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# **DOMINO'S PIZZA ENTERPRISES LIMITED**

ACN 010 489 326

Annual Financial Report  
for the financial year ended 30 June 2013

## Annual financial report for the financial year ended 30 June 2013

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## Corporate Governance Statement

### OVERVIEW

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

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

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose these functions.	Refer to page 2	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	Refer to page 14	Not applicable
1.3	Provide the information in the Guide to reporting on Principle 1.	Refer to page 2 & 14	Not applicable
<b>Principle 2 – Structure the Board to add value</b>			
2.1	A majority of the Board should be independent directors.	Refer to page 3	Not applicable
2.2	The Chair should be an independent director.	Refer to page 3	Not applicable
2.3	The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.	Refer to page 3	Not applicable
2.4	The Board should establish a nomination committee.	Refer to page 4	Not applicable
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Refer to page 9	Not applicable
2.6	Provide the information in the Guide to reporting on Principle 2.	Refer to page 3, 4 & 9	Not applicable
<b>Principle 3 – Promote ethical and responsible decision-making</b>			
3.1	Establish a code of conduct and disclose the code or summary of the code as to: <ul style="list-style-type: none"> <li>- the practices necessary to maintain confidence in the Company's integrity</li> <li>- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Refer to page 5	Not applicable
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Refer to page 6	Not applicable
3.3	Disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	Refer to page 6	Not applicable
3.4	Disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Refer to page 6	Not applicable
3.5	Provide the information in the Guide to reporting on Principle 3.	Refer to page 5 & 6	Not applicable
<b>Principle 4 – Safeguard integrity in financial reporting</b>			
4.1	The Board should establish an audit committee.	Refer to page 4	Not applicable
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists only of non-executive directors</li> <li>- consists of a majority of independent directors</li> <li>- is chaired by an independent Chair, who is not Chair of the Board</li> <li>- has at least three members.</li> </ul>	Refer to page 4 & 5	Not applicable
4.3	The audit committee should have a formal Charter.	Refer to page 4 & 5	Not applicable
4.4	Provide the information in the Guide to reporting on Principle 4.	Refer to page 4 & 5	Not applicable
<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	Establish written procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Refer to page 7	Not applicable
5.2	Provide the information in the Guide to reporting on Principle 5.	Refer to page 7	Not applicable

Principle No.	Best practice recommendation	Compliance	Reason for non-compliance
<b>Principle 6 – Respect the rights of shareholders</b>			
6.1	Design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Refer to page 8	Not applicable
6.2	Provide the information in the Guide to reporting on Principle 6.	Refer to page 8	Not applicable
<b>Principle 7 – Recognise and manage risk</b>			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Refer to page 9	Not applicable
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Refer to page 9	Not applicable
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received the declaration	Not applicable
7.4	Provide the information in the Guide to reporting on Principle 7.	Refer to page 9	Not applicable
<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	The Board should establish a remuneration committee.	Refer to page 4	Not applicable
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists of a majority of independent directors</li> <li>- is chaired by an independent Chair</li> <li>- has at least three members.</li> </ul>	Refer to page 14 & 15	Not applicable
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Refer to page 14 & 15	Not applicable
8.4	Provide the information in the Guide to reporting on Principle 8.	Refer to page 4, 14 & 15	Not applicable

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

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

## ROLE OF THE BOARD

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

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

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

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

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

#### **Letters of appointment**

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

#### **Board Meetings**

The Board held 16 formal meetings during the year. Attendance at the 2013 Board and Committee meetings is detailed on page 13 of the Annual Report.

#### **CRITERIA FOR BOARD MEMBERSHIP**

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

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

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

#### **STRUCTURE OF THE BOARD**

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

- four independent non-executive directors (including the Chairman of the Board),
- one executive director.

Chairman of the Board is Mr Ross Adler. DPE Limited's Managing Director/Chief Executive Officer is Mr Don Meij. Board members' respective qualifications, skills, experience and dates of appointment are detailed on the Corporate Directory page of the Annual Report.

The compensation paid to DPE Limited's directors for the year ended 30 June 2013 is set out in the Remuneration Report on pages 14 to 22.

#### **Independence of Directors**

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

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

#### **Independent Advice**

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

## Re-election of Directors

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

## Board Committees

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

- Nomination and Remuneration Committee, and
- Audit Committee.

Details of these committees are discussed below.

### NOMINATION AND REMUNERATION COMMITTEE

The Board has established the Nomination and Remuneration Committee, which comprises the entire Board.

The principal responsibilities of the Committee are:

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

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

Further details of the Nomination and Remuneration Committee are included in the Remuneration Report on pages 14 to 22.

Membership of and attendance at the 2013 Committee meetings are detailed in the Directors' Report on page 13.

### AUDIT COMMITTEE

DPE Limited has a Board convened Audit Committee which:

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

### Committee Charter

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

### Membership of the Committee

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

### Purpose of the Committee

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

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

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

### Duties and Responsibilities of the Committee

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

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

### Rotation of the External Audit Engagement Partners

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

### Independence of the external auditors

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

### Internal audit

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

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

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

The experience and qualifications of members of the Audit Committee are set out in Corporate Directory section of the Annual Report. Membership of and attendance at 2013 Committee meetings are detailed in the Directors' Report on page 13.

### CODE OF CONDUCT FOR DPE LIMITED DIRECTORS

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

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

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

## DIVERSITY POLICY

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

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

In accordance with its Diversity Policy, the Board has adopted measurable objectives for achieving gender diversity in Australia. Those measurable objectives, and the performance against those objectives for the 2013 financial year, are outlined in the following table:

Objective	Initiatives to facilitate achievement of the objective	Status of the objective <sup>(i)</sup>
Maintain a fair and balanced level of participation by women in Corporate Services <sup>(ii)</sup> .	A diversity support program has been initiated by DPE Limited.	Ongoing – as at 30 June 2013, 46% of the Corporate Services staff were women.
Maintain a balanced level of participation by women as in-store staff.	As part of the program equal employment treatment is to be given without regard to gender.	Ongoing – as at 30 June 2013, 43% of the in-store staff were women.
Increase the level of participation by women in management at regional and store level.	Under the diversity support program, equal treatment is to be given in training and promotion.	Ongoing – as at 30 June 2013, the following proportions of women are in management: <ul style="list-style-type: none"> <li>• State Managers – 20%;</li> <li>• Regional Managers – 18%; and</li> <li>• Store Managers – 30%</li> </ul>
Achieve a high parental leave return rate.	The Company has implemented a parental leave policy for full and part-time employees in Corporate Services	Ongoing – as at 30 June 2013, the Company achieved a 100% parental leave return rate.

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

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

The following table shows the proportional representation of men and women at various levels within the Company's Australian workforce in 2013:

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

## WORKPLACE GENDER EQUALITY

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

The Company has submitted its 2013 report to the Workplace Gender Equality Agency. A copy of this report can be found in the Investors section of the Company's website [www.dominos.com.au/corporate/investors/workplace-gender-equality](http://www.dominos.com.au/corporate/investors/workplace-gender-equality).

## SECURITIES TRADING POLICY

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

The key aspects of the policy are:

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

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

## CONTINUOUS DISCLOSURE POLICY

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

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

### Accountabilities and responsibilities

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

### Disclosure principle

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

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

### External communications

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

### Release of briefing materials/media releases

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

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

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

## COMMUNICATIONS POLICY

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

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

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

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

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

### Attendance of the external auditor at the DPE Limited AGM

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

## RISK MANAGEMENT POLICY

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

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

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

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

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

## BOARD AND BOARD COMMITTEE AND SENIOR EXECUTIVE PERFORMANCE EVALUATION

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

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

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

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

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

## Board Agendas and Minutes

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

## ASX Corporate Governance Recommendations

At the date of this report the Company considers that the above Corporate Governance practices comply with the ASX Principles. The information required to be disclosed by those recommendations is found both in this Corporate Governance Statement and in the Directors' Report on pages 10 to 22.

## Directors' Report

The directors of Domino's Pizza Enterprises Limited ("DPE Limited" or the "Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

### Information about the directors and senior management

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

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

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

### Directorships of other listed companies

There were no directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year.

### Directors' shareholdings

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

Directors	Domino's Pizza Enterprises Limited		
	Fully paid ordinary shares Number	Share options Number	Convertible notes Number
Ross Adler	202,221	-	-
Barry Alty	104,443	-	-
Grant Bourke	1,547,032	-	-
Paul Cave	382,000	-	-
Don Meij	2,787,556	900,000	-

### 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 14 to 22.

### Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 854,167 share options were granted to the following directors and senior management of the Company as part of their remuneration.

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

### Company Secretary

Craig Ryan  
General Counsel

Craig is a solicitor of the Supreme Court of Queensland, Australian Capital Territory and New South Wales and a Solicitor of the High Court of Australia with over 15 years' experience. Craig joined the Company as General Counsel on 8 August 2006 and was appointed to the position of Company Secretary on 18 September 2006. Craig holds a Bachelor of Arts and a Bachelor of Laws from the University of Queensland and a Master of Laws from the University of New South Wales. Craig is also a Chartered Secretary with Chartered Secretaries Australia.

## Principal activities

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

## Review of operations

The result for the financial year ended 30 June 2013 was as follows:

	2013 \$'000	2012 \$'000
Profit before related income tax expense	40,765	37,644
Income tax expense	(12,108)	(10,708)
<b>Profit after related income tax expense</b>	<b>28,657</b>	<b>26,936</b>

The following are the key operational highlights for the year.

### Australia and New Zealand:

- ANZ EBITDA is up 14.1% for the year. Excluding the significant items of the Domino's Japan and Nick Knight acquisitions, underlying EBITDA is up 17.5%.
- Same Store Sales (SSS) were much stronger in H2 13 (2<sup>nd</sup> half of FY12/13) than the first half, finishing the year +1.4%, rolling +6.6% in FY11/12.
- The improvement in SSS was heavily influenced by the launch of the Chef's Best range in March 2013. This new range offers customers a product with restaurant quality toppings, premium taste and priced from as low as \$8. Almost 1 in 5 orders contains at least one Chef's Best pizza to date.
- We have added 27 new stores to the network this year.
- We have successfully rolled out our new online ordering platforms using HTML5 technology, greatly enhancing the customer experience and our ability to interact with customers.
- We expect the move to HTML5 along with a more aggressive online marketing campaign to deliver substantial growth to our network sales in FY13/14.

### Europe

- DMP Europe EBITDA was down 0.7% on FY11/12. Excluding the significant items of additional legal costs relating to ongoing litigation (Speed Rabbit Pizza France) and European management restructuring costs, underlying EBITDA is up 7.3%. In an attempt to grow the European business at an accelerated rate, we have opened a significant number of new corporate stores in the past two years. Whilst we have achieved good top line sales, fast growth has resulted in weaker food and labour management, thus impacting profit margins.
- Record organic store growth of 40 new stores (18 France, 20 The Netherlands and 2 Belgium) has enabled total network sales to grow by 12.8%.
- SSS growth in Europe was +3.1%, rolling +6.3% in FY11/12.
- We successfully launched a new iPhone app and mobile website in France in March 2013.
- The rollout of the global POS system (Pulse) in The Netherlands is progressing, with all stores expected to be converted by the end of October 2013.
- With the implementation of Pulse, we expect to roll out the majority of the ANZ digital platforms to The Netherlands by December 2013, in the process delivering a strong lift in sales.
- Legal claims with Speed Rabbit Pizza France are ongoing. DPE maintains the view that these claims are tactical and unsubstantiated.

The points above have not been audited.

## Changes in state of affairs

There were no significant changes in the state of affairs of the Consolidated entity that occurred during the financial year.

## Subsequent events

On 13 August 2013, the Group announced that Aurora Australia Co., Ltd, a newly-formed and wholly-owned subsidiary of Domino's Pizza Enterprises Limited, had entered into a share purchase agreement with Bain Capital Domino Hong Kong Limited (Bain) to purchase 100% of the ordinary shares in K.K. DPJ Holdings 1 (Holdings). Holdings is the parent company of Domino's Pizza Japan, Inc. (DPJ) which holds the master franchisee rights for Domino's Pizza in Japan. Immediately following completion of the acquisition Bain will reinvest approximately ¥4 billion (A\$45 million) to subscribe for 25% of the issued shares in Aurora Australia Co., Ltd. The net effect is that the Group will acquire a 75% equity interest in DPJ for ¥12.0 billion (A\$135 million).

The acquisition will be funded by a combination of debt and equity. The debt funding will be provided under a new bilateral facility agreement with the Commonwealth Bank of Australia and an amendment to the Group's existing facility agreement with Westpac Banking Corporation. The new debt facilities will enable DPE to on-lend approximately ¥9.0 billion (A\$101 million) of debt to DPJ. The facilities will be denominated in Japanese yen and Australian dollars, have a five-year term and have foreign currency and interest rate exposures that will be managed pursuant to hedging arrangements. On 13 August 2013, the Group also announced a proposed 5 for 23 fully underwritten accelerated pro-rata renounceable rights issue to raise up to A\$156 million to fund the acquisition. The parties have entered into a Shareholders' Agreement which regulates the operation and funding of Aurora Australia Co., Ltd.

Completion is conditional on: (a) the debt providers not defaulting on their obligations to provide loans under the facility agreements, and; (b) on the underwriting agreement not being: (i) unlawfully terminated by the underwriter on or before 28 August 2013, or; (ii) otherwise terminated due to customary market fall, hostility and market failure underwriting termination events. Completion is also subject to other customary conditions precedent including compliance with the terms of the acquisition agreement, no intervening illegality, no breach of representations and warranties and no material adverse change relating to DPJ.

The acquisition is expected to complete in September 2013.

### Future developments

In Australia and New Zealand, the focus is on the sell down of corporate stores, opening new franchise stores, continuing our strong online business including aggressive online, print, point of sale and television marketing, reviewing margin pressures and putting additional resources into our training department to drive operational standards. In Europe, the focus is on having The Netherlands stores running on Pulse POS, rolling out new digital platforms from ANZ, store growth, and reviewing arrangements with suppliers to maximise efficiencies and economies in commissaries.

### Environmental regulations

The Consolidated entity, while not subject to any significant environmental regulation or mandatory emissions reporting, voluntarily measures its carbon emissions using the *National Greenhouse and Energy Reporting Act 2007*.

### Dividends

In respect of the financial year ended 1 July 2012, as detailed in the Directors' Report for the financial year, a final dividend of 14.1 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 14 September 2012.

In respect of the financial year ended 30 June 2013, an interim dividend of 15.5 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 12 March 2013.

In respect of the financial year ended 30 June 2013, the Company will be paying a final dividend of 15.4 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 13 September 2013.

