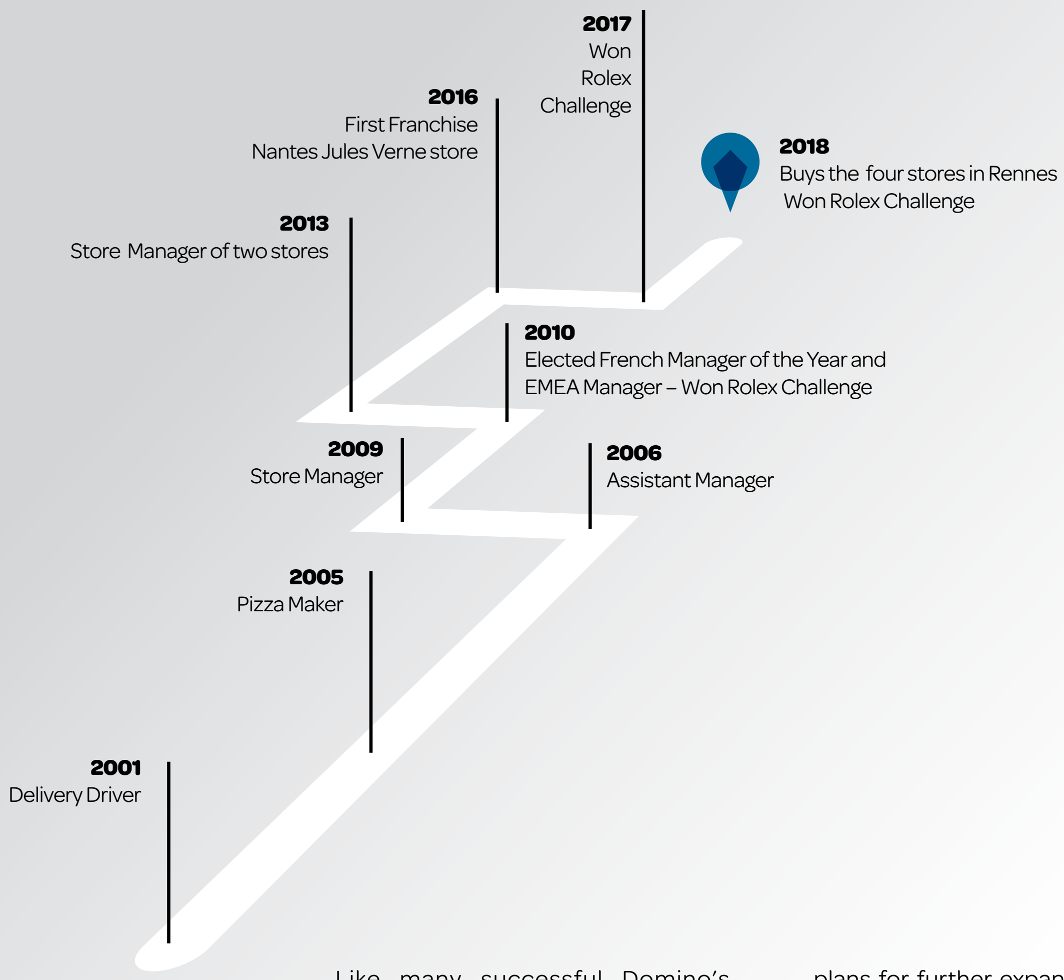
The increased training and hard work of our team members is delivering results – product quality and customer satisfaction (Net Promoter Scores) have increased, and the Benelux team is committed to delivering ongoing improvements.

***Belgium, Netherlands, Luxembourg**

EVERYTHING IS POSSIBLE WITH WILL POWER AND PATIENCE. IF YOU DO YOUR JOB WELL, YOU WILL CLIMB THE LADDER AND MAYBE REPLACE ME ONE DAY

TAHAR CHELLI

FRANCHISEE



TAHAR CHELLI

FRANCHISEE

AWARDS

French manager of the year

3x Rolex awards

STORES

Cesson Sévigné

Rennes Centre

Rennes Sud

Rennes Ouest

Like many successful Domino's franchisees, Tahar Chelli joined the company while he was studying. It was while at university studying computer science that Tahar was looking for work to support himself. "I needed a job, and Domino's was hiring." That was 17 years ago.

Since that time Tahar has progressed from being a delivery driver, to a leader. He is determined for his team to follow in his footsteps.

Tahar's Domino's journey started slower than some franchisees, spending eight years before becoming a store manager, first as a delivery driver, then a pizza maker and assistant manager. But it was that deep understanding of every aspect of store operations that saw him recognised as the best manager in France when he took the next step, and won multiple awards along the way.

Tahar has now built a successful multi-unit franchise business with four stores in Rennes, which he credits as one of his greatest achievements so far, with plans for further expansion. The key to his success has been ensuring his team members have the best possible training. He first built a training program in Nantes that is still delivering results; the graduates of that program are still working in Nantes, or have joined Tahar in his new business in Rennes.

"In fact, every time I train a new employee, I think that I may be training my replacement. They must be well trained."

The most important lesson I have learned within Domino's: Before I thought that I did not need anyone to move forward but once I arrived, I quickly realised that without my teams I was just a manager among many others.

A motivational saying I live by:
"The only way to do great work is to love what you do. If you haven't found it yet, keep looking". - Steve Jobs

OPEN YOUR MIND! EVERYTHING IS POSSIBLE! "HUSTLE" PRETTY MUCH SAYS EVERYTHING

PHILIPP SERVO

FRANCHISEE

2019
Takeover of store number five and six and winner of the Golden Eagle again

2019
Takeover of store number seven and eight with an AWUS of 12.5k in March (seven stores)

2018
Winner of the Golden Eagle

2016
Takeover of store number four

2015
Awarded a Franny DFV, became a member of the German franchise council and took over store number three

2011
Opened second store

2008
First franchise with a 7k AWUS store

2006
Started as a delivery driver for Joey's, promotion to shift manager soon followed

PHILIPP SERVO

FRANCHISEE

AWARDS
Franny DFV
2x Golden Eagles

STORES
Berlin Brunnenviertel
Berlin Charlottenburg Nord
Berlin Charlottenburg Süd
Berlin Mitte
Berlin Reinickendorf
Berlin Spandau
Berlin Tiergarten
Berlin Wedding

Philipp Servo didn't initially choose to join Domino's. He had built a successful career as a Joey's pizza chain franchisee when Domino's Pizza Enterprises acquired the chain. But despite the unexpected change, what hasn't changed is the direction of his business: up. Since joining Domino's, Philipp's already-successful multi-unit business has doubled.

Just two years after starting as a delivery driver, where he first discovered his passion for pizza, Philipp progressed through store management to become a franchisee, and then a multi-unit owner three years after that. Along the way he has grown his network, and weekly sales, and won a sweep of awards for his leadership. Despite this success, he considers his greatest achievement his two sons.

Philipp describes his business career as 13 years of pizza passion, and he has passed on that passion to everyone he has worked with. While Philipp started his career as an industrial management assistant, he saw the pizza business as an opportunity to become self-employed.

Phillip has now delivered that opportunity to other team members, developing a management training program in 2011 to develop skilled team members, managers and even franchisees.

"I want to inspire and thrill people with my passion for pizza - My first two trainees now own three stores themselves."

A motivational saying I live by:
Love what you do! Look for the challenge! Where there is a will, there is a way! Think positive – always! Never stop learning and training!

If I could give any advice to a driver starting their Domino's career today, what would it be? Work hard and have fun with it! Again, anything is possible!

CORPORATE RESPONSIBILITY

CORPORATE RESPONSIBILITY

Pizza is the perfect sharing meal – bringing together family, friends, colleagues and loved ones.

Just as we share meals, we also share the broader communities in which we live and work. Domino's recognises that we share these communities not just with our customers, but also with our neighbours. Our goal is to actively work to make our communities better for all. We believe this is the right thing to do, for our people, our business, and our neighbours.

We aim to do this in four key focus areas: people, community, environment, and food.

Since our humble beginnings we have been working to do the right thing, with local franchisees helping the community through sponsorships, in-kind support and disaster relief. We have added measurable targets, including increasing the use of electric vehicles (including bicycles) in our delivery fleet, and to work towards removing artificial colourings, flavourings and preservatives from our menu.

The board and management recognise this is increasingly important to communicate to our communities and our shareholders.

We have heard this feedback and, as in the rest of our business, are Hungry To Be Better. This will not be an immediate change, but Domino's intends to work with our communities to develop measurable targets in the areas important to them. The next step in delivering, starts now.

Jack Cowin & Don Meij

CORPORATE RESPONSIBILITY

The Domino's Board and management passionately believe in the importance of the franchising model in delivering for our business and our people. Both the Domino's Board and management team include among their ranks former franchisees whom have had significant experience in growing successful Domino's businesses.

The franchising model has allowed entrepreneurial small business owners to create business opportunities for them and their families, thousands of jobs for their team members, as well as valuable investments in their local communities. Through their ownership in Domino's Pizza Enterprises Ltd, our shareholders benefit from the franchising model, and the energy and commitment of our franchisees.

AUSTRALIAN PARLIAMENTARY INQUIRY

In March 2018 the Australian Senate referred an inquiry into the operation and effectiveness of the Franchising Code of Conduct to the Parliamentary Joint Committee on Corporations and Financial Services ***(Inquiry)***. Domino's Pizza Enterprises Ltd welcomed the opportunity to provide a submission to the Inquiry, outlining the contribution of franchising to the growth of our business as well as opportunities for improvement in the operation and regulation of the franchising model. The submission (available online[1]) provided a detailed explanation of the Domino's business model and its relationships with franchisees and other stakeholders; outlined the support that Domino's provides to franchisees; and summarised Domino's views on the Inquiry and the Franchising Code of Conduct. While Domino's considers that in many areas its operations are best practice, we also recognise our performance is based on our commitment to continuous improvement, which we reaffirm here.

In March 2019, the Parliamentary Committee that conducted the Inquiry released a report ***(Report)*** containing a number of recommendations, including proposed changes to the Franchising Code of Conduct and to the responsibilities and powers of the Australian Competition and Consumer Commission.

In the first instance, the Committee recommended the establishment of an inter-agency Franchising Taskforce to examine the feasibility and implementation of many of the Committee's recommendations. While this has not yet occurred, and may take some time, Domino's is reviewing these recommendations, to the extent applicable to the Domino's model, with a view to identifying opportunities to improve the Domino's business.

WAGES COMPLIANCE

The Inquiry Report outlines the significant contribution of our people to the Domino's business. The collective efforts of tens of thousands of team members is essential to the ongoing success of our stores, franchisees and Domino's Pizza Enterprises Ltd. Our people must be rewarded for this effort, through fair wage systems, and the correct payment of team members in accordance with these systems. This is our unwavering commitment.

In Australia, Domino's has been taking action since 2014 when it identified that some team members had been deliberately underpaid their correct wages and entitlements by franchisees. Over the past five years, Domino's has taken a multi-pronged approach to addressing this behaviour. We have ensured our franchisees are clearly trained on their obligations, that systems are in place to assist franchisees to avoid inadvertently breaching these obligations, and adding teams and tools to identify (and remove from our business) those who deliberately mistreat our people by breaching these obligations.

A comprehensive review from Deloitte in 2017 recommended seven actions. Domino's has implemented all of these actions through the establishment of the Domino's Employment Law Compliance Program, which included the development of an independent whistleblower hotline, information about the hotline distributed to every store in Australia (including mandatory posters in-store), and a predictive, risk-based data analytic compliance dashboard. A small number (22) of concerns regarding underpayments were raised through the hotline this Financial Year, all of which were investigated. While not all were found to be valid, the hotline remains an important, independent avenue for team members to raise any concerns, confident they will be appropriately investigated and, where necessary, swift action will be taken.

In addition, Domino's is continuing to broaden our compliance activities across the network through a continual review and improve exercise.

We continue to invest in our people and in ensuring our team members are fairly, and correctly, paid for their work.

[1] Domino's submission to the Parliamentary inquiry into the operation and effectiveness of the Franchising Code of Conduct: https://www.aph.gov.au/DocumentStore.ashx?id=e66caf74-2150-4b35-98fc-2e7030a80d16&subId=565717

OUR PEOPLE

Our people are essential to our future growth. Our people are the more than 50,000 team members working in stores, offices and commissaries in eight countries. This Annual Report features just some of the most successful of those team members – our franchisees from around the world. Each shares the experience of having worked as team members in stores, developing a deep understanding not only of the requirements to operate a successful Domino's store, but also the empathy that comes from the hard work required of the many thousands of young people employed in Domino's as the first roles in their careers.

Domino's is committed to being an employer of choice, providing not only fun and rewarding jobs, but also an environment where team members are recognised for their passion, hard work, and commitment, not their educational background, ethnicity or sexuality.

Domino's is proud of the opportunities available to our people, whether a part-time job to support team members while studying, or a full-time career. Through a focus on internal recruitment, professional development, and support for young managers becoming franchisees, young team members can start as delivery drivers or dish washers, and aspire to manage teams, or become Chief Executive.

We recognise the responsibility of ensuring our people work in a safe environment, free from harm; whether physical injury, bullying or harassment. This also includes proudly paying amongst the highest rates in our industry, training programs that deliver team members qualifications recognised by industry, and creating opportunities for growth and development within.

Domino's stores are safe working environments, free of deep fryers and other equipment that may pose a risk in other fast food businesses. Nonetheless, we recognise that there are external factors which may risk team member safety, and we have implemented multiple initiatives to reduce these risks.

DELIVERY DRIVER/ RIDER SAFETY

For their safety, and that of the local community, team members are required to demonstrate they understand and will follow, local road rules before they can deliver for Domino's.

This is especially so for our delivery drivers and riders, on scooters, motorbikes and electric bicycles, delivering hot, freshly prepared meals each day.

It is a common misunderstanding that our commitment to delivery quickly and our delivery guarantees require a team member to speed to deliver a meal on time. Instead, customers are only offered the option of a 15 minute or 20 minute guaranteed meal where our algorithms determine it is possible for this to be delivered safely by a team member.

Our GPS Driver Tracker technology – available in all countries except Germany and France (both of which are planned for upcoming roll-out) – measures every delivery, monitoring to track speed and harshness of driving, for review by store management and Domino's Operations teams. Even where this technology is not yet in place, the safety of our team members is paramount, with Domino's France launching a road safety training program with the Vigi2roues Association. The program increases manager awareness of risks for riders and adds additional coaching including relating to protective clothing and scooter safety.

Domino's policy is clear – the rush is in the store, not on the street. We do not encourage, expect, or tolerate team members breaking local road rules, including exceeding the speed limit, for any reason. Our local franchisees and operations team members are best placed to judge local weather conditions, and team members can opt not to undertake deliveries if they believe local weather conditions are not safe to do so.

Domino's recognises the potential risk of robbery, in our stores and of our delivery drivers. No money, or meal, is worth any risk to team member safety. Domino's has extensive risk reduction practices in place to reduce the opportunity for theft of our drivers and team members. For the safety of our team members, not all of these procedures can be outlined here. As one indication, more deliveries than ever in our history are cashless, with the meal ordered and paid for online.

OUR PEOPLE

CASE STUDY RIDER SAFETY

AUSTRALIA

Domino's understands that sometimes, there are risks to our delivery drivers beyond our control, including the inattention or dangerous behaviour of other road users. But we can do everything in our control to reduce the risks to our team members.

This year we implemented a new Safe Delivery Procedure for Australian delivery experts. Where team members must review and acknowledge the relevant procedures via our online training portal Dotti.

The new procedures set our specific requirements for e-bike riders and scooter delivery riders.

EBIKES

- Increasing the minimum riding age from 15-years-old to 16.
- Introducing a minimum licensing requirement of a learners permit (to ensure a strong, demonstrated understanding of road rules).
- A documented requirement for a complete daily e-bike safety check to ensure each e-bike is safe and suitable for use.
- A documented requirement not to hand-hold a mobile phone (which is illegal) or to use headphones while delivering, to remove distraction and the potential for decreased awareness of traffic conditions.
- Documented wet weather requirements for light rain, fog and other inclement weather.
- In December 2018, Domino's updated our rider uniform to allow for riding in shorts, instead of long pants, to help manage heat stress.

SCOOTERS

Domino's launched a Scooter Safety training module created in conjunction with the Australian Motorcycle Academy and drawing on resources from various bodies including: WA Government Road Safety Commission; Motorcycle Riders Association of WA; WA Government & National Road Safety Commission; NSW Roads & Maritime Service; QLD Department of Transport and Main Roads; Motorcycle Council of NSW Inc.

The training is focused on roadcraft skills and an understanding of:

- How to adapt to various road conditions.
- The importance of rider attitude and safe riding.
- Recognising hazards and taking action to reduce the likelihood of accidents.
- More than 4300 scooter delivery experts have completed this training module

OUR PEOPLE

CASE STUDY DELIVERY EXPERT SAFETY

NETHERLANDS

In Rotterdam, robberies are not only an issue for Domino's, but for other delivery companies, local residents and homeowners.

Domino's Netherlands was concerned about the risk to drivers from robberies and was determined to take tangible action to reduce the likelihood of injury to team members. Domino's franchisees Menno van Eijk and Maurijn Boelsma worked with police, and local government to equip delivery riders with body cameras.

The cameras can be switched on at the touch of a button, recording any person who may be a risk to the team member, as well as alerting a central control room of a potential incident.

In addition to GPS Driver Tracker technology, which monitors where every delivery expert is at any time, the cameras have added another layer of safety to the Domino's business. They can even be used for other emergencies, where help is needed.

The introduction of body cameras has been just one part of a drive to reduce the risk to our Dutch team members. Seven Domino's stores in Rotterdam have eliminated cash entirely from their stores, along with another 11 stores nationwide. Other stores have eliminated cash at night, with orders required to be paid with bank card, or online. Not only has this increased team member safety, but also store efficiency, with less time required to count money and reconcile cash at the end of each shift.

Minister for Justice and Security Ferdinand Grapperhaus has encouraged other cities to monitor the work being done in Rotterdam, and the lessons they can apply in their local communities. Domino's is also reviewing the lessons of this approach for implementing in other cities.

OUR PEOPLE

CASE STUDY

JAPAN

Japan has experienced very low unemployment, with an ageing workforce and a tightening labour market.

Domino's Pizza Japan has recognised the importance of building a strong and vibrant workforce to grow the business in the years ahead. Management is committed to ensuring the company builds its employment base from all societal segments, including those that have traditionally been under-represented in other businesses.

Domino's Pizza Japan President and CEO Josh Kilimnik: "We need to attract and retain the best possible team members, franchisees, corporate, as well as head office staff. It's not just about becoming an employer of choice for one select group of people. It's all inclusive."