### Shares under option or issued on exercise of options

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

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
DPE Limited	156,000	Ordinary	\$3.45	31 August 2013
DPE Limited	270,000	Ordinary	\$3.07	31 August 2014
DPE Limited	400,000	Ordinary	\$6.07	2 November 2017
DPE Limited	500,000	Ordinary	\$9.21	2 November 2017
DPE Limited	386,667	Ordinary	\$6.07	10 August 2015 <sup>(i)</sup>
DPE Limited	416,667	Ordinary	\$9.21	10 August 2016 <sup>(ii)</sup>

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

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

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
DPE Limited	293,000	Ordinary	\$3.50	\$nil

## Indemnification of officers and auditors

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

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

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

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

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contract as such disclosure is prohibited under the terms of the contract.

## Directors' meetings

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

Directors	Board of directors		Nomination & remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
Ross Adler	16	16	5	5	6	6
Barry Alty	16	14	5	4	6	6
Grant Bourke	16	15	5	4	6	6
Paul Cave	16	16	5	5	6	6
Don Meij	16	16	5	5	6	6

## 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 41 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 41 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 23 of the Annual Report.

## Rounding off of amounts

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Domino's Pizza Enterprises Limited's directors and its senior management for the financial year ended 30 June 2013.

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

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

### Director and senior management details

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

<u>Name</u>	<u>Position</u>
Ross Adler	Non-Executive Chairman
Barry Alty	Non-Executive Director
Grant Bourke	Non-Executive Director
Paul Cave	Non-Executive Director
Don Meij	Managing Director/Chief Executive Officer

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

- Richard Coney, Group Chief Financial Officer
- John Harney, Group Chief Procurement Officer
- Craig Ryan, General Counsel and Company Secretary
- Allan Collins, Chief Marketing Officer
- Andrew Megson, Chief Executive Officer Europe (i) (iii)
- Melanie Gigon, President – France
- Andre ten Wolde, President – Netherlands (i)
- Andrew Rennie, Chief Operating Officer
- Patrick McMichael, Australia / New Zealand Franchise Development Manager
- Chris O'Dwyer, NSW Franchise Operations Manager (ii)

- (i) On 30 July 2012, Andrew Megson returned to Australia and took the role of National Franchise Operations Manager. At the same time, Andre ten Wolde became the President – the Netherlands.
- (ii) On 30 July 2012 Chris O'Dwyer took the role of NSW Franchise Operations Manager and was no longer the National Franchise Operations Manager and therefore ceased to be a KMP.
- (iii) On 1 June 2013 Andrew Megson took the newly created role of CEO Europe.

### Remuneration Policy

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

The Remuneration Committee, as delegated by the Board:

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

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

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

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

Egan & Associates, an independent remuneration consultant is engaged by the Remuneration Committee to ensure that the reward practices and levels for senior management are consistent with market practice. A statement of recommendation from the remuneration consultant has been received by the board for the 2013 financial year. Payment of \$25,410 (2012: \$62,003) has been made to the remuneration consultant for the services provided on the remuneration recommendation. Additional services provided in the current year were in relation to the issuing of options under the Domino's Pizza Executive Share and Option Plan ("ESOP"). No other advice has been provided by the remuneration consultant for the financial year.

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

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

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

#### **Relationship between the Remuneration Policy and Company performance**

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

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

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives. The mix of these components is based on the role the individual performs.

In addition to their salaries, the Consolidated entity also provides non-cash benefits to its key management personnel, and contributes to a post-employment superannuation plan on their behalf.

#### *Fixed compensation*

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

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

#### *Performance-linked compensation*

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

*Short-term incentive bonus*

Each year the Nomination and Remuneration Committee sets the key performance indicators ("KPI's") for the Managing Director/Chief Executive Officer and the Managing Director/Chief Executive Officer sets the KPI's for the other key management personnel. The KPI's generally include measures relating to the Consolidated entity, the relevant segment, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the Consolidated entity and to its strategy and performance. The Company undertakes a rigorous and detailed annual forecasting and budget process. The Board believes achievement of the annual forecast and budget is therefore the most relevant short-term performance condition.

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

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

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

*Long-term incentive*

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

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

The tables below set out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2013:

	30 June 2013 \$'000	1 July 2012 \$'000	3 July 2011 \$'000	4 July 2010 \$'000	28 June 2009 \$'000
Revenue	294,890	264,887	246,659	236,074	239,015
Net profit before tax	40,765	37,644	29,668	23,722	20,263
Net profit after tax	28,657	26,936	21,435	17,814	15,353

	30 June 2013	1 July 2012	3 July 2011	4 July 2010	28 June 2009
Share price at start of year	10.05	6.22	5.45	3.20	3.65
Share price at end of year	11.17	10.05	6.22	5.45	3.20
Interim dividend per share <sup>1</sup>	15.5 cents	13.0 cents	10.4 cents	6.0 cents	4.4 cents
Final dividend per share <sup>1</sup>	15.4 cents	14.1 cents	11.5 cents	11.8 cents	8.0 cents
Basic earnings per share	40.9 cents	38.9 cents	31.3 cents	26.2 cents	22.6 cents
Diluted earnings per share	40.5 cents	38.4 cents	30.9 cents	25.9 cents	22.5 cents

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

Remuneration of directors and senior management

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

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

(ii) Relates to long term employee entitlements expense.

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

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

2012 <sup>(i)</sup>	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits <sup>(ii)</sup>	Termination benefits	Share-based payment	Total	Percentage of compensation for the year consisting of options
	Salary & fees	Bonus	Non-monetary	Super-annuation			Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>									
Ross Adler	160,000	-	3,007	14,376	-	-	-	177,383	-
Barry Alty	92,000	-	3,007	8,280	-	-	-	103,287	-
Grant Bourke	80,000	-	3,007	7,200	-	-	-	90,207	-
Paul Cave	80,000	-	3,007	7,200	-	-	-	90,207	-
<b>Executive director</b>									
Don Meij	584,662	468,750	3,007	15,860	22,907	-	147,390	1,242,576	11.86%
<b>Executive officers</b>									
Richard Coney	260,915	124,384	41,497	15,794	5,245	-	23,894	471,729	5.07%
Andrew Megson	283,023	41,515	65,540	-	-	-	5,692	395,770	1.44%
Andrew Rennie	333,768	136,500	3,007	15,797	45,031	-	63,322	597,425	10.60%
Melanie Gigon	184,193	64,764	3,172	-	-	-	2,070	254,199	0.81%
Craig Ryan	184,370	50,965	3,007	15,790	-	-	9,610	263,742	3.64%
Allan Collins	352,184	72,000	3,007	15,353	-	-	21,137	463,681	4.56%
John Harney	181,412	80,000	3,007	15,795	-	-	9,610	289,824	3.32%
Chris O'Dwyer	199,703	21,000	3,007	15,790	-	-	10,066	249,566	4.03%
Patrick McMichael	165,911	267,500	3,007	15,949	-	-	-	452,367	-
	<b>3,142,141</b>	<b>1,327,378</b>	<b>143,286</b>	<b>163,184</b>	<b>73,183</b>	<b>-</b>	<b>292,791</b>	<b>5,141,963</b>	<b>5.69%</b>

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

(ii) Relates to long term employee entitlements expense.

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

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

#### Bonuses

Don Meij, Richard Coney, Andrew Rennie, Craig Ryan, Allan Collins and John Harney were granted on 12 August 2013 a cash bonus for their performance during the year ended 30 June 2013. Patrick McMichael and Andre ten Wolde received a bonus during the year on achieving their performance criteria. The amounts were determined and approved by the Managing Director/Chief Executive Officer and the Nomination and Remuneration Committee.

No other bonuses were granted during 2013.

#### Short-term incentive bonus

	Included in compensation \$ <sup>(i)</sup>	Percentage vested in year %	Percentage forfeited in year % <sup>(ii)</sup>
<b>Directors</b>			
Don Meij	32,500	5	95
<b>Key management personnel</b>			
Richard Coney	33,333	22	78
Andrew Megson	-	-	100
Andrew Rennie	22,750	13	87
Andre ten Wolde	15,096	20	80
Melanie Gigon	-	-	100
Craig Ryan	24,500	35	65
Allan Collins	9,315	10	90
John Harney	57,000	60	40
Patrick McMichael	265,250	100	-

- (i) Amounts included in compensation for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the current financial year.
- (ii) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

#### Long term bonuses

There were no long term cash bonuses granted for the financial year ended 30 June 2013.

#### 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 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.

At any one time, the total number of options on issue under the ESOP that have neither been exercised nor lapsed will not exceed 5.0% of the total number of shares in the capital of the Company on issue prior to 30 April 2009.

Effective 30 April 2009, the Company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other Group employee incentive scheme would exceed 7.5% of the total number of shares on issue on a Fully Diluted Basis at the time of the proposed issue or grant.

Fully Diluted Basis means the number of shares which would be on issue if all those securities of the Company which are capable of being converted into shares, were converted into shares. If the number of shares into which the securities are capable of being converted cannot be calculated at the relevant time, those shares will be disregarded.

During the prior and current financial year, the following share-based payment arrangements were in existence:

Options series	Grant date	Expiry date	Grant date fair value	Exercise price <sup>(iii)</sup>	Vesting date
(6) Issued 8 December 2006**	8 December 2006	31 August 2013	\$0.86	\$3.45	31 August 2011
(8) Issued 22 August 2007*	22 August 2007	31 August 2013	\$0.37 (i)	\$3.45	31 August 2011
(9) Issued 10 September 2007*	10 September 2007	31 August 2013	\$0.43 (ii)	\$3.45	31 August 2011
(10) Issued 3 December 2008**	3 December 2008	31 August 2014	\$0.42	\$3.07	31 August 2011
(11) Issued 30 April 2009*	30 April 2009	31 August 2014	\$0.44	\$3.07	31 August 2011
(12) Issued 2 November 2011	2 November 2011	2 November 2017	\$1.39	\$6.07	2 November 2014
(13) Issued 2 November 2011***	2 November 2011	10 August 2015	\$1.43	\$6.07	10 August 2014
(14) Issued 7 November 2012	7 November 2012	2 November 2017	\$1.17	\$9.21	7 November 2015
(15) Issued 7 November 2012****	7 November 2012	10 August 2016	\$1.16	\$9.21	10 August 2015

\* It is a condition of exercise that the optionholder be an employee of the Company at 31 August 2011.

\*\* It is a condition of exercise that the optionholder be a director of the Company as at 31 August 2011.

\*\*\* Expiry date 12 months after vesting date (on or about 10 August 2014).

\*\*\*\* Expiry date 12 months after vesting date (on or about 10 August 2015).

(i) 1 tranche consisting of 158,000 options were nominal at grant date.

(ii) 1 tranche consisting of 40,000 options were nominal at grant date.

(iii) The exercise price reduced due to the Capital Returns on the 21 December 2012 by \$0.214 and 21 June 2013 by \$0.214.

Options series	Performance conditions
(6) Issued 8 December 2006	Net profit before tax in Europe to exceed budget
(8) Issued 22 August 2007	Net profit before tax to exceed budget
(9) Issued 10 September 2007	Net profit before tax to exceed budget
(10) Issued 3 December 2008	Proportion of options based on EPS growth performance
(11) Issued 30 April 2009	Proportion of options based on EPS growth performance
(12) Issued 2 November 2011	Proportion of options based on EPS growth performance
(13) Issued 2 November 2011	Proportion of options based on EPS growth performance
(14) Issued 7 November 2012	Proportion of options based on EPS growth performance
(15) Issued 7 November 2012	Proportion of options based on EPS growth performance

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

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

Name	No. of options exercised	No. of ordinary shares of DPE Limited issued	Amount paid	Amount unpaid
Richard Coney	65,000	65,000	\$227,500	\$nil
Craig Ryan	40,000	40,000	\$140,000	\$nil
Andre ten Wolde	100,000	100,000	\$350,000	\$nil

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

Name	Value of options granted at the grant date <sup>(i)</sup> \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse <sup>(ii)</sup> \$
Don Meij	583,800	-	-
Richard Coney	92,680	630,500	-
Andrew Rennie	193,084	-	-
Allan Collins	66,614	-	-
John Harney	28,963	-	-
Craig Ryan	28,963	388,000	-
Andre ten Wolde	-	921,000	-

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

### Contracts for services of key management personnel

#### Executive service contracts

Name	Term of contract	Contract commencement	Notice termination – by Company	Notice termination – by executive	Termination Payment
Richard Coney	Ongoing	16 May 2005	6 months	6 months	Amount equal to 6 months compensation
Craig Ryan	Ongoing	8 August 2012	3 months	3 months	Amount equal to 3 months compensation
Allan Collins	Ongoing	8 January 2013	3 months	3 months	Amount equal to 3 months compensation
Andrew Megson	Ongoing	30 July 2012	3 months	3 months	Amount equal to 6 months compensation
Don Meij	5 yrs	2 November 2011	12 months	12 months	Amount equal to 12 months compensation
Andrew Rennie	3 yrs	16 August 2010	6 months	6 months	Amount equal to 6 months compensation
John Harney	Ongoing	2 July 2010	3 months	3 months	Amount equal to 3 months compensation
Chris O'Dwyer	Ongoing	22 September 2011	3 months	3 months	Amount equal to 3 months compensation
Patrick McMichael	Ongoing	23 December 2011	3 months	3 months	Amount equal to 3 months compensation
Melanie Gigon	3 yrs	2 August 2010	6 months	6 months	Amount equal to 6 months compensation
Andre ten Wolde	Ongoing	30 July 2012	3 months	3 months	Amount equal to 3 months compensation

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

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

Don Meij, Managing Director/Chief Executive Officer, has a contract of employment with Domino's Pizza Enterprises Limited dated 2 November 2011. The contract specifies the duties and obligations to be fulfilled by the Managing Director/Chief Executive Officer and provides that the Board and Managing Director/Chief Executive Officer will, early in each financial year, consult and agree objectives for achievement during that year.

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

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

#### Non-executive directors

The Constitution of the Company provides that non-executive directors are entitled to receive compensation for their services as determined by the Company in a general meeting. The Company has resolved that the maximum aggregate amount of directors' fees (which does not include compensation of executive directors and other non-director services provided by directors) is \$600,000 per annum. The non-executive directors may divide that compensation among themselves as they decide. Non-executive directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A non-executive director may also be compensated as determined by the directors if that director performs additional or special duties for the Company. A former director may also receive a retirement benefit of an amount determined by the Board of Directors in recognition of past services, subject to the ASX Listing Rules and the Corporations Act 2001.

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

Fees for the current financial year for the non-executive directors were \$80,000 per director per annum (2012: \$80,000), \$92,000 per annum for the Chairman of the Audit Committee (2012: \$92,000) and for the Chairman of the Board was \$160,000 per annum (2012: 160,000).