Domino's Pizza Japan has made changes to its business operations to reflect this inclusive approach, modernising conditions of employment, including in relation to maternity and paternity leave.

Domino's is also offering flexible work arrangements, and leveraging recent regulation changes in relation to hiring foreign workers. To ensure these team members are welcomed, and adopt the Domino's culture and passion for pizza, training programs have been updated to allow for some to be completed in different languages.

OUR PEOPLE

CASE STUDY

NEW ZEALAND

For multi-unit Franchisee Rishi Sharma, giving back to his community and offering a helping hand is at the very heart of his business. Recently, after hearing about the plight of refugees trying to settle in to a new life in New Zealand, he contacted the Prime Minister's office to see what he could do to help. He is now working with the Red Cross to get refugees into work and has already hired two new team members in his stores.

Part-time evening work is perfect for team members who are often not ready to commit to full time positions as they settle in to a new country, but they are keen to contribute to their new societies.

OUR PEOPLE

STAFF ENGAGEMENT

Workplace by Facebook is a dedicated and secure space for Domino's team members to connect, communicate and collaborate. The key to its success is the familiarity team members of all ages have with Facebook, and the similar user interface for this corporate-focused platform.

Currently, we use Workplace as our key communication channel in Australia, New Zealand and The Netherlands, and we are in roll-out phase for Japan and Germany.

As a geographically dispersed company with a young workforce it can be challenging to create a culture of "togetherness".

Workplace allows us to share information in real-time, create a two-way dialogue between our team members, franchisees and corporate staff, and share best-practice across the network.

We have recently introduced a number of integrations to increase efficiencies for team members, including a Tanda bot, which allows them to check their rosters and a QA bot, which allows them to submit all Quality Assurance forms.

OUR PEOPLE

DIVERSITY

Domino's is determined to be Number 1 in Pizza, and Number 1 in People, with the best team members in every position in all countries. The Company is committed to eliminating discrimination, and fostering inclusion, throughout the workforce.

Domino's Australian operations have a policy reinforcing gender equality overall, as well as in the recruitment, retention, performance management, training and development of team members.

Domino's has taken a top down approach to increasing the representation of women in key positions. A target was set, and achieved, to increase the number of experienced women executives on the Board of Directors.

Management has also reviewed the remuneration of team members in head office, and in the field, to eliminate pay disparities. After a thorough review, remuneration decision-making processes were reviewed, and training was implemented to eliminate unconscious bias in relation to gender equality.

Domino's has implemented paid maternity leave for team members, ranging from a minimum of eight weeks, up to a maximum of 14 weeks depending on the team member's length of continuous service.

Domino's has in place a policy to support those who are experiencing family or domestic violence.

We support our team members, particularly in times of need, including through a range of flexible working arrangements, including carer's leave and job sharing – for men and women.

We support our LGBTIQ team members. Working with committed team members, Domino's has established dedicated communication platforms and provides opportunities for support of LGBTIQ initiatives.

Research shows team members who are supported in being open about who they are, and are welcomed, are more likely to be satisfied with their employer, to work more effectively in their role, and more likely to innovate than workers who are not open nor welcomed.

OUR PEOPLE

WHISTLEBLOWER POLICY

Domino's is committed to a culture of compliance and honest and ethical behaviour.

To foster this culture, Domino's encourages anyone who has knowledge, or reasonable suspicions, of any kind of serious activity that is illegal, unethical or dishonest to make an anonymous report to our dedicated Whistleblower Service.

Domino's recognises the importance of ensuring a safe, supportive and confidential environment where people feel comfortable about reporting wrongdoings and are supported and protected throughout the process.

The Whistleblower Policy is freely available to all team members through our online training portal.

OUR PEOPLE

PARTNERS FOUNDATION

With the mission "Team Members Helping Team Members", the Domino's Partners Foundation is a separate not-for-profit organisation funded by team members to help fellow colleagues in times of need. The Foundation is committed to helping team members through injury, disaster recovery, illness and times of hardship.

This year we also launched Partners Foundation in New Zealand and we look forward to growing Partners across the Group and aim to launch the trust in Japan and Europe in the next 12 months.

Practical examples of this support in the past 12 months include:

- Flying family interstate or internationally to be with team members in times of need;
- Covering the costs of living expenses when a team member needed to take time off for serious surgery for a pre-existing medical condition;
- Covering costs of repatriation fees following a non-work related accident involving one of our team members to ensure they were back with their family;
- Assisting with funeral expenses of a team member's family member;
- Assisting with living expenses following emergency surgery; and
- Offering support to team members following the devastating Townsville floods in Australia

OUR PEOPLE

CASE STUDY TRAINING

AUSTRALIA

Multi-unit franchisees Nathan and Nicole van Jole have built a pizza empire in Townsville, Australia, owning and operating seven stores across the region with a turnover of ~$225,000 per week.

They attribute much of this success to the careful recruitment, training and retainment of hard-working team members. They are passionate about investing in their people and have developed a comprehensive recruitment and training program which is now being rolled out across the country.

This program involves running fun and interactive group interviews, inducting team members through a welcome pack, orientation day, two training shifts and a three-month review, and then investing in personal and team development initiatives throughout their employment.

In doing so, they have built a team that is invested in their business, focused on a common mission and in it for the long haul – more than doubling their staff retention.

OUR COMMUNITY

Domino's vision is to be the leader of the internet of food in every neighbourhood. This means our kitchens can deliver hot, fresh meals to more than 2500 Neighbourhoods across the eight countries in which we have stores (soon to be nine with the opening of our first stores in Luxembourg).

It also means Domino's franchisees and team members can provide support, including meals, donations and volunteer hours, to those community groups that need our help.

OUR COMMUNITY

GIVE FOR GOOD

Domino's Give for Good is a registered charity that collects donations from Domino's Pizza Enterprises Ltd, our customers, and our head office team members, to support registered charities and not-for-profit groups across Australia. More than one-third of head office team members contribute from their wage weekly.

Domino's has contributed more than $400,000 and 5000 pizzas through Give for Good this year. Our goal is to increase donations from Give for Good to over $1m by 2020.

Give for Good support four key giving areas, which aims to help educate, and develop sustainable best-practices and innovative ideas.

EDUCATION & YOUTH INITIATIVES

DISASTER RELIEF, RECOVERY AND PREPAREDNESS

RURAL COMMUNITIES

LEADERSHIP & ENTREPRENEURSHIP

GIVE FOR GOOD

WWW.GIVEFORGOOD.ORG.AU

ROCK'S COOL
LOCATION: CANBERRA, ACT

Through the Give for Good Franchisee Grant Program, Domino's Canberra multi-unit franchisee Chad Cable supported the Rock's Cool program at the University of Canberra with a $5,000 grant. The program kick starts the careers of young Canberra musicians by helping them make connections, learn new skills, improve their understanding of business and the music industry, as well as set themselves up as sole traders so they can start making an income from their music.

MONASH UNIVERSITY SCHOLARSHIPS
LOCATION: MELBOURNE, VIC

Give for Good is supporting eight students studying STEM-related degrees to realise their potential at Monash University. The scholarship helps to alleviate study costs including textbooks, travel, computer equipment and living expenses for students experiencing financial, social or personal hardship.

UNIVERSITY OF TASMANIA SCHOLARSHIPS
LOCATION: HOBART, TAS

Give for Good is supporting two talented students studying agriculture and business at the University of Tasmania with education-related costs. These scholarships are provided to students from regional and remote areas as part of Give for Good's mission to increase access to higher education for communities under-represented within tertiary education.

THE SMITH FAMILY
LOCATION: NATIONAL

Through Give for Good's partnership with The Smith Family, we support 15 disadvantaged young people with their tertiary studies by providing financial assistance to cover education-related costs such as textbooks, stationery and other learning resources. Our corporate team members also volunteer their time through the Christmas Toy and Book Appeal and Work Inspiration programs.

ORANGE SKY AUSTRALIA
LOCATION: PALM ISLAND, QLD

Through the Give for Good Franchisee Grant Program, Domino's Townsville franchisees Nathan and Nicole van Jole supported Orange Sky Australia with a $5,000 grant. Orange Sky Australia provides access to free mobile laundry facilities, warm showers and conversations to people experiencing homelessness or those in need, and recently established a service on Palm Island in September 2018. The grant will be used to supply fuel for the mobile service on Palm Island for one year.

HARDING MILLER EDUCATION FOUNDATION
LOCATION: DUBBO, NSW

Through the Give for Good Franchisee Grant Program, Domino's Dubbo franchisee Josh Arnold supported the Harding Miller Education Foundation with a $5,000 grant to provide a scholarship for a disadvantaged year 12 student. The grant will be used to provide tutoring, books, stationery, uniforms, online homework assistance, high speed internet connection and help desk support.

COUNTRY EDUCATION FOUNDATION
LOCATION: ORANGE, NSW

Through the Give for Good Franchisee Grant Program, Domino's Orange franchisee Peter Knight supported the Country Education Foundation with a $5,000 grant, which will assist three Orange students to transition from school to university, TAFE or work-related training with the costs of textbooks, travel, computers, equipment and rent.

OUR COMMUNITY

DISASTER RELIEF

When disaster strikes – whether it's a fire, flood or drought – Domino's registered charity Give for Good, our franchisees and team members step into action to support local communities.

Domino's stores across Australia banded together in August 2018 to raise $175,000 for Rural Aid to support Australian farmers and rural communities affected by drought, including a $40,000 donation from Give for Good. All funds raised helped deliver much-needed fodder, water and groceries to the farming communities who were doing it tough.

In February 2019, Domino's Queensland stores raised vital funds to help fellow Queenslanders up north in flood-affected areas via the Red Cross Disaster Relief and Recovery Fund. When it was safe to do so, teams from our eight Domino's Townsville stores also delivered more than 2,000 pizzas to emergency workers and evacuation centres across North Queensland, making sure people had hot meals and helping to keep spirits up.

During the devastating bushfires across Tasmania in February 2019, Domino's stores in Rosny, Hobart and Kingston rallied together to donate more than 360 pizzas to feed 500 people who had been forced to evacuate their homes.

When Cyclone Trevor hit in March 2019, Domino's Darwin City and Millner stores supported emergency workers and people in evacuation centres with 450 piping hot pizzas.

In true Dominoid spirit, our local franchisees and team members are always there when needed most.

OUR COMMUNITY

SMALL CHANGE BIG DIFFERENCE

From the smallest donation, to the largest initiative, these programs make a difference.

Domino's previously donated 50c from every choc lava cake sold in Australian stores, with the donations helping vital charities throughout the country. But team members Mahia Lai and Cody Rutherford, and franchisees, David Bird (Muswellbrook and Scone stores), and Chad Cable (multi-unit franchisee, Canberra) believed a small change could make an even bigger difference.

They came up with the idea of allowing customers to 'round up' their end of order total price to the nearest dollar, with the extra small change donated to disaster relief and charity.

More than 10 per cent of customers now choose to round up for charity; their small change making a big difference to important charities around the country. More than 2.4 million microdonations have been made by Domino's customers passionate about their small change making a big difference to a number of these community-led initiatives.

The team in Australia aren't the only Domino's stores making a difference through small donations.

In Belgium and the Netherlands, we organised a giving program for a limited time product, apple pie. €0.10 from every apple pie sold was given to 'Met je Hart' (With your Heart), a charity that works to address loneliness among the elderly. Domino's stores also invited in local elderly residents to visit, to make pizza, and to share conversation.

It's a sweet way of helping those who need our help.

IN TRUE DOMINOID SPIRIT, OUR LOCAL FRANCHISEES AND TEAM MEMBERS ARE ALWAYS THERE WHEN NEEDED MOST.

OUR ENVIRONMENT

CASE STUDY – NEW ZEALAND

Domino's New Zealand is working with a local company, UBCO, to trial 2x2 electric bikes. The vehicles have more similarities with a motorbike than a bicycle, providing riders two wheel drive, a lower centre of gravity, more power and increased stability.

Domino's New Zealand General Manager Cameron Toomey said: "Ontime delivery is critical to the Domino's brand and we're excited to see if UBCO can deliver – so far our delivery team are loving the bikes and they've exceeded our expectations."

The vehicles have an impressive 120km maximum range on a single charge, and local stores in the trial are keeping an extra battery on hand for a quick swap if needed.

WASTAGE REMOVAL

Domino's is committed to reducing waste across all of our stores.

It may surprise many that Domino's stores already generate far less food wastage per meal than the average home.

It is estimated each Australian household discards 345kg of edible food each year. Yet despite the millions of meals prepared in Domino's kitchens each year, food wastage is reduced by careful stock control, regular stock deliveries, adherence to set recipes, and stock ordering based on anticipated sales.

This is an area of social responsibility that also makes good business sense, with wasted food a direct cost to franchisees and Domino's corporate store network. In many stores, managers are rewarded for reducing food wastage. Pizzas that are safely prepared, that may not have been made to a customer's exact specifications, are frequently provided to the customer as an additional act of goodwill, rather than see the food go to waste.

We are committed to reducing waste across all stores in Australia and New Zealand, particularly when it comes to food packaging, which is why our pizza boxes contain recycled papers.

Our pizza boxes are suitable for recycling and we encourage our customers to recycle our pizza boxes and food packaging, provided the local council recycling program permits it.

Domino's is reviewing other areas of operations to reduce wastage, including simplifying the number packaging items used for customers' meals by stores in Australia and New Zealand.

ELECTRIC DELIVERIES

Domino's is increasingly using electric vehicles to reduce the environmental impact of our delivery fleet. Not only do electric vehicles reduce carbon emissions, but they are also quieter. Where e-bikes are used, they may be more efficient from the store to the customer's door because of the reduced time in navigating a car from the car park, while providing team members a healthy and fun way to work.

Electric vehicles add additional benefits for franchisees – they're typically lower cost to operate, and require less ongoing maintenance than petrol or diesel vehicles. Domino's has already taken tangible steps to increase their use globally.

In Germany, about 2.6 million deliveries were carried out using electric vehicles this Financial Year. In Hamburg, more than 50% of vehicles are electric, including bicycles and scooters.

The Netherlands intend to phase out combustion vehicles - with franchisees agreeing to purchase only electric vehicles from 2020.

In France, about 35% of deliveries are completed using electric vehicles, and the goal is to have 100% of our delivery vehicles in France powered by electricity by the end of 2023.

In Australia, Domino's is working towards carrying out more than 2 million deliveries each year on electric bicycles.

Because GPS Driver Tracker is not yet fully available in all Domino's countries, the exact number of Domino's electric vehicle deliveries has not been possible to calculate. However, as this technology is rolled out in all countries, this information will more easily be captured, allowing for more tangible measurements against these targets for the Domino's Pizza Enterprises Group.

OUR FOOD

Domino's menu provides our customers an indulgence – whether a family meal, or a late night treat – our customers choose the menu item that suits them.

Our goal is to provide our customers with the best possible choice, that suits their taste buds and dietary requirements; whether it's a high quality dessert, a premium dinner, or an afternoon snack.

Our pizza pride starts with our dough, which is baked fresh daily in our stores, contains no artificial colours, flavours or preservatives, and is GMO- and MSG-free.

Domino's strives to ensure our ingredients are free of artificial colourings, flavourings and preservatives and, in partnership with our ingredient suppliers, we have made material steps towards this goal. In Australia 96% of our menu is now free from artificial preservatives, flavours and colours.

TRANSPARENCY

Our customers make choices about the foods they eat.

Domino's is committed to enabling our customers make better informed choices about the food they buy, which means providing relevant information to inform those choices. That is why, in all of the countries in which Domino's Pizza Enterprises operates, we provide detailed nutritional information about the products we serve.

The information we provide is relevant to our customers in each country, and includes information on potential allergens, energy content, as well as the volume of specific ingredients, such as carbohydrates and even egg whites.

Similarly, customers may choose to know more about the provenance of our ingredients.

In Australia, Domino's has been recognised as leading the Fast Food Industry on Voluntary Country of Origin Food Labelling. This includes providing the amount of Australian-produced ingredients in our menu offerings, as well as information about the country in which products were made, produced or packed.

FOOD SAFETY

Domino's has a responsibility to our customers and community to ensure our food safety standards are world-class. Every team member in every country understands the importance of safe food storage, preparation and handling requirements.

Each country is required to have a food safety program that is regularly reviewed, and meets both local laws and Domino's Pizza Enterprises' high standards. This includes operational requirements including maximum food storage times, cooking and storage temperatures, handling procedures and pest control.

OUR SUPPLIERS

Domino's believes the journey for quality does not start in our kitchens. That is why we work closely with our suppliers to ensure only the best quality ingredients and materials are used in our business, provided by suppliers who share our commitment to quality.

It's this trust that drives us to meet and exceed the highest of standards. To work with only the best food suppliers in the country. Suppliers that we hold to these standards and that deliver only the highest quality products. Trust to hold our own stores to these standards when it comes to food safety responsibility. Providing customers with safe, quality food is not only a priority, but it is paramount to our integrity and to our commitment to be Hungry To Be Better. This includes rigorous food auditing and food safety programs.

Our suppliers are expected to meet the standards we include in our Supplier Code of Conduct, available online here: https://investors.dominos.com.au/corporate-governance.

ALLERGENS

Our customers' safety is paramount for Domino's. In a fast-paced, quick service environment, there is always the possibility of a food safe ingredient being placed on a pizza for a customer that otherwise chooses to avoid that ingredient. However, our team members in store are trained to take careful steps to reduce the risk, as much as possible.

This includes, where this is raised with them, team members changing cutting blades and other ingredients for a specific pizza order.

DIETARY REQUIREMENTS

Increasingly, our customers seek menu options essential for their health, diet or lifestyle requirements. Domino's aim is to provide ingredients and recipes to meet every requirement, and we work every day to improve these offerings.

We have previously offered vegetarian, and gluten free options on our menu before adding, vegan cheese in 2018 to our menu in Australia, initially as a limited offering. Our vegan pizzas proved so popular Domino's sold out – encouraging us not only to return it to the menu permanently, but to bring vegan ingredients to other countries.

Our vegan products have been very well received by customers, including customers who are not vegan but choose, or need, non-dairy alternatives. We are actively expanding this offering to give customers more of what they want, including adding a Vegan Cheesy Garlic Bread in Australia/New Zealand, three new vegan pizza recipes and a vegan ice cream for our customers in France, and additional vegan pizzas in Germany and the Benelux.

DOMINO'S PIZZA ENTERPRISES LIMITED

ANNUAL REPORT 2019

GROUP HIGHLIGHTS

	FY 18 UNDERLYING $ MIL	FY 19 UNDERLYING $ MIL	+/(-) FY 18 UNDERLYING %	FY 19 STATUTORY $ MIL
Network Sales	2,588.9	2,897.3	11.9%	2,897.3
Revenue	1,154.0	1,435.4	24.4%	1,435.4
EBITDA	**259.2**	**282.4**	**8.9%**	**236.2**
Depreciation & Amortisation	(53.3)	(61.6)	15.6%	(62.8)
EBIT	**205.9**	**220.8**	**7.2%**	**173.4**
EBIT Margin	*17.8%*	*15.4%*	-	*12.1%*
Interest	(10.3)	(14.0)	36.3%	(14.0)
NPBT	**195.7**	**206.8**	**5.7%**	**159.4**
Tax Expense	(59.5)	(60.0)	(0.8%)	(45.0)
NPAT before Minority Interest	**136.2**	**146.8**	**7.8%**	**114.4**
Minority Interest	(3.0)	(5.6)	(86.6%)	1.5
NPAT	**133.2**	**141.2**	**6.1%**	**115.9**

PERFORMANCE INDICATORS				
Earnings per Share (basic)	152.8 cps	165.0 cps	8.0%	135.5 cps
Dividend per Share	107.8 cps	115.5 cps	7.1%	115.5 cps
Same Store Sales %	4.3%	3.6%	-	3.6%

CONTENTS

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 30 June 2019. 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
Lynda O'Grady	Non-Executive Director	Appointed 16 April 2015
Ursula Schreiber	Non-Executive Director	Appointed 30 November 2018
Paul Cave	Non-Executive Director	Appointed 23 March 2005 Resigned 7 November 2018
Don Meij	Managing Director/Group Chief Executive Officer	Appointed 24 August 2001

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Jack Cowin resigned as a director of Fairfax Media Limited on 28 November 2018. 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. Paul Cave resigned as a director and chairman of Lovisa Holdings Limited on 31 October 2017.

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.

	DOMINO'S PIZZA ENTERPRISES LIMITED		
DIRECTORS	FULLY PAID ORDINARY SHARES NUMBER	SHARE OPTIONS NUMBER	CONVERTIBLE NOTES NUMBER
Jack Cowin	-	-	-
Ross Adler	200,000	-	-
Grant Bourke	1,628,344	-	-
Lynda O'Grady	2,000	-	-
Ursula Schreiber	-	-	-
Don Meij	1,843,344	1,140,000	-

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 71 to 86.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, an aggregate 645,000 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	1,140,000
Richard Coney	26,000	DPE Limited	156,000
Andrew Rennie	294,000	DPE Limited	644,000
Josh Kilimnik	40,000	DPE Limited	69,500
Nick Knight	25,000	DPE Limited	169,000
Allan Collins	22,500	DPE Limited	106,000
Michael Gillespie	17,500	DPE Limited	83,000

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 21 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 activities and financial performance of the Group and each of its operating segments for the financial year are set out on pages 6 to 7.

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 licenses required to undertake its business activities.

DIRECTORS' REPORT
CONTINUED

CORPORATE GOVERNANCE

A copy of Domino's Pizza Enterprises full 2019 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://investors.dominos.com.au/corporate-governance**

DIVIDENDS

In respect of the financial year ended 30 June 2019, an interim dividend of 62.7 cents per share franked to 75% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 14 March 2019. The Company will be paying a final dividend of 52.8 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 12 September 2019.

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	23	300,000	Ordinary	$40.95	28 Oct 20
DPE Limited	24	192,250	Ordinary	$40.95	31 Aug 19
DPE Limited	24	150,000	Ordinary	$40.95	31 Aug 20
DPE Limited	25	400,000	Ordinary	$76.23	28 Oct 20
DPE Limited	26	200,000	Ordinary	$76.23	31 Aug 20
DPE Limited	27	410,500	Ordinary	$76.23	31 Aug 20
DPE Limited	28	220,000	Ordinary	$46.63	31 Aug 21
DPE Limited	29	578,250	Ordinary	$45.25	31 Aug 21
DPE Limited	30	147,000	Ordinary	$45.25	31 Aug 21
DPE Limited	31	220,000	Ordinary	$51.96	31 Aug 22
DPE Limited	32	653,750	Ordinary	$51.96	31 Aug 22

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 ISSUED UNDER OPTION	CLASS OF SHARES	AMOUNT PER SHARE	AMOUNT UNPAID ON SHARES
DPE Limited	19	500	Ordinary	$7.39	$nil
DPE Limited	22	5,600	Ordinary	$9.08	$nil
DPE Limited	24	242,250	Ordinary	$8.18	$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, six (6) board meetings, six (6) nomination and remuneration committee meetings and six (6) audit committee meetings were held.

	BOARD OF DIRECTORS		NOMINATION & REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jack Cowin	6	6	6	6	-	-
Ross Adler	6	6	6	6	6	6
Grant Bourke	6	6	6	6	6	6
Paul Cave	3	3	3	3	3	3
Lynda O'Grady	6	6	6	6	-	-
Ursula Schreiber	2	2	2	2	-	-
Don Meij	6	6	-	-	-	-

DIRECTORS' REPORT
CONTINUED

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 87 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.

REMUNERATION REPORT

Domino's Pizza Enterprises Limited is a geographically diverse business with a long history of innovation and growth. The Board remains committed to ensuring the remuneration frameworks developed for Key Management Personnel ("KMP") are focused and aligned with shareholder value creation 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 30 June 2019.

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
Jack Cowin	Non-Executive Chairman
Ross Adler	Non-Executive Deputy Chairman
Grant Bourke	Non-Executive Director
Lynda O'Grady	Non-Executive Director
Ursula Schreiber	Non-Executive Director (appointed 30 November 2018)
Paul Cave	Non-Executive Director (resigned 7 November 2018)
Don Meij	Managing Director/Group Chief Executive Officer (Group CEO)

The term KMP is used in this report to refer to the following persons.

- Richard Coney, Group Chief Financial Officer
- Andrew Rennie, Chief Executive Officer Europe
- Josh Kilimnik, President and Chief Executive Officer of Japan (appointed on 1 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.

REMUNERATION REPORT (CONTINUED)

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.

REMUNERATION REPORT (CONTINUED)

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 2019 financial year. Payment of $118,450 (2018: $52,371) 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

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 or a combination of cash and a deferred component (equity or cash settled) 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	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
	KPIs are predominately financial, and all are subject to audit	
	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

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.

REMUNERATION 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 or a combination of cash and a deferred component (equity or cash settled), 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, Same Store Sales, "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.

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 page 81.

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 30 June 2019:

	30 JUNE 2019 $'000	01 JULY 2018 $'000	02 JULY 2017 $'000	03 JULY 2016 $'000	28 JUNE 2015 $'000
Revenue	**1,435,410**	1,153,952	1,073,125	930,218	702,437
Net profit before tax	**159,413**	174,476	150,680	125,819	97,840
Net profit after tax	**114,379**	121,693	105,804	86,592	68,421
	30 JUNE 2019	01 JULY 2018	02 JULY 2017	03 JULY 2016	28 JUNE 2015
Share price at start of year ($)	**52.22**	52.08	68.82	36.16	21.82
Share price at end of year ($)	**37.64**	52.22	52.08	68.82	36.16
Interim dividend per share (cents)(i)	**62.7**	58.1	48.4	34.7	24.6
Final dividend per share (cents) (i) (ii)	**52.8**	49.7	44.9	38.8	27.2
Basic earnings per share (cents)	**135.5**	139.4	116.0	94.4	74.2
Diluted earnings per share (cents)	**135.4**	139.0	114.7	92.2	72.8

(i) Interim and final dividends for the year ended 30 June 2019 are franked at 75% and 100% respectively and at 30% corporate income tax rate. 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 30 June 2019 was declared after the end of the reporting period and is not reflected in the financial statements.

REMUNERATION REPORT (CONTINUED)

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 FY19.

Fixed remuneration	$1,200,000 per annum, reviewed annually by the Board in accordance with normal remuneration processes
Performance linked remuneration	• Short-term incentive up to $1,000,000, 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 30 June 2019 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 95% 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 organic new stores across the Group with 5% of the total weighting for the short-term incentive.

KPI	WEIGHTING	MEASURES
Financial Performance	95%	• Group EBIT ($) • Australia and New Zealand budgeted EBIT ($) • Europe budgeted EBIT (€) • Japan budgeted EBIT (¥)
New Store Growth	5%	Group organic new store openings

In FY19 the Group CEO achieved 15% of his short-term incentive.

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

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 DATE
Tranche 1 (Series 28)	220,000	$46.63	$11.22	8 Nov 2017	1 Sept 2020
Tranche 2 (Series 31)	220,000	$51.96	$7.27	23 Jan 2019	1 Sept 2021
Tranche 3[(i)]	297,000	$51.96	$7.27	8 Nov 2019	1 Sept 2022

(i) The fair value and exercise price for Tranche 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.

REMUNERATION REPORT (CONTINUED)

OPTION 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 and 2 however for Tranche 3 the cumulative EPS targets will be recalculated prior to the relevant date of grant.

				TRANCHE 1 (SERIES 28)	TRANCHE 2 (SERIES 31)	TRANCHE 3
ANNUAL COMPOUND EPS GROWTH DURING THE PERFORMANCE PERIOD	CUMULATIVE EPS TARGET (TRANCHE 1 ONLY)	CUMULATIVE EPS TARGET (TRANCHE 2 ONLY)	PROPORTION OF OPTIONS WHICH VEST	NUMBER OF OPTIONS WHICH VEST	NUMBER OF OPTIONS WHICH VEST	NUMBER OF OPTIONS WHICH VEST
Less than 12%	less than 5.049	less than 5.775	0%	0	0	0
12% up to less than 13%	5.049 up to less than 5.143	5.775 up to less than 5.882	20%	44,000	44,000	59,400
13% up to less than 14%	5.143 up to less than 5.239	5.882 up to less than 5.992	30%	66,000	66,000	89,100
14% up to less than 15%	5.239 up to less than 5.335	5.992 up to less than 6.102	40%	88,000	88,000	118,800
15% up to less than 16%	5.335 up to less than 5.433	6.102 up to less than 6.214	50%	110,000	110,000	148,500
16% up to less than 17%	5.433 up to less than 5.532	6.214 up to less than 6.327	60%	132,000	132,000	178,200
17% up to less than 18%	5.532 up to less than 5.632	6.327 up to less than 6.441	70%	154,000	154,000	207,900
18% up to less than 19%	5.632 up to less than 5.733	6.441 up to less than 6.557	80%	176,000	176,000	237,600
19% up to less than 20%	5.733 up to less than 5.836	6.557 up to less than 6.674	90%	198,000	198,000	267,300
20% or over	5.836 or over	6.674 or over	100%	220,000	220,000	297,000

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

REMUNERATION REPORT (CONTINUED)

REMUNERATION OF DIRECTORS AND KMP

		SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	TOTAL
		FEES $	NON-MONETARY BENEFITS(i) $	SUPERANNUATION $	$
Non-executive directors					
Jack Cowin	**2019**	**263,231**	**-**	**20,540**	**283,771**
	2018	250,000	24,667	20,049	294,716
Ross Adler	**2019**	**166,615**	**-**	**15,829**	**182,444**
	2018	160,000	24,667	15,200	199,867
Grant Bourke	**2019**	**127,333**	**-**	**12,097**	**139,430**
	2018	112,000	24,667	10,640	147,307
Lynda O'Grady	**2019**	**117,762**	**-**	**11,187**	**128,949**
	2018	100,000	24,667	9,500	134,167
Ursula Schreiber	**2019(ii)**	**73,762**	**-**	**7,007**	**80,769**
Former non-executive directors					
Paul Cave	**2019(iii)**	**36,154**	**-**	**3,435**	**39,589**
	2018	100,000	24,667	9,500	134,167
Total	**2019**	**784,857**	**-**	**70,095**	**854,952**
	2018	722,000	123,335	64,889	910,224

(i) The 2018 non-monetary benefits relate to directors and officer's insurance premiums. For 2019 the Company has revised its position that such insurance premiums do not constitute non-monetary benefits provided to directors and officers given the insurance contact provides coverage to the Company.

(ii) On the 30 November 2018, Ursula Schreiber was appointed to the board.

(iii) On the 7 November 2018, Paul Cave resigned from the board.

REMUNERATION REPORT (CONTINUED)

		SHORT-TERM BENEFITS				LONG-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	SHARE BASED-PAYMENTS[iv]		TOTAL	PERFORMANCE RELATED
		SALARIES $	BONUS[i] $	OTHER SHORT-TERM BENEFITS[vi] $	NON-MONETARY BENEFITS[vii] $	LONG SERVICE LEAVE $	SUPER-ANNUATION $	DEFERRED COMPONENT (STI)[i] [viii] $	OPTIONS (LTI) $	$	%
Executive Director											
Don Meij	**2019[v]**	**1,181,028**	**150,000**	**-**	**-**	**28,513**	**20,540**	**-**	**(429,233)**	**950,848**	**(29.4)%**
	2018[v]	1,092,027	-	-	24,667	18,034	20,049	-	(377,564)	777,213	(48.6)%
Executive Officers											
Richard Coney	**2019[v]**	**468,208**	**67,059**	**-**	**-**	**11,106**	**20,540**	**17,336**	**42,508**	**626,757**	**20.2%**
	2018[v]	452,183	48,854	-	24,667	7,037	20,049	-	(9,789)	543,001	7.2%
Andrew Rennie	**2019[ii]**	**757,576**	**-**	**498,767**	**-**	**6,705**	**-**	**-**	**1,167,253**	**2,430,301**	**48.0%**
	2018[ii]	476,862	-	442,072	-	5,484	-	-	1,626,990	2,551,408	63.8%
Josh Kilimnik	**2019**	**655,375**	**311,873**	**260,007**	**-**	**-**	**50,890**	**-**	**45,881**	**1,324,026**	**27.0%**
	2018	238,814	18,843	380,043	-	-	23,235	-	13,325	674,260	4.8%
Nick Knight	**2019[v]**	**452,124**	**-**	**-**	**-**	**21,654**	**20,540**	**-**	**34,856**	**529,174**	**6.6%**
	2018[v]	362,345	24,905	-	24,667	6,404	20,049	-	(28,976)	409,394	(1.0)%
Allan Collins	**2019[v]**	**461,023**	**29,684**	**-**	**-**	**15,140**	**20,540**	**7,674**	**26,727**	**560,788**	**11.4%**
	2018[v]	428,854	29,292	-	24,667	7,293	20,049	-	(3,399)	506,756	5.1%
Michael Gillespie	**2019[v]**	**444,059**	**74,420**	**-**	**-**	**24,052**	**20,540**	**19,239**	**(6,032)**	**576,278**	**15.2%**
	2018[iii][v]	284,096	39,738	-	19,449	9,707	15,658	-	(69,380)	299,268	(9.9)%
Former Executive Officers											
Scott Oelkers	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-%**
	2018[ii]	875,779	-	42,193	-	-	-	-	-	917,972	-%
Total	**2019**	**4,419,393**	**633,036**	**758,774**	**-**	**107,170**	**153,590**	**44,249**	**881,960**	**6,998,172**	**22.3%**
	2018	4,210,960	161,632	864,308	118,117	53,959	119,089	-	1,151,207	6,679,272	19.7%

REMUNERATION REPORT (CONTINUED)

(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 instruments granted by the grant date fair value over the vesting period, taking the cost that relates to the financial year ended 30 June 2019.

(v) The share-based payments remuneration amount for the financial year ended 30 June 2019 includes the derecognition of prior year's remuneration for options series 28 or 29 for Australian and New Zealand employees and options series 29 for European employees. The derecognition 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 cumulative annual compound EPS and cumulative EBIT target over the performance period.

The share-based payments remuneration amount for the financial year ended 01 July 2018 includes the derecognition of prior year's remuneration for options series 25 or 27 for Australian and New Zealand employees. The derecognition 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) Amounts relate to expatriate allowances including but not limited to housing, schooling and healthcare.

(vii) The 2018 non-monetary benefits relate to directors and officer's insurance premiums. For 2019, the Company has revised its position that such insurance premiums do not constitute non-monetary benefits provided to directors and officers given the insurance contract provides covers to the Company.

(viii) The expense relating to the deferred STI payable as equity or cash is recognised over a 2.9 year vesting period which ends on 21 August 2021.

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

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

INCENTIVES

On 20 August 2019, Don Meij, Richard Coney, Josh Kilimnik, Allan Collins and Michael Gillespie were granted a cash or a combination of cash and a deferred component (equity or cash) incentive for their performance during the year ended 30 June 2019. 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 30 June 2019.

SHORT-TERM INCENTIVE

	INCLUDED IN COMPENSATION $(i)	DEFERRED COMPONENT TO BE RECOGNISED IN FUTURE PERIODS $	AMOUNT FORFEITED IN YEAR $	PERCENTAGE AWARDED IN YEAR %(ii)	PERCENTAGE FORFEITED IN YEAR %(iii)
Don Meij	150,000	-	850,000	15.0%	85.0%
Richard Coney	84,395	49,723	353,583	27.5%	72.5%
Andrew Rennie	-	-	414,673	0%	100%
Josh Kilimnik	311,873	-	-	100%	0%
Nick Knight	-	-	473,750	0%	100%
Allan Collins	37,358	22,010	387,007	13.3%	86.7%
Michael Gillespie	93,659	55,181	240,285	38.2%	61.8%

REMUNERATION REPORT (CONTINUED)

(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.

(ii) Percentage awarded in the year is inclusive of full fair value of the deferred STI payable equity or cash, of the short-term incentive awarded for the year ended 30 June 2019.

(iii) The amounts forfeited are due to the performance or service criteria not being met in relation to the financial year ended 30 June 2019.

LONG-TERM INCENTIVES

There were no long-term cash incentives granted for the financial year ended 30 June 2019.