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

On behalf of the Directors



Ross Adler  
Chairman  
Sydney, 13 August 2013



Don Meij  
Managing Director/Chief Executive Officer  
Sydney, 13 August 2013

**Auditor's independence declaration  
Domino's Pizza Enterprises Limited**

13 August 2013

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

The Directors  
Domino's Pizza Enterprises Limited  
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485 Kingsford Smith Drive  
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Dear Directors,

**Domino's Pizza Enterprises Limited**

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

As lead audit partner for the audit of the financial statements of Domino's Pizza Enterprises Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



P G Forrester  
Partner  
Chartered Accountants

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

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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**Report on the Financial Report**

We have audited the accompanying financial report of Domino's Pizza Enterprises Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 97.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

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

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Domino's Pizza Enterprises Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of Domino's Pizza Enterprises Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 14 to 22 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Domino's Pizza Enterprises Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



P G Forrester  
Partner  
Chartered Accountants  
Parramatta, 13 August 2013

**Directors' declaration**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors



Don Meij  
Managing Director/Chief Executive Officer  
Sydney, 13 August 2013

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**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
Revenue	5	188,631	168,466
Other revenue	7	106,259	96,421
Other gains and losses	8	3,564	3,161
Food and paper expenses		(85,150)	(78,679)
Employee benefits expense	11	(76,260)	(65,264)
Plant and equipment costs		(9,331)	(8,588)
Depreciation and amortisation expense	11	(12,792)	(10,029)
Occupancy expenses		(9,103)	(7,837)
Finance costs	9	(405)	(451)
Marketing expenses		(11,430)	(11,477)
Store related expenses		(7,182)	(5,887)
Communication expenses		(6,351)	(6,669)
Other expenses		(39,685)	(35,523)
<b>Profit before tax</b>		<b>40,765</b>	<b>37,644</b>
Income tax expense	10	(12,108)	(10,708)
<b>Profit for the year from continuing operations</b>	11	<b>28,657</b>	<b>26,936</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		5,990	(3,778)
Gain/(loss) on cash flow hedges taken to equity		-	137
Gain/(loss) on net investment hedge taken to equity		(1,351)	223
Income tax relating to components of other comprehensive income		1,389	(108)
<b>Other comprehensive income for the period (net of tax)</b>		<b>6,028</b>	<b>(3,526)</b>
<b>Total comprehensive income for the year</b>		<b>34,685</b>	<b>23,410</b>
<b>Earnings per share:</b>			
From continuing operations			
Basic (cents per share)	12	40.9 cents	38.9 cents
Diluted (cents per share)	12	40.5 cents	38.4 cents

Notes to the financial statements are included on pages 32 to 97.

Consolidated statement of financial position  
as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	37	18,691	40,340
Trade and other receivables	13	26,412	21,018
Other financial assets	14	1,286	2,449
Inventories	15	6,685	5,706
Current tax assets	10	191	-
Other	21	6,315	3,781
		<b>59,580</b>	<b>73,294</b>
Assets classified as held for sale	16	803	704
<b>Total current assets</b>		<b>60,383</b>	<b>73,998</b>
<b>Non-current assets</b>			
Other financial assets	14	4,415	5,698
Property, plant & equipment	18	49,693	35,031
Deferred tax assets	10	40	829
Goodwill	19	57,113	46,927
Other intangible assets	20	17,427	12,809
Other	21	680	27
		<b>129,368</b>	<b>101,321</b>
<b>Total non-current assets</b>		<b>129,368</b>	<b>101,321</b>
<b>Total assets</b>		<b>189,751</b>	<b>175,319</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	38,055	34,172
Borrowings	23	7,082	11,534
Other financial liabilities	24	508	-
Current tax liabilities	10	2,550	3,544
Provisions	25	3,109	2,360
		<b>51,304</b>	<b>51,610</b>
<b>Total current liabilities</b>		<b>51,304</b>	<b>51,610</b>
<b>Non-current liabilities</b>			
Borrowings	23	32,589	2,509
Other financial liabilities	24	303	252
Provisions	25	441	574
Deferred tax liabilities	10	2,395	3,098
Other	26	137	235
		<b>35,865</b>	<b>6,668</b>
<b>Total non-current liabilities</b>		<b>35,865</b>	<b>6,668</b>
<b>Total liabilities</b>		<b>87,169</b>	<b>58,278</b>
<b>Net assets</b>		<b>102,582</b>	<b>117,041</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued capital	28	40,855	69,872
Reserves	29	(1,985)	(8,648)
Retained earnings	30	63,712	55,817
		<b>102,582</b>	<b>117,041</b>
<b>Total equity</b>		<b>102,582</b>	<b>117,041</b>

Notes to the financial statements are included on pages 32 to 97.

Consolidated statement of changes in equity  
for the year ended 30 June 2013

	Issued capital \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 4 July 2011	64,523	2,044	(9,064)	1,578	45,835	104,916
Profit for the period	-	-	-	-	26,936	26,936
Other comprehensive income	-	252	(3,778)	-	-	(3,526)
Total comprehensive income for the period	-	252	(3,778)	-	26,936	23,410
Shares issued	5,349	-	-	-	-	5,349
Recognition of share based payments	-	-	-	320	-	320
Payment of dividends	-	-	-	-	(16,954)	(16,954)
<b>Balance at 1 July 2012</b>	<b>69,872</b>	<b>2,296</b>	<b>(12,842)</b>	<b>1,898</b>	<b>55,817</b>	<b>117,041</b>
Balance at 1 July 2012	69,872	2,296	(12,842)	1,898	55,817	117,041
Profit for the period	-	-	-	-	28,657	28,657
Other comprehensive income	-	38	5,990	-	-	6,028
Total comprehensive income for the period	-	38	5,990	-	28,657	34,685
Shares issued	1,025	-	-	-	-	1,025
Capital return	(30,042)	-	-	-	-	(30,042)
Recognition of share based payments	-	-	-	635	-	635
Payment of dividends	-	-	-	-	(20,762)	(20,762)
<b>Balance at 30 June 2013</b>	<b>40,855</b>	<b>2,334</b>	<b>(6,852)</b>	<b>2,533</b>	<b>63,712</b>	<b>102,582</b>

Notes to the financial statements are included on pages 32 to 97.

**Consolidated statement of cash flows  
for the year ended 30 June 2013**

Note	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>		
	327,142	295,099
	(282,864)	(250,792)
	1,103	1,785
	(405)	(451)
	(11,796)	(7,963)
37	<b>33,180</b>	<b>37,678</b>
<b>Cash flows from investing activities</b>		
36	(19,077)	(11,876)
	2,516	2,106
	(25,037)	(17,658)
	21,069	22,924
	(9,866)	(7,474)
	<b>(30,395)</b>	<b>(11,978)</b>
<b>Cash flows from financing activities</b>		
	43,721	-
	(20,506)	(24)
	(30,042)	-
	(20,762)	(16,954)
	1,025	5,349
	<b>(26,564)</b>	<b>(11,629)</b>
	<b>(23,779)</b>	<b>14,071</b>
<b>Cash and cash equivalents at the beginning of the year</b>		
	<b>40,340</b>	<b>28,085</b>
	2,130	(1,816)
37	<b>18,691</b>	<b>40,340</b>

Notes to the financial statements are included on pages 32 to 97.

## Notes to the Financial Statements

### 1. General information

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

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

Registered office	Principal place of business
KSD1, L5 485 Kingsford Smith Drive Hamilton Brisbane Queensland 4007	KSD1, L5 485 Kingsford Smith Drive Hamilton Brisbane Queensland 4007
Tel: +61 (0)7 3633 3333	Tel: +61 (0)7 3633 3333

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

### 2. Adoption of new and revised Accounting Standards

#### 2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

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

#### Standards affecting presentation and disclosure

Amendments to AASB 101  
'Presentation of Financial  
Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to AASB 101  
'Presentation of Financial  
Statements'

The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

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

### Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### 2.2 Standards and Interpretations in issue not yet adopted

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

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014

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

**2.3 Standards and Interpretations in issue not yet adopted (cont'd)**

AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

1 January 2013

30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
None at time of publication.	None at time of publication.	None at time of publication.

**3. Significant accounting policies**

**3.1 Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Consolidated entity for the 52-week period ended 30 June 2013. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

The financial statements were authorised for issue by the directors on 13 August 2013.

**3.2 Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**3.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Consolidated entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### 3. Significant accounting policies (cont'd)

#### 3.4 Business combinations

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Consolidated entity of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

#### 3.5 Investments in associates

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

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

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

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

### 3. Significant accounting policies (cont'd)

#### 3.6 Foreign currencies

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

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

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### 3.7 Goods and services tax

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

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

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

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

### 3. Significant accounting policies (cont'd)

#### 3.8 Revenue recognition

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

##### 3.8.1 Sale of goods

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

##### 3.8.2 Franchise income

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

##### 3.8.3 Rendering of services

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

##### 3.8.4 Royalties

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

##### 3.8.5 Dividend and interest revenue

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

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

#### 3.9 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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

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

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

#### 3.10 Taxation

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

##### 3.10.1 Current tax

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

### 3. Significant accounting policies (cont'd)

#### 3.10.2 Deferred tax

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

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

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

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

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

#### 3.10.3 Current and deferred tax for the period

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

#### 3.10.4 Tax consolidation

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

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

### 3.11 Cash and cash equivalents

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

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

### 3.12 Financial assets

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

### 3. Significant accounting policies (cont'd)

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

#### 3.12.1 Effective interest method

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

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

#### 3.12.2 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 32.

#### 3.12.3 Held-to-maturity investments

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

#### 3.12.4 Available-for-sale financial assets

Financial assets held by the Consolidated entity are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 32. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

### 3. Significant accounting policies (cont'd)

#### 3.12.5 Loans and receivables

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

#### 3.12.6 Impairment of financial assets

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

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

For financial assets carried at amortised cost, the amount of the impairment recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

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

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

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

#### 3.12.7 Derecognition of financial assets

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

### 3.13 Inventories

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

### 3.14 Non-current assets held for sale

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

### 3. Significant accounting policies (cont'd)

When the Consolidated entity is committed to a sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated entity will retain a non-controlling interest in its former subsidiary after the sale.

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

#### 3.15 Property, plant and equipment

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

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

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

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

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

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

#### 3.16 Borrowing costs

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

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

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

#### 3.17 Leasing

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

##### 3.17.1 Consolidated entity as lessee

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

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

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

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

### 3. Significant accounting policies (cont'd)

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

#### 3.18 Goodwill

At cost less accumulated impairment losses, if any:

Goodwill arising in a business combination is recognised as an asset at the date that the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consolidation transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities incurred.

If, after reassessment, the Consolidated entity's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Review of potential impairment:

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

#### 3.19 Intangible assets

##### 3.19.1 Intangible assets acquired separately

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

##### 3.19.2 Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

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

### 3. Significant accounting policies (cont'd)

#### 3.19.3 Intangible assets acquired in a business combination

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

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

#### 3.20 Impairment of tangible and intangible assets excluding goodwill

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.15 above).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.15 above).

#### 3.21 Employee benefits

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

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

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

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

#### 3.22 Provisions

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

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

### 3. Significant accounting policies (cont'd)

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

#### 3.22.1 Onerous contracts

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

#### 3.22.2 Make good obligations

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

#### 3.22.3 Contingent liabilities acquired in a business combination

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

### 3.23 Financial liability and Equity Instruments

#### 3.23.1 Classification as debt and equity

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

#### 3.23.2 Equity instruments

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

#### 3.23.3 Financial guarantee contract liabilities

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

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

#### 3.23.4 Financial liabilities

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

#### 3.23.5 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

### 3. Significant accounting policies (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 32.

#### 3.23.6 Other financial liabilities

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

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

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

#### 3.23.7 Derecognition of financial liabilities

The Consolidated entity derecognises financial liabilities when, and only when, the Consolidated entity's obligations are discharged, cancelled or they expire.

### 3.24 Derivative financial instruments

The Consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 32.

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

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

#### 3.24.1 Hedge accounting

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

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

Note 32 sets out details of the fair values of the derivative instruments used for hedging purposes.

#### 3.24.2 Fair value hedge

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

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

### 3. Significant accounting policies (cont'd)

#### 3.24.3 Cash flow hedge

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

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

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

#### 3.24.4 Hedges in net investments in foreign operations

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

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

### 4. Critical accounting judgements and key sources of estimation uncertainty

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

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

#### 4.1 **Critical judgements in applying the entity's accounting policies**

There are no critical judgements, apart from those involving estimations (Refer note 4.2), that directors have made in the process of applying the Consolidated entity's accounting.

#### 4. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

##### 4.2 Key sources of estimation uncertainty

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

###### 4.2.1 Impairment of goodwill

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

The carrying amount of goodwill at the end of the reporting period was \$57,113 thousand (2012: \$46,927 thousand) as per note 19.

###### 4.2.2 Fair value of derivatives and other financial instruments

As described in note 32, 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 32.

###### 4.2.3 Employee benefits

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

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

Refer to note 25 for further details on the key management judgements used in the calculation of long service leave.

###### 4.2.4 Useful lives of other intangibles

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

###### 4.2.5 Impairment of loans and receivables

As described in note 3.12.6, management assesses impairment based on objective evidence including the Consolidated entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

## 5. Revenue

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

	2013 \$'000	2012 \$'000
Revenue from the sale of goods	182,000	162,337
Revenue from rendering of services	6,631	6,129
	<b>188,631</b>	<b>168,466</b>

## 6. Segment information

### 6.1 Products and services from which reportable segments derive their revenues

The Group has identified its operating segments on the basis of internal reports about components of the Consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Consolidated entity's Chief Executive Officer for the purpose of resource allocation and assessment of performance is specifically focused on the geographical location the Consolidated entity operates in. The Consolidated entity's reportable segments under AASB 8 are therefore as follows:

- Australia / New Zealand
- Europe

### 6.2 Segment revenues and results

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

	Year ended 30 June 2013			Year ended 1 July 2012		
	Australia / New Zealand \$'000	Europe \$'000	Consolidated \$'000	Australia / New Zealand \$'000	Europe \$'000	Consolidated \$'000
<b>Continuing operations</b>						
Revenue	174,235	120,655	294,890	168,524	96,363	264,887
EBITDA	47,722	6,240	53,962	41,841	6,283	48,124
Depreciation and amortisation	(7,942)	(4,850)	(12,792)	(6,766)	(3,263)	(10,029)
<b>EBIT</b>	<b>39,780</b>	<b>1,390</b>	<b>41,170</b>	<b>35,075</b>	<b>3,020</b>	<b>38,095</b>
Interest			(405)			(451)
<b>Net profit before tax</b>			<b>40,765</b>			<b>37,644</b>

Revenue reported above represents revenue generated from external customers and franchisees. There were no inter-segment sales during the period (2012: Nil).

The accounting policies of the reportable segments are the same as the Consolidated entity's policies described in note 3. Segment net profit before tax represents the profit earned by each segment using the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

6. Segment information (cont'd)

6.3 Segment assets and liabilities

Segment assets

	2013 \$'000	2012 \$'000
Australia / New Zealand	111,170	121,956
Europe	78,581	53,363
<b>Total segment assets</b>	<b>189,751</b>	<b>175,319</b>
Unallocated assets	-	-
<b>Consolidated assets</b>	<b>189,751</b>	<b>175,319</b>

Segment liabilities

	2013 \$'000	2012 \$'000
Australia / New Zealand	(53,525)	(40,447)
Europe	(33,644)	(17,831)
<b>Total segment liabilities</b>	<b>(87,169)</b>	<b>(58,278)</b>
Unallocated liabilities	-	-
<b>Consolidated liabilities</b>	<b>(87,169)</b>	<b>(58,278)</b>

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

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

6.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Australia / New Zealand	7,942	6,766	35,933	25,089
Europe	4,850	3,263	17,421	11,919
	<b>12,792</b>	<b>10,029</b>	<b>53,354</b>	<b>37,008</b>

## 6. Segment information (cont'd)

### 6.5 Geographical information

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

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

	Non-current assets	
	2013 \$'000	2012 \$'000
Australia / New Zealand	81,259	69,231
Europe	48,109	32,090
	<b>129,368</b>	<b>101,321</b>

### 6.6 Information about major customers

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

## 7. Other revenue

	2013 \$'000	2012 \$'000
Interest revenue:		
Bank deposits	495	1,085
Other loans and receivables	607	700
	1,102	1,785
Rental revenue:		
Store asset rental revenue	2,172	2,244
Royalties	46,886	45,072
Franchise services	20,803	17,793
Other revenue	35,296	29,527
	<b>106,259</b>	<b>96,421</b>

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

	2013 \$'000	2012 \$'000
Loans and receivables (including cash and bank balances)	1,102	1,785
Other income earned on non-financial assets	105,157	94,636
	<b>106,259</b>	<b>96,421</b>

8. Other gains and losses

	2013 \$'000	2012 \$'000
Net gain on disposal of property, plant & equipment, goodwill and other non-current assets	2,979	2,220
Net foreign exchange gains	585	941
	<b>3,564</b>	<b>3,161</b>

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

9. Finance costs

	2013 \$'000	2012 \$'000
Interest on commercial bill and loans	399	434
Interest on obligations under finance leases	6	5
Other interest expense	-	12
	<b>405</b>	<b>451</b>

The weighted average interest rate on funds borrowed generally is 2.6% per annum (2012: 3.0%).

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10. Income taxes

10.1 Income tax recognised in profit or loss

	2013 \$'000	2012 \$'000
Tax expense/(income) comprises:		
Current tax expense in respect of the current year	11,268	9,946
Adjustments recognised in the current year in relation to the current tax of prior years	(179)	(237)
	<b>11,089</b>	<b>9,709</b>
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,019	987
Effect of deferred tax balances in New Zealand due to the change in income tax rate from 30% to 28% (effective 4 July 2011)	-	12
Total tax expense relating to continuing operations	<b>12,108</b>	<b>10,708</b>

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

	2013 \$'000	2012 \$'000
Profit before tax from continuing operations	40,765	37,644
Income tax expense calculated at 30%	12,230	11,293
Effect of expenses that are not deductible in determining taxable profit	653	156
Other assessable/(deductible) amounts	(204)	(63)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(54)	(29)
Effect of tax concessions (research and development and other allowances)	(338)	(405)
Effect of deferred tax balances in New Zealand due to the change in income tax rate from 30% to 28% (effective 4 July 2011)	-	12
Other	-	(19)
	<b>12,287</b>	<b>10,945</b>
Adjustments recognised in the current year in relation to the current tax of prior years	(179)	(237)
Income tax expense recognised in profit or loss	<b>12,108</b>	<b>10,708</b>

The tax rate used for the 2013 and 2012 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

10. Income taxes (cont'd)

10.2 Income tax recognised in equity

Deferred tax

Arising on income and expenses in other comprehensive income:

- Loss on cashflow hedge taken to equity
- Loss on net investment hedge taken to equity

2013 \$'000	2012 \$'000
-	(41)
(1,389)	(67)
<b>(1,389)</b>	<b>(108)</b>

10.3 Current tax assets and liabilities

Current tax assets

Income tax refund receivable

Current tax liabilities

Income tax payable

2013 \$'000	2012 \$'000
191	-
191	-
(2,550)	(3,544)
<b>(2,550)</b>	<b>(3,544)</b>

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10. Income taxes (cont'd)

10.4 Deferred tax balances

2013

Temporary differences

Carry forward surplus foreign revenue losses	98	-	(98)	-	-	-
Property, plant & equipment	(557)	-	(365)	-	2	(920)
Intangible assets	(2,217)	-	(698)	-	(7)	(2,922)
Other non-current assets	(7)	-	4	-	-	(3)
Provision for employee entitlements	818	-	169	-	(2)	985
Other provisions	60	-	(11)	-	-	49
Doubtful debts	261	-	(88)	-	(1)	172
Other financial liabilities	(1,249)	-	264	1,389	-	404
Other	(305)	-	(172)	-	(17)	(494)
	(3,098)	-	(995)	1,389	(25)	(2,729)

Unused tax losses and credits

Tax losses

Opening balance	Reclassification / loss utilisation	Charged to income	Charged to equity	Exchange difference	Closing balance
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
829	-	(571)	-	116	374
<b>(2,269)</b>	<b>-</b>	<b>(1,565)</b>	<b>1,389</b>	<b>91</b>	<b>(2,355)</b>

2012

Temporary differences

Cash flow hedge	41	-	-	(41)	-	-
Carry forward surplus foreign revenue losses	195	-	(98)	-	1	98
Property, plant & equipment	(771)	-	215	-	(1)	(557)
Intangible assets	(1,052)	-	(1,163)	-	(2)	(2,217)
Other non-current assets	(9)	-	3	-	(1)	(7)
Provision for employee entitlements	715	-	103	-	-	818
Other provisions	60	-	2	-	(2)	60
Doubtful debts	(34)	128	157	-	10	261
Other financial liabilities	(918)	-	(264)	(67)	-	(1,249)
Other	(256)	(111)	58	-	4	(305)
	(2,029)	17	(987)	(108)	9	(3,098)

Unused tax losses and credits

Tax losses

Opening balance	Reclassification / loss utilisation	Charged to income	Charged to equity	Exchange difference	Closing balance
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,361	(17)	(397)	-	(118)	829
<b>(668)</b>	<b>-</b>	<b>(1,384)</b>	<b>(108)</b>	<b>(109)</b>	<b>(2,269)</b>

## 10. Income taxes (cont'd)

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

	2013 \$'000	2012 \$'000
Deferred tax assets	40	829
Deferred tax liabilities	(2,395)	(3,098)
	<b>(2,355)</b>	<b>(2,269)</b>

### 10.5 Unrecognised deferred tax assets

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

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

The Group has an unrecognised aggregate deferred tax asset of \$405,366 (2012: zero) in relation to acquisition costs incurred up until the reporting date. This has not been recognised at 30 June 2013 as the intention of the directors is to hold the subsidiary to be acquired for the foreseeable future.

### 10.6 Unrecognised taxable temporary differences associated with investments and interests

At the end of the financial year, an aggregate deferred tax liability of \$4,288,002 (2012: \$4,288,002) was not recognised in relation to investments in subsidiaries as the parent Company is able to control the timing of the reversal of the temporary differences and it is not probable that the temporary difference will reverse in the foreseeable future.

### 10.7 Tax consolidation

#### Relevance of tax consolidation to the Group

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

#### Nature of tax funding arrangements and tax sharing arrangements

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

**11. Profit for the year from continuing operations**

Profit for the year from continuing operations is attributable to:

	2013 \$'000	2012 \$'000
<b>Owners of Company</b>	<b>28,657</b>	<b>26,936</b>
Profit for the year from continuing operations has arrived at after charging (crediting):		
<b>11.1 Impairment losses on financial assets</b>		
Impairment of trade receivables	(314)	(869)
<b>11.2 Depreciation and amortisation expenses</b>		
Depreciation of property, plant and equipment	(7,868)	(6,938)
Amortisation of intangible and other assets	(4,924)	(3,091)
	<b>(12,792)</b>	<b>(10,029)</b>
<b>11.3 Employee benefits expense</b>		
Employee benefit expense:		
Post employment benefits:		
Defined contribution plans	(3,937)	(3,606)
Share-based payments (see note 33):		
Equity settled share-based payments	(635)	(320)
Other employee benefits	(71,688)	(61,338)
<b>Total employee benefits expense</b>	<b>(76,260)</b>	<b>(65,264)</b>

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## 12. Earnings per share

	2013 Cents per share	2012 Cents per share
Basic earnings per share	40.9	38.9
Diluted earnings per share	40.5	38.4

### 12.1 Basic earnings per share

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

	2013 \$'000	2012 \$'000
Profit for the year attributable to owners of the Company	28,657	26,936
Earnings used in the calculation of basic EPS from continuing operations	28,657	26,936

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share (all measures)	70,132	69,285

### 12.2 Diluted earnings per share

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

	2013 \$'000	2012 \$'000
Profit for the year attributable to owners of the Company	28,657	26,936
Earnings used in the calculation of diluted EPS from continuing operations	28,657	26,936

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

	2013 No. '000	2012 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	70,132	69,285
Shares deemed to be issued for no consideration in respect of:		
Options on issue	709	828
Weighted average number of ordinary shares used in the calculation of diluted EPS (all measures)	<b>70,841</b>	<b>70,113</b>

### 13. Trade and other receivables

	2013 \$'000	2012 \$'000
Trade receivables	27,010	22,919
Allowance for doubtful debts	(3,413)	(3,275)
	23,597	19,644
Other receivables	2,815	1,374
	<b>26,412</b>	<b>21,018</b>

#### 13.1 Trade receivables

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

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

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

Included in the Consolidated entity's trade receivables balance are debtors with a carrying amount of \$2,882 thousand (2012: \$1,716 thousand), which are past due at the reporting date for which the Consolidated entity has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Consolidated entity does not hold any collateral over these balances.

#### Ageing of receivables that are past due but not impaired

	2013 \$'000	2012 \$'000
30 - 60 days	583	557
60 - 90 days	109	181
90 days and over	2,190	978
Total	<b>2,882</b>	<b>1,716</b>

#### Movement in the allowance for doubtful debts

	2013 \$'000	2012 \$'000
Balance at the beginning of the year	3,275	4,958
Impairment losses recognised on receivables	425	1,038
Amounts written off as uncollectible	(459)	(1,323)
Amounts recovered during the year	(236)	(1,050)
Impairment losses reversed	-	-
Effect of foreign currency	408	(348)
Balance at the end of the year	<b>3,413</b>	<b>3,275</b>

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

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$3,413 thousand (2012: \$3,275 thousand) for the Consolidated entity. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected recoverable proceeds. The Consolidated entity does not hold any collateral over these balances.

13. Trade and other receivables (cont'd)

Ageing of impaired trade receivables

	2013 \$'000	2012 \$'000
0 - 30 days	42	97
30 - 60 days	1	46
60 - 90 days	16	14
90 days and over	3,354	3,118
<b>Total</b>	<b>3,413</b>	<b>3,275</b>

14. Other financial assets

	2013 \$'000	2012 \$'000
<b>Investments carried at fair value:</b>		
<u>Non-current</u>		
Other	8	8
	8	8
<b>Loans carried at amortised cost:</b>		
<u>Current</u>		
Loans to franchisees <sup>(i)</sup>	1,286	2,449
	1,286	2,449
<u>Non-current</u>		
Loans to franchisees <sup>(i)</sup>	5,014	6,407
Allowance for doubtful loans	(910)	(969)
	4,104	5,438
<b>Financial guarantee contracts:</b>		
<u>Non-current</u>		
Financial guarantee receivable	303	252
	303	252
	<b>5,701</b>	<b>8,147</b>
Current	1,286	2,449
Non-current	4,415	5,698
	<b>5,701</b>	<b>8,147</b>

- (i) Before providing any new loans to franchisees, the Consolidated entity reviews the potential franchisee's credit quality, which is determined by reviewing a business plan and the projected future cash flows for that store, to ensure the franchisee is able to meet its interest repayments on the loan. On average the interest charged is based on the Westpac Interest Loan Rate ('WILR') plus 3% (2012 3%) margin in Australia and New Zealand the average interest charged in France is 5.7% (2012 5.7%) and in The Netherlands is 7.6% (2012 7.6%).

Included in the Consolidated entity's balance are loans to franchisees with a carrying amount of \$910 thousand (2012: \$969 thousand), which are past due at reporting date of which the Consolidated entity has provided for these amounts. The Consolidated entity holds the store assets as collateral over these balances.

14. Other financial assets (cont'd)

	2013 \$'000	2012 \$'000
Franchisee Loans	6,300	8,856
Allowance for doubtful loans	(910)	(969)
	<b>5,390</b>	<b>7,887</b>

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

Included in the allowance for the loans are individually impaired loans to franchisees with a balance of \$910 thousand (2012: \$969 thousand) for the Consolidated entity. The impairment recognised represents the difference between the carrying amount of these loan balances and the present value of the expected recoverable proceeds. The Consolidated entity holds collateral of the stores assets over these balances.

Ageing of loans to franchisees

	2013 \$'000	2012 \$'000
Amounts not yet due	5,390	7,887
	<b>5,390</b>	<b>7,887</b>

Movement in allowance for doubtful loans

	2013 \$'000	2012 \$'000
Balance at the beginning of the year	969	59
Impairment losses recognised on loans	30	929
Amounts written off as uncollectible	-	-
Impairment losses reversed	(136)	-
Effect of foreign currency	47	(19)
Balance at the end of the year	<b>910</b>	<b>969</b>

15. Inventories

	2013 \$'000	2012 \$'000
Raw materials	520	558
Finished goods	6,165	5,148
	<b>6,685</b>	<b>5,706</b>

There are no inventories (2012: \$nil) expected to be recovered after more than 12 months.

## 16. Non-current assets classified as held for sale

### Asset held for sale

	2013 \$'000	2012 \$'000
Commissary Property – The Netherlands	803	704
	<b>803</b>	<b>704</b>

This land is currently listed for sale with a broker in The Netherlands and is included in the European Operating Segment.

## 17. Subsidiaries

Details of the Company's subsidiaries at 30 June 2013 are as follows:

Name of entity	Place of incorporation and operation	Portion of ownership interest and voting power held	
		2013 %	2012 %
Ashbourne Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Domino's Development Fund Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Hot Cell Pty Ltd <sup>(i)</sup>	Australia	100%	100%
MFT – DPA JV Nominee Pty Ltd	Australia	100%	100%
Reel (NT) Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Shear Pizza Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Silvio's Dial-a-Pizza Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Twenty/Twenty Pizza Pty Ltd <sup>(i)</sup>	Australia	100%	100%
Twenty/Twenty Pizza Pty Ltd & Domino's Pizza Australia Pty Ltd Partnership <sup>(i)</sup>	Australia	100%	100%
Nisco Trading Pty Ltd <sup>(i)</sup> Refer to note 36	Australia	100%	n/a
Domino's Pizza New Zealand Limited	New Zealand	100%	100%
DPH NZ Holdings Limited	New Zealand	100%	100%
DPEU Holdings S.A.S.	France	100%	100%
Domino's Pizza France S.A.S.	France	100%	100%
DPFC S.A.R.L.	France	100%	100%
HVM Pizza S.A.R.L.	France	100%	100%
Domino's Pizza Europe B.V.	The Netherlands	100%	100%
Domino's Pizza Netherlands B.V.	The Netherlands	100%	100%
DOPI Vastgoed B.V.	The Netherlands	100%	100%
Domino's Pizza Corporate Stores and Distributie B.V.	The Netherlands	100%	100%
Domino's Pizza Belgium S.P.R.L.	Belgium	100%	100%
Catering Service & Supply Pty Ltd	Australia	100%	100%
Eximus S.A.R.L.	France	100%	100%
Bacalan S.A.R.L.	France	100%	100%

<sup>(i)</sup> 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.