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:

OPTIONS 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	$9.08	$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	$8.18	$40.95	01 Sep. 2018
(24)	03 Sep. 2015	ANZ Employees	31 Aug. 2019	$8.18	$40.95	01 Sep. 2018
(24)	03 Sep. 2015	Europe Employees	31 Aug. 2019	$8.18	$40.95	01 Sep. 2018
(24)	03 Sep. 2015	Japan Employees	31 Aug. 2019	$8.18	$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)	18 Apr 2018	ANZ Employees	31 Aug. 2021	$5.88	$45.25	01 Sep. 2020
(29)	18 Apr 2018	Europe Employees	31 Aug. 2021	$5.88	$45.25	01 Sep. 2020

REMUNERATION REPORT (CONTINUED)

OPTIONS SERIES	ISSUE & GRANT DATE	GRANTED TO	EXPIRY DATE	GRANT DATE FAIR VALUE	EXERCISE PRICE	VESTING DATE
(29)	18 Apr. 2018	Japan Employees	31 Aug. 2021	$5.88	$45.25	01 Sep. 2020
(30)	14 Aug 2018	Andrew Rennie	31 Aug. 2021	$9.58	$45.25	01 Sep. 2020
(31)	23 Jan. 2019	Don Meij	31 Aug. 2022	$7.27	$51.96	01 Sep. 2021
(32)	25 May 2019	ANZ Employees	31 Aug. 2022	$3.98	$51.96	01 Sep. 2021
(32)	25 May 2019	Europe Employees	31 Aug. 2022	$3.98	$51.96	01 Sep. 2021
(32)	25 May 2019	Japan Employees	31 Aug. 2022	$3.98	$51.96	01 Sep. 2021

(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%

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%

REMUNERATION REPORT (CONTINUED)

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 FY19 AND FY18

Options pertaining to series 28, 29, 30, 31 and 32 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

ANNUAL COMPOUND EPS GROWTH DURING THE PERFORMANCE PERIOD	PROPORTION OF OPTIONS WHICH VEST
Less than 12%	0%
12% up to less than 13%	20%
13% up to less than 14%	30%
14% up to less than 15%	40%
15% up to less than 16%	50%
16% up to less than 17%	60%
17% up to less than 18%	70%
18% up to less than 19%	80%
19% up to less than 20%	90%
20% or over	100%

PERCENTAGE OF CUMULATIVE EBIT

PERCENTAGE OF CUMULATIVE EBIT TARGET OVER PERFORMANCE PERIOD	PROPORTION OF OPTIONS WHICH VEST
Less than 93%	0%
93%	25%
94%	35%
95%	45%
96%	55%
97%	65%
98%	75%
99%	80%
100%	85%
101%	90%
102%	95%
103% or more	100%

REMUNERATION REPORT (CONTINUED)

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	-	-	-	$nil
Richard Coney	30,000	30,000	$1,228,500	$nil
Andrew Rennie	-	-	-	$nil
Josh Kilimnik	-	-	-	$nil
Nick Knight(i)	500	500	$11,445	$nil
Allan Collins	38,500	38,500	$1,576,575	$nil
Michael Gillespie	8,000	8,000	$327,600	$nil

(i) Includes options exercised by a related party during the period.

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(ii) $	VALUE OF OPTIONS LAPSED AT THE DATE OF LAPSE(iii) $
Don Meij	-	-	-
Richard Coney	245,400	280,800	-
Andrew Rennie	-	-	-
Josh Kilimnik	-	-	-
Nick Knight(iv)	3,695	16,555	-
Allan Collins	314,930	136,675	-
Michael Gillespie	65,440	23,520	-

(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) Determined at the time of exercise at the intrinsic value, being the share price at the date of exercise less the exercise price, multiplied by the number of shares exercised.

(iii) 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.

(iv) Includes options exercised by a related party during the period.

REMUNERATION REPORT (CONTINUED)

FULLY PAID ORDINARY SHARES OF DOMINO'S PIZZA ENTERPRISES LIMITED

The numbers of shares in the Company held during the financial year by each director of Domino's Pizza Enterprises Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	BALANCE AT BEGINNING OF FINANCIAL YEAR NO.	GRANTED AS COMPENSATION NO.	RECEIVED ON EXERCISE OF OPTIONS NO.	NET OTHER CHANGE NO.	BALANCE AT THE END OF FINANCIAL YEAR NO.	BALANCE HELD NOMINALLY NO.
2019						
Jack Cowin	-	-	-	-	-	-
Ross Adler	**201,796**	-	-	**(1,796)**	**200,000**	-
Grant Bourke	**1,778,344**	-	-	**(150,000)**	**1,628,344**	-
Paul Cave	**369,166**	-	-	-	**369,166**	-
Ursula Schreiber	-	-	-	-	-	-
Lynda O'Grady	**2,000**	-	-	-	**2,000**	-
Don Meij	**1,843,344**	-	-	-	**1,843,344**	-
Richard Coney	**25,454**	-	**30,000**	**(30,000)**	**25,454**	-
Andrew Rennie	**900,225**	-	-	**(200,000)**	**700,225**	-
Nick Knight(i)	**61,942**	-	**500**	**(62,058)**	**384**	-
Josh Kilimnik	**2,600**	-	-	-	**2,600**	-
Allan Collins	**262**	-	**38,500**	**(38,570)**	**192**	-
Michael Gillespie	-	-	**8,000**	**(8,000)**	-	-
2018						
Jack Cowin	-	-	-	-	-	-
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	-
Nick Knight	72,282	-	27,000	(37,340)	61,942	-
Josh Kilimnik	800	-	-	1,800	2,600	-
Allan Collins	232,532	-	38,500	(270,770)	262	-
Michael Gillespie	-	-	8,000	(8,000)	-	-

(i) Includes shares held during the period by a related party.

REMUNERATION REPORT (CONTINUED)

EXECUTIVE SHARE OPTIONS OF DOMINO'S PIZZA ENTERPRISES LIMITED

	BALANCE AT BEGINNING OF FINANCIAL YEAR NO.	GRANTED AS COMPENSATION NO.	EXERCISED NO.	NET OTHER CHANGE NO.	BALANCE AT THE END OF FINANCIAL YEAR NO.	OPTIONS VESTED DURING YEAR NO.
2019						
Don Meij	**920,000**	**220,000**	**-**	**-**	**1,140,000**	**300,000**
Richard Coney	**160,000**	**26,000**	**(30,000)**	**-**	**156,000**	**54,000**
Andrew Rennie	**350,000**	**294,000**	**-**	**-**	**644,000**	**150,000**
Nick Knight[(i)]	**144,000**	**25,000**	**(500)**	**15,500**	**184,000**	**48,500**
Josh Kilimnik	**29,500**	**40,000**	**-**	**-**	**69,500**	**-**
Allan Collins	**122,000**	**22,500**	**(38,500)**	**-**	**106,000**	**38,500**
Michael Gillespie	**73,500**	**17,500**	**(8,000)**	**-**	**83,000**	**8,000**
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
Nick Knight	121,000	50,000	(27,000)	-	144,000	27,000
Josh Kilimnik	-	29,500	-	-	29,500	-
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)	-	-

(i) Includes options relating to a related party.

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	1 January 2018	12 months	12/6 months	12/6 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	6 months	6 months	6 months remuneration
Michael Gillespie	Ongoing	15 September 2017	3 months	3 months	3 months remuneration

REMUNERATION REPORT (CONTINUED)

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.

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 $1,400,000 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.

Current fees, with the effect from 01 December 2018 for a non-executive director was $127,853 per director per annum (2018: $100,000), Chairman of the Board was $270,000 per annum (2018: $250,000), Deputy Chairman of the Board/ Chairman of the Audit Committee was $170,000 (2018: $160,000) and Director/Chairman of the Nomination & Remuneration Committee was $135,000 (2018: $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, 20 August 2019

Don Meij

Managing Director/Group Chief Executive Officer
Sydney, 20 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
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20 August 2019

The Directors
Domino's Pizza Enterprises Limited
Level 1, KSD1
485 Kingsford Smith Drive
HAMILTON QLD 4007

Dear Directors

Auditor's Independence Declaration to 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 30 June 2019, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

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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 30 June 2019, 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, 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 Group's financial position as at 30 June 2019 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.

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 for 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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Goodwill and Indefinite Life Intangible Assets in the Japan, Germany and France/Belgium Cash Generating Units (CGUs) As at 30 June 2019, the carrying value of the Japan CGU included goodwill of $271.5 million and indefinite life intangible assets of $46.0 million. The carrying value of the German CGU included goodwill of $84.3 million and indefinite life intangible assets of $174.8 million. The carrying value of the France/Belgium CGU included goodwill of $49.4 million and indefinite life intangible assets of $49.4 million, as disclosed in Note 9. Management is required to exercise significant judgement in estimating future cash flows, market growth rates and discount rates, which are used to determine the recoverable amount of the CGUs.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Evaluating the Group's identification of CGUs and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business; • Evaluating the appropriateness of the methodology applied by management in calculating the recoverable amounts of the CGUs; • Challenging the assumptions used to calculate the discount rates and recalculating these rates; • Agreeing the projected cash flows to Board approved budgets and assessing the cash flows, operating margins, expected growth rates during the 5 year budget period and terminal growth rates against historical performance and published industry economic data; • Testing the mathematical accuracy of the models used to calculate recoverable amount; and • Performing sensitivity analysis on the recoverable amount of the CGU's in relation to the assumed growth rates during the 5 year budget period, terminal growth rates and discount rates. We also assessed the appropriateness of the disclosures included in Note 9 to the financial statements.
AASB 16 Leases: Presentation and Disclosure As disclosed in Note 33, the Group is required to apply AASB 16 from 1 July 2019. The adoption of AASB 16 is expected to have a material impact on the Group's financial statements. As at 30 June 2019 the preliminary assessment of the impact of the standard on the financial statements for the year commencing 1 July 2019 as disclosed in Note 33 is: • Lease Liability ranging from ($694m) to ($758m) • Right of use asset ranging from $311m to $340m • Net investment in lease asset ranging from $377m to $411m • Deferred tax ranging from $1m to $2m • Retained earnings ranging from $4m to $5m	Our procedures included, but were not limited to: • Testing the completeness of the identified lease contracts by disaggregating operating expenses by their nature to identify categories that may contain a lease arrangement. Using the disaggregated population, we inspected a sample of contracts determined by management to include a lease and a sample of contracts that management did not assess as containing a lease; • For a sample of leases, agreeing the lease terms used in management's calculation of the expected impact of AASB 16 to the lease contract; • Challenging the incremental borrowing rate used by management in the calculation of the lease liability, with the assistance of our Treasury and Capital Market specialists;

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
In estimating the expected impact of AASB 16, management is required to analyse their contractual arrangements to conclude whether they include a lease, and exercise significant judgement in determining key assumptions used to calculate the lease liability, right of use asset and financial asset, including the incremental borrowing rates and the likely exercise of renewal options.	• Assessing the appropriateness of the assumptions and key judgements applied by management in determining the expected lease period for each lease, including the likely exercise of renewal options; • Recalculating the lease liability, right of use asset and financial asset on a sample basis to test the mathematical accuracy of management's lease calculations. We also assessed the appropriateness of the disclosures included in Note 33 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 30 June 2019, the put option relating to the non-controlling interest in Germany is valued at $87.8 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. 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 specialists, our procedures included, but were not limited to: • Assessing the appropriateness of the methodology applied by management in valuing the option; • Challenging the key assumptions used in valuing the option, including expected future earnings of the component, the expected timing of exercise of the put option and the discount rate; • Confirming that the assumptions used in the valuation model are in accordance with the terms of the put options as prescribed by the shareholders' agreement; 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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 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, 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.

Deloitte.

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.

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 71 to 86 of the Director's Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Domino's Pizza Enterprises Limited, for the year ended 30 June 2019 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 20 August 2019

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, 20 August 2019

DOMINO'S PIZZA ENTERPRISES LIMITED ANNUAL REPORT 2019

FINANCIAL REPORT

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 $'000	2018 $'000
Continuing operations			
Revenue	2	**1,435,410**	1,153,952
Other gains and losses	3	**17,433**	19,529
Food, equipment and packaging expenses		**(451,768)**	(385,675)
Employee benefits expense	4	**(292,439)**	(242,340)
Plant and equipment costs		**(24,560)**	(20,833)
Depreciation and amortisation expense	4	**(62,785)**	(53,537)
Occupancy expenses	4	**(49,512)**	(44,318)
Finance costs	4	**(14,004)**	(10,276)
Marketing expenses		**(150,999)**	(49,704)
Royalties expense		**(68,827)**	(59,564)
Store related expenses		**(24,636)**	(21,406)
Communication expenses		**(20,666)**	(17,889)
Acquisition, integration, conversion and legal settlement costs		**(46,216)**	(20,934)
Other expenses		**(87,018)**	(72,529)
Profit before tax		**159,413**	174,476
Income tax expense	6	**(45,034)**	(52,783)
Profit for the period from continuing operations		**114,379**	121,693
Profit is attributable to:			
Owners of the parent		**115,912**	121,466
Non-controlling interests		**(1,533)**	227
Total profit for the period		**114,379**	121,693
		Cents	Cents
Earnings per share from continuing operations			
Basic (cents per share)	17	**135.5**	139.4
Diluted (cents per share)	17	**135.4**	139.0

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
Profit for the period	**114,379**	121,693
Other comprehensive income **Items that may be reclassified subsequently to profit or loss**		
Gain/(loss) on net investment hedge taken to equity	**(2,230)**	(5,869)
Exchange differences arising on translation of foreign operations	**26,926**	16,968
Gain/(loss) on cash flow hedges taken to equity	**(2,551)**	614
Income tax relating to components of other comprehensive income	**2,012**	1,468
Other comprehensive gain/(loss) for the period, net of tax	**24,157**	13,181
Total comprehensive income for the period	**138,536**	134,874
Items not to be reclassified to profit or loss		
Remeasurement of defined benefit obligation	**(47)**	(168)
Income tax relating to components of other comprehensive income	**17**	72
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods for the period	**(30)**	(96)
Other comprehensive income/(loss) for the year, net of tax	**24,127**	13,085
Total comprehensive income for the year	**138,506**	134,778
Total comprehensive income for the period is attributable to:		
Owners of the parent	**138,768**	132,064
Non-controlling interests	**(262)**	2,714
Total comprehensive income for the year	**138,506**	134,778

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	NOTE	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	5	**101,404**	75,996
Trade and other receivables	10	**93,902**	78,181
Other financial assets	20	**16,528**	26,855
Inventories	13	**22,110**	19,271
Current tax assets	6	**1,579**	767
Other assets	10	**29,784**	28,529
Total current assets		**265,307**	229,599
Non-current assets			
Other financial assets	20	**70,413**	75,436
Investment in joint venture	25	**3,121**	2,762
Property, plant and equipment	8	**253,152**	200,103
Deferred tax assets	6	**2,618**	-
Goodwill	9	**475,005**	428,804
Other intangible assets	9	**368,797**	365,707
Total non-current assets		**1,173,106**	1,072,812
Total assets		**1,438,413**	1,302,411
Liabilities			
Current liabilities			
Trade and other payables	11	**188,608**	156,045
Borrowings	19	**5,373**	3,700
Contract liabilities	2	**3,051**	-
Other financial liabilities	21	**12,360**	12,646
Current tax liabilities	6	**25,944**	18,945
Provisions	12	**11,136**	9,709
Total current liabilities		**246,472**	201,045
Non-current liabilities			
Borrowings	19	**646,076**	594,799
Contract liabilities	2	**15,645**	-
Other financial liabilities	21	**114,146**	121,915
Provisions	12	**9,979**	8,807
Deferred tax liabilities	6	**60,088**	68,181
Total non-current liabilities		**845,934**	793,702
Total liabilities		**1,092,406**	994,747
Net assets		**346,007**	307,664
Equity			
Issued capital	14	**206,218**	192,808
Reserves	14	**(57,271)**	(76,371)
Retained earnings	14	**197,060**	191,227
Total equity		**346,007**	307,664

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	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 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
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
Dividends provided for or paid	-	-	-	-	(90,808)	-	(90,808)
Balance at 01 July 2018	192,808	(3,945)	17,206	(89,632)	191,227	-	307,664
Balance at 01 July 2018 as originally presented	**192,808**	**(3,945)**	**17,206**	**(89,632)**	**191,227**	**-**	**307,664**
Changes in accounting policies	**-**	**-**	**-**	**-**	**(13,955)**	**(17)**	**(13,972)**
Restated equity at 02 July 2018	**192,808**	**(3,945)**	**17,206**	**(89,632)**	**177,272**	**(17)**	**293,692**
Profit for the period	**-**	**-**	**-**	**-**	**115,912**	**(1,533)**	**114,379**
Other comprehensive income	**-**	**(2,769)**	**25,655**	**(30)**	**-**	**1,271**	**24,127**
Total comprehensive income for the period	**-**	**(2,769)**	**25,655**	**(30)**	**115,912**	**(262)**	**138,506**
Transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(4,708)**	**(4,708)**
Dividends provided for or paid	**-**	**-**	**-**	**-**	**(96,124)**	**-**	**(96,124)**
Employee share scheme	**12,617**	**-**	**-**	**-**	**-**	**-**	**12,617**
Issue of share capital for acquisition of businesses	**793**	**-**	**-**	**-**	**-**	**-**	**793**
Share options trust	**-**	**-**	**-**	**(1,318)**	**-**	**-**	**(1,318)**
Recognition of share-based payments	**-**	**-**	**-**	**(1,072)**	**-**	**-**	**(1,072)**
Non-controlling interest put option	**-**	**-**	**-**	**(1,366)**	**-**	**4,987**	**3,621**
Balance at 30 June 2019	**206,218**	**(6,714)**	**42,861**	**(93,418)**	**197,060**	**-**	**346,007**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**1,574,571**	1,295,555
Payments to suppliers and employees		**(1,348,549)**	(1,070,946)
Interest received		**4,916**	3,751
Interest and other finance costs		**(12,892)**	(9,139)
Income taxes paid		**(41,645)**	(33,777)
Net cash generated from operating activities	5	**176,401**	185,444
Cash flows from investing activities			
Proceeds from/(loans to) franchisees		**64,249**	20,507
Payments for intangible assets		**(33,795)**	(30,233)
Payments for property, plant and equipment		**(89,200)**	(54,056)
Proceeds from sale of non-current assets		**7,332**	21,788
Acquisition of stores net of cash		**(38,990)**	(23,368)
Acquisition of subsidiaries and non-controlling interests		**(650)**	(89,175)
Net cash inflow/(outflow) on investment in joint ventures		**(406)**	566
Net cash used in investing activities		**(91,460)**	(153,971)
Cash flows from financing activities			
Proceeds from issues of equity securities		**10,135**	18,830
Contributions from non-controlling interests		**1,595**	9,285
Proceeds from borrowings		**208,846**	428,915
Payments for shares bought back		**-**	(183,479)
Payments for establishment of borrowings		**(62)**	(2,950)
Repayment of borrowings		**(182,541)**	(178,896)
Payments of finance leases		**(6,312)**	(7,885)
Payment for financial liabilities		**-**	(1,159)
Dividends paid		**(96,124)**	(90,808)
Net cash used in financing activities		**(64,463)**	(8,147)
Net increase/(decrease) in cash and cash equivalents held		**20,478**	23,326
Cash and cash equivalents at the beginning of the period		**75,996**	50,454
Effects of exchange rate changes on the balance of cash held in foreign currencies		**4,930**	2,216
Cash and cash equivalents at the end of the period	5	**101,404**	75,996

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 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 20 August 2019. 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) and equity-settled share-based payments (refer to note 18). The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised costs, 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 02 July 2018 as listed in note 33;
- 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 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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 the financial statements.