18. Property, plant and equipment

	2013 \$'000	2012 \$'000
Cost	72,452	59,905
Accumulated depreciation and impairment	(22,759)	(24,874)
	<b>49,693</b>	<b>35,031</b>
Plant and equipment	49,613	34,927
Equipment under finance lease	80	104
	<b>49,693</b>	<b>35,031</b>

	Plant & equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
<b>Cost</b>			
Balance at 3 July 2011	58,906	142	59,048
Additions	17,658	-	17,658
Disposals	(18,408)	-	(18,408)
Acquisitions through business combinations (note 36)	3,228	-	3,228
Reclassification	(161)	-	(161)
Net foreign currency exchange differences	(1,460)	-	(1,460)
<b>Balance at 1 July 2012</b>	<b>59,763</b>	<b>142</b>	<b>59,905</b>
Additions	25,037	-	25,037
Disposals	(21,596)	-	(21,596)
Acquisitions through business combinations (note 36)	5,224	-	5,224
Reclassification	(30)	-	(30)
Net foreign currency exchange differences	3,912	-	3,912
<b>Balance at 30 June 2013</b>	<b>72,310</b>	<b>142</b>	<b>72,452</b>
<b>Accumulated depreciation and impairment</b>			
Balance at 3 July 2011	(24,656)	(14)	(24,670)
Disposals	6,198	-	6,198
Depreciation expense	(6,914)	(24)	(6,938)
Reclassification	161	-	161
Net foreign currency exchange differences	375	-	375
Other expensed items	-	-	-
<b>Balance at 1 July 2012</b>	<b>(24,836)</b>	<b>(38)</b>	<b>(24,874)</b>
Disposals	11,034	-	11,034
Depreciation expense	(7,844)	(24)	(7,868)
Reclassification	32	-	32
Net foreign currency exchange differences	(1,083)	-	(1,083)
Other expensed items	-	-	-
<b>Balance at 30 June 2013</b>	<b>(22,697)</b>	<b>(62)</b>	<b>(22,759)</b>

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

18.1 Assets pledged as security

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

The Consolidated entity does not hold title to the equipment under finance lease pledged as security.

19. Goodwill

	2013 \$'000	2012 \$'000
Cost	57,113	46,927
Accumulated impairment losses	-	-
	<b>57,113</b>	<b>46,927</b>

	2013 \$'000	2012 \$'000
<b>Cost</b>		
Balance at beginning of financial year	46,927	47,485
Additional amounts recognised from business combinations occurring during the period (note 36)	13,853	8,648
Amounts disposed of during the period	(6,275)	(7,978)
Effects of foreign currency exchange differences	2,183	(1,352)
Reclassification	-	-
Other	425	124
<b>Balance at end of financial year</b>	<b>57,113</b>	<b>46,927</b>
<b>Accumulated impairment loss</b>		
Balance at beginning of financial year	-	-
Impairment losses for the year	-	-
Disposals	-	-
<b>Balance at end of financial year</b>	<b>-</b>	<b>-</b>

19.1 Allocation of goodwill to cash-generating units

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

- Australian Capital Territory (ACT);
- New South Wales (NSW);
- Queensland & Northern Territory (QLD & NT );
- South Australia, Western Australia and Tasmania (SA, WA & TAS);
- Victoria (VIC);
- New Zealand (NZ);
- The Netherlands & Belgium stores located in the region of Antwerp (NL); and
- France & the rest of Belgium (FR).

## 19. Goodwill (cont'd)

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

	2013 \$'000	2012 \$'000
<b>Australia &amp; New Zealand</b>		
QLD & NT	14,068	15,622
NSW	7,662	3,578
SA, WA & TAS	5,192	7,703
VIC	8,323	4,975
ACT	2,715	427
NZ	2,315	1,885
<b>Europe</b>		
FR	8,111	6,698
NL	8,727	6,039
	<b>57,113</b>	<b>46,927</b>

### Key assumptions

The key assumptions used in the value in use calculation for the various significant cash-generating units are budgeted store cash flows which are assumed to continue to increase, driven by higher sales and increased market share. These assumptions reflect prior experience and management's plan to focus on store level efficiencies and to leverage market share for higher overall profitability.

Management believes that any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the market's carrying amount to exceed its recoverable amount.

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

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

The cash flows for years one to five are based on the expected average sales percentage growth across corporate and franchise markets, which has been estimated at 4.0% per annum nationally (2012: 5.0% per annum nationally). These figures are based on management's estimate of forecast cash flow by store after considering the 2013 financial year with the 2014 budget year. Management believes that these growth percentages are reasonable considering forecast sales growth and economies of scale. A pre-tax discount rate of 14.14% has been applied to years one to five. An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base. The growth rate of 3.0% has been used in determining the terminal value.

### NZ market

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

The cash flows for years one to five are based on the expected sales revenues to be received from net franchise royalties of the NZ franchise stores, after applying a growth rate which has been estimated at 4.0% per annum (2012: 5.0% per annum). This figure is based on the growth in forecast average franchise weekly sales from the 2013 financial year to the 2014 budget year. Management believes that this growth percentage is reasonable considering the sales growth that has been seen in this market during the 2013 financial year. A pre-tax discount rate of 14.14% has been applied to years one to five. An indefinite terminal cash flow calculation has been applied for cash flows beyond year five, using the year five cash flow as a base. The growth rate of 3.0% has been used in determining the terminal value.

### European market

The goodwill amount allocated to the cash-generating units in this market relates to the acquisition of the Domino's Pizza master franchise of France, Belgium, The Netherlands and the Principality of Monaco on 3 July 2006. The recoverable amount of the market is determined based on a fair value model which uses a five-year financial plan that has been prepared, including the growth of the store network. The cash flows for years one to five are based on the expected growth across the market, which has been included at an average growth rate of 46.0% per annum. A pre-tax discount rate of 14.1% has been applied to the years one to five. The growth rate of 3.0% has been used in determining the terminal value.

20. Other intangible assets

	2013 \$'000	2012 \$'000
Cost	30,184	20,164
Accumulated amortisation and impairment losses	(12,757)	(7,355)
	<b>17,427</b>	<b>12,809</b>

  

	Capitalised development \$'000	Licences \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 3 July 2011	7,349	6,096	13,445
Additions	1,502	258	1,760
Acquisitions through business combinations (note 36)	-	-	-
Additions from internal developments	5,590	-	5,590
Disposals	-	(7)	(7)
Reclassification	(19)	-	(19)
Net foreign currency exchange differences	(135)	(470)	(605)
<b>Balance at 1 July 2012</b>	<b>14,287</b>	<b>5,877</b>	<b>20,164</b>
Additions	1,362	988	2,350
Acquisitions through business combinations (note 36)	-	-	-
Additions from internal developments	6,463	-	6,463
Disposals	(68)	(16)	(84)
Reclassification	(70)	-	(70)
Net foreign currency exchange differences	583	778	1,361
<b>Balance at 30 June 2013</b>	<b>22,557</b>	<b>7,627</b>	<b>30,184</b>
<b>Accumulated amortisation and impairment</b>			
Balance at 3 July 2011	(2,987)	(1,514)	(4,501)
Amortisation expense <sup>(i)</sup>	(1,912)	(1,166)	(3,078)
Disposals	-	2	2
Reclassification	19	-	19
Net foreign currency exchange differences	143	60	203
Other expense	-	-	-
<b>Balance at 1 July 2012</b>	<b>(4,737)</b>	<b>(2,618)</b>	<b>(7,355)</b>
Amortisation expense <sup>(i)</sup>	(4,368)	(556)	(4,924)
Disposals	9	4	13
Reclassification	24	-	24
Net foreign currency exchange differences	(324)	(191)	(515)
Other expense	-	-	-
<b>Balance at 30 June 2013</b>	<b>(9,396)</b>	<b>(3,361)</b>	<b>(12,757)</b>

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

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

21. Other assets

**Current**

Prepayments  
Work in progress – store builds  
Other

	2013 \$'000	2012 \$'000
Prepayments	4,136	2,266
Work in progress – store builds	545	167
Other	1,634	1,348
	<b>6,315</b>	<b>3,781</b>
<b>Non-current</b>		
Other	680	27
	<b>680</b>	<b>27</b>

22. Trade and other payables

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

	2013 \$'000	2012 \$'000
Trade payables <sup>(i)</sup>	17,999	18,053
Goods and services tax (GST)/Value added tax (VAT) payable	1,763	1,184
Other creditors and accruals	18,293	14,935
	<b>38,055</b>	<b>34,172</b>

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

23. Borrowings

**Secured**

Finance lease liabilities <sup>(i)</sup> (note 27)  
Euro loan <sup>(ii)</sup> <sup>(iii)</sup>  
Other Bank Loans <sup>(iv)</sup>  
Other loans

	2013 \$'000	2012 \$'000
Finance lease liabilities <sup>(i)</sup> (note 27)	83	108
Euro loan <sup>(ii)</sup> <sup>(iii)</sup>	18,041	13,717
Other Bank Loans <sup>(iv)</sup>	21,547	-
Other loans	-	218
	<b>39,671</b>	<b>14,043</b>
<b>Current</b>		
Current	7,082	11,534
Non-current	32,589	2,509
	<b>39,671</b>	<b>14,043</b>

23.1 Summary of borrowing arrangements:

- (i) Secured by the assets leased, the current market value of each exceeds the value of the finance lease liability.
- (ii) Secured over the assets and undertaking of Domino's Pizza Enterprises Limited.
- (iii) Variable rate loan with Westpac Banking Corporation with maturity periods exceeding 1 year (2012: within 1 year).
- (iv) Secured over the assets and undertaking of Domino's Pizza Enterprises Limited. Variable rate loan with Bankwest with maturity periods exceeding 1 year and fixed rate loan with ABN-AMRO with maturity periods not exceeding 1 year.

The unused facilities available on the consolidated entity's bank overdraft are \$2,000 thousand (2012: \$2,000 thousand).

24. Other financial liabilities

	2013 \$'000	2012 \$'000
<u>Non-current</u>		
Financial guarantee contracts	303	252
	303	252
<u>Current</u>		
Rent Incentive Liability	200	-
Other	308	-
	508	-
Current	508	-
Non-current	303	252
	<b>811</b>	<b>252</b>

25. Provisions

	2013 \$'000	2012 \$'000
Employee benefits <sup>(i)</sup>	3,383	2,732
Other	167	202
	<b>3,550</b>	<b>2,934</b>
Current	3,109	2,360
Non-current	441	574
	<b>3,550</b>	<b>2,934</b>

Other provisions

	Make good <sup>(ii)</sup> \$'000	Straight line leasing <sup>(iii)</sup> \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	<b>25</b>	<b>177</b>	<b>202</b>
Additional provisions recognised	-	-	-
Payments made	-	-	-
Reductions resulting from remeasurement	-	(35)	(35)
<b>Balance at 30 June 2013</b>	<b>25</b>	<b>142</b>	<b>167</b>

- (i) The current provision for employee benefits includes \$2,715 thousand of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2012: \$2,122 thousand for the Consolidated entity) and a funded defined benefit plan for qualifying employees in Europe of \$91 thousand which is based on the most recent actuarial valuation.
- (ii) The provision for the make good is in respect of restoring sites to their original condition when the premises are vacated. Management has estimated the provision based on historical data in relation to the store closure numbers and costs, as well as future trends that could differ from historical amounts.
- (iii) The provision for straight line leasing arises as fixed percentage increases in operating leases are recognised as an expense on a straight line basis, over the period of the lease.

## 26. Other liabilities

	2013 \$'000	2012 \$'000
Domino's Pizza International Inc.	136	232
Other	1	3
	<b>137</b>	<b>235</b>
Current	-	-
Non-current	137	235
	<b>137</b>	<b>235</b>

## 27. Obligations under finance leases

### 27.1 Leasing arrangements

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

### 27.2 Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
No later than 1 year	39	31	25	25
Later than 1 year and not later than 5 years	49	89	58	83
Later than 5 years	-	-	-	-
Minimum lease payments <sup>(i)</sup>	88	120	83	108
Less future finance charges	(5)	(12)	-	-
<b>Present value of minimum lease payments</b>	<b>83</b>	<b>108</b>	<b>83</b>	<b>108</b>
Included in the financial statements as: (note 23)				
Current borrowings			25	25
Non-current borrowings			58	83
			<b>83</b>	<b>108</b>

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

### 27.3 Fair value

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

## 28. Issued capital

	2013 \$'000	2012 \$'000
70,192,674 fully paid ordinary shares (2012: 69,899,674)	40,855	69,872

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.

## 28. Issued capital (cont'd)

### 28.1 Fully paid ordinary shares

Note	2013		2012	
	Number of shares '000	Share capital \$'000	Number of shares '000	Share capital \$'000
Balance at beginning of financial year	69,900	69,872	68,408	64,523
Shares issued:				
Issue of shares under executive share option plan (a)	293	1,025	1,492	5,349
Issue of shares under dividend reinvestment plan (b)	-	-	-	-
Capital Return (c)	-	(30,042)	-	-
<b>Balance at end of financial year</b>	<b>70,193</b>	<b>40,855</b>	<b>69,900</b>	<b>69,872</b>

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

### Share options on issue

Category of security	Note	Total Number	Number Quoted	Exercise Price	Expiry Date
<b>Options</b>	(a)				
Unexercised options at 1 July 2012		126,000	-	\$3.45	31 August 2013
Unexercised options at 1 July 2012		30,000	-	\$3.45	31 August 2013
Unexercised options at 1 July 2012		270,000	-	\$3.07	31 August 2014
Unexercised options at 1 July 2012		400,000	-	\$6.07	2 November 2017
Unexercised options at 1 July 2012		386,667	-	\$6.07	10 August 2015 (i)
Unexercised options at 1 July 2012		500,000	-	\$9.21	2 November 2017
Unexercised options at 1 July 2012		416,667	-	\$9.21	10 August 2016 (i)

(i) Expiry date 12 months after vesting date.

#### (a) Options

The Company approved the establishment of the ESOP to assist in the recruitment, reward and retention of its directors and executives. The Company will not apply for quotation of the options on the ASX.

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

#### Terms and conditions of the ESOP

The Company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other Group employee incentive scheme would exceed 7.5% of the total number of shares on issue on a Fully Diluted Basis at the time of the proposed issue or grant.

Fully Diluted Basis means the number of shares which would be on issue if all those securities of the Company which are capable of being converted into shares, were converted into shares. If the number of shares into which the securities are capable of being converted cannot be calculated at the relevant time, those shares will be disregarded.

During the year, 293,000 options were exercised (2012: 1,492,000). A total of \$1,025,500 was received as consideration for 293,000 fully paid ordinary shares of Domino's Pizza Enterprises Limited on exercise of the options in the current financial year (2012: \$5,348,540).

## 28. Issued capital (cont'd)

### (b) Dividend reinvestment plan

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

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

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

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

On 18 August 2009, the Board resolved to suspend the DRP until further notice. Therefore, the final dividend for the year ended 30 June 2013 will be paid in cash only.

### (c) Capital Return

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

## 29. Reserves

	2013 \$'000	2012 \$'000
Foreign currency translation	(6,852)	(12,842)
Equity-settled share-based benefits	2,533	1,898
Hedging	2,334	2,296
	<b>(1,985)</b>	<b>(8,648)</b>

### 29.1 Foreign currency translation reserve

	2013 \$'000	2012 \$'000
Balance at beginning of financial year	(12,842)	(9,064)
Translation of foreign operations	5,990	(3,778)
<b>Balance at end of financial year</b>	<b>(6,852)</b>	<b>(12,842)</b>

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

29. Reserves (cont'd)

29.2 Equity-settled share-based benefits reserve

	2013 \$'000	2012 \$'000
Balance at beginning of financial year	1,898	1,578
Share-based payment	635	320
<b>Balance at end of financial year</b>	<b>2,533</b>	<b>1,898</b>

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 33 to the financial statements.

29.3 Hedging reserve

	2013 \$'000	2012 \$'000
Balance at beginning of financial year	2,296	2,044
Gain/(loss) recognised:		
Net investment hedge	38	156
Interest rate swap	-	96
<b>Balance at end of financial year</b>	<b>2,334</b>	<b>2,296</b>

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

30. Retained earnings

	2013 \$'000	2012 \$'000
Balance at beginning of year	55,817	45,835
Net profit attributable to members of the Company	28,657	26,936
Payment of dividends (note 31)	(20,762)	(16,954)
<b>Balance at end of year</b>	<b>63,712</b>	<b>55,817</b>

### 31. Dividends

	2013		2012	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Interim dividend:	15.5	10,880	13.0	9,087
Final dividend:	14.1	9,882	11.5	7,867
	<b>29.6</b>	<b>20,762</b>	<b>24.5</b>	<b>16,954</b>
<b>Unrecognised Amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend:	15.4	10,810	14.1	9,882

On 12 August 2013, the directors declared a fully franked final dividend of 15.4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2013, to be paid to shareholders on 13 September 2013. The dividend will be paid to all shareholders on the Register of Members on 27 August 2013. The total estimated dividend to be paid is \$10,810 thousand.

	2013 \$'000	2012 \$'000
Adjusted franking account balance	5,426	5,178

### 32. Financial Instruments

#### 32.1 Capital risk management

The Consolidated entity ("Group") manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 28, 29, and 30 respectively.

The Group is not subject to any externally imposed capital requirements.

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

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group's policy is to borrow 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. As part of this review, management and the board of directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of management and the Board of Directors, the Group will balance its overall capital structure through the payment of dividends, and new share issues as well as the issue of new debt or the redemption of existing debt.

## 32. Financial instruments (cont'd)

### 32.1.1 Gearing ratio

	2013 \$'000	2012 \$'000
Debt <sup>(i)</sup>	39,671	14,043
Cash and cash equivalents	(18,691)	(40,340)
<b>Net (cash)/debt</b>	<b>20,980</b>	<b>(26,297)</b>
<b>Equity <sup>(ii)</sup></b>	<b>102,582</b>	<b>117,041</b>
Net debt to equity ratio	20%	(22%)

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

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

### 32.2 Significant accounting policies

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

### 32.3 Categories of financial assets and liabilities

	Weighted average effective interest rate %	2013 \$'000	Weighted average effective interest rate %	2012 \$'000
<b>Financial assets</b>				
Trade and other receivables	-	26,412	-	21,018
Loans receivables	7.78	5,390	9.72	7,887
Other financial assets	-	9	-	10
Cash and cash equivalents	2.79	18,691	3.90	40,340
Financial guarantee contracts	6.25	303	6.25	252
<b>Financial liabilities</b>				
Euro loan	1.69	18,041	3.00	13,717
Other financial liabilities	-	36,292	-	32,988
Finance lease liability	6.28	83	5.27	108
Other bank loans	3.36	21,547	4.31	218
Financial guarantee contracts	6.25	303	6.25	252

## 32. Financial instruments (cont'd)

### 32.4 Financial risk management objectives

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

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

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

### 32.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to note 32.6) and interest rates (refer to note 32.7). The Group enters into a variety of 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.
- Debt to manage currency risk.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from previous period.

#### Hedging activities

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

The Group designated the Euro loan as a hedge of a net investment in foreign operations from the 10 December 2012. Spot rate changes of \$1,351 thousand in respect of the fair value of the net assets of European operations was recognised in equity for the Consolidated entity and the company from the 10 December 2012 to the reporting date. For further details refer to note 3.24.

## 32. Financial instruments (cont'd)

### 32.6 Foreign currency risk management

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

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

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

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The Group designated the Euro loan as a hedge of a net investment in foreign operations from 10 December 2012. Spot rate changes of \$1,351 thousand in respect of the euro denominated loan was recognised in equity for the Consolidated entity and the company from 10 December 2012 to the reporting date. For further details refer to note 3.24.

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

	Liabilities		Assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Euro loan	18,041	13,717	-	-
Other bank loans	7,047	-	-	-

#### 32.6.1 Foreign currency sensitivity analysis

The Group is mainly exposed to Euros and New Zealand dollars (NZD).

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

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

#### Hedges of net investments in foreign operations

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

### 32. Financial instruments (cont'd)

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

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

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

During the year net gains/(losses) after tax of \$38 thousand (2012: \$252 thousand) on the hedging instruments were taken directly to equity in the consolidated balance sheet.

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

	Liabilities		Equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Euro loan	18,041	13,717	-	-
Designated hedge of Euro loan	-	-	2,334	2,296
	<b>18,041</b>	<b>13,717</b>	<b>2,334</b>	<b>2,296</b>

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

	Euros Impact		New Zealand Dollars Impact	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Profit or (loss)</b>				
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	-	-	-	-
<b>Other equity</b>				
If there was a 10% increase in exchange rates with all other variables held constant	1,161	1,247	-	-
If there was a 10% decrease in exchange rates with all other variables held constant	(1,419)	(1,524)	-	-

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

The Group's sensitivity to foreign currency remains consistent during the current period.

## 32. Financial instruments (cont'd)

### 32.6.2 Forward foreign exchange contracts

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

There were no forward foreign exchange contracts outstanding as at reporting date (2012: nil).

## 32.7 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group holds an interest rate swap contract to manage interest rate exposure. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

### 32.7.1 Interest rate sensitivity analysis

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

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

- Net profit would increase by \$52 thousand and decrease by \$237 thousand (2012: increase by \$768 thousand and increase by \$12 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

## 32. Financial instruments (cont'd)

### 32.8 Credit risk management

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

#### 32.8.1 Financial assets and other credit exposures

	Maximum credit risk	
	2013 \$'000	2012 \$'000
<b>Consolidated</b>		
Guarantee provided under deed of guarantee	17,057	10,740

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

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

### 32.9 Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Included in note 32.9.2 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

#### 32.9.1 Liquidity and interest risk tables

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

32. Financial instruments (cont'd)

	Less than 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
<b>30 June 2013</b>			
<b>Financial assets</b>			
Trade and other receivables	26,412	-	-
Loans receivables	1,369	4,471	167
Other financial assets	9	-	-
Cash and cash equivalents	18,691	-	-
Financial guarantee contracts	-	303	-
<b>Financial Liabilities</b>			
Trade payables	(17,999)	-	-
Other payables	(11,386)	-	-
Commercial bills	-	-	-
Euro loan	-	(18,041)	-
Finance lease liability	(25)	(58)	-
Other bank loans	(7,047)	-	-
Other liabilities	-	(137)	-
Financial guarantee contracts	-	(303)	-
<b>1 July 2012</b>			
<b>Financial assets</b>			
Trade and other receivables	21,018	-	-
Loans receivables	2,929	6,589	-
Other financial assets	-	-	-
Cash and cash equivalents	40,340	-	-
Financial guarantee contracts	-	252	-
<b>Financial Liabilities</b>			
Trade payables	(18,053)	-	-
Other payables	(16,118)	-	-
Commercial bills	-	-	-
Euro loan	(11,493)	(2,224)	-
Finance lease liability	(25)	(83)	-
Other loans	(16)	(202)	-
Other liabilities	-	(235)	-
Financial guarantee contracts	-	(252)	-

32.9.2 Financing facilities

	2013 \$'000	2012 \$'000
Secured bank overdraft facility, reviewed annually and payable at call:		
amount used	7,047	-
amount unused	2,000	2,000
	<b>9,047</b>	<b>2,000</b>
Secured commercial bill facility, reviewed annually:		
amount used	32,541	13,717
amount unused	8,601	24,820
	<b>41,142</b>	<b>38,537</b>

The Consolidated entity has access to financing facilities at reporting date as indicated above. The Consolidated entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Consolidated entity expects to maintain a current debt to equity ratio approved by the Board. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

## 32. Financial instruments (cont'd)

### 32.10 Fair value of financial instruments

The fair values of derivative instruments are determined as follows:

- The present value of future cash flows estimated are discounted based on the applicable yield curves derived from quoted interest rates.

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate to their fair values.

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived inputs).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The directors consider that the financial instruments previously disclosed are classified as Level 2, and there have been no transfers between Level 1 and Level 2.

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### 33. Share-based payments

#### 33.1 Equity-settled share-based benefits

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

#### 33.2 Executive Share and Option Plan

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

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

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

The Company must not issue any shares or grant any option under this plan if, immediately after the issue or grant, the sum of the total number of unissued shares over which options, rights or other options (which remain outstanding) have been granted under this plan and any other Group employee incentive scheme would exceed 7.5% of the total number of shares on issue on a Fully Diluted Basis at the time of the proposed issue or grant.

Fully Diluted Basis means the number of shares which would be on issue if all those securities of the Company which are capable of being converted into shares, were converted into shares. If the number of shares into which the securities are capable of being converted cannot be calculated at the relevant time, those shares will be disregarded.

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

Options series	Grant date	Expiry date	Grant date fair value	Exercise price <sup>(iii)</sup>	Vesting date
(6) Issued 8 December 2006**	8 December 2006	31 August 2013	\$0.86	\$3.45	31 August 2011
(8) Issued 22 August 2007*	22 August 2007	31 August 2013	\$0.37 (i)	\$3.45	31 August 2011
(9) Issued 10 September 2007*	10 September 2007	31 August 2013	\$0.43 (ii)	\$3.45	31 August 2011
(10) Issued 3 December 2008**	3 December 2008	31 August 2014	\$0.42	\$3.07	31 August 2011
(11) Issued 30 April 2009*	30 April 2009	31 August 2014	\$0.44	\$3.07	31 August 2011
(12) Issued 2 November 2011	2 November 2011	2 November 2017	\$1.39	\$6.07	2 November 2014
(13) Issued 2 November 2011***	2 November 2011	10 August 2015	\$1.43	\$6.07	10 August 2014
(14) Issued 7 November 2012	7 November 2012	2 November 2017	\$1.17	\$9.21	7 November 2015
(15) Issued 7 November 2012****	7 November 2012	10 August 2016	\$1.16	\$9.21	10 August 2015

\* It is a condition of exercise that the optionholder be an employee of the Company at 31 August 2011.

\*\* It is a condition of exercise that the optionholder be a director of the Company as at 31 August 2011.

\*\*\* Expiry date 12 months after vesting date (on or about 10 August 2014 and 10 August 2015).

\*\*\*\* Expiry date 12 months after vesting date (on or about 10 August 2015).

(i) 1 Tranche consisting of 158,000 options were nominal at grant date.

(ii) 1 Tranche consisting of 40,000 options were nominal at grant date.

(iii) The exercise price reduced due to the Capital Returns on the 21 December 2012 by \$0.214 and 21 June 2013 by \$0.214.

### 33. Share-based payments (cont'd)

#### 33.3 Fair value of share options granted in the year

The weighted average fair value of the options granted during the 2013 year is \$1.17 (2012: 1.41). Options were priced using a binominal option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions. Expected volatility is based on the historical share price volatility since listing on 16 May 2005.

##### Inputs into the model

	Option Series							
	Series 8	Series 9	Series 10	Series 11	Series 12	Series 13	Series 14	Series 15
Grant date share price	\$3.09	\$3.09	\$3.08	\$3.08	\$6.82	\$6.82	\$9.10	\$9.10
Exercise price <sup>(ii)</sup>	\$3.45	\$3.45	\$3.07	\$3.07	\$6.07	\$6.07	\$9.21	\$9.21
Expected volatility	26.75%	26.75%	26.83%	34.04%	24.00%	24.00%	22.90%	22.90%
Option life years <sup>(i)</sup>	4.03	3.98	2.82	2.34	6.01	3.77	3.90	3.3
Dividend yield	2.90%	2.90%	3.50%	3.54%	3.08%	3.08%	2.98%	2.98%
Risk-free interest rate	6.04%	6.04%	5.56%	3.07%	3.79%	3.72%	2.73%	2.73%

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

(ii) The exercise price reduced due to the Capital Returns on the 21 December 2012 by \$0.214 and 21 June 2013 by \$0.214.

#### 33.4 Movements in share options during the period

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

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the year	1,505,667	5.11	2,537,000	3.62
Granted during the financial year	916,667	9.64	804,167	6.50
Forfeited during the financial year	-	-	(343,500)	4.01
Exercised during the financial year	(293,000)	3.50	(1,492,000)	3.58
Expired during the financial year	-	-	-	-
<b>Balance at end of the year</b>	<b>2,129,334</b>	<b>6.85</b>	<b>1,505,667</b>	<b>5.11</b>
Exercisable at end of the year	426,000	3.21	719,000	3.58

### 33. Share-based payments (cont'd)

#### 33.5 Share options exercised during the year

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

2013 Option series	Number exercised	Exercise date	Share price at exercise date (\$)
(11) Issued 30 April 2009	193,000	16 August 2012	9.70
(11) Issued 30 April 2009	100,000	14 November 2012	9.21
2012 Option series	Number exercised	Exercise date	Share price at exercise date (\$)
(8) Issued 22 August 2007	60,000	31 August 2011	7.10
(9) Issued 10 September 2007	48,000	31 August 2011	7.10
(11) Issued 30 April 2009	369,000	31 August 2011	7.10
(11) Issued 30 April 2009	100,000	1 September 2011	7.05
(11) Issued 30 April 2009	40,000	9 September 2011	7.11
(11) Issued 30 April 2009	40,000	19 October 2011	6.50
(11) Issued 30 April 2009	60,000	3 November 2011	6.85
(11) Issued 30 April 2009	10,000	8 November 2011	7.22
(11) Issued 30 April 2009	40,000	16 November 2011	7.32
(6) Issued 8 December 2006	126,000	20 February 2012	7.82
(10) Issued 3 December 2008	500,000	20 February 2012	7.82
(8) Issued 22 August 2007	99,000	22 February 2012	8.02

#### 33.6 Share options outstanding at end of the year

##### 2013

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

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

##### 2012

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

- 126,000 options with an exercise price of \$3.88, and a weighted average remaining contractual life of 1.16 years.
- 30,000 options with an exercise price of \$3.88, and a weighted average remaining contractual life of 1.16 years.
- 563,000 options with an exercise price of \$3.50, and a weighted average remaining contractual life of 2.16 years.
- 400,000 options with an exercise price of \$6.50, and a weighted average remaining contractual life of 5.34 years.
- 386,667 options with an exercise price of \$6.50, and a weighted average remaining contractual life of 3.11 years.