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
Note 9	Valuation of Master Franchise Rights & Franchise Network Assets on Acquisition
Note 9	Master Franchise Rights & Franchise Network Assets
Note 9	Useful Lives of Other Intangible Assets
Note 9	Recoverable Amount of Cash Generating Units
Note 21	Germany Put Option Liability
Note 33	Adoption of AASB 16 Leases

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.

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 ("ANZ")
- 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 30 JUNE 2019			
	ANZ $'000	**EUROPE $'000**	**JAPAN $'000**	**TOTAL $'000**
Continuing operations				
Revenue	414,300	537,414	483,696	1,435,410
EBITDA	113,918	49,701	72,583	236,202
Depreciation & amortisation	(25,132)	(18,392)	(19,261)	(62,785)
EBIT	88,786	31,309	53,322	173,417
Finance costs				(14,004)
Net profit before tax				159,413

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1 SEGMENT INFORMATION (CONTINUED)

	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
Finance costs				(10,276)
Net profit before tax				174,476

Revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period (2018: 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.

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.

2019	**ASSETS $'000**	**LIABILITIES $'000**
Continuing operations		
Australia/New Zealand	**295,821**	**(546,966)**
Europe	**564,705**	**(255,758)**
Japan	**577,887**	**(289,682)**
Total segment assets/(liabilities)	**1,438,413**	**(1,092,406)**
Unallocated liabilities	**-**	**-**
Consolidated assets/(liabilities)	**1,438,413**	**(1,092,406)**

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)

1 SEGMENT INFORMATION (CONTINUED)

OTHER SEGMENT INFORMATION

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

	DEPRECIATION AND AMORTISATION		ADDITIONS TO NON-CURRENT ASSETS		NON-CURRENT ASSETS	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Australia / New Zealand	**25,132**	21,805	**56,950**	48,094	**236,676**	220,241
Europe	**18,392**	14,151	**65,749**	98,335	**469,189**	427,408
Japan	**19,261**	17,581	**50,004**	24,620	**467,240**	425,163
Total	**62,785**	53,537	**172,703**	171,049	**1,173,105**	1,072,812

2 REVENUE

RECOGNITION AND MEASUREMENT

Revenue is recognised when or as the performance obligation under the relevant customer contract is completed. Performance obligations may be completed at a point in time or over time.

Refer to note 33, which outlines the previous reporting period revenue recognition and measurement policies and the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*.

SALE OF GOODS

The revenue from the sale of food and beverages is recognised when the performance obligation has been satisfied. The performance obligation is assessed to be satisfied when control of the goods is passed to the customer (at a point in time).

FRANCHISE REVENUE

Initial fees are recognised as revenue on a straight-line basis over the term of the respective franchise agreement. This is on the basis that the Group has determined that the services provided in exchange for the initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees.

Revenue associated with continuing sales-based royalties and marketing fund royalties is recognised when the related franchisee sale occurs. The Group considers there to be one performance obligation, being the franchise right.

SERVICE REVENUE

The Group provides services to franchisees and other third parties which are carried out in accordance with the contract. Service revenue is recognised on satisfaction of the performance obligation which is when the services are rendered.

INTEREST REVENUE

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.

2 REVENUE (CONTINUED)

	YEAR ENDED 30 JUNE 2019			
	ANZ $'000	EUROPE $'000	JAPAN $'000	TOTAL $'000
Revenue				
Revenue from sale of goods - point in time	**127,569**	**361,530**	**448,646**	**937,745**
Revenue from rendering of services - over time	**10,563**	**424**	**-**	**10,987**
Franchise services, supplier fees & other - point in time	**148,389**	**53,321**	**4,583**	**206,293**
Royalties, franchise services, supplier fees & other - over time	**125,143**	**121,791**	**28,535**	**275,469**
Interest revenue	**2,636**	**348**	**1,932**	**4,916**
Total revenue	**414,300**	**537,414**	**483,696**	**1,435,410**

	2018 $'000
Revenue	
Revenue from sale of goods	776,269
Revenue from rendering of services	17,803
Interest revenue - bank deposits	244
Interest revenue - other loans and receivables	3,506
Store asset rental revenue	7,156
Royalties, franchise service & supplier fees	326,333
Other revenue	22,641
Total revenue	1,153,952

CONTRACT LIABILITIES

Contract liabilities consist of deferred franchise fees. The Group's franchise agreements typically require certain one-off fees. These fees include initial fees paid upon executing a franchise agreement, renewal of the franchise right and fees paid in the event the franchise agreement is transferred to another franchisees (collectively termed initial fees). Upon adoption of AASB 15, the Group has determined that the initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees. As a result, upon adoption of AASB 15, initial fees are recognised as revenue over the term of each respective franchise agreement, which generally ranges from a 5 to 10 year period. Revenue from these initial franchise fees are recognised on straight-line basis with the franchisee's right to use and benefit from the intellectual property.

The Group has recognised the following deferred franchise fees:

	2019 $'000
Contract liabilities	
Within one year	**3,051**
More than one year	**15,645**
Total	**18,696**

Contract liabilities at the beginning of the period was $20.1 million. The Group recognised $4.5 million of revenue related to contract liabilities. Management expects to recognise $3.1 million related to deferred franchise fees during the next reporting period.

The Group has applied the sales-based royalty exemption which permits exclusion of variable consideration in the form of sales-based royalties from the disclosure of remaining performance obligations.

3 OTHER GAINS AND LOSSES

	2019 $'000	2018 $'000
Net gain on disposal of property, plant & equipment, goodwill and other non-current assets	**17,433**	18,079
Other	**-**	1,450
Total other gains and losses	**17,433**	19,529

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).

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 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. 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.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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 that are capitalised.

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.

4 EXPENSES (CONTINUED)

PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

	NOTE	2019 $'000	2018 $'000
Remuneration, bonuses and on-costs		**279,081**	227,919
Defined contribution plans		**11,014**	11,874
Defined benefit plans	29	**935**	877
Share-based payments expense		**1,409**	1,670
Employee benefits expenses		**292,439**	242,340
Depreciation of property, plant and equipment		**40,847**	36,332
Amortisation of intangible assets		**21,454**	16,738
Amortisation of loan establishment costs		**484**	467
Depreciation and amortisation expense		**62,785**	53,537
Lease payments		**160**	162
Net rental payments(i)		**49,352**	44,156
Occupancy expenses		**49,512**	44,318
Interest on commercial bill and loans		**12,892**	9,139
Amortisation of borrowing costs		**1,112**	1,137
Finance costs		**14,004**	10,276

(i) Net rental expenditure includes $27.9m (2018: $26.0m) rental receipts arising under sublease arrangements.

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:

	2019 $'000	2018 $'000
Cash and cash equivalents	**101,404**	75,996
	101,404	75,996

5 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2019 $'000	2018 $'000
Profit for the period	**114,379**	121,693
Profit on sale of non-current assets	**(17,873)**	(18,716)
Equity settled share-based payments	**1,409**	1,670
Depreciation and amortisation	**62,785**	53,537
Share of associate entities net (profit)/loss	**113**	(30)
Amortisation of loan establishment costs	**1,112**	1,137
Other	**2,470**	2,870
	164,395	162,161

MOVEMENT IN WORKING CAPITAL	2019 $'000	2018 $'000
(Increase)/decrease in assets:		
Trade and other receivables	**(12,297)**	(3,639)
Inventory	**(1,801)**	2,802
Other current assets	**8,512**	28
Increase/(decrease) in liabilities:		
Trade and other payables	**14,791**	8,793
Provisions	**1,712**	(1,507)
Current tax assets and liabilities	**5,848**	10,654
Deferred tax balances	**(4,759)**	6,152
Net cash generated from operating activities	**176,401**	185,444

NET DEBT RECONCILIATION

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

	2019 $'000	2018 $'000
Cash and cash equivalents	**101,404**	75,996
Borrowings - repayable within one year	**(5,373)**	(3,700)
Borrowings - repayable after one year	**(646,076)**	(594,799)
Net debt	**(550,045)**	(522,503)
Cash and liquid investments	**101,404**	75,996
Gross debt - fixed interest rates	**(422,400)**	(100,403)
Gross debt - variable interest rates	**(229,049)**	(498,096)
Net debt	**(550,045)**	(522,503)

5 CASH AND CASH EQUIVALENTS (CONTINUED)

	CASH $'000	FINANCE LEASES DUE WITHIN 1 YEAR $'000	FINANCE LEASES DUE AFTER 1 YEAR $'000	BORROW. DUE WITHIN 1 YEAR $'000	BORROW. DUE AFTER 1 YEAR $'000	TOTAL $'000
Net debt as at 03 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)
Finance lease additions	-	-	(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)

	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 02 July 2018	**75,996**	**(3,700)**	**(9,436)**	**-**	**(585,363)**	**(522,503)**
Cash flows	**20,478**	**-**	**6,312**	**-**	**(27,274)**	**(484)**
Finance lease additions	**-**	**(1,298)**	**(7,300)**	**-**	**-**	**(8,598)**
Foreign exchange adjustments	**4,930**	**(375)**	**(835)**	**-**	**(21,146)**	**(17,426)**
Other non-cash movements	**-**	**-**	**-**	**-**	**(1,034)**	**(1,034)**
Net debt as at 30 June 2019	**101,404**	**(5,373)**	**(11,259)**	**-**	**(634,817)**	**(550,045)**

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.

6 TAX (CONTINUED)

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 $97,886 thousand (2018: $93,984 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.

INCOME TAX RECOGNISED IN THE PROFIT OR LOSS

	2019 $'000	2018 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	**49,773**	46,335
Adjustments recognised in the current year in relation to the current tax of prior years	**330**	(1,144)
Other	**-**	584
	50,103	45,775
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**(5,069)**	8,443
Deferred tax expense/(income) relating to the origination in relation to change in tax rate in other jurisdiction	**-**	(1,159)
Other	**-**	(276)
Total tax expense relating to continuing operations	**45,034**	52,783

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

6 TAX (CONTINUED)

RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX RATE:

	2019 $'000	2018 $'000
Profit before tax from continuing operations	159,413	174,476
Income tax expense calculated at 30%	47,824	52,343
Non-assessable/non-deductible amounts	(1,801)	618
Effect of different tax rates of subsidiaries operating in other jurisdictions	610	1,008
Effect of tax concessions (research and development and other allowances)	(1,445)	(585)
	45,188	53,384
Adjustments recognised in the current year in relation to the current tax of prior year	330	(1,269)
Adjustments recognised in the current year in relation to the deferred tax of prior year	(484)	1,071
Effect of change in tax rate in other jurisdictions	-	(403)
Income tax expense recognised in profit or loss	45,034	52,783

The tax rate used for the 2019 and 2018 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

	2019 $'000	2018 $'000
Arising on income and expenses in other comprehensive income:		
(Gain)/Loss on hedges taken to equity	2,012	1,468
(Gain)/Loss on defined benefit plan taken to equity	17	72
Share option trust	(1,318)	(519)
	711	1,021

CURRENT TAX ASSETS AND LIABILITIES

	2019 $'000	2018 $'000
Current tax assets		
Income tax refund receivable	1,579	767
	1,579	767
Current tax liabilities		
Income tax payable	(25,944)	(18,945)
	(25,944)	(18,945)

6 TAX (CONTINUED)

DEFERRED TAX BALANCES

2019	OPENING BALANCE $'000	RESTATED OPENING BALANCE (i) $'000	CHARGED TO P&L $'000	CHARGED TO EQUITY $'000	ACQUISITIONS/ DISPOSALS $'000	EXCHANGE DIFFERENCE $'000	CLOSING BALANCE $'000
Temporary differences							
Property, plant & equipment	(15)	(15)	449	-	-	(38)	396
Intangible assets	(84,221)	(84,221)	(1,161)	-	(64)	(2,577)	(88,023)
Provision for employee entitlements	5,216	5,216	1,655	17	22	349	7,259
Other provisions	143	143	(143)	-	-	-	-
Doubtful debts	609	609	188	-	-	51	848
Other financial liabilities	1,023	1,023	103	2,012	-	8	3,146
Options reserve	1,835	1,835	(517)	(1,318)	-	-	-
Unearned income (i)	(996)	5,200	(572)	-	-	201	4,829
Other	2,576	2,576	156	-	-	127	2,859
	(73,830)	(67,634)	158	711	(42)	(1,879)	(68,686)
Unused tax losses and credits							
Tax losses	5,649	5,649	4,911	-	480	176	11,216
	5,649	5,649	4,911	-	480	176	11,216
	(68,181)	(61,985)	5,069	711	438	(1,703)	(57,470)
Deferred tax asset							2,618
Deferred tax liability							(60,088)
							(57,470)

(i) The Group adopted the modified retrospective approach to the implementation of AASB 15. The new standard has therefore been applied to contracts that remain in force at 02 July 2018. A transition adjustment has been recognised on transition at 02 July 2018, without adjustment of the comparative. The Group has recognised a deferred tax asset of $6,196 thousand as at 02 July 2018 relating to the contract liability on adoption of AASB 15. Refer to note 33 for the impact of the adoption of AASB 15 on the Group.

6 TAX (CONTINUED)

2018	OPENING BALANCE $'000	CHARGED TO P&L $'000	CHARGED TO EQUITY $'000	ACQUISITIONS / DISPOSALS $'000	EXCHANGE DIFFERENCE $'000	CLOSING BALANCE $'000
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)

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.

7 ACQUISITION OF BUSINESSES (CONTINUED)

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 9, 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.

7 ACQUISITION OF BUSINESSES (CONTINUED)

CURRENT YEAR ACQUISITIONS

ACQUISITION OF DOMINO'S PIZZA STORES AND OTHER BUSINESSES

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

2019	ANZ(i)	EUROPE	JAPAN	TOTAL
Number of stores acquired	31	28	8	67
	ANZ $'000	**EUROPE $'000**	**JAPAN $'000**	**TOTAL $'000**
Fair value on acquisition				
Inventories	355	-	-	355
Other current assets	-	5,711	-	5,711
Property, plant & equipment	6,039	4,124	1,518	11,681
Other intangible assets	215	-	-	215
Deferred tax assets	-	480	-	480
Trade payables	-	(6,721)	-	(6,721)
Provisions	(75)	-	-	(75)
Loans	-	(1,034)	-	(1,034)
Deferred tax liabilities	(42)	-	-	(42)
Total identifiable net assets	6,492	2,560	1,518	10,570
Cash consideration	20,506	16,966	1,518	38,990
Shares issued at fair value	-	793	-	793
Less fair value of net identifiable assets	(6,492)	(2,560)	(1,518)	(10,570)
Goodwill	14,014	15,199	-	29,213

(i) included in ANZ are the acquisition of two minor businesses for $1,703 thousand of consideration.

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.

7 ACQUISITION OF BUSINESSES (CONTINUED)

PRIOR YEAR ACQUISITIONS

HALLO PIZZA

On the 5 January 2018, the Group acquired through its 66.67% controlled joint venture company Daytona JV (UK) Limited, 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

During the period, the Group has finalised its acquisition accounting of Hallo Pizza with no revisions to the provisional acquisition accounting.

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.

7 ACQUISITION OF BUSINESSES (CONTINUED)

ACQUISITION OF DOMINO'S PIZZA STORES AND OTHER BUSINESSES

During the prior 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 prior 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 net 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

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.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

	PLANT & EQUIPMENT AT COST $'000	EQUIPMENT UNDER FINANCE LEASE AT COST $'000	TOTAL $'000
Year ended 30 June 2019			
Cost or fair value	**349,550**	**39,360**	**388,910**
Accumulated depreciation	**(113,053)**	**(22,705)**	**(135,758)**
Net carrying amount	**236,497**	**16,655**	**253,152**
Movement			
Net carrying amount at the beginning of the year	**187,615**	**12,488**	**200,103**
Additions	**89,200**	**8,598**	**97,798**
Acquisitions of Domino's Pizza stores and other businesses	**11,681**	**-**	**11,681**
Disposals and write-offs	**(25,890)**	**-**	**(25,890)**
Depreciation	**(35,220)**	**(5,627)**	**(40,847)**
Other including foreign exchange movements	**9,111**	**1,196**	**10,307**
Net carrying amount at the end of the year	**236,497**	**16,655**	**253,152**
Year ended 01 July 2018			
Cost or fair value	256,228	29,726	285,954
Accumulated depreciation	(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
Acquisition of subsidiary	217	-	217
Disposals and write-offs	(35,801)	(1,570)	(37,371)
Depreciation	(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

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

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 development intangibles 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.

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

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 (FVLCOD) 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 FVLCOD, 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.

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 FVLCOD, 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 FVLCOD 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 impairment recognised during the 2019 financial year (2018: nil).

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

ESTIMATES AND JUDGEMENTS - OTHER INTANGIBLES

MASTER FRANCHISE RIGHTS & FRANCHISE NETWORK ASSETS

Management has determined that the Master Franchise Rights ('MFA') relating to Domino's Pizza Germany and the Franchise Network Assets ('FNAs') arising on the acquisition of Hallo Pizza, Joey's Pizza and Pizza Sprint are to be treated as indefinite life intangible assets (2019: $31.6m, 2018: $48.7m). In addition, the same treatment has been applied to the MFA and associated franchise agreements recognised on the acquisition of Domino's Pizza Japan (2019: $46.0m, 2018: $42.5m). 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.

The liability associated with the Franchise Network Assets for Germany is 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.

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.

	GOODWILL $'000
Year ended 30 June 2019	
Cost	**475,005**
Accumulated amortisation and impairment	**-**
Net carrying amount	**475,005**
Movement	
Net carrying amount at the beginning of the year	**428,804**
Acquisitions of Domino's Pizza stores and other businesses	**29,213**
Disposals and write-offs	**(7,591)**
Other including foreign exchange movement	**24,579**
Net carrying amount at the end of the year	**475,005**
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

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 30 June 2019					
Cost	**151,205**	**44,564**	**77,781**	**194,389**	**467,939**
Accumulated amortisation and impairment	**(70,363)**	**(28,779)**	**-**	**-**	**(99,142)**
Net carrying amount	**80,842**	**15,785**	**77,781**	**194,389**	**368,797**
Movement					
Net carrying amount at the beginning of the year	**71,493**	**13,715**	**91,411**	**189,088**	**365,707**
Additions	**25,420**	**6,605**	**1,770**	**-**	**33,795**
Acquisitions of Domino's Pizza stores and other businesses	**-**	**215**	**-**	**-**	**215**
Revaluation	**-**	**-**	**(20,005)**	**-**	**(20,005)**
Disposals and write-offs	**(319)**	**(903)**	**-**	**-**	**(1,222)**
Amortisation for the year	**(17,104)**	**(4,350)**	**-**	**-**	**(21,454)**
Other including foreign exchange movement	**1,352**	**503**	**4,605**	**5,301**	**11,761**
Net carrying amount at the end of the year	**80,842**	**15,785**	**77,781**	**194,389**	**368,797**
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

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

ALLOCATION OF GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS TO CGUs

Goodwill and indefinite life intangible assets have 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) and Denmark
  - France & the rest of Belgium (FR) & (BE)
  - Germany (DE)
- Japan market

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						
2019	**63,289**	**49,434**	**6,488**	**84,331**	**271,463**	**475,005**
2018	55,023	38,519	6,327	79,742	249,193	428,804
Goodwill impairment						
2019	**-**	**-**	**-**	**-**	**-**	**-**
2018	-	-	-	-	-	-
Indefinite life intangible assets						
2019	**226**	**49,381**	**1,776**	**174,795**	**45,992**	**272,170**
2018	203	48,034	-	189,801	42,461	280,499
Indefinite life intangible assets impairment						
2019	**-**	**-**	**-**	**-**	**-**	**-**
2018	-	-	-	-	-	-

9 GOODWILL AND OTHER INTANGIBLES (CONTINUED)

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)					
2019	**8.5%**	**9.9%**	**8.8%**	**8.9%**	**9.7%**
2018	9.5%	11.2%	10.3%	10.0%	9.0%
Compound annual growth rate for corporate plan (i)					
2019	**11.2%**	**33.6%**	**14.8%**	**9.0%**	**17.3%**
2018	13.2%	26.4%	17.9%	11.2%	9.8%
Nominal terminal growth rates					
2019	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**1.0%**
2018	2.5%	2.0%	2.0%	2.0%	2.0%

(i) Compound annual growth rate (CAGR) 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 FR & BE CGU has been adversely impacted by discretionary franchisee support provided during 2019; with this cost not forecast to continue over the longer term. Therefore this has increased the 2019 disclosed CAGR for the FR & BE CGU.

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.

10 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

RECOGNITION AND MEASUREMENT

TRADE RECEIVABLES

At initial recognition, trade receivables and other debtors that do not have a significant financing component are recognised at their transaction price.

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

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.

10 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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.

The Group applies the 'simplified approach' to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The ECL is estimated using a provision matrix based on the Group's historical credit loss experiences

The Group writes off trade receivables when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered bankruptcy proceedings. Trade receivables written off may still be subject to enforcement activities under the Group's recovery processes, considering legal advice where appropriate. Any recoveries made are recognised in profit and loss.

	2019 $'000	2018 $'000
Trade receivables	**98,112**	82,065
Allowance for expected credit loss	**(6,990)**	(4,307)
Other receivables	**2,780**	423
Total trade and other receivables	**93,902**	78,181

	2019 $'000	2018 $'000
Prepayments	**15,193**	14,176
Work in progress - store builds	**5,052**	2,783
Other - current	**9,539**	11,570
Total other assets	**29,784**	28,529

	2019 $'000	2018 $'000
Movement in allowance for expected credit loss		
Balance at the beginning of the year	**4,307**	3,100
Provision for expected credit loss	**4,556**	2,608
Amounts written off as uncollectible	**(1,252)**	(1,092)
Amounts recovered during the year	**(533)**	(399)
Unused amount reversed	**(305)**	(89)
Effect of foreign currency	**217**	179
Balance at the end of the year	**6,990**	4,307

Included in the Group's trade receivables balance are debtors with a carrying amount of $5,707 thousand (2018: $4,280 thousand), which are past due at the reporting date.

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.

	2019 $'000	2018 $'000
Current		
Trade payables[(i)]	**116,137**	88,644
Goods and services tax (GST)/ Value added tax (VAT) payable	**9,733**	9,980
Other creditors and accruals	**62,738**	57,421
Total trade and other payables	**188,608**	156,045

(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.

12 PROVISIONS (CONTINUED)

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.

	NOTE	2019 $'000	2018 $'000
Employee benefits		**8,878**	6,755
Defined benefit plan	29	**7,467**	6,418
Other Provisions		**4,770**	5,343
Total provisions		**21,115**	18,516
Current		**11,136**	9,709
Non-current		**9,979**	8,807
Total provisions		**21,115**	18,516

OTHER PROVISIONS

	MAKE GOOD $'000	STRAIGHT-LINE LEASING $'000	LEGAL PROVISIONS $'000	TOTAL $'000
Balance at 03 July 2017	1,713	189	6,000	7,902
Recognised in 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 02 July 2018	**1,891**	**205**	**3,247**	**5,343**
Recognised in profit or loss	(93)	(79)	(60)	(232)
Reductions arising from payments	138	-	(569)	(431)
Movements resulting from remeasurement	-	-	90	90
Balance at 30 June 2019	**1,936**	**126**	**2,708**	**4,770**

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.

	2019 $'000	2018 $'000
Raw materials	**5,219**	4,154
Finished goods	**16,891**	15,117
Total inventory	**22,110**	19,271

There are no inventories (2018: $nil) expected to be recovered after more than 12 months. Expenses relating to inventories are recorded under Food, equipment and packaging expenses.

CAPITAL

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

14 EQUITY

ISSUED CAPITAL

	2019 $'000	2018 $'000
85,634,040 fully paid ordinary shares (01 July 2018: 85,368,040)	**206,218**	192,808

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

	2019		2018	
	NUMBER OF SHARES '000	SHARE CAPITAL $'000	NUMBER OF SHARES '000	SHARE CAPITAL $'000
Balance at beginning of financial year	**85,368**	**192,808**	88,873	340,040
Shares issued:				
Issue of shares under executive share option plan	**248**	**12,617**	839	36,094
Issue of share capital for acquisition of businesses	**18**	**793**	-	-
Issue of shares under employee share plan	**-**	**-**	4	155
Share buy-back	**-**	**-**	(4,348)	(183,479)
Capital costs associated with share issue	**-**	**-**	-	(2)
Balance at end of financial year	**85,634**	**206,218**	85,368	192,808

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, 248,350 options were exercised (2018: 839,250). A total of $12,616,763 was received as consideration for 248,350 fully paid ordinary shares of Domino's Pizza Enterprises Limited on exercise of the options in the current financial year (2018: $36,094,377).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

14 EQUITY (CONTINUED)

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 30 June 2019 will be paid in cash only.

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 Australian Dollar verse Japanese Yen and Euro.

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.

	2019 $'000	2018 $'000
Foreign currency translation	**42,861**	17,206
Hedging	**(6,714)**	(3,945)
Other	**(93,418)**	(89,632)
Balance at the end of the year	**(57,271)**	(76,371)
Foreign currency translation reserve		
Balance at beginning of financial year	**17,206**	2,725
Translation of foreign operations	**25,655**	14,481
Balance at the end of the year	**42,861**	17,206
Hedging reserve		
Balance at beginning of financial year	**(3,945)**	(158)
Net investment hedge	**(2,230)**	(5,869)
Cash flow hedge	**(2,551)**	614
Income tax related to gain/(loss) on hedging items	**2,012**	1,468
Balance at the end of the year	**(6,714)**	(3,945)

14 EQUITY (CONTINUED)

	2019 $'000	2018 $'000
Other Reserves		
Balance at beginning of financial year	**(89,632)**	(88,112)
Share-based payment	**(1,072)**	(15,740)
Movement in put option liability and non-controlling interest	**(1,366)**	14,835
Share option trust	**(1,318)**	(519)
Remeasurement of defined benefit plan	**(30)**	(96)
Balance at the end of the year	**(93,418)**	(89,632)

RETAINED EARNINGS

	NOTE	2019 $'000	2018 $'000
Balance at beginning of year		**191,227**	160,569
Change in accounting policy		**(13,955)**	-
Restated retained earnings	33	**177,272**	160,569
Net profit attributable to members of the Company		**115,912**	121,466
Payment of dividends	16	**(96,124)**	(90,808)
Balance at the end of the year		**197,060**	191,227

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:

(a) The amount that would have been recognised for the non-controlling interest, including an update to reflect allocations of profit or loss, allocations of changes in other comprehensive income and dividends declared for the reporting period, as required by AASB 10;

(b) The non-controlling interest is derecognised as if it was acquired at that date;

(c) A financial liability at the present value of the amount payable on exercise of the non-controlling put in accordance with AASB 9. There is no impact on the profit or loss from the unwinding of the discount due to the passage of time; and

(d) The difference between (b) and (c) as an equity transaction in other reserves.

If the non-controlling interest put or call is exercised, the same treatment is applied up to the date of exercise. The amount recognised as the financial liability at that date is extinguished by the payment of the exercise price.

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

15 NON-CONTROLLING INTERESTS (CONTINUED)

	NOTE	2019 $'000	2018 $'000
Balance at beginning of year		-	-
Change in accounting policies	33	(17)	-
Restated equity at the end of the year		(17)	-
Non-controlling interest contributions during the period		(4,708)	8,846
Share of profit/(loss)		(1,533)	227
Foreign currency translation		1,271	2,487
Non-controlling interest put option adjustment		4,987	(11,560)
Balance at the end of the year		-	-

16 DIVIDENDS

	2019		2018	
	CENTS PER SHARE	TOTAL $'000	CENTS PER SHARE	TOTAL $'000
Recognised amounts				
Fully paid ordinary shares				
Interim partially franked dividend for half-year ended	62.7	53,693	58.1	50,904
Partially franked dividend for full year ended	49.7	42,431	44.9	39,904
	112.4	96,124	103.0	90,808
Unrecognised amounts				
Fully paid ordinary shares				
Partially franked dividend for full year ended	52.8	45,215	49.7	42,431

On 20 August 2019, the directors declared a final dividend of 52.8 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2019, to be paid to shareholders on 12 September 2019. The dividend will be paid to all shareholders on the Register of Members on 28 August 2019. The total estimated dividend to be paid is $45,215 thousand.

FRANKED DIVIDENDS

The franked portions of the final dividends determined after 30 June 2019 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 30 June 2019.

	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30.0%	24,057	17,025

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.

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.

	2019 CENTS	2018 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**135.5**	139.4

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.

	2019 CENTS	2018 CENTS
From continuing operations attributable to the ordinary equity holders of the Company	**135.4**	139.0

EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2019 $'000	2018 $'000
Profit from continuing operations	**115,912**	121,466
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**115,912**	121,466

WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	2019 NO.'000	2018 NO.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**85,531**	87,134
Adjustments for calculation of diluted earnings per share:		
Options on issue	**80**	233
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**85,611**	87,367

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.

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 2019 and 2018 financial years under the incentive plans:

2019

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
(19)	29 Oct 14	31 Aug 18	500	-	(500)	-	-	-
(21)	3 Feb 15	31 Aug 18	4,000	-	-	(4,000)	-	-
(22)	20 Jun 15	31 Aug 18	5,600	-	(5,600)	-	-	-
(23)	3 Sep 15	28 Oct 20	300,000	-	-	-	300,000	-
(24)	3 Sep 15	31 Aug 19	437,500	-	(242,250)	(3,000)	192,250	-
(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	423,000	-	-	(12,500)	410,500	-
(28)	8 Nov 17	31 Aug 21	220,000	-	-	-	220,000	-
(29)	19 Apr 18	31 Aug 21	616,000	-	-	(37,750)	578,250	-
(30)	14 Aug 18	31 Aug 21	-	147,000	-	-	147,000	-
(31)	23 Jan 19	31 Aug 22	-	220,000	-	-	220,000	-
(32)	25 May 19	31 Aug 22	-	653,750	-	-	653,750	-
TOTAL			2,756,600	1,020,750	(248,350)	(57,250)	3,471,750	-

18 SHARE-BASED PAYMENTS (CONTINUED)

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	-

The weighted average exercise price at the date of the exercise of options during the 2019 financial year was $40.81 (2018: $21.44).

The weighted average remaining contractual life of options outstanding at the end of the 2019 financial year was 1.92 years (2018: 2.34 years)

FAIR VALUE OF SHARE OPTIONS GRANTED IN THE YEAR

The weighted average fair value of the options granted during the 2019 year is $3.98 (2018: $7.26). 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.

The model inputs for options granted during 2019 financial year include:

PERFORMANCE CONDITIONS	**SERIES 30**	**SERIES 31**	**SERIES 32**
Grant date share price	**$49.00**	**$45.17**	**$40.40**
Exercise price	**$45.25**	**$51.96**	**$51.96**
Expected volatility	**30%**	**34%**	**33%**
Option life years	**2.07**	**2.91**	**2.42**
Dividend yield	**2.10%**	**2.39%**	**2.67%**
Risk-free interest rate	**1.73%**	**1.73%**	**1.23%**

The model inputs for options 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%

18 SHARE-BASED PAYMENTS (CONTINUED)

SHARE OPTIONS EXERCISED DURING THE YEAR

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

2019 OPTION SERIES	NUMBER EXERCISED	EXERCISE DATE	SHARE PRICE AT EXERCISE DATE ($)
(19) Issued 29 October 2014	**500**	**17 August 2018**	**$56.00**
(22) Issued 20 June 2015	**5,600**	**17 August 2018**	**$56.00**
(24) Issued 3 September 2015	**75,000**	**03 September 2018**	**$54.10**
(24) Issued 3 September 2015	**19,500**	**04 September 2018**	**$54.14**
(24) Issued 3 September 2015	**12,500**	**10 September 2018**	**$54.70**
(24) Issued 3 September 2015	**26,000**	**08 November 2018**	**$55.68**
(24) Issued 3 September 2015	**30,000**	**13 November 2018**	**$50.31**
(24) Issued 3 September 2015	**5,750**	**11 February 2019**	**$47.27**
(24) Issued 3 September 2015	**38,500**	**21 February 2019**	**$44.50**
(24) Issued 3 September 2015	**35,000**	**25 February 2019**	**$43.89**

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

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 $8.6 million of assets under finance lease (2018: $4.3 million).

19 BORROWINGS (CONTINUED)

	NOTE	2019 $'000	2018 $'000
Loan from other entities			
Loans from other entities		**35,786**	32,839
Total from other entities		**35,786**	32,839
Committed			
Bank loans(i)		**599,031**	552,524
Finance lease liabilities(ii)		**16,632**	13,136
Total committed borrowings		**615,663**	565,660
Current		**5,373**	3,700
Non-current		**646,076**	594,799
Total borrowings		**651,449**	598,499

SUMMARY OF BORROWING ARRANGEMENTS:

(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 $5,868 thousand (2018: $5,752 thousand). For further information in respect of the Group's borrowings, refer to note 22.

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' (FVPL) or through other comprehensive income (FVOCI) and those held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Group does not acquire financial assets for the purpose of selling in the short-term. When the Group enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

Refer to note 33 for impact of AASB 9 Financial Instruments and previous recognition and measurement policies.

FINANCIAL ASSETS HELD AT AMORTISED COST

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the 'Solely payment of principal and interest' (SPPI) criteria.

Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition or modification of a financial asset held at amortised cost is recognised in the income statement.

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 financial assets held at amortised cost.

20 FINANCIAL ASSETS (CONTINUED)

FINANCIAL ASSETS HELD AT FVOCI

This classification applies to the following financial assets:

- Debt instruments that are held under a business model where they are held for the collection of contractual cash flows and also for sale ('collect and sell') and which have cash flows that meet the SPPI criteria.

  All movements in the fair value of these financial assets are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue (including transaction costs by applying the effective interest method), gains or losses arising on derecognition and foreign exchange gains and losses which are recognised in the income statement. When the financial assets are derecognised, the cumulative fair value gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

- Equity investment where the Group has irrevocably elected to present fair value gains and losses on revaluation in other comprehensive income. The election can be made for each individual investment however it is not applicable to equity investments held for trading.

  Fair value gains or losses on revaluation of such equity investments, including any foreign exchange components, are recognised in other comprehensive income. When the equity investment is derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income to the income statement. Dividends are recognised in the income statement when the right to receive payment is established.

FINANCIAL ASSETS AT FVPL

This classification applies to the following financial assets, and in all cases, transaction costs are immediately expensed to the income statement:

- Debt instruments that do not meet the criteria of amortised cost or fair value through other comprehensive income.

  Subsequent fair value gains or losses are taken to the income statement.

- Equity investments which are held for trading or where the FVOCI election has not been applied. All fair value gains or losses are related dividend income are recognised in the income statement.
- Derivatives which are not designated as a hedging instrument. All subsequent fair value gains or losses are recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NON-CASH FINANCING AND INVESTING ACTIVITIES

Included in the movement of other financial assets are non-cash transactions of $40.9 million (2018: $48.2 million) for loans to Franchisees.

IMPAIRMENT OF FINANCIAL ASSETS

A forward looking ECL review is required for: debt instruments measured at amortised cost or held at fair value through other comprehensive income, loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

As permitted by AASB 9, the Group applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets (refer to note 10). The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates.

20 FINANCIAL ASSETS (CONTINUED)

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.

	2019 $'000	2018 $'000
Financial Assets		
Current		
Loans to franchisees	**16,528**	26,705
Foreign exchange forward contracts	**-**	150
Total current financial assets	**16,528**	26,855
Non-current		
Loans to franchisees	**50,081**	61,159
Allowance for doubtful loans	**(1,141)**	(1,232)
Financial guarantee receivable	**1,494**	195
Long-term store rental security deposits	**19,979**	15,314
Total non-current financial assets	**70,413**	75,436
Current	**16,528**	26,855
Non-current	**70,413**	75,436
Total financial assets	**86,941**	102,291

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 6.7% (2018: 7%) in Australia and New Zealand, the average interest charged in France is 5.61% (2018: 6.41%), in the Netherlands is 7.79% (2018: 7.88%), in Germany is 4.78% (2018: 4.87%) and the average interest charged in Japan is 5.0% (2018: 5.0%).

The Group applies the 'general approach' to measuring expected credit losses which uses a lifetime expected loss allowance for franchisee loans. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL review includes assumptions about the risk of default and expected credit loss rates.

	2019 $'000	2018 $'000
Franchisee loans	**66,609**	87,864
Allowance for doubtful loans	**(1,141)**	(1,232)
	65,468	86,632

	2019 $'000	2018 $'000
Ageing of Franchisee Loans		
Amounts not yet due	**65,468**	86,632
	65,468	86,632

20 FINANCIAL ASSETS (CONTINUED)

	2019 $'000	2018 $'000
Movement in allowance for loss allowance		
Balance at the beginning of the year	**1,232**	1,114
Impairment losses recognised on loans	**60**	954
Amounts written off as uncollectible	**(180)**	(885)
Unused amounts reversed	**-**	(10)
Effect of foreign currency	**29**	59
Balance at the end of the year	**1,141**	1,232

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 FVPL, 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 FVPL' or 'other financial liabilities'.