### 34. Key management personnel compensation

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

	2013	2012
	\$	\$
Short-term employee benefits	3,863,304	4,612,805
Post-employment benefits	198,046	163,184
Other long-term employee benefits	79,694	73,183
Termination benefits	-	-
Equity settled share-based payments	586,161	292,791
	<b>4,727,205</b>	<b>5,141,963</b>

The compensation of each member of the key management personnel of the Consolidated entity is set out on the following page.

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

Egan & Associates, an independent remuneration consultant is engaged by the Remuneration Committee to ensure that the reward practices and levels for senior management are consistent with market practice. A statement of recommendation from the remuneration consultant has been received by the board for the 2013 financial year. Payment of \$25,410 (2012: \$62,003) has been made to the remuneration consultant for the services provided on the remuneration recommendation. Additional services provided in the current year were in relation to the issuing of options under the ESOP. No other advice has been provided by the remuneration consultant for the financial year.

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

### 34. Key Management Personnel compensation (cont'd)

The compensation of each member of the key management personnel of the Consolidated entity for the current year is set out below:

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

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

(ii) Relates to long term employee entitlements expense.

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

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

34. Key Management Personnel compensation (cont'd)

The compensation of each member of the key management personnel of the Consolidated entity for the prior year is set out below:

2012 <sup>(i)</sup>	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits <sup>(ii)</sup>	Termination benefits	Share-based payment	Total	Percentage of compensation for the year consisting of options
	Salary & fees	Bonus	Non-monetary	Super-annuation			Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>									
Ross Adler	160,000	-	3,007	14,376	-	-	-	177,383	-
Barry Alty	92,000	-	3,007	8,280	-	-	-	103,287	-
Grant Bourke	80,000	-	3,007	7,200	-	-	-	90,207	-
Paul Cave	80,000	-	3,007	7,200	-	-	-	90,207	-
<b>Executive director</b>									
Don Meij	584,662	468,750	3,007	15,860	22,907	-	147,390	1,242,576	11.86%
<b>Executive officers</b>									
Richard Coney	260,915	124,384	41,497	15,794	5,245	-	23,894	471,729	5.07%
Andrew Megson	283,023	41,515	65,540	-	-	-	5,692	395,770	1.44%
Andrew Rennie	333,768	136,500	3,007	15,797	45,031	-	63,322	597,425	10.60%
Melanie Gigon	184,193	64,764	3,172	-	-	-	2,070	254,199	0.81%
Craig Ryan	184,370	50,965	3,007	15,790	-	-	9,610	263,742	3.64%
Allan Collins	352,184	72,000	3,007	15,353	-	-	21,137	463,681	4.56%
John Harney	181,412	80,000	3,007	15,795	-	-	9,610	289,824	3.32%
Chris O'Dwyer	199,703	21,000	3,007	15,790	-	-	10,066	249,566	4.03%
Patrick McMichael	165,911	267,500	3,007	15,949	-	-	-	452,367	-
	<b>3,142,141</b>	<b>1,327,378</b>	<b>143,286</b>	<b>163,184</b>	<b>73,183</b>	<b>-</b>	<b>292,791</b>	<b>5,141,963</b>	<b>5.69%</b>

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

(ii) Relates to long term employee entitlements expense

**35. Related party transactions**

**35.1 Other related party transactions**

35.1.1 Equity interests in related parties

**(i) Equity interest in subsidiaries**

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

**(ii) Equity interests in other related parties**

There are no equity interests in other related parties.

35.1.2 Transactions with key management personnel

**(i) Key management personnel compensation**

Details of key management personnel compensation are disclosed in note 34 to the financial statements.

**(ii) Loans to key management personnel**

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

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**35. Related party transactions (cont'd)**

**(iii) Key management personnel equity holdings**

Fully paid ordinary shares of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Received on exercise of options	Net other change	Balance at the end of financial year	Balance held nominally
	No.	No.	No.	No.	No.	No.
<b>2013</b>						
Ross Adler (i) (xvi)	302,221	-	-	(100,000)	202,221	-
Barry Alty (i)	104,443	-	-	-	104,443	-
Grant Bourke (i)	1,547,032	-	-	-	1,547,032	-
Paul Cave (i)	382,000	-	-	-	382,000	-
Don Meij (i) (ii)	2,787,556	-	-	-	2,787,556	-
Richard Coney (i) (iii)	719	-	65,000	(65,000)	719	-
Allan Collins	-	-	-	-	-	-
John Harney	-	-	-	-	-	-
Melanie Gigon	-	-	-	-	-	-
Andrew Megson (i) (xvii)	113,079	-	-	(20,000)	93,079	-
Andrew Rennie (i) (xv)	342,713	-	-	(25,000)	317,713	-
Andre ten Wolde (v)	-	-	100,000	(100,000)	-	-
Craig Ryan (vi)	-	-	40,000	(40,000)	-	-
Patrick McMichael (iv)	13,635	-	-	(13,635)	-	-
<b>2012</b>						
Ross Adler (i)	302,221	-	-	-	302,221	-
Barry Alty (i)	104,443	-	-	-	104,443	-
Grant Bourke (i)	1,547,032	-	-	-	1,547,032	-
Paul Cave (i)	382,000	-	-	-	382,000	-
Don Meij (i) (ii) (viii)	2,537,556	-	626,000	(376,000)	2,787,556	-
Richard Coney (i) (ix)	719	-	170,000	(170,000)	719	-
Allan Collins	-	-	-	-	-	-
John Harney (x)	-	-	40,000	(40,000)	-	-
Melanie Gigon (vii) (xi)	-	-	60,000	(60,000)	-	-
Andrew Megson (i) (xii) (xiii) (xiv)	113,079	-	239,000	(239,000)	113,079	-
Chris O'Dwyer	-	-	-	-	-	-
Andrew Rennie (i) (xv)	407,713	-	-	(65,000)	342,713	-
Craig Ryan	-	-	-	-	-	-
Patrick McMichael	13,635	-	-	-	13,635	-

(i) Includes shares held by their related parties.

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

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

(iv) During the year, Patrick McMichael sold 13,635 shares.

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

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

(vii) Melanie Gigon became a member of key management personnel on 2 August 2010. Opening balance represents balance on this date.

(viii) On 20 February 2012, Don Meij exercised 626,000 options and on the same day sold 376,000 shares.

(ix) On 31 August 2011, Richard Coney exercised 170,000 options and on the same day sold 170,000 shares.

(x) On 31 August 2011, John Harney exercised 40,000 options and on the same day sold 40,000 shares.

(xi) On 3 November 2011, Melanie Gigon exercised 60,000 options and on the same day sold 60,000 shares.

(xii) On 1 September 2011, Andrew Megson exercised 100,000 options and on the same day sold 100,000 shares.

(xiii) On 16 November 2011, Andrew Megson exercised 40,000 options and on the same day sold 40,000 shares.

(xiv) On 22 February 2012, Andrew Megson exercised 99,000 options and on the same day sold 99,000 shares.

(xv) During the year 2012, Andrew Rennie sold 65,000 shares and during 2013 he sold 25,000 shares.

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

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

35. Related party transactions (cont'd)

Executive share options of Domino's Pizza Enterprises Limited

	Balance at beginning of financial year	Granted as compensation	Exercised	Net other change	Balance at the end of financial year	Balance vested at the end of financial year	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>2013<sup>(i)</sup></b>									
Don Meij	400,000	500,000	-	-	900,000	-	-	-	-
Richard Coney	115,000	80,000	(65,000)	-	130,000	-	-	-	-
Andrew Megson	-	-	-	-	-	-	-	-	-
Andrew Rennie	472,667	166,667	-	-	639,334	306,000	-	306,000	-
Melanie Gigon	15,000	-	-	-	15,000	15,000	-	15,000	-
Allan Collins	117,500	57,500	-	-	175,000	60,000	-	60,000	-
John Harney	25,000	25,000	-	-	50,000	-	-	-	-
Craig Ryan	65,000	25,000	(40,000)	-	50,000	-	-	-	-
Patrick McMichael	-	-	-	-	-	-	-	-	-
Andre ten Wolde	100,000	-	(100,000)	-	-	-	-	-	-
<b>2012<sup>(ii)</sup></b>									
Don Meij	710,000	400,000	(626,000)	(84,000)	400,000	-	-	-	626,000
Richard Coney	235,000	50,000	(170,000)	-	115,000	65,000	-	65,000	235,000
Andrew Megson	305,000	-	(239,000)	(66,000)	-	-	-	-	239,000
Andrew Rennie	390,000	166,667	-	(84,000)	472,667	306,000	-	306,000	306,000
Melanie Gigon	85,000	-	(60,000)	(10,000)	15,000	15,000	-	15,000	75,000
Allan Collins	60,000	57,500	-	-	117,500	60,000	-	-	60,000
John Harney	40,000	25,000	(40,000)	-	25,000	-	-	-	40,000
Craig Ryan	40,000	25,000	-	-	65,000	40,000	-	40,000	40,000
Chris O'Dwyer	83,000	22,500	-	-	105,500	83,000	-	83,000	83,000
Patrick McMichael	-	-	-	-	-	-	-	-	-

- (i) During the financial year, Don Meij and other executives were granted share options under the ESOP on 7 November 2012. In addition, 205,000 options (2012:1,135,000 options) were exercised by key management personnel for 205,000 ordinary shares in the Company (2012: 1,135,000 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end. Further details of the options granted are contained in notes 33 & 35 to the financial statements.
- (ii) During the financial year, Don Meij and other executives were granted share options under the ESOP on 2 November 2011. In addition, 1,135,000 options (2011:112,500 options) were exercised by key management personnel for 1,135,000 ordinary shares in the Company (2011: 112,500 ordinary shares). No amounts remain unpaid on the options exercised during the financial year at year end. Further details of the options granted are contained in notes 33 & 35 to the financial statements.

**35. Related party transactions (cont'd)**

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

Further details of the ESOP are contained in note 33 to the financial statements.

**(iv) Other transactions with directors of the Consolidated entity**

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

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

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

**(vi) Transactions with other related parties**

Other related parties include:

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

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

### 35. Related party transactions (cont'd)

#### (vii) Transactions within the wholly-owned group

The wholly-owned-group includes:

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

The wholly-owned Australian entities within the 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 17 to the financial statements for members of the tax-consolidated group.

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

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

During the financial year, services were provided by:

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

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

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

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

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

#### (viii) Parent entities

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

36. Acquisition of businesses

Name of businesses acquired	Principal activity	Date of acquisition	Proportion of share acquired (%)	Cost of acquisition in 2013 \$'000	Cost of acquisition in 2012 \$'000
<b>Acquisition of stores</b>					
<i>During the year: Significant contract acquisitions for Australia and New Zealand</i>					
<b>2013</b>					
4 Australian stores	Pizza stores	November 2012	100%	833	
15 Australian Stores	Pizza stores	April 2013	100%	10,000	
<b>2012</b>					
5 stores	Pizza stores	September 2011	100%		2,132
2 stores	Pizza stores	Oct & Nov 2011	100%		590
3 stores	Pizza stores	June 2012	100%		350
<i>During the year: Significant contract acquisitions for Europe</i>					
<b>2013</b>					
8 European stores	Pizza stores	July 2012	100%	2,209	
<b>2012</b>					
3 stores	Pizza stores	August 2011	100%		566
2 stores	Pizza stores	October 2011	100%		1,168
5 stores	Pizza stores	May 2012	100%		1,433
<i>During the year: Other store acquisitions</i>					
<b>2013</b>					
10 stores in aggregate (AU)	Pizza stores	July - June 2013	100%	2,678	
1 New Zealand store	Pizza store	Jun-13	100%	504	
11 stores in aggregate (EU)	Pizza stores	July - June 2013	100%	2,883	
<b>2012</b>					
13 stores in aggregate (AU)	Pizza stores	July 2011 to June 2012	100%		3,924
1 New Zealand store	Pizza store	December 2011	100%		240
5 stores in aggregate (EU)	Pizza stores	July 2011 to June 2012	100%		1,573
<b>Total store acquisitions during full year ended</b>				<b>19,107</b>	<b>11,976</b>

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

Goodwill arising on acquisitions in Europe is expected to be deductible for tax purposes.

### 36. Acquisition of businesses (cont'd)

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

#### Acquisition of stores

	Fair value on acquisition	
	2013 \$'000	2012 \$'000
<b>Net assets acquired</b>		
<b>Current assets:</b>		
Cash and cash equivalents	4	12
Inventories	26	88
Other current assets	-	-
	<b>30</b>	<b>100</b>
<b>Non-current assets</b>		
Plant & equipment	5,224	3,228
Other intangible assets	-	-
	<b>5,224</b>	<b>3,228</b>
<b>Net assets</b>	<b>5,254</b>	<b>3,328</b>
Goodwill on acquisition	13,853	8,648
	<b>19,107</b>	<b>11,976</b>

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.

### 37. Cash and cash equivalents

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

	2013 \$'000	2012 \$'000
Cash and cash equivalents	18,691	40,340
	<b>18,691</b>	<b>40,340</b>

### 37 Cash and cash equivalents (cont'd)

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

	2013 \$'000	2012 \$'000
Profit for the year	28,657	26,936
(Gain)/loss on sale or disposal of non-current assets	(2,979)	(2,223)
Equity settled share-based payments	635	320
Depreciation and amortisation	12,792	10,029
Other	(690)	562
	<b>38,415</b>	<b>35,624</b>
Movement in working capital:		
(Increase)/decrease in assets:		
Trade and other receivables	(3,751)	(3,345)
Inventories	(585)	(1,772)
Other current assets	(2,131)	409
Increase/(decrease) in liabilities:		
Trade and other payables	1,704	4,521
Provisions	606	355
Tax liability	(1,175)	477
Deferred tax balances	97	1,409
<b>Net cash generated from operating activities</b>	<b>33,180</b>	<b>37,678</b>

#### 37.2 Businesses acquired

##### *Acquisition of stores*

During the financial year, 49 businesses were acquired in Australia, New Zealand and Europe (2012: 39 businesses). The net cash outflow on acquisition in the financial statements was \$19,107 thousand (2012: \$11,976 thousand).