FINANCIAL LIABILITIES AT FVPL

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

21 FINANCIAL LIABILITIES (CONTINUED)

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 FVPL 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 9 'Financial Instruments' permits the entire combined contract (asset or liability) to be designated as at FVPL.

Financial liabilities at FVPL 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.

FINANCIAL BORROWINGS

Borrowing and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.

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	2019 $'000	2018 $'000
Current		
Interest rate swaps	**467**	49
Foreign exchange contracts	**436**	-
Rent incentive liabilities	**111**	121
Security deposits	**9,402**	6,909
Market access right (i)	**-**	4,270
Contingent consideration	**672**	625
Deferred consideration	**1,253**	650
Other	**19**	22
Total current financial liabilities	**12,360**	12,646

21 FINANCIAL LIABILITIES (CONTINUED)

FINANCIAL LIABILITIES	2019 $'000	2018 $'000
Non-current		
Interest rate swaps	**1,882**	-
Rent incentive liability	**1,161**	1,222
Market access right (i)	**19,859**	28,228
Contingent consideration	**2,134**	1,500
Deferred consideration	**1,278**	2,065
Put / call minority interest liability (ii)	**87,832**	88,900
Total non-current financial liabilities	**114,146**	121,915
Current	**12,360**	12,646
Non-current	**114,146**	121,915
Total financial liabilities	**126,506**	134,561

(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.

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.

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.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

GEARING RATIO

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

	2019 $'000	2018 $'000
Debt(i)	651,449	598,499
Cash and cash equivalent	(101,404)	(75,996)
Net debt	550,045	522,503
Equity(ii)	346,007	307,664
Net debt to equity ratio	159.0%	169.8%

(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.

The categories of financial assets and liabilities are outlined below:

			2019		2018	
FINANCIAL ASSETS	**CLASSIFICATION**	**NOTE**	**INTEREST RATE %(i)**	**$'000**	INTEREST RATE %(i)	$'000
Trade and other receivables	Amortised cost	10	-	93,902	-	78,181
Loans receivable	Amortised cost	20	5.70	65,468	4.91	86,632
Financial guarantee contracts	Amortised cost	20	6.25	1,494	6.25	195
Deposits	Amortised cost	20	-	19,979	-	15,314
Forward exchange contracts	FVOCI	20	-	-	-	150

			2019		2018	
FINANCIAL LIABILITIES	**CLASSIFICATION**	**NOTE**	**INTEREST RATE %(i)**	**$'000**	INTEREST RATE %(i)	$'000
Trade and other payables	Amortised cost	11	-	188,608	-	156,045
Other financial liabilities	Amortised cost	21	-	9,421	-	6,931
Rent incentive liability	Amortised cost	21	-	1,272	-	1,343
Bank loans	Amortised cost	19	2.16	599,031	1.65	552,524
Loans from other entities	Amortised cost	19	2.70	35,786	3.00	32,839
Finance lease liability	Amortised cost	19	1.13	16,632	1.13	13,136
Market access right	FVOCI	21	-	19,859	-	32,498
Put-option liability	FVOCI	21	-	87,832	-	88,900
Contingent consideration	FVPL	21	-	2,806	-	2,125
Deferred consideration	FVPL	21	-	2,531	-	2,715
Interest rates swaps	Derivative financial instrument	21	-	2,349	-	49
Foreign exchange contracts	Derivative financial instrument	21	-	436	-	-

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

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

FINANCING FACILITIES

	2019 $'000	2018 $'000
Unsecured bank overdraft, reviewed annually and payable at call:		
Amount used	**-**	-
Amount unused	**5,868**	5,752
Total	**5,868**	5,752
Committed commercial bill facility, reviewed annually:		
Amount used	**601,894**	556,356
Amount unused	**162,258**	184,803
Total	**764,152**	741,159
Uncommitted facilities, at call:		
Amount unused	**54,435**	56,769
Total	**54,435**	56,769

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.

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

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

30 JUNE 2019	LESS THAN 1 YEAR $'000	1-5 YEARS $'000	MORE THAN 5 YEARS $'000
Financial assets			
Trade and other receivables	**93,902**	**-**	**-**
Loans receivable	**16,528**	**26,271**	**22,669**
Cash and cash equivalents	**101,404**	**-**	**-**
Financial guarantee contracts	**-**	**1,494**	**-**
Deposits	**-**	**19,979**	**-**
Financial liabilities			
Trade and other payables	**(188,608)**	**-**	**-**
Derivative instruments in designated hedge accounting relationships	**(903)**	**(1,882)**	**-**
Bank loans	**-**	**(599,031)**	**-**
Loans from other entities	**-**	**(35,786)**	**-**
Finance lease liability	**(5,373)**	**(11,259)**	**-**
Market access right	**-**	**(19,859)**	**-**
Put option liability	**-**	**(87,832)**	**-**
Contingent consideration	**(672)**	**(2,134)**	**-**
Deferred consideration	**(1,253)**	**(1,278)**	**-**
Rent incentive liability and other	**(130)**	**(1,161)**	**-**
Other financial liabilities	**(9,402)**	**-**	**-**

01 JULY 2018			
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)	-	-

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table details the Group's liquidity analysis for is 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.

2019	LESS THAN 1 MONTH $'000	1-3 MONTHS $'000	3 MONTHS TO 1 YEAR $'000	1-5 YEARS $'000
Net Settled				
Interest rate swaps	-	-	**(467)**	**(1,882)**
Gross Settled				
Forward foreign exchange contracts - Inflow	-	**4,228**	**20,763**	-
Forward foreign exchange contracts - (Outflow)	-	**(4,302)**	**(21,125)**	-
	-	**(74)**	**(829)**	**(1,882)**
2018				
Net Settled				
Interest rate swaps	-	(49)	-	-
Gross Settled				
Forward foreign exchange contracts - Inflow	1,122	5,014	14,287	-
Forward foreign exchange contracts - (Outflow)	(1,114)	(4,977)	(14,182)	-
	8	(12)	105	-

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

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

EXPOSURE

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

	ASSETS		LIABILITIES	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
New Zealand Dollar	**8,063**	8,700	**(4,432)**	(3,354)
Euro	**67,408**	72,008	**(497,362)**	(466,851)
Japanese Yen	**105,898**	78,941	**(262,024)**	(220,556)

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 2019	**0.62**	**75.54**	**1.05**
+ 10%	**0.68**	**83.09**	**1.15**
-10%	**0.56**	**67.99**	**0.94**
Actual 2018	0.63	81.82	1.09
+ 10%	0.70	90.00	1.20
-10%	0.57	73.64	0.98

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 are measured.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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	
	2019 $'000	2018 $'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	**8,707**	10,404
If there was a 10% decrease in exchange rates with all other variables held constant	**(10,642)**	(12,715)

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.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 before tax and equity would be affected as follows:

	IMPACT ON PROFIT BEFORE TAX	
	2019 $'000	2018 $'000
Interest rates - increase by 100 basis points	**(1,961)**	(2,373)
Interest rates - decrease by 100 basis points	**1,917**	1,366

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 (greater than one year) debt instruments.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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

30 JUNE 2019	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Recurring fair value measurements				
Financial liabilities				
Interest rate swaps	**-**	**2,349**	**-**	**2,349**
Foreign exchange contracts	**-**	**436**	**-**	**436**
Put option over non-controlling interest	**-**	**-**	**87,832**	**87,832**
Market access right	**-**	**-**	**19,859**	**19,859**
Contingent consideration	**-**	**-**	**2,806**	**2,806**
Total financial liabilities	**-**	**2,785**	**110,497**	**113,282**
01 JULY 2018				
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

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 and contingent consideration for previous acquisitions. 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 $88.9 million and has a closing balance at year end of $87.8 million. The movement of the put liability is recorded in reserves.

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

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investment in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedge relationship meet all of the hedge effectiveness requirements prescribed in AASB 9. There has been no material change to the Group's hedging policies as a result of the adoption of AASB 9.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjust the hedge ratio for the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following hedging 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.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur the gain or loss accumulated in equity is recognised immediately in profit or loss.

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.

At 30 June 2019, the Group have interest rate swap agreements in place with a notional amount of €131 million and ¥12 billion, whereby the Group receives a fixed rate of interest of EURIBOR (floored at 0%) and TIBOR +0% and pays interest at rate equal to 0.168% and 0.242% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate secured loans.

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

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

The impact of the hedging instruments on the statement of financial position as at 30 June 2019 is, as follows:

	2019 '000
Interest Rate Swap	
Notional Amount (Euro)	131,000
Carrying Amount (AUD)	212,283
Change in intrinsic value of outstanding hedging instrument since 02 July 2018 (AUD)	(715)
Change in value of hedged item used to determine hedge effectiveness (AUD)	715
Notional Amount (JPY)	12,000,000
Carrying Amount (AUD)	158,856
Change in intrinsic value of outstanding hedging instrument since 02 July 2018 (AUD)	(1,634)
Change in value of hedged item used to determine hedge effectiveness (AUD)	1,634

The line item in the statement of financial position which is impacted by the hedging instrument is current financial liabilities.

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 OF NET INVESTMENT 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 under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operations.

Included in borrowings at 30 June 2019 is borrowings of $150,164 thousand, which has been designated as hedge of the net investments in the Group's European subsidiaries. These borrowings are being used to hedge the Group's exposure to the foreign exchange risk on these investments.

There are economic relationships between the hedged items and the hedging instruments as the net investment creates a transaction risk that will match the foreign exchange risk on the Euro borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instruments are identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary become lower than the amount of the fixed rate borrowing.

The impact of the hedging instruments on the statement of financial position is, as follows:

	2019 '000
Hedge of Net Investment in Foreign Operations	
Notional amount (EURO)	92,667
Carrying amount (AUD)	150,165
Change in intrinsic value of outstanding hedging instrument since 02 July 2018 (AUD)	(4,059)
Change in value of hedged item used to determine hedge effectiveness (AUD)	4,059

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

HEDGING RESERVES

The Group's hedging reserves are disclosed in note 14.

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.

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:

	2019 $'000	2018 $'000
ANZ	**74,985**	64,577
Europe	**53,915**	45,311
Japan	**30,470**	54,925
Total	**159,370**	164,813

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.

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 30 June 2019 are as follows:

NAME OF ENTITY	PLACE OF INCORPORATION AND OPERATION	FUNCTIONAL CURRENCY	PROPORTION OF OWNERSHIP AND VOTING POWER HELD 2019 %	2018 %
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**	100
Ride Sports ANZ Pty Ltd(i)	Australia	AUD	**100**	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**	100
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**	100
Domino's Pizza WOW Group B.V	The Netherlands	EUR	**50**	50
N4N B.V.	The Netherlands	EUR	**50**	-
Domino's Pizza Belgium S.P.R.L	Belgium	EUR	**100**	100
Daytona Holdco Limited (UK)	UK	EUR	**100**	100
Daytona JV Limited (UK)	UK	EUR	**67**	67
Ausmark Holdco Limited	UK	EUR	**100**	-
Ausmark ApS	Denmark	DKK	**100**	-

23 SUBSIDIARIES (CONTINUED)

NAME OF ENTITY	PLACE OF INCORPORATION AND OPERATION	FUNCTIONAL CURRENCY	PROPORTION OF OWNERSHIP AND VOTING POWER HELD 2019 %	2018 %
Daytona Germany HRB	Germany	EUR	**67**	67
Agentur fur Wertbung und Etatverwaltung GmbH(ii)	Germany	EUR	**-**	67
Domino's Pizza Deutschland GmbH (previously Joey's Pizza International GmbH)	Germany	EUR	**67**	67
Hallo Pizza Hamburg GmbH(ii)	Germany	EUR	**-**	67
Hallo Pizza GmbH	Germany	EUR	**67**	67
Chrisa Handelsgesellschaft GmbH(iii)	Germany	EUR	**-**	67
Hallo Pizza Nord GmbH(iv)	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-Pizz S.A.S.	France	EUR	**100**	100
Double Six S.A.S.	France	EUR	**100**	100
Pizza Centre France S.A.S.	France	EUR	**100**	100
Groupe AVB S.A.S.	France	EUR	**100**	-
AVB2 S.A.R.L.	France	EUR	**100**	-
AVB Services S.A.R.L.	France	EUR	**100**	-
AVB3 S.A.R.L.	France	EUR	**100**	-
AVB4 S.A.R.L.	France	EUR	**100**	-
AVB5 S.A.R.L.	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 Deutschland GmbH

(iii) Entities have been legally merged into Hallo Pizza GmbH.

(iv) Entities have been liquidated.

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

	2019 $'000	2018 $'000
Assets		
Current assets	**46,203**	63,914
Non-current assets	**678,589**	627,416
Total assets	**724,792**	691,330
Liabilities		
Current liabilities	**73,290**	59,599
Non-current liabilities	**467,066**	439,113
Total liabilities	**540,356**	498,712
Equity		
Issued capital	**206,218**	192,808
Retained earnings	**57,170**	74,833
Reserves		
Equity-settled share-based benefits	**(76,509)**	(73,545)
Hedging	**(2,443)**	(1,478)
Total equity	**184,436**	192,618

FINANCIAL PERFORMANCE

Profit for the year	**86,156**	86,610
Other comprehensive income	**(966)**	1,346
Total comprehensive income	**85,190**	87,956

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. Refer to note 27 for further information regarding the contingent liabilities of the parent entity.

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 9 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 9. 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.

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.

OPERATING LEASES COMMITMENTS

	2019 $'000	2018 $'000
Not longer than 1 year	**98,619**	80,248
Longer than 1 year and not longer than 5 years	**221,823**	189,835
Longer than 5 years	**103,472**	78,631
Total	**423,914**	348,714

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:

	2019 $'000	2018 $'000
Not longer than 1 year	**44,220**	42,835
Longer than 1 year and not longer than 5 years	**98,031**	104,878
Longer than 5 years	**29,291**	31,117
Total	**171,542**	178,830

26 COMMITMENTS (CONTINUED)

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

	NOTE	2019 $'000	2018 $'000
Current			
Make good	12	**187**	183
Non-current			
Straight-line leasing	12	**126**	205
Make good	12	**1,749**	1,708
Total		**2,062**	2,096

FINANCE LEASES

FAIR VALUE

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

FINANCE LEASE COMMITMENTS

	PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS	
	2019 $'000	2018 $'000
No later than 1 year	**5,373**	3,700
Later than 1 year and not later than 5 years	**11,259**	9,436
Minimum lease payments[(i)]	**16,632**	13,136
Less future finance charges	**-**	-
Present value of minimum lease payments	**16,632**	13,136
Included in the financial statements as:		
Current borrowings	**5,373**	3,700
Non-current borrowings	**11,259**	9,436
Total finance lease commitments	**16,632**	13,136

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

CAPITAL EXPENDITURE COMMITMENTS

	2019 $'000	2018 $'000
Plant and equipment	**5,817**	1,760
Total	**5,817**	1,760

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.

	2019 $'000	2018 $'000
Guarantees - franchisee loans and leases	**10,470**	7,622
Total	**10,470**	7,622

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. Included in the above are contingent liabilities of the parent entity of $4,703 thousand.

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 and the appeal of SRP and/or SRP franchisees in five local claims on 12 December 2018. SRP has filed an appeal from the decision in the main claim and in 2 local claims to the Cour de Cassation. It is not yet clear when a decision will be handed down by the Cour de Cassation in the main claim, but it is expected to be by the end of 2019. 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 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

27 CONTINGENT LIABILITIES (CONTINUED)

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 the first instance has taken place on 24 June 2019 for all the Pizza Sprint proceedings (brought by the former and current franchisees and by the French Ministry for the Economy and Finance). Decisions will be handed down on 1 October 2019.

PRECISION TRACKING

During the current period DPE has settled its dispute with Precision Tracking Pty Ltd, Delivery Command Pty Ltd and the three directors of these two companies, agreeing to discontinue against each other their general respective claims. Therefore, this matter is no longer considered a contingent matter.

CLASS ACTION

On 25 June 2019, Riley Gall, as the representative Applicant, commenced a representative proceeding (class action) against the Company in the Federal Court of Australia on behalf of Australian franchisee employees who were employed as delivery drivers or in-store workers between 24 June 2013 and 23 January 2018. The Company was formally served with the proceeding on 1 July 2019.

The statement of claim alleges, amongst other things, that Domino's misled its franchisees by advising them to pay delivery drivers and in-store workers under a series of industrial instruments and not the Fast Food Industry Award 2010. The statement of claim does not quantify the damages the claimants will seek in the proceedings for all or any part of the claim period.

The Company rejects the allegation and intends to defend the action.

At this early stage of the proceedings, the Company is unable to determine any possible obligation or financial impact of this matter.

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 30 June 2019 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 20 August 2019, the directors declared a final dividend for the financial year ended 30 June 2019 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.

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.

29 RETIREMENT BENEFIT PLANS (CONTINUED)

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr. K. Takeda, Certified Pension Actuary.

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

	2019	2018
Discount rate	**(0.11%)**	0.09%
Expected rate of salary increase	**2.59%**	2.59%
Number of employees	**467**	469
Average service years	**4.9 yrs**	4.7 yrs
Expected service years	**5.2 yrs**	5.1 yrs

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

	2019 $'000	2018 $'000
Service cost:		
Current service cost	**929**	868
Net interest expense	**6**	9
Components of defined benefit costs recognised in profit or loss	**935**	877
Remeasurement of the net defined benefit liability:		
Actuarial gain recognised in the period	**68**	116
Components of defined benefit costs recognised in other comprehensive income	**68**	116
Total	**1,003**	993

Of the expense for the year, an amount of $935 thousand has been included in profit or loss as administration expenses. (2018: $877 thousand).

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

	2019 $'000	2018 $'000
Opening defined benefit obligation	**6,418**	5,681
Current service cost	**929**	868
Net interest expense	**6**	9
Remeasurements (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	**68**	116
Benefits paid	**(512)**	(576)
Exchange differences of foreign plans	**558**	320
Closing defined benefit obligation	**7,467**	6,418

The Group expects to make a contribution of $1.1 million (2018: $945 thousand) to the defined benefit plans during the next financial year.

30 KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term employee benefits	**6,596,060**	6,200,352
Post-employment benefits	**223,685**	183,978
Other long-term employee benefits	**107,170**	53,959
Equity settled share-based payments	**926,209**	1,151,207
Total	**7,853,124**	7,589,496

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 2019 financial year. Payment of $118,450 (2018: $52,371) 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.

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 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

31 RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF DOMINO'S PIZZA ENTERPRISES LIMITED

Comgroup Supplies Pty Ltd, an entity associated with Mr Jack Cowin, supplies food products to the Group on commercial arm's length terms. Comgroup was selected as a preferred supplier after a competitive tender process in which Mr Cowin had no involvement. During the year, the Group made purchases totalling $76,941. As at 30 June 2019, $76,941 was outstanding and there were no bad or doubtful debts.