Included in the above 49 stores, is 15 that the company purchased through the acquisition of Nisco Trading Pty Ltd, as per the ASX announcement on 13 February 2013. The Purchase Price for the acquisition of the Knight Stores was subject to a minimum Purchase Price of \$10,000,000 and maximum Purchase Price of \$13,878,000. Of the maximum purchase price, \$3,878,000 related to a contingent consideration being an earn out component, subject to the achievement of certain financial performance targets. The Earn Out component was provided in the form of a Performance Share issued at completion, which would convert into DMP ordinary shares in 2015 depending on the extent to which the Earn Out targets were achieved. These targets were not met as at 30 June 2013 resulting in the final purchase price of \$10,000,000, with the performance share expected to be converted in 2015 at a nominal value to extinguish the performance share.

The Company advises, in accordance with the terms of the ASX approval of the Performance Share that comprised the Earn Out component of the purchase price of 15 stores purchased through the acquisition of Nisco Trading Pty Ltd as announced to ASX on 13 February 2013 and approved by the Company's shareholders on 25 March 2013, that:

- There is, and will only be, one such Performance Share on issue;
- The Performance Share will convert to only a Marketable Parcel (as defined in the ASX Listing Rules) of fully paid ordinary shares in or about September 2015; and
- The Performance Share will not convert to ordinary shares before September 2015, and will not in any circumstances convert to any more than a Marketable Parcel of ordinary shares. There are no applicable milestones to be met in respect of the Performance Share that might increase that number.

#### 37.3 Non-cash financing and investing activities

During the current financial year, the Consolidated entity did not acquire any equipment under finance lease (2012: Nil).

### 38. Operating lease arrangements

#### 38.1 Leasing arrangements

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

##### 38.1.1 Non-cancellable operating lease commitments

	2013 \$'000	2012 \$'000
Not longer than 1 year	19,239	16,356
Longer than 1 year and not longer than 5 years	46,260	35,815
Longer than 5 years	8,925	6,414
	<b>74,424</b>	<b>58,585</b>

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

	2013 \$'000	2012 \$'000
<b>Current</b>		
Make good (note 25)	25	25
<b>Non-current</b>		
Straight line leasing (note 25)	141	177
	<b>166</b>	<b>202</b>

### 39. Commitments for expenditure

#### 39.1 Capital expenditure commitments

	2013 \$'000	2012 \$'000
Plant & Equipment	226	1,707

#### 39.2 Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 27 and 38 to the financial statements.

### 40. Contingent liabilities and contingent assets

#### 40.1 Contingent liabilities

	2013 \$'000	2012 \$'000
Guarantees - franchisee loans and leases	10,010	10,740

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.

	2013 \$'000	2012 \$'000
Guarantees – parent entity guarantee over subsidiary borrowings	7,047	-

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

#### 40 Contingent liabilities and contingent assets (cont'd)

##### Other

Set out below are details of claims against the Group. The Company believes that no provision is required as it is not probable that a sacrifice of future economic benefit will be required or the amount is not capable of reliable measurement.

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

#### 41. Remuneration of auditors

##### 41.1 Auditor of the parent entity

Audit or review of the consolidated financial statements  
Other non audit services - due diligence  
- investigating accountants

##### 41.2 Network firm of parent entity auditor

Audit of the financial statements:  
Europe  
Europe Taxation services  
Other non audit services - Japan - due diligence services

Consolidated	
2013	2012
\$	\$
217,540	217,540
169,005	-
57,500	-
<b>444,045</b>	<b>217,540</b>
132,344	136,871
17,612	12,909
413,898	-
<b>563,854</b>	<b>149,780</b>

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

#### 42. Events after the reporting period

On 12 August 2013, the directors declared a final dividend for the financial year ended 30 June 2013 as set out in note 31.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity, in future financial years.

#### Acquisition

On 13 August 2013, the Group announced that Aurora Australia Co., Ltd, a newly-formed and wholly-owned subsidiary of Domino's Pizza Enterprises Limited, had entered into a share purchase agreement with Bain Capital Domino Hong Kong Limited (Bain) to purchase 100% of the ordinary shares in K.K. DPJ Holdings 1 (Holdings). Holdings is the parent company of Domino's Pizza Japan, Inc. (DPJ) which holds the master franchisee rights for Domino's Pizza in Japan. Immediately following completion of the acquisition Bain will reinvest approximately ¥4 billion (A\$45 million) to subscribe for 25% of the issued shares in Aurora Australia Co., Ltd. The net effect is that the Group will acquire a 75% equity interest in DPJ for ¥12.0 billion (A\$135 million).

The acquisition will be funded by a combination of debt and equity. The debt funding will be provided under a new bilateral facility agreement with the Commonwealth Bank of Australia and an amendment to the Group's existing facility agreement with Westpac Banking Corporation. The new debt facilities will enable DPE to on-lend approximately ¥9.0 billion (A\$101 million) of debt to DPJ. The facilities will be denominated in Japanese yen and Australian dollars, have a five-year term and have foreign currency and interest rate exposures that will be managed pursuant to hedging arrangements. On 13 August 2013, the Group also announced a proposed 5 for 23 fully underwritten accelerated pro-rata renounceable rights issue to raise up to A\$156 million to fund the acquisition. The parties have entered into a Shareholders' Agreement which regulates the operation and funding of Aurora Australia Co., Ltd.

## 42 Events after the reporting period (cont'd)

Completion is conditional on: (a) the debt providers not defaulting on their obligations to provide loans under the facility agreements, and; (b) on the underwriting agreement not being: (i) unlawfully terminated by the underwriter on or before 28 August 2013, or; (ii) otherwise terminated due to customary market fall, hostility and market failure underwriting termination events. Completion is also subject to other customary conditions precedent including compliance with the terms of the acquisition agreement, no intervening illegality, no breach of representations and warranties and no material adverse change relating to DPJ.

The acquisition is expected to complete in September 2013.

## 43. Parent entity information

### 43.1 Financial position

	2013 \$'000	2012 \$'000
<b>Assets</b>		
Current assets	27,514	49,686
Non-current assets	116,662	99,924
<b>Total assets</b>	<b>144,176</b>	<b>149,610</b>
<b>Liabilities</b>		
Current liabilities	38,450	34,466
Non-current liabilities	21,643	6,389
<b>Total liabilities</b>	<b>60,093</b>	<b>40,855</b>
<b>Equity</b>		
Issued capital	40,855	69,872
Retained earnings	41,112	37,399
<b>Reserves</b>		
Equity-settled share-based benefits	2,532	1,898
Hedging	(415)	(415)
<b>Total equity</b>	<b>84,084</b>	<b>108,754</b>

### 43.2 Financial performance

	2013 \$'000	2012 \$'000
Profit for the year	24,458	23,331
Other comprehensive income	-	496
<b>Total comprehensive income</b>	<b>24,458</b>	<b>23,827</b>

### 43.3 Contingent liabilities of the parent entity

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

## 44. Approval of financial statements

The financial statements were approved by the Board of directors and authorised for issue on 13 August 2013.

**Additional stock exchange information as at 2 August 2013**

**Number of holders of equity securities**

**Ordinary share capital**

- 70,192,674 fully paid ordinary shares are held by 2,616 individual shareholders.
- All issued ordinary shares carry one vote per share, however partly paid shares do not carry the rights to dividends.

**Options**

- 2,129,334 options are held by 10 individual option holders.
- Options do not carry a right to vote.

**Distribution of holders of equity securities**

	Fully paid ordinary shares	Partly paid ordinary shares	Converting cumulative preference shares	Redeemable preference shares	Converting non-participating preference shares	Convertible notes	Options
100,001 and over	27	-	-	-	-	-	4
10,001 – 100,000	79	-	-	-	-	-	6
5,001 – 10,000	103	-	-	-	-	-	-
1,001 – 5,000	833	-	-	-	-	-	-
1 – 1,000	1,574	-	-	-	-	-	-
	<b>2,616</b>	-	-	-	-	-	<b>10</b>
Holding less than a marketable parcel	98	-	-	-	-	-	-

**Substantial shareholders**

Ordinary shareholders	Fully Paid		Partly Paid	
	Number	Percentage	Number	Percentage
Somad Holdings Pty Ltd	16,683,217	23.77%	-	-
FMR Corp and Fil	9,506,413	13.54%	-	-
Hyperion Asset Management Limited	6,008,851	8.56%	-	-
Capital Group Companies Inc.	4,002,300	5.70%	-	-
	<b>36,200,781</b>	<b>51.57%</b>	-	-

Additional stock exchange information as at 2 August 2013 (cont'd)

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid		Partly Paid	
	Number	Percentage	Number	Percentage
Somad Holdings Pty Ltd	18,505,495	26.36%	-	-
J P Morgan Nominees Australia Limited	14,763,497	21.03%	-	-
Hsbc Custody Nominees (Australia) Limited	10,931,013	15.57%	-	-
National Nominees Limited	5,432,526	7.74%	-	-
Citicorp Nominees Pty Limited	3,444,356	4.91%	-	-
Bnp Paribas Noms Pty Ltd	2,651,299	3.78%	-	-
Mr Donald Jeffrey Meij & Mrs Esme Francesca Meij	1,837,061	2.62%	-	-
Citicorp Nominees Pty Limited	1,222,659	1.74%	-	-
Mr Grant Bryce Bourke	697,001	0.99%	-	-
Rbc Investor Services Australia Nominees Pty Limited	675,264	0.96%	-	-
Mr Grant Bryce Bourke & Mrs Sandra Eileen Bourke	660,031	0.94%	-	-
Mr Donald Jeffrey Meij	626,000	0.89%	-	-
Somad Holdings Pty Ltd	429,227	0.61%	-	-
Bnp Paribas Nominees Pty Ltd	418,113	0.60%	-	-
Clyde Bank Holdings (Aust) Pty Ltd	332,000	0.47%	-	-
Warbont Nominees Pty Ltd	300,144	0.43%	-	-
Pizza People Enterprises Pty Ltd	286,939	0.41%	-	-
Success Pizzas Pty Ltd	200,000	0.28%	-	-
Mr Grant Bryce Bourke	190,000	0.27%	-	-
Amp Life Limited	157,067	0.22%	-	-
	<b>63,759,692</b>	<b>90.84%</b>	-	-

## 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** 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 33 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.

**EBITA** means earnings before interest expense, tax and amortisation.

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

**Existing Store Sales Growth** means sales growth of stores that have been trading for 54 weeks or more.

**European Same Store Sales Growth** means comparable growth in sales across those European stores that were in operation at least 12 months prior to the date of the reported period.

**Franchised Store** means a pizza store owned and operated by a Franchisee and Franchise Network means the network of Franchised Stores.

**Franchisees** means persons and entities who hold a franchise from the Company to operate a pizza store under the terms of a sub-franchise agreement.

**Listing Rules** means the Listing Rules of the ASX.

**Network** or **Domino's Pizza Network** or **Network Stores** means the network of Corporate Stores and Franchised Stores.

**Network Sales** means the total sales generated by the Network.

**New Zealand Network** means the network of Corporate Stores and Franchised Stores located in New Zealand.

**NPAT** means net profit after tax.

**Related Bodies Corporate** has the meaning given to it by section 50 of the Corporations Act.

**Registry** means Links Market Services Pty Limited.

**Same Store Sales Growth** means comparable growth in sales across those stores that were in operation at least 12 months prior to the date of the reported period.

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

## Corporate directory

### Directors

#### Ross Adler

##### Non-Executive Chairman

Ross has held numerous Directorships including Non-Executive Director of the Commonwealth Bank of Australia from 1991 to 2004 and Director of Telstra from 1995 to 2001. His other appointments include Chief Executive Officer of Santos Limited from 1984 to 2000 and Chairman of AUSTRADE from 2001 to 2006. Ross is currently Executive Chairman of Amtrade International Pty Ltd and holds a Bachelor of Commerce from Melbourne University as well as an MBA from Columbia University.

#### Barry Alty

##### Non-Executive Director

Barry has over 47 years' experience in the retail industry. He has worked with a number of leading retailers including Woolworths and Foodland. His senior management roles include Managing Director for Foodland in 1994 and General Manager for Queensland Independent Wholesalers in 1987. Barry has also held various other industry consulting appointments in Queensland and Papua New Guinea.

#### Grant Bourke

##### Non-Executive Director

Grant joined Domino's Pizza in 1993 as a franchisee and in 2001 sold his eight stores to Domino's Pizza. In 2001, Grant became a Director for Domino's Pizza and from 2001 to 2004 he managed the Company's Corporate Store Operations. In July 2006, Grant was appointed Managing Director, Europe. Grant has been a Non-Executive Director since September 2007. Grant holds a Bachelor of Science (Food Technology) from the University of NSW and an MBA from The University of Newcastle.

#### Paul Cave

##### Non-Executive Director

Paul is the Chairman and Founder of BridgeClimb, which he started in 1998. Paul and the BridgeClimb business have been highly recognised by the tourism and business community in Australia. Made a Member of the Order of Australia, in the Queen's Birthday Honours 2010, for his services to the tourism industry. Awarded the National Entrepreneur of the Year (Business Award) in 2001, and the Australian Export Heroes Award in 2002-03. Worked in marketing and general management roles for B&D Roll-A-Door and also founded the Amber Group in 1974, which he sold in 1996. Director of Chris O'Brien Lifehouse at RPA, and founding Director of InterRisk Australia Pty Ltd. Paul holds a Bachelor of Commerce from the University of NSW.

#### Don Meij

##### Chief Executive Officer / Managing Director

Don started as a delivery driver in 1987 and held various management positions with Silvio's Dial-a-Pizza and Domino's Pizza until 1996. Don then became a Domino's Pizza franchisee, owning and operating 17 stores before selling them to Domino's Pizza in 2001. At that time, Don became Chief Operating Officer and Chief Executive Officer / Managing Director in 2002. Don was Ernst & Young's Australian Young Entrepreneur of the Year in 2004.

### Company secretary

**Mr C.A. Ryan** BA LLB LLM ACIS

### Registered office

#### Domino's Pizza Enterprises Ltd

ABN 16 010 489 326

KSD1, L5  
485 Kingsford Smith Drive  
Hamilton  
Brisbane QLD 4007  
Tel: +61 (0) 7 3633 3333

### Principal administration office

KSD1, L5  
485 Kingsford Smith Drive  
Hamilton  
Brisbane QLD 4007  
Tel: +61 (0) 7 3633 3333

### Auditors

#### Deloitte Touche Tohmatsu

Level 25, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

### Solicitors

#### Thomsons Lawyers

Level 16, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

#### DLA Piper Australia

Level 28, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

### Share registry

#### Link Market Services Limited

Level 15, 324 Queen Street  
Brisbane QLD 4000  
Tel: 1300 554 474 (in Australia)  
Tel: +61 (0) 2 8280 7111 (overseas)

### Stock Exchange

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

### ASX Code

**DMP**

### Website Address

**dominos.com.au**