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.

TRANSACTIONS WITHIN THE GROUP

The Group includes the ultimate parent entity of the Group and its 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 30 June 2019 is $9.4 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 transaction were at arm's length.

32 REMUNERATION OF AUDITORS

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

GROUP AUDITOR(i)	2019 $	2018 $
Audit of the parent company	**519,976**	460,626
Audit of subsidiaries and other entities	**843,252**	753,389
Total audit services	**1,363,228**	1,214,015
Other assurance related services(ii)	**173,694**	328,852
Total assurance services	**173,694**	328,852
Taxation services(iii)	**31,335**	94,501
Other non-audit services(iv)	**893,500**	872,306
Total other services	**924,835**	966,807
Total Group auditor's remuneration	**2,461,757**	2,509,674

(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.

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 02 July 2018 and therefore relevant for the current year end.

STANDARDS AFFECTING PRESENTATION AND DISCLOSURE

AASB15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted AASB 15 *Revenue from Contracts with Customers* (AASB 15) from 02 July 2018, which supersedes AASB 118 Revenue (AASB 118). AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. See below the details of the impact of the Group's revenue streams for the adoption of AASB 15.

Impact of Adoption

As the Group has adopted the modified transitional approach to implementation and the new standard has therefore been applied only to contracts that remain in force at 02 July 2018. A transition adjustment has been recognised in retained earnings on transition at 02 July 2018 without adjustment to comparatives.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33 OTHER ITEMS (CONTINUED)

The impact on the Group's retained earnings as at 02 July 2018 is as follows:

	$,000
Retained earnings as at 01 July 2018	191,227
Recognition of contract liability for franchise initial fees	(20,151)
Adjustment in recognition of deferred tax	6,196
Adjustment to retained earnings for adoption of AASB 15	(13,955)
Opening retained earnings at 02 July 2018	**177,272**

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2019 as a result of the adoption of AASB 15. The adoptions of AASB 15 did not have a material impact on profit, or OCI or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under AASB 118, had AASB 15 not been adopted and the second column shows the amount under AASB 15, which the Group has adopted.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT)

	PREPARED UNDER AASB 118 $'000	PREPARED UNDER AASB 15 $'000	IMPACT $'000
Revenue	1,318,223	1,435,410	117,187
Employee benefits expense	(284,693)	(292,439)	(7,746)
Marketing expenses	(42,981)	(150,999)	(108,018)
Profit before tax	**157,990**	**159,413**	**1,423**
Income tax expense	(44,599)	(45,034)	(435)
Profit for the period from continuing operations	**113,391**	**114,379**	**988**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

	PREPARED UNDER AASB 118 $'000	PREPARED UNDER AASB 15 $'000	IMPACT $'000
Current assets	265,307	265,307	-
Non-current assets	1,173,106	1,173,106	-
Total assets	**1,438,413**	**1,438,413**	**-**
Current liabilities			
Contract liabilities	-	3,051	3,051
Total current liabilities	**243,421**	**246,472**	**3,051**
Non-current liabilities			
Contract liabilities	-	15,645	15,645
Deferred tax liabilities	65,872	60,088	(5,784)
Total non-current liabilities	**836,073**	**845,934**	**9,861**
Total liabilities	**1,079,494**	**1,092,406**	**12,912**
Net assets	**358,919**	**346,007**	**(12,912)**
Equity			
Reserves	(57,325)	(57,271)	54
Retained earnings	210,026	197,060	(12,966)
Total equity	**358,919**	**346,007**	**(12,912)**

33 OTHER ITEMS (CONTINUED)

Impact of Adoption on Revenue Streams

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue from the following significant sources:

SALE OF GOODS

In the previous reporting period, revenue from the sale of good was recognised when the Group had transferred to the buyer the significant risk and rewards of ownership. In applying AASB 15, revenue associated with the sale of goods is recognised when the performance obligation of the sale has been made and control of the goods has been transferred to the customer. Therefore, the adoption of AASB 15 has not had a material impact on the revenue recognition in relation to the sale of goods.

SERVICE REVENUE

The Group provides services to franchisees and other third parties which are carried out under the instructions of the customer. Prior to the adoption of AASB 15, revenue from the provision of services was recognised when the services were rendered and based on reference to the stage of completion of the contract. In adoption AASB 15, no adjustments have been made to when the Group recognises revenue relating the rendering of services as the Group recognises revenue over the period in which the services are being rendered.

FRANCHISE ROYALTIES

Franchise agreements entitle the contracted party to access the Domino's name and associated intellectual property (the 'franchise right') in exchange for fees. The majority of this fee is based on a percentage of the applicable franchisee's stores sales. Continuing sale-based royalties represent substantial majority of the consideration the Group receives under the Group's franchise agreements. Continuing sale-based royalties are generally invoiced and paid on a weekly basis and were recognised as the related sale occurred. The timing and the amount of revenue recognised relating to continuing sales-based royalties were not impacted by the adoption of AASB 15 on the basis that the recognition of the sales-based royalty continues to be recognised when the related franchisee sales occur as this reasonably depicts the Group's performance toward the complete satisfaction of the franchise license performance obligation to which the sales-based royalty has been allocated.

The Group's franchise agreements also typically include certain less significant, one-off fees. These fees include initial fees paid upon executing a franchise agreement, renewal of the term of the franchise right and fees paid in the event the franchise agreement is transferred to another franchisee (collectively termed initial fees). Under AASB 118 revenue relating to initial fees were recognised when the related upfront services were provided. Upon adoption of AASB 15, the Group has determined that the initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to franchisees. As a result, upon adoption of AASB 15, initial fees are recognised over the term of each respective franchise agreement. Revenue from these initial franchise fees are recognised on straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. This resulted in an increase in revenue of $1,423 thousand, recognition of contract liabilities of $18,696 thousand and deferred tax asset of $5,784 thousand. An opening retained earnings adjustment of $17 thousand was recognised by Non-Controlling Interests on adoption of AASB 15.

NATIONAL ADVERTISING FUNDS

The Group receives an additional franchise fee that is based on a percentage of gross revenue of the franchisee. The fees are to be used on advertising activities that will benefit the brand, franchisees and Group. With the adoption of AASB 15, the Group has determined that it is not a separate performance obligation from the franchise right and therefore the services are bundled as a single distinct performance obligation. Because the fee is also a sales-based royalty, revenue is received in relation to the advertising fund is recognised when the related franchisee sales occur. National advertising fund expenses are recognised as incurred. This has resulted in a gross up in the amount reported of revenue of $115,764 thousand, employee benefit expense of $7,746 thousand and marketing expenses of $108,018 thousand, however, the impact is generally expected to be an offsetting increase to both revenue and expenses such that the impact on income from operations and net income is not expected to be material.

AASB 9 FINANCIAL INSTRUMENTS

AASB 9 *Financial Instruments* ('AASB 9') replaces AASB 139 *Financial Instruments: Recognition and Measurements* ('AASB 139') for annual period beginning on or after 01 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IMPACT OF ADOPTION

The Group adopted AASB 9 on 02 July 2018, which resulted in changes in accounting policies. Amounts recognised in the financial statements as at this date did not require any material adjustments on application of the new accounting policies. The standard replaced the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets; and hedge accounting.

33 OTHER ITEMS (CONTINUED)

For transition, the Group has elected to apply the limited exemption in AASB 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The Group applies the new forward-looking expected credit loss (ECL) model required by AASB 9, using the simplified approach for its trade receivables portfolio review and the general approach for all other financial assets as required by the standard. There was an insignificant impact on transition to AASB 9 on the Group's opening balances as at 02 July 2018.

CLASSIFICATION AND MEASUREMENT

On 01 July 2018, the Group assessed the classification of its financial assets on the basis of the contractual terms of their cash flows and the business model by which they are managed. All of the Group's financial assets were previously classified as loans and receivables or held to maturity and were reclassified to held at amortised cost on transition date.

DERIVATIVES AND HEDGING ACTIVITIES

The Group's risk management strategies and associated hedge documentation have been aligned with the requirements of AASB 9 and existing hedging relationships under AASB 139 have been treated as continuing hedges.

IMPAIRMENT OF FINANCIAL ASSETS

The Group implemented the new forward-looking expected credit loss model which is required for certain financial instruments. The simplified approach was used for the trade receivables portfolio and the general approach used for franchisee loans. There was an insignificant impact on application of the expected credit loss model.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)) and those to be held at amortised cost. Refer to note 20 regarding classification of financial assets. The adoption of AASB 9 did not have a material impact on classification.

Financial Assets	**Original (AASB 139)**	**New (AASB 9)**
Trade and other receivables	Loans and receivables	Amortised cost
Loans receivable	Loans and receivables	Amortised cost
Financial guarantee contracts	Loans and receivables	Amortised cost
Deposits	Loans and receivables	Amortised cost
Forward exchange contracts	Other	FVOCI
Financial liabilities	**Original (AASB 139)**	**New (AASB 9)**
Trade and other payables	Amortised cost	Amortised cost
Other financial liabilities	Amortised cost	Amortised cost
Rent incentive liability	Amortised cost	Amortised cost
Bank loans	Amortised cost	Amortised cost
Loans from other entities	Other	Amortised cost
Finance lease liability	Other	Amortised cost
Market access right	Other	FVOCI
Put-option liability	Other	FVOCI
Contingent consideration	Other	FVPL
Deferred consideration	Other	FVPL
Interest rates swaps	Other	Derivative financial instrument
Foreign exchange contracts	Other	Derivative financial instrument

33 OTHER ITEMS (CONTINUED)

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Group does not acquire financial assets for the purpose of selling in the short-term. When the Group enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

AASB 2016-5 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

Amends AASB 2 Share Based Payments to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity settled.

AASB 2017-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - TRANSFERS OF INVESTMENTS PROPERTY, ANNUAL IMPROVEMENTS 2014-2016 CYCLE AND OTHER AMENDMENTS

The amendments clarify certain requirements in:

- AASB 1 *First-time Adoption of Australian Accounting Standards* - deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration
- AASB 12 *Disclosure of Interests in Other Entities* - clarification of scope
- AASB 128 *Investment in Associates and Joint Ventures* - measuring an associate or joint venture at fair value
- AASB 140 *Investment Property* - change in use.

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.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 02 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.

AASB 16 LEASES

AASB 16 *Leases* specifies how to recognise, measure and disclosure leases. 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

AASB 16 will require the recognition of a right of use asset and a lease liability based on the discounted value of committed lease payments as lessee. These lease payments are currently expensed within occupancy expenses, will be replaced by the straight-line depreciation expense of the right of use asset and will reduce the lease liability. As the lease liability will be carried at present value, an interest expense will arise over the duration of the lease term. The principal component of lease payments will be classified in the statement of cash flows from operating to financing activities. In assessing the adoption of AASB 16, the Group has made certain assumptions and judgements in relation to economic conditions including but not limited to borrowing rates, composition of lease portfolio and likely exercise of renewal options that may cause the actual output to differ from that concluded at 30 June 2019.

DOMINO'S OCCUPIED-OPERATED PROPERTIES

Leasehold properties occupied by the Group are primarily Group operated Domino's branded stores, warehouse and offices. For these properties, the balance sheet will be adjusted to recognise a right of use asset and associated lease liability. The financial liability will be measured at the net present value of future payments under the lease, including optional renewal periods, where the Group assessed that the probability of exercising the renewal is reasonably certain.

33 OTHER ITEMS (CONTINUED)

The Group will initially apply the new standard using the modified retrospective approach, which requires no restatement of comparative information. On transition, the right of use asset will be measured, on a lease by lease basis, at either (a) the value of the lease liability adjusted for any prepaid or accrued lease payments; or (b) present value of committed lease payments since commencement of the lease, less cumulative straight-line depreciation and utilising 01 July 2019 discount rates for durations equivalent to the remaining lease term (this approach results in an adjustment to opening retained earnings).

In the income statement, net rental expense will be replaced by net interest expense and a straight-lined depreciation expense (currently operating leases are expensed within occupancy expenses). As the lease liability will be carried at the present value, an interest expense will arise over the duration of the lease term. This is expected to impact the Group's earnings before interest and tax ('EBIT'), which is a key measure used by the business. The principal component of lease payments will be reclassified in the statement of cash flows from operating to financing activities.

The Group will elect to use the exemptions in the standard on lease contracts for which the underlying asset is of low value and if the lease term is less than 12 months.

SUBLEASES ARRANGEMENTS

The Group has a portfolio of long-term 'back-to-back' property leases which secure competitive store locations on behalf of franchisees. Cash flows under these arrangements substantially offset each other.

For back-to-back leases, the adoption of AASB 16 will result in the recognition of a financial asset and financial liability, representing the present value of future cash flows receivable on the sublease and payable on the head lease respectively. Both categories of financial instruments are expected to generate interest (income and expense, respectively), resulting from the unwinding of the discount over the lease term. The impact of interest income and expense, which will be presented on a gross basis (compared to a net basis for the year ended 30 June 2019), is expected to materially offset within the income statement.

The recoverability of the financial asset will be assessed at each reporting date.

Estimated impact from adoption of the standard

The Group has substantially completed its assessment of the impact of the adoption of the new standard; however certain technical and judgemental aspects remain open, including the refinement and application of lease terms for leases with renewal options. The estimated impact on the Group on the consolidated statement of financial performance as at 01 July 2019 is set out below allowing for these uncertainties.

	$M
Balance Sheet - as at 01 July 2019	
Right of use assets	**311 to 340**
Net investment in lease assets	**377 to 411**
Lease liabilities	**(694) to (758)**
Deferred tax	**1 to 2**
Retained earnings	**4 to 5**

The Group will adopt AASB 16 on 01 July 2019.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHARE CAPITAL

- 85,634,040 fully paid ordinary shares are held by 10,777 individual shareholders.
- All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

OPTIONS

- 3,471,750 options are held by 124 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	28	-	-	-	-	2
10,001 - 100,000	76	-	-	-	-	1
5,001 - 10,000	89	-	-	-	-	-
1,001 - 5,000	1,053	-	-	-	-	1
1 - 1000	9,531	-	-	-	-	120
Total	**10,777**	**-**	**-**	**-**	**-**	**124**

SUBSTANTIAL SHAREHOLDERS

	FULLY PAID		PARTLY PAID	
ORDINARY SHAREHOLDERS	NUMBER HELD	PERCENTAGE	NUMBER HELD	PERCENTAGE
Somad Holdings Pty Ltd	23,050,966	26.92%	-	-%
HSBC Custody Nominees (Australia) Limited	22,111,511	25.82%	-	-%
J P Morgan Nominees Australia Pty Limited	12,859,258	15.02%	-	-%
Total	**58,021,735**	**67.76%**	**-**	**-%**

ADDITIONAL SECURITIES EXCHANGE INFORMATION

CONTINUED

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	FULLY PAID		PARTLY PAID	
ORDINARY SHAREHOLDERS	**NUMBER HELD**	**PERCENTAGE**	**NUMBER HELD**	**PERCENTAGE**
Somad Holdings Pty Ltd	23,050,966	26.92%	-	-%
HSBC Custody Nominees (Australia) Limited	22,111,511	25.82%	-	-%
J P Morgan Nominees Australia Pty Limited	12,859,258	15.02%	-	-%
Citicorp Nominees Pty Limited	5,254,629	6.14%	-	-%
National Nominees Limited	2,707,668	3.16%	-	-%
BNP Paribas Nominees Pty Ltd	2,222,700	2.60%	-	-%
BNP Paribas Noms Pty Ltd	1,961,637	2.29%	-	-%
Citicorp Nominees Pty Limited	1,284,798	1.50%	-	-%
Mr Grant Bryce Bourke	799,828	.93%	-	-%
Mr Donald Jeffrey Meij	796,537	.93%	-	-%
Mrs Esme Francesca Meij	749,280	.87%	-	-%
Mr Grant Bryce Bourke & Mrs Sandra Eileen Bourke	698,516	.82%	-	-%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	501,624	.59%	-	-%
Invia Custodian Pty Limited	486,087	.57%	-	-%
Mr Donald Jeffrey Meij	369,868	.43%	-	-%
Mr Andrew Charles Rennie	360,076	.42%	-	-%
Success Pizzas Pty Ltd	340,149	.40%	-	-%
Clyde Bank Holdings (Aust) Pty Ltd	308,296	.36%	-	-%
Woodross Nominees Pty Ltd	300,000	.35%	-	-%
Bond Street Custodians Limited	228,161	.27%	-	-%
Total	**77,391,589**	**90.39%**	**-**	**-%**

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 Limited means Domino's Pizza Enterprises Limited (ACN 010 489 326)

Earnings Per Share or **EPS** means NPAT divided by the total number of Shares on issue.

EBIT means earnings before interest expense and tax.

EBITDA means earnings before interest expense, tax, depreciation and amortisation.

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 Domino's stores that were in operation for at least 24 months prior to the date of the reporting period. Non-Domino's stores that have been acquired (e.g. Joey's, Pizza Sprint and Hallo) are included in the Same Store Sales Growth calculation upon conversion to Domino's for at least 12 months.

Share means any fully paid ordinary share in the capital of the Company.

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

CORPORATE DIRECTORY

REGISTERED OFFICE & PRINCIPAL ADMINISTRATION OFFICE

DOMINO'S PIZZA ENTERPRISES LTD

ABN: 16 010 489 326
KSD1, L1
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 21
10 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 28, Waterfront 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-EXECTUTIVE 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.

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. Her non-executive roles include Non-Executive Director of Wagner Holdings Ltd and member of Advisory Board of Jamieson Coote Bonds. Former roles included Inaugural Chair of the Aged Care Financing Authority (ACFA) and Independent Director of National Electronic Health Transition Authority (NEHTA). She holds a Bachelor of Commerce (Hons) from the University of Queensland and is a Fellow of the Australian Institute of Company Directors.

URSULA SCHREIBER

NON-EXECUTIVE DIRECTOR

Ursula Schreiber AM is an experienced executive with previous roles in large organisations with global operations, both in Australia and internationally. Throughout her career, she has developed an extensive track record in strategy, transformation and innovation, most recently in fields with significant digital disruption. Her experience extends to working and living in emerging and mature markets, including countries in which Domino's is expanding its operations. Ursula is the founder of Innovation Realized, an annual, global CEO forum on emerging technology issues; the creator of the Worldwide Women Public Sector Leaders' Network; a previous member of the World Economic Forum's Global Agenda Council on the Future of Government, and an advisor to the Women in Political Leadership Global Forum. Since returning to Australia in 2019, she has been active as a non-executive director, consultant and executive coach.

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.